

E4 Inc.

February 16, 2004

Mr. Peter H. O'Dell, Assistant Secretary
Ontario Energy Board
2300 Yonge Street
Toronto, ON M4P 1E4

Dear Mr. O'Dell:

re: Submission by E4 Inc. to Consultation RP 2004-0020

The OEB staff discussion paper, Review of Further Efficiencies in the Electricity Distribution Sector, reviewed opportunities for improved operational and structural efficiencies, especially those related to further consolidation.

This submission by E4 draws attention to opportunities for LDCs to achieve greater operating efficiencies in meeting their responsibilities related to the wholesale market/retail market interface. These opportunities do not depend on future structural changes such as further consolidation of existing LDCs.

The Context

The enactment of Bill 210 (37th Legislature) and Bill 4 (38th Legislature), together with their associated regulations, established new requirements and obligations for LDCs and retailers. LDCs and retailers are the means through which the government has provided specific levels and forms of price certainty to certain classes of electricity consumers.

The Opportunity for Improved Efficiency

The business processes and procedures to implement the government's legislative and regulatory requirements for price certainty differ widely between organizations. Significant improvements in accuracy and efficiency are possible and practical. The benefits of achieving greater operating efficiencies in the reconciliation of payments for the monthly commodity costs of the price-capped load will accrue not only to the customers of LDCs in the form of lower costs but also to taxpayers.

In addition, audits of the transactions between each LDC (and retailer) and the Electricity Consumer Price Protection Fund will encounter challenges of data verifiability and comparability between different LDCs and retailers. An accurate, rapid, and verifiable set of business processes to reconcile payments for the price-capped load would substantially reduce the necessary scope and costs of such audits.

Next Steps

The Board should require evidence from LDCs and retailers that, on a going-forward basis, each LDC and retailer adopts an accurate, rapid, and verifiable set of business processes to reconcile payments for the monthly commodity costs of its price-capped load. Such a set of business processes will also be essential to the documentation of future demand management impacts.

*357 Banbury Road
Toronto, Ontario M2L 2V2
(416)385-0902 byang@e4.on.ca*

E4 Inc.

Corporate Description

E4 provides consulting on economic, financial, environmental, and regulatory issues. E4 contracts out the consulting services of **Bunli Yang**, and it forms partnerships and joint ventures with other firms to serve clients. The "E4" refers to business consulting on **economics, environment, energy, and electro-technologies**.

E4 offers consulting on:

- regulatory issues,
- impacts of market rules,
- settlements, billing, and purchasing of electricity,
- market-based environmental strategies,
- price-responsive loads and energy efficiency,
- renewable energy technologies and green power procurement,
- mitigating and adapting to climate change,
- business processes and information technology requirements,
- data mining and decision support,
- communications strategies.

Experience and Qualifications

Bunli Yang served in a number of program and policy roles in the US federal and Ontario governments for more than 20 years. Since 1995, he has been the principal of E4 Inc., which assists private and public sector clients with their communications strategies, assessments of energy use, settlements processes, energy trading and risk management tools, regulatory requirements, environmental policies, and management of uncertainties.

E4 advises a number of clients on participating in Ontario's electricity market. E4 produced for Ontario's Independent Electricity Market Operator (IMO) an overview of the new competitive marketplace for potential market participants. The overview describes how the new electricity market is designed to work and the IMO's role in it. E4 has also developed and written for the IMO several documents for capability training on settlements, market operations, and public consultation.

E4 has knowledge in depth of the requirements of the Market Rules on participants and how to deal with them. E4 has represented independent power producers at the IMO's stakeholder consultations about the consequences of new market rules, and E4 has advised utilities, the IMO, energy marketers, and large customers on strategic planning, internal business processes, regulatory affairs, communications, and environmental issues related to the competitive electricity market. E4 currently advises a number of independent power producers on Ontario's competitive market. E4 also assists utilities and retail marketers to develop settlement procedures and systems. During the run-up to market opening, E4 facilitated a series of sessions on market readiness for 25 utilities and the Electricity Distributors Association.

357 Banbury Road

Toronto, Ontario

(416)385-0902

M2L 2V2

byang@e4.on.ca

E4 Inc.

E4 currently assists energy consumers in their procurement and contracting for electricity, as well as green power, certificate trading, and demand management.

E4 has provided a number of assessments for governments, utilities, and electricity users of the design and use of economic instruments such as tradeable permits, under both cap-and-trade and open market credit systems, for air emissions such as SO_x, NO_x, CO₂, and toxics such as benzene and lead. E4 has advised on the acquisition and use of such market-based instruments. E4 has assisted the development of tracking and certification systems for environmental attributes of retail electricity and the expansion of green power purchasing.

E4 has in-depth experience with the emerging renewable energy technologies such as wind power and photovoltaics. In 1995 Mr. Yang developed and managed Ontario Hydro's first competitive bidding process for power purchase agreements with non-utility, renewable energy generators. Ontario Hydro ended its bidding process in early 1997, largely as a result of the pace of electricity industry restructuring.

During his tenure at the Ontario Ministry of Energy, Mr. Yang was responsible for the development of several key legislative and program initiatives:

- the first Transportation Energy Management Program in Canada, in 1978;
- Ontario's Energy Efficiency Act, in 1988;
- Ontario's first strategy on global warming, in 1990;
- Ontario's Council on Renewable Energy, in 1992.

Publications for the Independent Electricity Market Operator (IMO)

Participating in Ontario's New Competitive Electricity Market, December 1999

Understanding Settlements: A Guide to Statements and Invoices, November 2000

Market Operations, April 2001

IMO Draft Consultation Handbook, November 2001