2004-02-09

Mr. Paul Pudge, Assistant Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 26th Floor
Toronto, ON M4P 1E4

Dear Mr. Pudge:

Re: RP-2003-0144 – Staff Report to the Board on Demand-Side Management and Demand Response

In reviewing the staff report to the Board regarding the implementation of Demand-Side Management (DSM) and Demand Reduction (DR) programs in the electricity and gas distribution sectors, we would like to offer the following comments and concerns.

As has been stated throughout first generation PBR, the introduction of DSM programs within the newly restructured electricity environment introduces issues relating to the distinction between the regulated "wires company" and unregulated activities. Further to this, distributors may be subject to the loss of revenues as a result of the successful performance of DSM programs.

EnWin Powerlines Ltd. is fully aware and supports the need for energy conservation, energy efficiency, load management, load reduction and cleaner sources of energy, however not at the possible determent of the Local Distribution Company (LDC). In all set of circumstances relating to the delivery of DSM/DR programs, whether the LDC plays the role of Central Agency, some hybrid form, or simply a Delivery Agent, there ought be assurance that the LDC will be kept whole. More specifically this would include the cost of implementing the DSM program and a means to recover any loss of revenue requirements resulting from deceased consumption relating to successful DSM programs and an incentive program that would see the LDC receive a part of any energy savings generated.

There are specific programs that an LDC can implement within its' distribution system to reduce energy losses. These programs include the use of energy efficient distribution transformers, and the use of 27.6 kV conversion programs that would remove older loss intensive 4.16 kV substations. For every 1 percentage reduction in system losses there is a 5 MW reduction in demand within *ENWIN*'s distribution system. The OEB must provide the financial incentives for cash strapped LDC's to fund these capital-intensive programs. The immediate implementation of rebasing of distribution rates using current book values of capital infrastructure would be a step in the right direction. In addition, the change away from the current fixed/variable distribution rate regime to a fixed distribution rate regime would go a long way in resolving the LDC revenue issue.

It is very important to the success of these programs to have the commitment and involvement of Electricity Distributors and also the related mechanisms in place to provide incentive.

Sincerely,

ENWIN Powerlines Ltd.

Tom Kosnik
President & COO
tkosnik@enwinpowerlines.com
Fax: (519) 251- 7308