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April 21, 2011

**VIA RESS, EMAIL and Courier**

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge Street, Suite 2700  
Toronto, ON M4P 1E4

**Re: Ontario Energy Board (the "Board")**  
**File No.: EB-2008-0346**  
**Demand Side Management ("DSM") Guidelines for Natural Gas Distributors**

In accordance with the Board's letter dated March 29, 2011 for the above noted proceeding, enclosed please find the submission of Enbridge Gas Distribution.

The submission has been filed through the Board's Regulatory Electronic Submission System (RESS) and paper copies are being sent to the Board via courier.

Please contact the undersigned if you have any questions.

Sincerely,

A handwritten signature in blue ink that reads 'Bonnie Jean Adams'.

Bonnie Jean Adams  
Regulatory Coordinator

cc: EB-2008-0346 Intervenors

**EB-2008-0346/0150  
Demand Side Management Guidelines for  
Natural Gas Utilities**

**SUBMISSIONS OF  
ENBRIDGE GAS DISTRIBUTION INC. IN RESPONSE TO  
OEB LETTER DATED MARCH 29, 2011  
RE. DEMAND SIDE MANAGEMENT GUIDELINES FOR NATURAL GAS  
UTILITIES (EB-2010-0346) – ISSUES FOR FURTHER COMMENT**

**April 21, 2011**

**ENBRIDGE'S SUBMISSIONS IN RESPONSE TO THE OEB'S MARCH 29, 2011 LETTER RE. DEMAND SIDE MANAGEMENT ("DSM") GUIDELINES FOR NATURAL GAS UTILITIES (EB-2010-0346) – ISSUES FOR FURTHER COMMENT**

1. The consultation process associated with gas distributor DSM plans commenced in October 2008 and was originally aimed at developing and issuing Ontario Energy Board ("OEB", or the "Board") Guidelines for natural gas distributors to use in developing their next generation DSM plans. Enbridge Gas Distribution Inc. ("Enbridge", or the "Company") has been an active participant throughout the consultative process.
2. The current iteration of this process began in 2010 when the Board engaged Concentric Energy Advisors ("Concentric") to "prepare a report that critically reviews, compares and assesses Ontario's DSM framework for natural gas distributors with respect to best practices in selected North American and other jurisdictions and to make recommendations on what changes, if any, should be made to the existing DSM framework for 2011 and beyond."
3. Following publication of the Concentric Report in March of 2010, the parties were invited to comment and Concentric later published responses to questions raised during the comment period. Enbridge and other parties submitted responses in June of 2010.
4. In January 2011, the Board circulated an OEB Staff discussion paper and revised draft DSM Guidelines for comment, indicating that the Board intends to issue final guidelines in April 2011. Thirteen parties, including Enbridge, provided comments in response.
5. On March 29, 2011, the Board issued a letter titled "Issues for Further Comment" (referred to herein as the "March Letter"), setting out "the Board's views and considerations regarding the role of ratepayer funded DSM activities for the next few years", and inviting stakeholders to provide written comments on four specific issues.
6. Enbridge was surprised by the tone, contents and questions in the March Letter, as there had been no prior indication during the two and half year review that the Board's stated issues existed.

7. In this submission, Enbridge sets out its perspective and response to the Board's stated views about ratepayer funded DSM activities for the next few years, and also provides its comments in respect of the particular issues raised in the Board's March Letter.

