

Comments from Paul Ferguson and Todd Wilcox on behalf of Distributors

May 15, 2012

Independent Electricity System Operator
Station A, Box 4474
Toronto, ON
M5W 4E5

Attention: Terry Young
Vice President, Corporate Relations

**Re: SAC Member Feedback
Draft Discussion Paper
Increased Consumer Engagement in Ontario's Wholesale Market**

The IESO has requested feedback on the subject draft discussion paper. LDC's offer the following comments:

Overall, LDCs are very supportive of this initiative to examine increased consumer engagement in Ontario's electricity markets.

The section on page 1 discussing An Untapped Potential discusses a number of roles that load can play. The concept noted of load increasing during times of surplus baseload generation is one that is of particular relevance in the near term and should be closely examined.

On page 2, the paper notes that:

“Consumers and aggregators believe the capability to contribute to solving system issues exists on the demand-side – as long as the needs are clearly defined, there are price (or other) signals to respond to and consumer education efforts”.

It is imperative that any signals are not counter-intuitive as this would lead to alienation rather than engagement.

On page 2, in the discussion “North American Perspective”, the paper notes that many ISOs have rapidly expanded their demand response portfolios. It would be very worthwhile to examine the ways through which they have been able to accomplish this and test their applicability to Ontario.

On page 4, the statement is made that:

“the Ontario Energy Board is working with industry to develop a new regulatory framework that recognizes and promotes the development of consumer control and participation through smart grids”.

The adjudication process which smart grid initiatives will be subject to will factor in all of the objects of the OEB. There may be significant regulatory hurdles to overcome when the true costs and potential benefits of smart grid devices are identified.

On page 4, under the heading “Lack of market signals”, the paper states:

“Even if the price differences are small, many will shift”.

There is little empirical evidence in Ontario to substantiate this. What little evidence there is does suggest that some consumers do shift, but their population and the magnitude of the shift is very small. The point being, clearly defined and meaningful signals are essential.

With respect to the potential initiatives the IESO has identified, we suggest the following ranking:

1. (f) Undertake research to test the extent that consumers are inclined to manage energy use based on price, market or environmental signals
2. (g) Identify (rather than evaluate) the consumer segments that offer the most potential to become demand responsive and how they could (rather than will) be encouraged to participate
3. (e) Undertake research to evaluate consumer knowledge on the market/DR programs and define potential education opportunities.
4. (New) Undertake research of other North American markets to examine their levels of consumer engagement and how they have accomplished it.

Once these are complete, then sufficient information will be available to evaluate the remaining initiatives and their priority.

Sincerely,

Todd Wilcox
North Bay Hydro

Paul Ferguson
Newmarket – Tay Power Distribution