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April 13, 2009

**VIA HAND DELIVERED**

Ms Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge Street  
27<sup>th</sup> Floor  
Toronto, Ontario  
M4P 1E4

Dear Ms Walli:

**Re: Enbridge Gas Distribution Inc.  
2009 Rate Adjustment Application – Phase 2  
Ontario Energy Board File No. EB-2008-0219  
Enbridge IR's of Direct Energy**

Attached please find interrogatories of Enbridge Gas Distribution for Direct Energy Marketing Limited in the above noted proceeding.

The attached interrogatories have been filed through RESS and two paper copies are being delivered to the Board today.

Yours truly,

A handwritten signature in cursive script that reads 'L Chiasson'.

Lorraine Chiasson  
Regulatory Coordinator

cc: Mr. F. Cass – Aird & Berlis LLP  
EB-2008-0219 Intervenors (via email only)

ENBRIDGE GAS DISTRIBUTION INC. ("Enbridge")  
INTERROGATORIES OF DIRECT ENERGY MARKETING LIMITED

**Interrogatory #1**

Reference: Direct Energy Marketing Limited Evidence Submission. EB-2008-0219 Exhibit L, Tab 7, Quantifying the Risk, paragraph 2 p.3 of 8.

The evidence states that 'Enbridge has the ability to impose financial penalties on direct shippers for non-deliveries, as well as the ability to terminate a Gas Delivery Agreement for events of default. Should the current financial penalties be insufficient to provide EGD with a level of comfort that direct shippers will continue to act appropriately, EGD and the Board should consider increasing these penalties.'

1. Please explain what factors should be considered by EGD and the Board in increasing current penalties for non delivery of gas supply.
2. Please also indicate Direct Energy's recommended level of penalties.
3. Does DE agree to the inclusion of a clause in the Gas Delivery Agreement that require agents or brokers to be held financially responsible for consequential damages to EGD and its customers from non-delivery of gas supply, in the event of a failure of non firm upstream transportation? If not, please explain.

**Interrogatory #2**

Reference: Direct Energy Marketing Limited Evidence Submission. EB-2008-0219 Exhibit L, Tab 7, No Evidence of a Future Security of Supply Issue, paragraph 3, p.3 of 8.

The evidence states that 'DE submits that even a 100% FT requirement will not solve a system security issue of this nature.'

1. Please explain the above statement.
2. EGD understands that upstream pipelines provide additional assurance of service under peak demand conditions for firm service through "loss of critical unit" protection and that facilities are not built or reserved to provide interruptible or discretionary services. Does DE agree with EGD? If not, please explain.
3. Does DE agree that as a result of (2) above, discretionary service deliveries have a higher probability of being restricted in the event of a system issue on TCPL. If not, please explain.

### **Interrogatory #3**

Reference: Direct Energy Marketing Limited Evidence Submission. EB-2008-0219 Exhibit L, Tab 7 No Evidence of a Future Security of Supply Issue, paragraph 3 p. 3 of 8.

The evidence states that 'EGD agrees that firm transport does not lead to more operational capacity, in that it does not create additional pipelines. Furthermore, as market participants including EGD are unaware of any Open Season for additional TCPL capacity to the EGD franchise area, it would seem that EGD has not in fact requested any additional build. As such, if an operational problem exists, it is not being addressed by this proposal.'

1. Please explain the statement 'Furthermore, as market participants including EGD are unaware of any Open Season for additional TCPL capacity to the EGD franchise area, it would seem that EGD has not in fact requested any additional build.'
2. Is DE referring to long haul or short haul transportation to EGD's franchise area?
3. Please provide a review of the period a shipper can contract for TransCanada's long haul, short haul and short term firm transport (STFT).
4. Please provide in detail TransCanada's requirements for new pipeline capacity requests?
5. Please detail DE's position on who should be the signatory for new TransCanada pipeline capacity to EGD's franchise area.