**A. Response to the Board's views of the role of ratepayer funded DSM**

8. Enbridge is surprised and concerned to read many of the Board's views and determinations in the March Letter. Among other things, the Board's March Letter indicates that while the Board "remains supportive of DSM generally", it sees diminishing returns in DSM activities and will limit the ratepayer funded portion of DSM budgets to their current levels. The Board raises a number of specific concerns or observations about DSM programs, including that: (a) there is an existing market for conservation goods and services that provides economically attractive solutions for customers; (b) benefits from DSM activities are increasingly difficult to measure; (c) justification for cross-subsidies inherent in DSM programs is eroding; and (d) ratepayer funded DSM activities may discourage or impair market-driven activities.
9. Enbridge takes issue with many of the Board's views and determinations which, in the Company's view, are at odds with the current climate and circumstances, and with the history and practice of natural gas distribution utility DSM activities in Ontario. Enbridge is particularly concerned that these views and determinations have been made in the midst of a proceeding where no evidence has been formally presented, and there has been no open and transparent forum to test (whether by way of cross-examination, responding evidence or oral submissions) any of the information that has apparently influenced the Board.
10. The Government of Ontario has signalled an increased focus and attention on conservation activities over the past several years. This is seen, among other things, in the *Green Energy and Economy Act* ("GEA") and in a variety of Directives issued by the Minister of Energy to the OEB and the Ontario Power Authority ("OPA").
11. To understand the importance of this issue to the Government, one needs look no further than the recent amendments to the *Ontario Energy Board Act, 1998* resulting from the GEA which expanded the Board's objectives with respect to gas to include "to promote energy conservation and energy efficiency in accordance with the policies of

the Government of Ontario, including having regard to the consumer's economic circumstances". The fact that this objective was added to the list of objectives to be met by the Board in its role as the regulator of natural gas distribution underlines the increased attention which the Board is required to give to the promotion of energy conservation and energy efficiency.

12. The importance of conservation in the Government's goals on the electricity side can be seen in parallel changes to the objectives in the OEB Act, as well in the Long-Term Energy Plan and recent Directives to electricity distributors.
13. Not surprisingly, the Government of Ontario views Enbridge and Union Gas Limited ("Union") as being well-positioned to deliver energy conservation benefits to Ontario. In 2006, the Minister of Energy issued a Directive permitting Enbridge and Union to provide services "that would assist the Government of Ontario in achieving its goals in energy conservation", even if those services would otherwise be prohibited in light of the "Undertakings" on business activities given by Enbridge and Union. In 2009, the Minister of Energy issued a further Directive allowing Enbridge and Union to own and operate assets required in respect of the provision of services by Enbridge and Union that would assist the Government of Ontario in achieving its goals in energy conservation.
14. More recently, in a July 5, 2010 Directive to the OEB, the Minister of Energy emphasized the Government's support for DSM programs, stating that:

I also urge the OEB to consider expanding both low-income and general natural gas DSM efforts relative to previous years. While mindful of the OEB's responsibility to ensure the balancing of ratepayers' interest, I would support efforts by the OEB to expand DSM efforts in general, considering the scale of investments being made on electricity CDM and the natural gas DSM experience and funding levels of other leading jurisdictions.
15. Of course, continued support for gas distributor DSM programs is also consistent with the Federal and Provincial Governments' efforts to reduce greenhouse gas ("GHG") emissions. Reducing natural gas consumption will reduce GHG emissions.
16. Enbridge's DSM activities, delivered over the past 15 years, have achieved significant gas savings for its customers. Since 1995, EGD has helped customers reduce their

natural gas cumulative consumption by 5.2 billion cubic metres through participation in its DSM programs (the equivalent of enough gas to supply approximately 1.7 million homes for one year) and net benefits to customers have totalled approximately \$1.8 billion. Through these DSM activities, EGD has helped its customers avoid cumulatively approximately 9.9 million tonnes of carbon dioxide emissions.

17. All of that being said, there are many more opportunities for further and future benefits from expanded and evolved DSM programs. Enbridge's continued DSM programs can offer incremental conservation benefits and results beyond what will be achieved by market-driven activities. However, as explained in Enbridge's earlier submissions, future DSM activities targeting new conservation opportunities may be time-consuming and may require resources in excess of the current DSM budget. Success in this regard requires continued support and commitment from the regulator and utilities for a broad range of DSM activities.
18. A review of the January 2010 Board Staff Discussion Paper, and the comments made by stakeholders in response, indicates broad support for increasing, or not limiting, Enbridge's future DSM budgets. Some stakeholders, including Board Staff, LIEN, City of Toronto and GEC support increases in Enbridge's DSM budget of more than 100% within three years. Almost no stakeholders suggested or endorsed reductions to or limiting (freezing) of the current budget. Presumably, this indicates the support and confidence of Board Staff and stakeholders in Enbridge's continued and increasing DSM activities.
19. In this context, it is surprising and disappointing to read the Board's misgivings about distributor DSM programs, and to see that the Board has determined that the budgets for ratepayer funded natural gas DSM activities should not be expanded beyond current levels.
20. Enbridge is concerned that many of the Board's observations and conclusions about DSM activities in the March Letter are premised upon information that has not been tested and that may have been misinterpreted.

