

December 23rd, 2008

Katherine Muncaster
Senior Policy Analyst,
Energy Efficiency Branch
British Columbia Ministry of Energy, Mines and Petroleum Resources

Re: BC Energy Efficiency Act - Proposed Residential Water Heaters Regulations

Dear Ms. Muncaster:

Thank you for giving the Canadian Gas Association (CGA) the opportunity to comment on British Columbia's proposed regulations for residential water heaters. We applaud British Columbia's efforts to improve the efficiency of energy end-use in the Province and for showing leadership in this area.

The CGA represents gas distribution utilities from all across Canada, including Terasen Gas Inc. and Pacific Northern Gas Ltd. in British Columbia. CGA's members have invested heavily in programs and activities to improve the efficiency of gas use in Canada over the past few years. Between 2000 and 2007, the Canadian natural gas distribution industry has invested over \$290 millions in demand side management activities which saved its 5.8 million customers over 50 PJ/yr in energy over the period.

The CGA supports initiatives which will accelerate marketplace adoption of cost-effective, more energy efficient natural gas using equipment. We feel that minimum energy efficiency regulations are an effective way to ensure a level playing field amongst market participants and that they are an essential market transformation tool to consolidate efficiency improvements introduced by voluntary measures on the marketplace. Programs such as Energy Star and the associated financial incentives offered by various levels of government, manufacturers and utilities have an important role to play in preparing the market for regulations.

CGA feels that residential water heating performance can be increased significantly through improved designs, introduction of new technologies and integration of systems. Changing existing products to meet higher performance standards involves modifications to product lines, testing and certification of products and adapting to new installation requirements, in particular in retrofit situations. All of this takes time and implies real costs that are ultimately passed on to consumers. We should then strive to minimize these costs while achieving the ultimate goals of improving efficiency of water heating, and reducing greenhouse gas emissions.

The CGA is also concerned that the modifications required to existing technology gas water heaters to meet .62 EF in the short term, and their associated cost, would induce

increased fuel switching towards cheaper electric water heaters, and consequently create a negative impact on British Columbia's energy system.

In view of the above, CGA recommends that the proposed regulation to increase the energy performance of gas water heaters to 0.62 planned for December 1st, 2009 be abandoned and that a concerted approach, involving a more in-depth impact assessment of fuel switching risks and market preparation activities, be taken to implement an higher efficiency requirement of 0.67 EF on January 1st, 2011. This approach would allow more time to evaluate impacts and prepare the market through voluntary measures, and would minimize costs associated with technology changes.

Regards,

Louis Marmen
Director, Gas Markets
Canadian Gas Association