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BY E-MAIL AND WEB POSTING

April 10, 2014

**To: All Rate-regulated Natural Gas Distributors
All Licensed Electricity Distributors
All Members of Enbridge Gas Distribution Inc.'s and Union Gas
Limited's DSM Consultative Groups**

**Re: Consultation Process for Developing a New Demand Side
Management Framework for Natural Gas Distributors
EB-2014-0134**

This letter outlines the consultation process by which the Board will develop a new Demand Side Management (DSM) Framework for rate-regulated natural gas distributors for the period January 2015 to December 2020. It also provides information on the next steps the Board will take to support the conservation and demand management (CDM) activities of licensed electricity distributors for the same period.

Background

The DSM Guidelines for natural gas distributors, issued by the Board on June 30, 2011, provides for a three-year term ending December 31, 2014. As the current DSM term is nearing its conclusion, the Board is initiating a consultation process to review the current DSM Guidelines and develop a new DSM Framework to be used for the development of the next generation of DSM plans.

On March 31, 2014, the Minister of Energy issued a [Directive](#) to the Board (the "DSM/CDM Directive") that among other things requires the Board to establish a DSM policy framework and to do so having regard to the following Government objectives:

- That the DSM Framework shall span a period of six years, commencing on January 1, 2015, and shall include a mid-term review to align with the mid-term review of the Conservation First Framework;

- That the DSM Framework shall enable the achievement of all cost-effective DSM and more closely align DSM efforts with CDM efforts, as far as is appropriate and reasonable having regard to the respective characteristics of the natural gas and electricity sectors;
- That Gas Distributors shall, where appropriate, coordinate and integrate DSM programs with Province-Wide Distributor CDM Programs and Local Distributor CDM Programs to achieve efficiencies and convenient integrated programs for electricity and natural gas customers;
- That Gas Distributors shall, where appropriate, coordinate and integrate low-income DSM Programs with low-income Province-Wide Distributor CDM Programs or Local Distributor CDM Programs;
- That the Board shall annually review and publish the verified or audited results of each Gas Distributor's DSM programs;
- That an achievable potential study for natural gas efficiency in Ontario should be conducted every three-years, with the first study completed by June 1, 2016, to inform natural gas efficiency planning and programs. The achievable potential study should, as far as is appropriate and reasonable having regard to the respective characteristics of the natural gas and electricity sectors, be coordinated with the OPA with regard to the OPA's requirement to conduct an electricity efficiency achievable potential study every three-years;
- That DSM shall be considered to be inclusive of activities aimed at reducing natural gas consumption, including financial incentive programs and education programs; and
- That lost revenues resulting from DSM Programs should not act as a disincentive to Gas Distributors in undertaking DSM activities.

Also, the DSM/CDM Directive states that by January 1, 2015, the Board shall have considered and taken such steps as considered appropriate by the Board towards implementing the government's policy of putting conservation first in Distributor and Gas Distributor infrastructure planning processes at the regional and local levels, where cost-effective and consistent with maintaining appropriate levels of reliability.

DSM Framework for Natural Gas Distributors

Given the evolving policy environment, the Board intends to undertake a comprehensive review of the framework governing gas distributors' DSM activities. In developing the new DSM Framework, the Board will consult broadly with stakeholders.

For the first phase of this consultation, the Board has determined that it would be beneficial to form a DSM Working Group to provide initial input and advice to Board staff on the development of a draft DSM Framework. The draft framework will then be the subject of broader consultation with all interested stakeholders. The composition of the DSM Working Group is described further below.

During the course of the consultation, the Board will specifically consider what elements of the current DSM Framework remain appropriate, and which need to be modified, including: budget levels; program types; targets and incentives; the approval process for DSM plans; and, how to integrate DSM and CDM programs.

To expedite the consultation process, the Board has selected the following organizations to participate on the DSM Working Group:

- Enbridge Gas Distribution Inc.
- Union Gas Limited
- Ontario Power Authority
- Members of the Electricity Distributors Association
- Consumers Council of Canada (CCC)
- Environmental Defence
- Industrial Gas Users Association (IGUA)
- Low Income Energy Network (LIEN)
- Ontario Sustainable Energy Association (OSEA)
- School Energy Coalition (SEC)

The composition of the DSM Working Group was selected to achieve an appropriate representation of consumer, environmental, and utility perspectives. Representatives of the electricity sector have been included on the DSM Working Group given that a number of the Government's objectives, as set out in the DSM/CDM Directive, call for integration or cooperation between the gas and electricity sectors.

The DSM Working Group is expected to meet over the next two months. Materials related to the DSM Working Group, including agendas, meeting schedules, presentations, and meeting minutes will be posted on the Board's website as they become available.

Next steps

DSM Framework for Natural Gas Distributors

As noted above, input from the DSM Working Group will inform the development of a draft DSM Framework. All interested stakeholders will have an opportunity to comment on the draft DSM Framework.

CDM Framework for Electricity Distributors

With respect to electricity CDM, the Board will amend the licences of electricity distributors in the manner set out in the DSM/CDM Directive, and will do so without a hearing as required by the DSM/CDM Directive. The Board will also review what amendments should be made to other regulatory instruments to support the implementation of the CDM Framework.