21. To illustrate this concern, one can look at four of the Board's observations (those that were listed above in paragraph 8) which appear to have contributed to the Board's overall views of the future role of ratepayer funded DSM programs:

- (a) *There is an existing market for conservation goods and services that provides economically attractive solutions for customers*

Enbridge is not aware that any significant amount of evidence has been presented to the Board to support this conclusion. Given that there has been no hearing process, any evidence that has been provided has not been tested. Moreover, the issue has not been presented in a manner that would let all stakeholders respond and provide their own evidence and perspective.

While it is true that the competitive market offers certain conservation and efficiency solutions for customers, utilities focus upon other products and solutions in their DSM offerings. The free ridership provision used in assessing DSM results acts as a natural check to discourage the utilities from undertaking activities that others are doing. Instead, utility programs work at the leading edge and with early adopters. As efficiency measures become common practice, utility programs are phased out and replaced with the next generation of activity. Thus, while the market may be transformed for some of the first set of initiatives which the utilities engaged in, e.g., promoting high efficiency furnaces, there is an ongoing need to stimulate the marketplace with new energy efficiency solutions. Utilities take the lead to work with early adopters on new projects in order to obtain the associated conservation benefits and potentially to help transform the new projects into activities with broader reach. Rather than competing with the existing market, utility DSM programs work with the market participants to accelerate adoption of energy efficiency solutions. Enbridge is often a key strategic partner with competitive market participants who pursue initiatives that promote conservation goods and services. As a strategic partner, Enbridge contributes its resources in terms of program development, execution, promotion, data provision, technical and analytical support as well as site specific implementation assistance. The Company's role in supporting monitoring and targeting type initiatives in the industrial sector is a good example. Enbridge is pioneering the application of production improvement principles to achieve

reductions in energy use in industrial facilities. Enbridge educates customers about the benefits of this approach, helps them to put it into practice and then works with the customers to find and implement energy efficiency solutions that are appropriately scaled for their business. It is important to note that there are many DSM programs undertaken by Enbridge and its strategic partners which are beneficial to ratepayers, but which would not or could not otherwise be undertaken by competitive market participants. To the extent that Enbridge's DSM programs include financial incentives, those can be very important to bring projects within the customer's required financial threshold, and enable the projects to proceed.

(b) *Benefits from DSM activities are increasingly difficult to measure*

Enbridge questions the validity of this observation. Enbridge acknowledges that the past 15 years have seen ongoing development in the knowledge and practice of DSM in North America, including the science and art of determining benefits from DSM activities. While this increasing level of complexity has led to a natural tension as all players in the field struggle to balance the desire for accuracy and precision when measuring benefits with budgetary and other constraints, that does not mean that the benefits cannot be satisfactorily measured. As the Company has noted in the past, there are fair and reliable ways to measure the benefits delivered from DSM activities. The Company has also suggested, most recently in its February 14, 2011 submissions in this proceeding, that the Board can reduce its regulatory burden associated with measuring DSM benefits by creating a DSM Technical Council. As stated in Enbridge's earlier submission (section 6.1.2), the DSM Technical Council would establish and maintain input assumptions and manage the evaluation, measurement and verifications processes for electricity and natural gas DSM activities. In any event, whether or not it is difficult to precisely determine the savings and/or benefits associated with DSM activities, the fact that there are benefits from DSM activities is unquestioned. Indeed, less than one year ago, the Minister of Energy indicated that the (positive) "natural gas DSM experience" justifies increasing the amounts spent on this activity. Enbridge submits, therefore, that any perceived difficulties



in precisely measuring the benefits should not justify limiting future DSM activities.

