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September 28, 2018

**Kirsten Walli**  
Board Secretary  
Ontario Energy Board  
P.O. Box 2319, 27<sup>th</sup> Floor  
2300 Yonge Street  
Toronto ON M4P 1E4

Dear Ms. Walli:

**Re: EB-2017-0127 / EB-2017-0128 – Mid-term Review of the Demand Side Management DSM) Framework for Natural Gas Distributors ("DSM Mid-Term Review")**

We are counsel to the Association of Power Producers of Ontario (**APPrO**) in the DSM Mid-Term Review. Further to the Board's letter of August 15, 2018, please find enclosed APPrO's written comments in relation the DSM Mid-Term Review.

Sincerely,

A handwritten signature in black ink, appearing to be "Lisa", with a long, sweeping horizontal stroke extending to the right.

Lisa (Elisabeth) DeMarco

cc. David Butters  
John Wolnik

**ONTARIO ENERGY BOARD**

**EB-2017-0127 / EB-2017-0128**

**ASSOCIATION OF POWER PRODUCERS OF ONTARIO (APPrO)  
SUBMISSION**

**September 28, 2018**

## INTRODUCTION

1. The Association of Power Producers of Ontario (**APPrO**) is a non-profit organization representing 100 members, including more than 20 companies directly involved in the generation of electricity in Ontario. APPrO members own, operate, and/or produce about 90% of the electricity generated in Ontario from cogeneration, hydro, gas, nuclear, wind, solar, waste wood, batteries, and other sources. APPrO's membership is not limited to electricity generators. It also includes marketers, contractors, equipment suppliers, energy storage entities, consultants, local distribution companies, transmitters, fuel suppliers, financial services providers, and customer service companies.
2. The Ontario Energy Board's (the **Board's**) decisions related to Demand Side Management (**DSM**), and the implementation of those decisions by Enbridge Gas Distribution Inc. (**Enbridge**) and Union Gas Limited (**Union**) (collectively, the **Utilities**), are of particular relevance to APPrO natural gas-fired electricity generators (**GFGs**), many of which are large volume customers (**LVCs**) of the Utilities. APPrO's GFG members and end-use electricity customers therefore stand to be directly and materially affected by the current and proposed expanded DSM costs proposed by Enbridge and Union in this DSM Mid-Term Review proceeding (the **Proceeding**).

## HISTORY, CONTEXT, AND OVERVIEW

3. The Proceeding has a long history and it is taking place in a rapidly changing public policy context. The Board's 2015 review of DSM programs and related costs to gas utility customers was initiated following the 2013 Long-Term Energy Plan, the Minister's March 26, 2014 Conservation Directive, and the Board's December 22, 2014 DSM Framework for Natural Gas Distributors (**Framework**) and Filing Guidelines on the Framework (**Guidelines**). This review led to the Board's January 20, 2016 Decision and Order on Union and Enbridge's 2015-2020 DSM plans in EB-2015-0029/EB-2015-0049 (**DSM Decision**).
4. Further, the DSM Decision was rendered by the Board at a time when numerous climate change, greenhouse gas (**GHG**) emission reduction, and low-carbon fuels policies and programs were being developed and implemented. Specifically:

### Ontario:

- On May 18, 2016, the Government of Ontario enacted *the Climate Change Mitigation and Low-Carbon Economy Act, 2016* and subsequently implemented Ontario Regulation 144/16, *The Cap and Trade Program*, which entered into force on July 1, 2016.
- In December 2018, the Government of Ontario entered into the *Agreement on the Harmonization and Integration of Cap-and-Trade Programs for Reducing*

*Greenhouse Gas Emissions* and linked its cap and trade market with those of the State of California and the Province of Quebec effective January 1, 2018.

- On June 15, 2018, the recently elected Premier-designate announced that Ontario would not participate in the quarterly cap and trade allowance auction as part of the linked cap and trade market.
- In June 2018, GreenON was instructed to halt all programs and shut down its website.
- In January 2017, the Government of Ontario released the details of a regulatory proposal to implement a Renewable Fuel Standard, which may affect natural gas.
- On July 3, 2018, Ontario introduced Ontario Regulation 386/18 to repeal the cap and trade program regulation (OReg 144/16) and prohibit registered participants from acting to "purchase, sell, trade or otherwise deal with emission allowances and credits."
- On July 25, 2018, the Ontario introduced Bill 4, *Cap and Trade Cancellation Act, 2018*, which if passed in its current form, will repeal the *Climate Change Mitigation and Low-carbon Economy Act, 2016* and formally end the province's cap and trade program.
- On September 19, 2018, the Government of Ontario brought forward Bill 32, *Access to Natural Gas Act, 2018*, which, if passed, would facilitate the expansion of access to natural gas in rural and northern Ontario.

**Canada:**

- Further, on December 13, 2017, Environment and Climate Change Canada released a new regulatory framework outlining the proposed design of the Clean Fuel Standard, which will impact the cost of natural gas purchased by GFGs.
- On January 10, 2018, the Government of Canada gave notice of its proposal to implement the *Regulations Limiting Carbon Dioxide Emissions from Natural Gas-fired Generation of Electricity*, which would impose performance standards (CO<sub>2</sub> emission intensity-based limits) on new and significantly modified natural gas-fired electricity generating units, including combustion engines and boiler units.
- On June 21, 2018, the federal government enacted the *Greenhouse Gas Pollution Pricing Act* and has subsequently indicated that the federal Output-based Pricing System for carbon pricing will include the electricity sector, including GFGs in Ontario.