Cost Awards

Cost awards will be available under section 30 of the *Ontario Energy Board Act, 1998* to eligible persons in relation to their participation in the development of the new DSM Framework. Costs awarded will be recovered from all rate-regulated natural gas distributors based on their respective distribution revenues.

Appendix A contains information regarding cost awards for this consultation, including eligibility requests and objections. In order to facilitate a timely decision on cost eligibility, the deadlines for filing cost eligibility requests and objections will be strictly enforced.

Filing Instructions

All filings made in this consultation process must be made in accordance with the instructions set out in Appendix B.

All material related to this consultation will be posted on the “Policy Initiatives & Consultations” portion of the Board’s website at www.ontarioenergyboard.ca. The material will also be available for public inspection at the Board’s office during normal business hours.

If you have any questions regarding this DSM Framework consultation process, please contact Josh Wasylyk at Josh.Wasylyk@OntarioEnergyBoard.ca or at 416-440-7723.

The Board’s toll free number is 1-888-632-6273.

Yours truly,

Original Signed By

Kirsten Walli
Board Secretary

Appendix A

Cost Awards

Consultation Process for the DSM Framework

Cost Award Eligibility

The Board will determine eligibility for costs in accordance with its *Practice Direction on Cost Awards*. Any person intending to request an award of costs must file with the Board a written submission to that effect by **May 1, 2014** identifying the grounds on which the person believes that it is eligible for an award of costs (addressing the Board's cost eligibility criteria as set out in section 3 of the Board's *Practice Direction on Cost Awards*). An explanation of any other funding to which the person has access must also be provided, as should the name and credentials of any lawyer, analyst or consultant that the person intends to retain, if known. All requests for cost eligibility will be posted on the Board's website.

If a rate-regulated natural gas distributor has any objections to any of the requests for cost eligibility, such objections must be filed with the Board by **May 15, 2014**. All objections will be posted on the Board's website. The Board will then make a final determination on the cost eligibility requests.

The Board has invited a number of stakeholders to participate on the DSM Working Group, including CCC, Environmental Defence, IGUA, LIEN, OSEA and SEC. With the exception of OSEA, all of these DSM Working Group members would generally be considered *prima facie* eligible for an award of costs under the Board's *Practice Direction on Cost Awards*. While OSEA would generally be considered *prima facie* ineligible, the Board's decision to invite OSEA to participate on the Working Group constitutes special circumstances. Therefore, the Board considers it appropriate in the circumstances to waive the following in relation to all of these Working Group participants: (a) the requirement to submit a request for cost award eligibility; and (b) the process for objections which would otherwise have applied in accordance with the Board's *Practice Direction on Cost Awards*.

Eligible Activities

Cost awards will be available in relation to participation on the DSM Working Group, to a maximum equal to actual meeting time multiplied by 1.5 to account for preparation and reporting. Participants will also be eligible to claim costs for other eligible activities that may arise as part of this consultation process.

Cost awards will also be available for additional activities in this consultation process. Details will be provided at the appropriate time.

Cost Awards

When determining the amount of the cost awards, the Board will apply the principles set out in section 5 of its *Practice Direction on Cost Awards*. The maximum hourly rates set out in the Board's Cost Awards Tariff will also be applied. The Board expects that groups representing the same interests or class of persons will make every effort to communicate and co-ordinate their participation in this process.

The Board will use the process set out in section 12 of its *Practice Direction on Cost Awards* to implement the payment of the cost awards. Therefore, the Board will act as a clearing house for all payments of cost awards in this process.

Appendix B

Filing Instructions

Consultation Process for the DSM Framework

Filing Instructions

Three (3) paper copies of each filing must be provided, and should be sent to:

Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, Suite 2700
Toronto Ontario M4P 1E4

The Board requests that interested parties make every effort to provide electronic copies of their filings in searchable/unrestricted Adobe Acrobat (PDF) format, and to submit their filings through the Board's web portal at <https://www.pes.ontarioenergyboard.ca/eservice/>. A user ID is required to submit documents through the Board's web portal. If you do not have a user ID, please visit the "e-filings services" webpage on the Board's website at www.ontarioenergyboard.ca, and fill out a user ID password request. Additionally, interested parties are requested to follow the document naming conventions and document submission standards outlined in the document entitled "RESS Document Preparation – A Quick Guide" also found on the e-filing services webpage. If the Board's web portal is not available, electronic copies of filings may be filed by e-mail at boardsec@ontarioenergyboard.ca. Those that do not have internet access should provide a CD containing their filing in PDF format.

Filings to the Board must be received by the Board Secretary by **4:45 p.m.** on the required date. They must quote file number **EB-2014-0134** and include your name, address, telephone number and, where available, your e-mail address and fax number.

If the filing is from a private citizen (i.e., not a lawyer representing a client, not a consultant representing a client or organization, not an individual in an organization that represents the interests of consumers or other groups, and not an individual from a regulated entity), before making the filing available for viewing at the Board's offices or placing the filing on the Board's website, the Board will remove any personal (i.e., not business) contact information from the filing (i.e., the address, fax number, phone number, and e-mail address of the individual). However, the name of the individual and the content of the filing will

be available for viewing at the Board's offices and will be placed on the Board's website.