(c) *Justification for cross-subsidies inherent in DSM programs is eroding*

The Board appears to have concluded from some of the comments received that conservation opportunities are now widely available outside of DSM programs and that future DSM programs will only benefit a subset of customers. As a result, the Board suggests that the potential for cross-subsidies from ratepayers who do not need or benefit from DSM programs to those who do benefit will increase. Enbridge disagrees with this conclusion. There is no reason to expect that the extent of cross-subsidization will increase. On the contrary, increased budgets can serve to decrease cross-subsidization by enabling more customers to participate.

In any event, Enbridge submits that it is inappropriate for the Board to reach any conclusions about cross-subsidization without raising that issue for proper consideration by all stakeholders. Without a complete and tested evidentiary record, and argument about the appropriateness of continued cross-subsidization for DSM activities, it is not proper to make any determinations on this topic. For example, Enbridge would argue that any justifications for cross-subsidies that existed at the time of the EBO 169 decision have not fundamentally changed since that time. It is more likely that there are more justifications now, given the public interest in GHG emission reductions. Moreover, given the broad implications of any findings related to cross-subsidizations for distributor conservation activities, it may be necessary to jointly consider this issue in the context of both gas DSM and electricity CDM programs.

(d) *Ratepayer funded DSM activities may discourage or impair market-driven activities*

It is not clear what led the Board to this observation. Again, before the Board makes any such finding, the issue should be presented in a manner that would let all stakeholders respond and provide their own evidence and perspective.

Enbridge is not aware of any specific stakeholder alleging that natural gas DSM has negatively affected an existing or burgeoning private sector initiative. Enbridge's DSM programs involve different goals, activities and outcomes as compared to conservation opportunities broadly available from the private sector.

Rather than stifling the market, utility DSM programs support the development of Ontario-based solutions. Enbridge's role is to accelerate market adoption of energy efficient technologies and solutions. Enbridge's DSM programs act as a stimulus that leverages and increases sales for service providers, rather than impairing competition. This is seen in the fact that some utility programs contract out to the private sector for delivery of direct-install programs, e.g., TAPS, while other programs provide incentives to customers to purchase equipment or make use of services offered by the private sector, e.g., energy audits of large facilities. Thus, beneficiaries of the utility DSM programs include manufacturers, distributors, contractors, engineering firms, design evaluators and trainers. In addition, to promote their DSM programs, utilities contract with firms in the marketing, market research, advertising and communications fields.

With respect, Enbridge submits that the Board's contention that DSM activities may impair market-driven activities misses the point about why it is important for natural gas utilities to deliver DSM programs, even if competitive market participants are also offering conservation-related products and services. The fact is that utilities have unique attributes which enable them to carry out conservation activities that other market players cannot or will not undertake. Among these attributes are:

- (i) access to the meter, and to consumption data, billing and customer information;
- (ii) ability to communicate with 1.9 million customers on an ongoing basis;
- (iii) significant technical knowledge and expertise;
- (iv) objectivity as a source of informed and impartial advice on use of natural gas;

- (v) a long-term presence that allows for utility DSM programs to be delivered consistently year over year and for the utility to build partnerships and assist customers with projects which have a long development cycle;
- (vi) access to high levels of industry and government;
- (vii) a well established ability to design and justify programs and spending to stakeholders and the OEB; and
- (viii) a broadly acknowledged status as the consumer's most trusted source of information and technical knowledge about natural gas and natural gas products.

Enbridge's ongoing consultation with its customers and other market players has confirmed widespread support from these stakeholders for Enbridge continuing to play its important and unique role in the development and promotion of energy efficiency for natural gas customers.