### **Interrogatory #4**

Reference: Direct Energy Marketing Limited Evidence Submission. EB-2008-0219 Exhibit L, Tab 7, Impact of approving this request on competitive markets, paragraph 1, p. 5 of 8.

The gravity of the EGD security of supply argument is further called into question by the fact that EGD just held an open season for Tecumseh storage in February of this year for 2,600,600 GJ with 1.6% firm withdrawal capacity available which equates to 31,200 GJ/d. Yet in response to DE IR#6 (Exhibit I, Tab 9, Schedule 6) EGD explains that Tecumseh storage could not be used as a backstop for any non-deliveries required for system balancing as Tecumseh storage is assumed to be used at maximum deliverability on peak days. If EGD is offering firm storage delivery of 31,200 GJ/d, it would seem there is operational capacity available on peak days.

1. Please confirm that DE is aware of the OEB's Decision with Reasons in EB-2005-0551 (Natural Gas Electricity Interface Review).
2. Please explain DE's understanding as to whether the storage services offered in the Tecumseh open season are regulated or unregulated services pursuant to the Board's decision in the NGEIR case. Please explain in detail how any such services offered by Tecumseh address or bear on the firm transportation issue raised by EGD in this proceeding.
3. Does DE agree that Tecumseh storage is not located within EGD's franchise area? If not, please explain.
4. Does DE agree with EGD's statement in Board Staff #16 (c) "However, EGD is unlikely to have excess unutilized firm transport capacity to bring these supplies to the franchise on peak day."

#### **Interrogatory #5**

Reference: Direct Energy Marketing Limited Evidence Submission. EB-2008-0219 Exhibit L, Tab 7, Impact of approving this request on competitive markets, paragraph 4, p. 5 of 8.

"Centra has reduced its TCPL DCQ to the MDA to 160,000 GJ/day (formerly 200,000 GJ/day) primarily in response to a trend of declining load in Manitoba. The reduction in TCPL capacity is also projected to return Interruptible customers to levels of curtailment which are more reasonably reflective of this lower priority service, which has not been the case in recent years. The toll increases experienced by shippers on TCPL's Mainline in 2008, and the ongoing toll risk due to throughput uncertainty on the Mainline made reducing TCPL capacity an attractive option."

1. Does DE agree that based on the above statement that Centra's reduction in TCPL DCQ to the MDA was based on the trend of declining load in Manitoba? If not, please explain.
2. Does DE agree with EGD's interpretation of the above statement that Centra intends to manage its system through a reduction in TCPL DCQ and any incremental requirement to meet its system requirements will be met through an increase in curtailment of Interruptible customers? If not, please explain.
3. Does DE agree that Centra's toll risk comment is in the context of retaining a higher quality service for interruptible customers than what the service is designed for, in an environment of rising tolls? If not, please explain.

### **Interrogatory #6**

Reference: Direct Energy Marketing Limited Evidence Submission. EB-2008-0219 Exhibit L, Tab 7, Impact of approving this request on competitive markets, paragraph 6, p. 5 of 8.

If the competitive market is allowed to progress naturally, beneficial results can be experienced by all participants. For example, NGX is currently canvassing market participants for interest in adding Enbridge CDA to the trading screen for both the term and cash markets. By creating a cash market, more liquidity and the opportunity for price discovery will be possible in these market areas. If demand for these new hubs is artificially reduced by the dictated use of fixed TransCanada Mainline assets, then the development of further liquidity will be curtailed by arbitrary and unfounded utility requests.

1. Please provide a definition of a hub in the above context.
2. Please identify all the pipelines that connect to the Enbridge CDA.
3. Please identify other hubs in Ontario and the pipelines that connect at the other hubs?
4. Is DE aware of other parties who facilitate trading at hubs that have approached DE in the past other than NGX to explore the option of establishing hubs in Ontario? If so, please provide the names of and dates when DE has met with these parties.
5. Please explain why liquidity is diminished when suppliers hold firm transportation and why liquidity is enhanced when suppliers hold interruptible transport.
6. Is it DE's position that in order to support competition and the evolution of the marketplace that system reliability issues are of a lesser concern? Please explain.

