

ONTARIO ENERGY BOARD

IN THE MATTER OF a proceeding initiated by the Ontario Energy Board to determine methodologies for commodity pricing, load balancing and cost allocation for natural gas distributors.

SUBMISSIONS OF THE LOW-INCOME ENERGY NETWORK

INTRODUCTION

1 The Low-Income Energy Network (LIEN) is a registered intervenor in this proceeding.

2 LIEN is an organization of more than 80 member associations from across Ontario, including, environmental, legal, tenant/housing, social service organizations. Accordingly, LIEN represents the interests of tenants/consumers that may be affected by this proceeding. LIEN is directed by a Steering Committee. In addition to the Steering Committee and Members and Supporting Organizations, over 35 individuals have also indicated their support for LIEN.

3 The Low-Income Energy Network:

- (a) aims to ensure universal access to adequate, affordable energy as a basic necessity, while minimizing the impacts on health and on the local and global environment of meeting the essential energy conservation needs of all Ontarians, and
- (b) promotes programs and policies which tackle the problems of energy poverty and homelessness, reduce Ontarians' contribution to smog and climate change, and promote a healthy economy through the more efficient use of energy, a transition to renewable sources of energy, education and consumer protection."

BACKGROUND

4 In a letter dated July 23, 2008, LIEN made written submissions on the draft issues list included in Appendix B of the Procedural Order No. 1.

5 LIEN's submissions were made in the context of a Divisional Court decision that the Board has jurisdiction to establish a rate affordability assistance program for low-income consumers of natural gas under section 36 of the *Ontario Energy Board Act*.

Low-Income Energy Network v. Ontario Energy Board
(May 16, 2008), Ont. Sup. Ct. (Div. Ct.), Court File No. 273/07.

6 In anticipation that, the Board would develop and implement an affordable rate program for low-income consumers, LIEN proposed a new issue for this proceeding.

7 That issue was designed to ensure that adequate provision would be made to accommodate and integrate programs for rate assistance for low-income consumers into methodologies for commodity pricing, load balancing and cost allocation for natural gas distributors in relation to regulated gas supply, when such programs were developed.

8 On August 8, 2008, the Board issued its Decision and Order on the Issues List. It disposed of LIEN's proposed issue as follows:

The Board does not believe that it is either necessary or desirable to include LIEN's proposed issue in the issues list for this proceeding.

In considering different options for addressing the QRAM methodology, load balancing and cost allocation, the Board will wish to understand the implications of each option on ratepayers, gas distributors and marketers. It is certainly appropriate for each party to this proceeding that represents an identifiable consumer group to provide the Board with the perspective of its constituency. However, in the Board's view a distinct issue identifying each different consumer group is not necessary for that purpose.

The Board is also of the view that the Low Income Consumer Consultation is the appropriate forum in which to examine potential policies and measures that might be implemented to address the particular concerns of low income energy consumers. The Board will, during this gas supply proceeding, remain mindful of the desirability of avoiding, as far as possible or necessary, any regulatory dysfunction between this proceeding and the Low Income Consumer Consultation.

9 The Low Income Consumer Consultation is a consultation process initiated by the Board to examine issues associated with low-income energy consumers in relation to their use of natural gas and electricity (Board File EB-2008-0150).

10 As a result of that consultation, the Board recently announced proposals for a Low-income Emergency Assistance Program (LEAP). That program does not include proposals for an affordable rate program for low-income consumers.

11 Accordingly the issue of affordable rates remains relevant to this and other rate related proceedings before the Board from time to time.

EVIDENCE

12 Enbridge Gas Distribution (Enbridge) agreed in oral evidence that the primary objectives of its QRAM are to procure gas as cheaply as possible, to pass on that cost to the customer and to reduce the volatility in the customers' prices.

**Enbridge Gas Witness Panel 1 – Cross Examination by
P. Manning - Transcript Volume 2, p. 79**

13 The evidence of Union Gas Ltd. (Union Gas) and Enbridge concludes that a monthly rate adjustment mechanism for natural gas rates (MRAM) would result in greater rate volatility than the current quarterly rate adjustment mechanism (QRAM).

**Union Gas Evidence – Exhibit E2 at p. 19 of 72 – Summary
Comparison – Reference Price Including Rate Rider Impacts**

**Enbridge Gas Witness Panel 1 – Cross Examination by
P. Manning - Transcript Volume 2, pp. 85 - 86**

14 The Gas Marketers Group (GMG) agreed in oral evidence that bills under an MRAM will reflect the monthly cost of gas more closely than the QRAM and that, in terms of rate volatility, this will not be as “smooth” as the QRAM.

**Gas Market Group Witness Panel 1 – Cross Examination by
P. Manning – Volume 3, p. 100**

15 Enbridge agreed in oral evidence that its budget billing plan does not shield consumers from commodity price volatility. Changes in the QRAM are accounted for in the budget billing plan twice a year.

**Enbridge Gas Witness Panel 4 – Cross Examination by
P. Manning - Transcript Volume 2, pp. 189 -193**

16 Enbridge agreed in oral evidence that the principle of cost causality is not always observed. The cost of distribution of gas is not differentiated between members of a rate class by reference to their location. A “postage stamp” rate is applied.

**Enbridge Gas Witness Panel 3 – Cross Examination by
P. Manning - Transcript Volume 2, pp. 171**

ARGUMENT AND SUBMISSIONS

17 As strands of the rate making exercise, methodologies for commodity pricing, load balancing and cost allocation for natural gas distributors in relation to regulated gas supply are subject to:

- (a) The statutory mandate of the Board to fix or approve “just and reasonable rates”

Ontario Energy Board Act, s. 36(2)

- (b) The statutory objectives of the Board in relation to gas, including:
 - (i) To facilitate competition in the sale of gas to users.
 - (ii) To protect the interests of consumers with respect to prices and the reliability and quality of gas service.

Ontario Energy Board Act, s. 2

(c) The Board's overarching mandate to act in the public interest.

QRAM v MRAM

18 The primary objectives of a rate adjustment mechanism in relation to the price of gas are to achieve the cheapest commodity price for consumers consistent with the least volatility in consumer rates.

19 The MRAM proposed by the Gas Marketer Group (GMG) would likely result in greater volatility in rates than the QRAM.

20 GMG has not demonstrated that the MRAM would be consistently cheaper for ratepayers than under the QRAM or would have other consumer benefits that counterbalance or outweigh the disadvantage of the increased risk of volatility under the MRAM.

21 The MRAM has not been shown to do a better job than the QRAM in producing just and reasonable rates or in achieving the Board's statutory objective to protect the interests of consumers with respect to prices and the reliability and quality of gas service.

Rate Affordability

22 Rates that are unaffordable for low-income residential consumers are inconsistent with the Board's rate making mandates and its statutory objective to protect consumers.

23 The Low-Income Energy Consultation has not resulted in the implementation of an affordable rates program for low-income consumers.

24 This proceeding has not addressed rate affordability.

25 Commodity pricing, load balancing and costs allocation may properly be the subject of a rate affordability program to the extent that is necessary or appropriate to achieve "just and reasonable" rates.

ALL OF WHICH IS RESPECTFULLY SUBMITTED.

May 15, 2009

WILLMS & SHIER
ENVIRONMENTAL LAWYERS LLP
4 King Street West
Suite 900
Toronto, ON M5H 1B6

Paul Manning
LSUC # AO50059P

Tel: 416-862-4843
Fax: 416-863-1938

Lawyers for the Intervenor,
Low-Income Energy Network (LIEN)

Document #: 238877