22. Taking all of the above into consideration, Enbridge urges the Board to reconsider its view of natural gas utility DSM programs, and its stated intention to limit future DSM spending.
23. As previously submitted in the Company's response to the Draft Guidelines and the Concentric Report, Enbridge supports a budget approach that does not begin with a set upper limit, but instead employs a "bottom-up" approach where Enbridge develops a budget in response to program goals and anticipated success. Enbridge then takes that budget and consults with stakeholders before presenting it to the Board for approval. Prior to the current multi-year plan, the utilities proposed an annual budget which was then discussed with stakeholders during a Settlement Conference. In some years complete settlement was reached and in other instances the Settlement Conference was followed by the Board Decision. During the Generic Proceeding, which set the terms for the current multi-year plan, stakeholders and the utilities discussed the starting point budget and annual escalation factor for the multi-year plan in a Settlement Conference as part of the Generic Proceeding and the final formula was determined by Board Decision. This process ensures that the interests of all parties are considered, there is

regulatory oversight and there is flexibility to adapt to changing circumstances. Ultimately, the process has resulted in cost-effective delivery of DSM programs.

24. A Report by ESource<sup>1</sup> in June of 2010 confirms that Enbridge's approach to DSM budgeting is delivering very cost effective DSM programs. ESource analyzed the DSM programs of 17 gas utilities across North America. Using utility DSM plans, the study compared the amount of energy each utility planned to save per customer and the amount of energy each utility planned to save per dollar spent. Enbridge was cited as having the highest savings goal per customer and the highest ratio of savings per dollar spent.
25. To be clear, Enbridge does not assert that the continuation of its current DSM budgeting approach will necessarily lead to higher DSM budgets in future years. Budgets should be approved based upon the value received for the dollars spent. As stated, the outcome of the Company's DSM budget process depends upon the needs of the marketplace, the positions and interests of stakeholders and an evaluation of potential projects and activities. Enbridge does not believe that future DSM budgets should be summarily limited to amounts spent in prior years. In the end, if the Board allows Enbridge to propose a budget based on stakeholder consultation, the Board has the ultimate authority to approve the budget, or reject it and send it back to the utility for adjustment. Enbridge's objection to the March Letter relates to the Board's foreclosing of the possibility that DSM budget increases at some future time may be appropriate.
26. Given that the Board's March Letter makes no mention of DSM targets or incentives, Enbridge further requests that the Board confirm that there will continue to be a strong alignment between DSM budgets and the targets and incentives associated with those budgets. If future DSM budgets are to be limited to current levels, the targets should also be held flat, and the available incentives should be maintained to encourage and reward success in continuing DSM activities.
27. Finally, before the Board makes any final determination in respect of the matters set out in the March Letter, Enbridge wishes to remind the Board of the vital importance of open

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<sup>1</sup> ESource is a subscription based, independent research, advisory, and information service which has been serving utilities, major energy users, and other key players in the retail energy marketplace for over 20 years.

and transparent regulatory processes when considering change to important historic regulatory practices and setting new directions for the future.

**B. Response to the issues raised by the Board in the March Letter**

28. The Board's March Letter asks stakeholders to address four issues. While Enbridge does not support the premises or assumptions behind many of these questions, it will respond in order to provide information that may be constructive for the Board's further consideration. For clarity, each of the issues has been broken down into sub-parts, to address the various questions asked by the Board.

29. The first issue relates to the "**Low Income Budget**", and asks:

- (a) *How should the low-income DSM budget be set? Should the low-income budget stay at the same level or increase?*

The low-income DSM budget should be set using the same bottom-up approach to budgeting as is currently used for all of the Company's DSM budget. The Company's starting point in building a DSM budget is to consider the current year's budget and then consider what changes are required for future years to continue to effectively deliver DSM programs to customers in all sectors (Residential, Industrial, Commercial and Low Income). Under that approach, the Company determines what DSM activities are most needed and appropriate, and then consults with stakeholders to confirm a budget which is then presented to the OEB for review and approval. This process ensures stakeholder involvement and balances a variety of interests. At this time, the Company has not developed an opinion as to how the low-income DSM budget should change for future years. That view will be informed by stakeholder input and by what happens with the level of the overall DSM budget.

