

Terra *Power* Systems Inc.

February 8, 2004

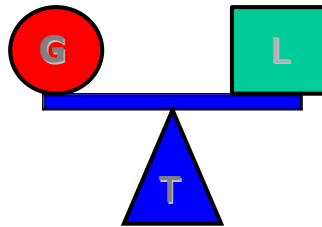
Ontario Energy Board

P.O. Box 2319
2300 Yonge Street
26th Floor
Toronto, Ontario
M4P 1E4
Telephone: (416) 481-1967
Fax: (416) 440-7656

Draft Comment for the OEB RP-2003-0144 – Due Monday February 9th

Reg: Staff Report to the Board on “Demand-Side Management and Demand Response in the Ontario Energy Sectors”

A Question of *Balance* &
Equal Pay for Equal Performance



We should once and for all abandon the notion that the “price” and “price discovery” can do all things.

The Market is a question of balance. In the physical sense the market **MUST** balance both the supply & demand in real-time. In the economic sense, the dollars [\$] should balance as well. However, to expect that computers can balance the \$ in real-time or near-real time is just dreaming in Technicolor. For an efficient market, the economics of electricity production, distribution and consumption should be transparent to all users. Price discovery helps in this regard, but it is far from perfect.

We identified the pearls several years ago. The deregulated market does not accept the contribution that loads (customers) can make in maintaining the economic balance to help lower prices and the physical balance to help increase system stability. Yet, we continue to spend millions to try and make “price discovery” the solution to fix faulted logic.

We have been consistent in our criticism. Demand response and demand management should have been the corner stones of the new deregulated market and not an after

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thought. I still believe that the stones rejected by the builders of deregulation will eventually become the corner stones of a renewed market. I hope that the Central Agency will give due considerations to the expertise that already exists in this area.

Instead of price as the sole driver, we need to look at technologies. The balance includes generation, transmission & distribution (T&D) and loads. Each needs to be compensated, based on the overall contribution made to the efficiency of the overall market.

Equal pay for equal performance... The calculated benefits need to be measured, verified and then applied. For example, if thermal energy storage (TES) can contribute “X” to price stability and “Y” to system reliability these values need to be made available to those willing to invest in the technology that can make it happen. Follow-up is required to make sure that the benefits are fairly distributed (both for supply & demand).

Where technologies are lacking, in generation, transmission or loads, R&D needs to be part of the equation.

I would be happy to help the OEB formulate additional information on the operation of the Central Agency.

The key items missing in the report are:

1. R&D Funding to investigate new and emerging technologies plus existing technologies that the market has ignored
2. Reestablish OEB rate-making to launch pilot rates that address the disincentive created by some LDC rates on load shifting **(This is an immediate need)**
3. Consider benefits of emergency demand response and create a payment for emergency demand response that properly reflects the ability of loads to contribute the equivalent of spinning reserve. **(This is an immediate need)**

Regards

F.J. Lenarduzzi, GM

Terra *Power* Systems Inc.

E-Mail: flenarduzzicogeco.ca

Phone: 416-996-3539