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Ontario Energy Board
Attention: Paul Pudge
2300 Yonge Street
26th Floor
Toronto, ON M4P 1E4

Dear Mr. Pudge:

RE: RP-2003-0144 - Demand-Side Management and Demand Response in Ontario Energy Sectors

In response to the Ontario Energy Board's request for comments pertaining to the staff report to the Board on "**Demand-Side Management and Demand Response in Ontario Energy Sectors**", TransCanada Energy Ltd. would like to outline the following concern.

The recently released "**Electricity Conservation and Supply Task Force Report**" acknowledges that attracting investment in new sources of electrical generation in Ontario is a high priority given that by 2007 a 5000-7000 megawatt capacity shortfall is expected. In the same report the Task Force recommends a number of steps the province of Ontario should take to encourage investment in Distributed Generation (DG) projects. The Task Force defined DG as generation located close to the customer it serves. The Task Force outlined support for DG projects because of the benefits associated with locating generators close to load, including, the avoidance of costly transmission and distribution investments, reductions in line losses, and enhanced system reliability.

The recommendation in the Staff report to the Board, that DSM and DR initiatives should be funded by a "non-bypassable consumption charge" on all electricity and gas consumers contradicts the Task Force recommendation that investment in DG projects should be encouraged in Ontario. These charges will create another barrier to investment in DG, especially gas-fired projects. Given the need to address the pending capacity shortfall identified in the Task Force Report, the Board should ensure that barriers to investment in new sources of generation are eliminated and not constructed.

Should you have any questions or concerns, please do not hesitate to contact Brian Kelly at 416-869-2183.

Sincerely,
TransCanada Energy Ltd.

Brian Kelly

cc. Bill Taylor – TransCanada Power Marketing
Finn Greflund – TransCanada Energy Ltd.



Kristine Delkus – TransCanada Energy Ltd