- (b) *Should the current low-income budget funding from the residential class be maintained or should the funding be recovered from all rate classes?*

The current allocation of DSM costs is undertaken in a manner that is consistent with OEB policies, such as set out in EBRO 169. Under this approach, most of the funding for DSM programs that benefit low-income customers comes from the residential rate class. It should be noted, though, that some programs which

may benefit low-income tenants such as building retrofits for multi-residential buildings are funded by other customer classes.

Enbridge is open to further discussion with stakeholders and the Board about whether any changes should be made to the allocation of costs for low-income DSM programs.

- (c) *Is there a different set of programs that are appropriate for low-income consumers, e.g., should “deep” measures be promoted for this group of customers to a greater extent?*

At the outset, Enbridge believes that it is important to clarify what is meant by “deep measures” and “deep savings”, which are phrases used in a number of places in the March Letter. The first generation of DSM activities is sometimes said to focus on “the low-hanging fruit”, the obvious single measures which are easy to identify, promote and install. Sometimes these measures can also bring significant savings. The introduction of high efficiency furnaces in the residential market would be a good example. In contrast, deep savings are obtained by taking a holistic approach to find the most energy efficient solution to the customer’s space heating and water heating needs and achieve maximum cost effective savings.

For a residential customer, a deep savings approach may result in a combination of measures that could include air sealing, attic and basement insulation as well as furnace and water heater upgrades. All older homes could generate deep savings through an upgrade to the building envelope. Enbridge could promote this approach across all customers in the residential sector.

Houses with low-income occupants present similar challenges and opportunities in terms of energy efficiency upgrades as do other houses. The cost of retrofit measures is a major barrier to upgrades in most homes, however, different approaches are needed to address this barrier for low-income customers. As noted above, the low-income program design and budget will be developed through a bottom-up approach and in consultation with stakeholders. This includes consideration of the degree of emphasis on whole house retrofit and associated financing alternatives or incentives.

- (d) *What approach should be used to coordinate gas DSM programs with electricity CDM programs for low-income consumers?*

Enbridge endorses a coordinated approach to the delivery of utility energy conservation programs to low-income consumers. This can be done through the use of commercial agreements signed between gas and electricity distributors, where cooperation and cost-sharing are formalized and an approach is created to ensure that each fuel saving is attributed to the appropriate utility.

In this endeavour, Enbridge's extensive market contacts throughout the franchise area will be of assistance to electricity distributors. Through its extensive network, Enbridge has the resources to promote and operate low income programs throughout the franchise area, where needed.

The Company is now developing a Memorandum of Understanding ("MOU") with the OPA and Union Gas regarding the delivery of low-income DSM and CDM programs on a province-wide basis. This MOU is modeled after the current agreement developed between Enbridge, Toronto Hydro and the City of Toronto related to the delivery of low-income conservation programs.

30. The second issue relates to "**Industrial and Commercial DSM Programs**", and asks:

- (a) *Do industrial and commercial DSM programs with significant incentives create competitive advantages for the participants of the programs relative to their competitors?*

Enbridge is not aware that there are any widespread concerns about DSM programs for large-volume customers creating competitive impacts. If this was a significant concern, Enbridge is surprised that it has not arisen before this time. The Company's experience is that the current incentive levels are not significant in relation to the capital investment made by the customer. The incentives are just one element of the programs; the services provided by the utility enable participants to identify, plan, and capture efficiency savings. Customer feedback indicates that these services are as important as incentives in supporting customers' decisions to undertake energy efficiency improvements.

Enbridge urges the Board to undertake a process that will allow for evidence to be presented and tested before reaching any conclusions that DSM programs create competitive advantages for some participants.

- (b) *What programs, if any, are appropriate for these sectors? Should there be a focus on monitoring consumption, data analysis or benchmarking energy use in buildings and industrial processes?*

There is no definitive list of programs that are appropriate for industrial and commercial customers. To best meet the needs of these customers, and to achieve the best results, a variety of approaches is appropriate. The Company takes a comprehensive approach to customers in these sectors – providing assistance as needed at each stage from identification of savings opportunities in their facilities through to implementation. Among other things, the types of programs that are appropriate for these customer groups include: technical support and training to assist participants to identify, plan, and capture efficiency savings; provision of benchmarking information; data analysis to identify opportunities, and incentives to support the acquisition of energy efficient equipment and building improvements.