### **Interrogatory #7**

Reference: Direct Energy Marketing Limited Evidence Submission. EB-2008-0219 Exhibit L, Tab 7, Impact of approving this request on competitive markets, paragraph 2, p. 6 of 8.

Should EGD find TCPL Mainline transport uneconomical, EGD should turn back the firm capacity that it holds, and not shift the problem onto direct shippers. According to the EGD response to DE IR#2, 246,000 GJ of Empress to CDA or EDA expires in October of 2009. The annual cost of this transport is \$107 million. EGD has the option to turn back this transport and find alternatives, such as IT arrangements, shipping on other

pipelines, or the purchase of Ontario landed gas. When transport is “out of the money”, there is a market reason for this, and holding the transport is a choice that must be made by each market participant and not forced upon small volume DP customers under the guise of a system reliability problem.

1. Please identify the pipelines that deliver gas to Ontario and to EGD by delivery area.
2. Please provide a definition of Ontario landed gas.
3. Please identify the underlying assets that comprise the delivery of Ontario landed gas.
4. Please confirm DE’s position that EGD should not contract for FT service.
5. Please confirm that on days when transport is ‘in the money’ parties will bid for transport over and above their own needs to allow these parties to extract market value? If not, please explain why market dynamics do not apply?
6. Please provide DE’s position on whether EGD should have the responsibility for forecasting and ensuring that peak day demand of its customers is met.

### **Interrogatory #8**

Reference: Direct Energy Marketing Limited Evidence Submission. EB-2008-0219 Exhibit L, Tab 7, Impact of approving this request on competitive markets, paragraph 3, p. 8 of 8.

EGD has also put forth that FT is the only viable alternative to address the perceived risk. DE believes that other options should be examined including an increase in penalties for failure to deliver; the construction of more intra-provincial pipe to utilize liquid hubs and connect storage assets more directly; and the unbundling of storage and transportation assets to allow DP customers to balance a temperature sensitive load.

1. Please explain as to how the unbundling of storage and transportation assets will address the system reliability risk posed by non firm upstream arrangements?
2. Please provide a detailed description of other options that should be examined by EGD.
3. Please identify who would have the regulatory responsibility in pursuing these option(s).

**Interrogatory #9**

Reference: Direct Energy Marketing Limited Evidence Submission. EB-2008-0219 Exhibit L, Tab 7.

1. Does DE believe that it is reasonable for an LDC to wait for a system failure to occur before attempting to manage the risk imposed on it on a peak day?

**Interrogatory #10**

Reference: Direct Energy Marketing Limited Evidence Submission. EB-2008-0219 Exhibit L, Tab 7.

1. Please acknowledge that Direct Energy participated in regulatory proceedings before the Connecticut Department of Public Utility Control (DPUC) in Docket No. 05-05-10 entitled Consolidated Investigation to Complete Connecticut's Gas Local Distribution Companies Unbundling of Gas Service to Commercial and Industrial Customers through its subsidiary Direct Energy Services, LLC.
2. Please confirm that Direct Energy sought an allocation of released firm capacity to serve its customers in that proceeding.
3. Please confirm that Direct Energy operates on LDCs "that have successful capacity assignment programs." (See the response to OCC-40, DPUC Docket No. 97-07-11RE02 submitted May 2, 2005.)
4. Please acknowledge that in Docket No. 05-05-10 above, Direct Energy believes that the total amount of firm transportation to the market along with on system peaking supplies does need to be sufficient for the peak day requirement in the market. If not, please explain how reliability will be maintained.
5. Please confirm that Direct Energy indicated in Docket No. 05-05-10 that a risk for LDC operations is "a marketer might divert gas to serve another market." (See the response to CNG/SCG-21 dated November 21, 2005.)