**United States:**

- Moreover, on August 21, 2018, the United States Environmental Protection Agency proposed the Affordable Clean Energy (ACE) Rule, a new rule impacting

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modifications to existing coal-fired electric utility generating units and power plants, which may have the effect of increasing coal-fired power imports into Ontario from the United States.

5. The above list of carbon- and conservation-related measures illustrates that the electricity sector, and clean, natural gas-fired electricity generators therein, appear to be subject to more, stacked, and multiple carbon-related costs than any other sector of the economy.
6. APPrO generally submits that the application of DSM costs, in addition to all of the above-mentioned carbon- and conservation-related costs applicable to GFGs is both contrary to the Board's DSM objectives and ineffective. Further, it stands to increase the price of electricity in the province and the ultimate electricity bills paid by Ontario electricity consumers. APPrO is generally supportive of market measures to assist the electricity and other economic sectors in the transition to a lower-carbon economy, but respectfully submits that applying DSM to Ontario's electricity sector, which is among the lowest-emitting in the world, is entirely anathema to this goal.
7. It is APPrO's understanding that there is **no evidence** in this Proceeding to support the conclusion that the DSM activities implemented by the Utilities have resulted in material reductions in GFG natural gas demand or GFG GHG emission reductions, despite the increased DSM related costs that GFGs — and their electricity customers — have been required to bear.
8. Specifically, Table 6 of Enbridge's submissions (at page 70 of 78) that outlines Collaboration and Innovation Initiatives and the many scorecards in the appendices do not appear to include any measures expressly targeted at reducing natural gas demand by existing GFGs. APPrO respectfully submits that Enbridge's collaboration with Toronto on new cogeneration activity and participation in a combined heat and power forum is, and should be, an ordinary and prudent operating and maintenance cost of the utility, and not an additional DSM-related cost paid by customers. Similarly, integrated resource planning can and should be a part of regular prudent management of the utility.
9. Similarly, the Union evidence (at page 4 of 21 and throughout) does not appear to include any measures expressly targeted at reducing natural gas demand by existing GFGs.
10. As a result, the continued and proposed DSM-related costs proposed by the Utilities that apply to GFG LVC customers appear to be an additional cost that must be borne by GFGs and end-use electricity customers, without an outcome or environmental impact.
11. Further, the current Ontario government has been very clear in its intention to effect a further 12 per cent cost savings for electricity customers, in addition to the 25 per cent resulting from the Fair Hydro Plan. APPrO generally submits that exempting all GFG natural gas customers from DSM-related costs is both appropriate and timely in order to incent efficiency, reduce rates for end-use electricity customers, **and facilitate the efficient use of Ontario's extremely low-carbon electricity to reduce GHG emissions in other sectors of the economy with rising emissions, including transportation and buildings.**

12. Ontario's electricity sector is virtually decarbonized (approximately 97 per cent emissions free), with an effective emissions rate of 36 kg/MWh estimated in 2017. This is among the very lowest electricity sector emissions rate **in the world**. It also results from the very significant cost investment that Ontario and Ontario electricity customers continue to absorb by phasing out coal. In contrast, the buildings and transportation sectors both have very significantly increasing emissions over the last decade, and the trend continues to increase. There is therefore significant potential for electricity generation and storage to play a very significant role in transportation, industry, and building sectors, and thereby create efficiencies and customer savings in all of those sectors. APPrO submits that imposing DSM costs on GFGs with no resulting environmental impact impedes that beneficial environmental outcome.
13. High-emission electricity imports from the United States are, by contrast, largely exempt from any and all carbon and DSM-related input costs. Many electricity imports from Michigan and the northeast United States are up to 300 per cent higher than Ontario's clean natural gas electricity generators, and 3000 per cent higher than the average emissions intensity of Ontario's electricity sector. Further, there are no longer any import-related emission charges (allowance purchase obligations) that apply to such high-emission imported power. APPrO submits that the additional imposition of DSM-related costs on electricity production from Ontario's GFGs only exacerbates the potential for Ontario to import more higher emission, coal-fired power from the United States.
14. APPrO therefore respectfully requests that the Board expressly exempt LVCs that are GFGs from the application of DSM costs given the multiple carbon and conservation related costs that they already pay. In addition, APPrO does not support the imposition of any new, expanded or additional DSM-related costs to GFGs. It is APPrO's strong view that imposing DSM related costs on GFGs, in addition to all of the above-mentioned conservation and carbon-related costs applicable to GFGs, is both contrary to the Board's DSM objectives and ineffective. It is likely to have the negative outcome of increasing costs to end-use electricity customers and incenting the import of higher emission power.

ALL OF WHICH IS RESPECTFULLY  
SUBMITTED THIS

28th day of September, 2018.



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Lisa (Elisabeth) DeMarco  
DeMarco Allan LLP  
Counsel for APPrO