Enbridge agrees that a focus on monitoring consumption, data analysis or benchmarking energy use in buildings and industrial processes is an important aspect of the DSM programs to be delivered to these sectors. These are useful tools that can help to identify opportunities for operational improvements and capital investments that will save energy. The specific application of monitoring and benchmarking depends on the size of the customer – complex energy management systems are not appropriate for small facilities with single ownership. Enbridge offers hybrid approaches that are appropriate for smaller customers to ensure that all our customers have access to this important tool.

- (c) *Should DSM programs in these sectors focus more on energy audits and efficiency training or case studies to highlight best practices and new technologies, rather than financing equipment and installation costs for specific DSM projects?*

Enbridge has always considered energy audits, training and case studies as essential DSM activities and includes them as part of its comprehensive



approach for these sectors. Utility proactive engagement with customers through case studies, training and energy audits creates attention for and promotes adoption of energy efficiency technologies. At the same time, financing equipment and installation of cost effective technologies is still a necessary activity for the utility.

Recent stakeholder consultations have helped to identify additional needs for training and the Company is developing plans to address those needs. Highlighting best practices – both in terms of technology and in terms of market approaches - are also essential activities as part of a comprehensive DSM strategy. As indicated, Enbridge also believes that incentives play an important role in the successful delivery of DSM. As such, Enbridge contends that a balanced approach that includes both audits/training and incentives will deliver the optimal energy efficiency solutions to the market.

The balanced approach to DSM programs as described above also serves to involve a broader mix of industrial / commercial customers than limiting DSM efforts to specific program types.

31. The third issue relates to “**DSM education and training programs**”, and asks:

- (a) *What should be the natural gas utilities’ role, if any, in undertaking natural gas DSM education and training programs funded through distribution rates? Should they focus on targeting contractors, trades and professional associations to ensure DSM messages reach end users?*

Enbridge believes that its DSM offerings need to encompass both the demand for energy efficiency services (for example, as driven by customer incentives) and the capacity of the marketplace to deliver those services. Training is a critical component of that capacity element. The utility has the technical knowledge and agility to respond to industry training needs as required. Enbridge has a legacy of delivering effective training to customers, contractors, the engineering community, builders, trades, and associations that has served to support the Company’s DSM programming activities and accelerate adoption of energy efficient equipment and practices. Notable examples include high efficiency furnace installation training, food service sector training and home

builder training as well as monitoring and targeting training for industrial and institutional customers. Enbridge has also been a key supporter of sector organizations such as the Energy Efficiency Contractors Network (EECN), the Heating, Refrigeration and Air Conditioning Institute of Canada (HRAI) and EnerQuality. By supporting these training organizations, Enbridge ensures that contractors and trades have the skills required to install and maintain energy efficiency equipment, and also maintains a direct contact to the end user market that can be leveraged to help deliver DSM programs.

32. The fourth issue relates to “**R&D and pilot programs**”, and asks:

- (a) *What should be the natural gas utilities’ role, if any, in undertaking R&D and pilot programs funded through distribution rates?*

Enbridge believes that it has an important role to play in R&D and pilot programs. The Company’s participation in these programs allows for new technologies and market approaches that encourage efficient use of natural gas to be identified, endorsed, developed, tested and evaluated.

These programs can be a key mechanism for bringing pre-commercial or early commercial technologies to the market and they offer an opportunity to test different market approaches. As well, research is required to determine the energy savings from technologies eligible for DSM programs. Enbridge can be an important participant in R&D activities (including deployment of technologies being developed), as it is well-positioned to field test new technologies. Because of its sole access to the end use meter and direct access to customers, Enbridge is uniquely qualified to undertake load research to validate the natural gas savings achieved through a particular technology. Enbridge has partnered in the delivery of field testing of technologies with organizations such as Canada Mortgage and Housing Corporation wherein access to the meter data was central to the success of the study. Similarly, through its access to customers and billing data, Enbridge is uniquely positioned to assist in testing different market approaches. Enbridge is currently collaborating in residential pilot projects in two municipalities that will test program designs to encourage energy conservation behavior and retrofit actions. Enbridge has a history of piloting both new

technologies and new market approaches and thereby facilitating their introduction to the market. Enbridge proposes to continue to use this approach as warranted by either technological developments or the awareness of new market opportunities or approaches.

