

# Elson Advocacy

May 9, 2018

**BY COURIER (4 COPIES) AND RESS**

**Ms. Kirsten Walli**

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

Dear Ms. Walli:

**Re: EB-2017-0127/0128 – DSM Mid-Term Review  
EB-2017-0224/0255 – Enbridge Gas Distribution Inc. (“Enbridge”) and  
Union Gas Limited (“Union”) 2018 Cap and Trade Compliance Plans  
(collectively, the “Cap and Trade Compliance Plans Proceeding”)**

I am writing on behalf of Environmental Defence to submit the below requests to the Board relating to the DSM Mid-Term Review and the Cap and Trade Compliance Plans Proceeding.

## **Request re DSM Mid-Term Review**

Environmental Defence requests that the Board invite Enbridge and Union to file plans for incremental conservation measures driven by potential carbon cost savings as part of the DSM Mid-Term Review. Environmental Defence is not asking the Board to decide whether or how much carbon-cost-driven conservation is warranted at this time. Instead, it is simply seeking a *process* to consider and address those issues. We respectfully request that the Board invite the utilities to file plans and supporting evidence in short order so the process can be completed prior to potential implementation in 2019.

We believe there is a desire among stakeholders to have the relevant issues squarely before the Board and addressed with the benefit of concrete proposals and evidence from the utilities. For example, in its September 1, 2017 mid-term review submission, the School Energy Coalition proposed that “that the gas utilities be invited to propose expansions of their DSM programs, starting in 2018 or 2019, to take account of carbon abatement activities.” Although we expect stakeholders to have a variety of strong views on the substantive issues, we anticipate that many parties would support a timely hearing process involving concrete plans and evidence from the utilities.

Direction from the Board is needed because the utilities are not developing plans for incremental carbon-price-driven conservation in 2019, and have no plans to do so.<sup>1</sup> Without detailed plans

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<sup>1</sup> EB-2017-0244/0255 Transcript Vol. 2, p. 95, ln. 22 to p. 96, ln. 6; Exhibit B.GEC.22, p. 2; Exhibit I.1.EGDI.OSEA.11.

from the utilities, there is nothing for the parties to review and test and nothing for the Board to approve.

Without intervention by the Board, the soonest the utilities might begin developing plans for carbon-cost-driven conservation is after a decision in the DSM Mid-Term Review (in December) or the Cap and Trade Compliance Plans Proceeding (final submissions are due June 21). This would not leave time for the procedural steps required to implement incremental conservation starting in 2019. The required steps presumably include the utilities developing and filing plans and evidence, followed by a Board hearing and decision on those plans. Without intervention by the Board, incremental conservation in 2019 aimed at cost-effectively reducing customer carbon costs will be effectively ruled out.

We believe the DSM Mid-Term Review is an appropriate vehicle for considering these issues for 2019. This would ensure consistency, achieve efficiencies, provide an appropriate timeline, and accord with the utilities' view that carbon-cost-driven conservation be implemented via the DSM Framework. Although the DSM Mid-Term Review provides an immediate opportunity to squarely and efficiently address these issues for 2019, Environmental Defence believes there are multiple potential procedural options.<sup>2</sup>

### **Alternative Request re Cap and Trade Compliance Proceeding**

In the alternative, if the Board does not extend the invitation sought above, Environmental Defence requests that the Board Panel hearing the Cap and Trade Compliance Plans Proceeding issue a preliminary ruling on issues associated with incremental abatement. An early and preliminary decision is required in order for the utilities to react to that decision, and if appropriate, to put together plans and evidence for incremental conservation for 2019. As noted above, without direction very soon, the opportunity to reduce gas bills through cost-effective conservation driven by carbon costs in 2019 will be lost. This would deny the Board and the parties the opportunity to even debate whether such conservation is appropriate and what it should entail.

In our respectful submission, these issues are incredibly important to customers. Gas consumers are forecast to spend approximately \$668 million on carbon instrument purchases via the utilities in 2018 alone (the amount could be much higher in the future if the federal carbon price backstop replaces the cap and trade program).<sup>3</sup> Incremental cost-effective conservation is available and could reduce these costs, potentially savings millions of dollars for gas customers.<sup>4</sup>

If no direction is given to the utilities to put forward plans and evidence in short order, a *de facto* decision is effectively being made, without a hearing, ruling out incremental conservation as a way to cost-effectively reduce customer carbon costs in 2019. In our view, this would require

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<sup>2</sup> For 2018, Environmental Defence maintains its position that the utilities should have proposed incremental carbon-cost-driven conservation in their cap and trade compliance plans and that the failure to do so resulted in sub-optimal plans and higher costs for consumers.

<sup>3</sup> EB-2017-0244/0255; Union Ex. 7-1-1, p. 1 & Ex. 3-5, p. 4 [\$283 million]; Enbridge Ex. G-1-1, att. 1, p. 1-2 & Ex. D-1-1, p. 1 [\$385 million]; Transcript Vol. 3, p. 149, ln 21 to p. 150, ln. 3 [for 2020, the Long-Term Price of Carbon Forecast predicts \$20/tonne under cap-and-trade whereas the federal carbon price backstop would be \$50/tonne].

<sup>4</sup> EB-2017-0244/0255 Testimony of Chris Neme, March 19, 2018 (Exhibit L).

customers to pay for unnecessary carbon costs. In contrast, the requested direction would be procedural and would leave the substantive issues to be decided fairly and on the evidence. We therefore respectfully request that the Board stipulate a process for these issues to be duly considered and decided-on prior to 2019.

Yours truly,

A handwritten signature in blue ink, appearing to read 'K. Elson', written in a cursive style.

Kent Elson

Copy To: Parties in EB-2017-0127/0128 (DSM Mid-Term Review)  
Parties in EB-2017-0224/0255 (2018 Cap and Trade Compliance Plans Proceeding)