Given the objective role utilities can play in the testing of new technologies and approaches and the conservation benefits that result, it is appropriate that these activities continue to be financed through distribution rates.

- (b) *Should utilities work with key industry leaders to encourage further changes in building codes and improve standards in heating equipment?*

DSM is a process of ongoing improvement in energy efficiency. The natural end point to a successful DSM programming effort is the implementation of a code or standard or industry practice that signals a complete transformation of the particular market. In Ontario, the natural gas utilities laid the groundwork for successful market transformation for high efficiency furnaces and higher energy factor water heaters by providing customer-focused and manufacturer incentives together with training and education directed to installers and home owners.

Natural gas distributors have a dual role in terms of codes and standards. They can support the market in adopting further efficiency improvements and they can provide technical advice to the bodies responsible for setting codes and standards. Natural gas distributors have a high degree of knowledge of natural gas end uses and equipment and have direct contact with millions of customers. As such, natural gas utilities are important and active participants in ongoing deliberations regarding codes and standards which impact natural gas use. For example, Enbridge is a participant on the Building Code Energy Advisory Committee as part of the 2011 Ministry of Municipal Affairs activity to finalize the next version of the Ontario *Building Code*. Where appropriate, Enbridge also works with industry participants to endorse improvements in energy efficiency in products and services provided by industry. For example, Enbridge works with builders through EnerQuality's Local Energy Efficiency Partnership / Technology Adoption Pilot (LEEP/TAP) initiative to explore technologies to enhance the

building envelope beyond what is required by the 2012 *Ontario Building Code* and to build towards the next generation Building Code in 2017.

**C. Closing Comments**

33. From Enbridge's perspective, as supported by Board Staff and many stakeholders, it is clear that gas utility DSM programs can achieve substantial conservation and environmental benefits in the coming years. Now is not the time to wind down or lessen focus on utility-led conservation activities. While Enbridge acknowledges the ongoing need to evaluate, improve and replace current DSM programs with new approaches that will meet customer needs and deliver ongoing benefits, the Company is confident that with continued stakeholder and OEB support, it will succeed in delivering appropriate change to future generations of DSM programs.
34. In its response to the Concentric Report, and in its February 14, 2011 submissions, Enbridge set out its view of the goals and guiding principles for the next generation of natural gas DSM in Ontario. As explained, Enbridge's vision for future DSM activities is balanced between stakeholder and utility needs and provides for an approach that will maximize cost effective natural gas savings and provide DSM activities to all ratepayer groups.
35. The changes that Enbridge proposed to Board Staff's Draft "Demand Side Management Guidelines for Natural Gas Utilities" will allow Enbridge to deliver future DSM activities in a manner that achieves Enbridge's vision and meets ratepayer objectives. Enbridge's continued success in delivering evolving DSM programs will assist the Board in responding to the Minister's July 5<sup>th</sup> Directive and in meeting its required statutory objective "to promote energy conservation and energy" with respect to gas.
36. Enbridge therefore requests that the Board issue the Guidelines in the form attached to the Company's February 14, 2011 submissions.
37. In the event, however, that the Board declines to proceed in that manner, and instead plans to endorse or direct an approach that will result in diminished utility DSM programs in the future, then Enbridge asks that the Board first allow for a full, open and transparent process to consider the basis for and implications from such an approach. A

significant change in policy and direction such as that which may follow from the views set out in the Board's March Letter should not be confirmed without an open process that would allow stakeholders to present and test evidence and provide perspectives and recommendations about the future of gas utility DSM programs in Ontario.