

IN THE MATTER OF the Ontario Energy Board Act 1998;
S.O. 1998, C. 15 (Schedule B);

AND IN THE MATTER OF an Application by Enbridge Gas Distribution Inc. for an Order or Orders approving or fixing just and reasonable rates and other charges for the sale, distribution and storage of gas commencing January 1, 2009.

EB-2008-0219

**Submissions of: The Association of Power Producers
of Ontario (APPrO)**

Introduction

1. On September 26, 2008, Enbridge Gas Distribution Inc. filed an application with the Board for an order approving or fixing rates for the distribution, transmission and storage of gas effective January 1, 2009. The Board issued a Procedural Order indicating that the application would be dealt with in 2 phases. A Settlement Agreement was reached on Phase 1 issues.
2. The issues list for Phase 2 was established in the Board's Procedural Order No. 6 issued on February 17, 2009. These were issues number 7, dealing with the requirements for direct purchase bundled service customers to contract for upstream transportation, and issue number 8, dealing with the timing of the next IRM filing.

Issue 7 Upstream Transportation

3. Enbridge in its submission has proposed that customers taking service pursuant to an agent type gas delivery agreement meet their obligations to deliver gas to Enbridge on any given days by FT service for at least 90% of the MDV. Enbridge has noted that the percentage of FT underpinning direct shipper delivery obligations will increase from 8% to 52% under its proposal.¹ Enbridge has proposed this program for this customer group because of the practical problems in dealing with curtailing deliveries to the thousands of small volume customers in the case where their supply has failed. Similarly Enbridge has also indicated

¹ Exhibit C-1-10 Supplemental Evidence

that this program is not targeted to large volume customers because it would be much easier to physically curtail service to those few large customers in the event their supply failed.

4. Enbridge has however indicated that in the future it may propose changes to its tariff which could expand the requirement to hold FT to all direct shippers taking service under Ontario transportation service arrangements or instituting a chargeable standby or backstopping service for large volume customers.²
5. APPrO members include gas-fired power generators located in Ontario including those generators situated in Enbridge's franchise area. These generators use gas to produce electricity and this electricity is an important contribution to the overall reliability of the Ontario power system. This power system is relied upon by residential, commercial, institutional and industrial customers within the Province. A number of parties participated in the Natural Gas Electricity Interface Review (NGEIR) to develop new services for gas-fired generators. These services were designed, among other things, to improve the timely access to gas and hence the reliability of power produced by gas-fired generators. Generators are now beginning to use these services.
6. APPrO takes no position at this time on the Enbridge's proposal for the requirement of agent type direct purchase Ontario T-Service bundled service customers to contract for TransCanada FT upstream transportation. APPrO is however concerned with some of the potential outcomes of this process. Whether or not the Board approves such a program, Enbridge has indicated that it may proceed on its own to contract for additional short term firm (STFT) transportation capacity if such parties have insufficient firm transportation capacity to meet Enbridge's reliability requirement. Enbridge indicated that the cost to secure 200,000 GJ/d of STFT for the months of January to March 2010 would be \$21 million³. Enbridge indicated that they would not expect the cost to acquire additional transportation services to be borne by their shareholder. Gas-fired generators are large consumers of gas that can curtail their gas usage in the event that their supply does not show up. In the event that Enbridge does contract for additional transportation services, these large customers should not be required to shoulder any of the reliability related costs of other customer groups.

² Ibid

³ Transcript 2009-05-07 page 130

7. Enbridge has also noted that in the event there is a shortfall of gas being delivered into its franchise area it may need to curtail certain customers. Enbridge has noted⁴ the order of customer curtailment during emergency conditions. This order first includes curtailing interruptible customers (Phase 0) and then large volume customers (Phase 1). Enbridge has confirmed that generators would be in Phase 1⁵. Gas-fired generators provide a vital role in meeting the reliability of the electricity grid in Ontario. Moreover an interruption initiated by Enbridge to a gas-fired generator caused by a lack of supply by a third party would most likely happen during a time of greatest demand (and relative tightness of the upstream transportation system) and highest power prices. Due to the size of the generation load and the relative prices of electricity during these peak times gas-fired generators could forgo a substantial amount of revenue if there were a service curtailment by Enbridge.
8. Enbridge also noted⁶ that if a generator were required to be interrupted, it would notify the generator and then consult with the IESO regarding the importance of the power being generated in making its decision to curtail the generator. APPrO believes that consultation also with the generator is absolutely essential in making such a decision in such circumstances. Consultation is necessary, not only for reasons of ensuring reliability of the gas and power grids but presumably the reason for the curtailment of service to the generator would be for Enbridge to access the gas-fired generator's gas supply and upstream transportation arrangements. These are matters of which the Independent Electricity System Operator (IESO) may not be knowledgeable. Under a curtailment, these supply and transportation arrangements presumably would be diverted to those smaller customers whose gas supply has failed. APPrO would expect that Enbridge would want to work with the generator to ensure that its upstream supply, transportation and balancing requirements were suitable and nominated in a way to help resolve the supply problem. In addition, the generator would expect to be fairly compensated for the supply to be appropriated by Enbridge.
9. Enbridge has indicated that it proposes to have the requirement for upstream transportation in effect as of November 1, 2009. A party has indicated⁷ that there may be significant costs that would be stranded in order to implement Enbridge's upstream firm transportation

⁴ Exhibit I 12 5 Attachment 1 page 4 of 5

⁵ Exhibit HDU2.3

⁶ Ibid

⁷ Exhibit I 17 page 2 of 3

proposal. APPrO is concerned with the potential for stranded costs resulting from tariff changes. In the future, and prior to implementing significant changes to the terms and conditions of its tariff, Enbridge should be required to undergo appropriate and timely consultation to minimize the overall impact on customers. These customer issues can then be taken into account in the design and implementation of any proposed tariff revisions.

10. To the extent that the Board agrees with Enbridge that there is a reliability concern, APPrO suggests that use of STFT transportation for some period during the winter months may a reasonable compromise at this time, rather than requiring parties to contract for longer term FT capacity that includes an annual capacity commitment. If upstream transportation on the TransCanada Mainline begins to tighten up, it may be appropriate to look at longer term FT transportation arrangements containing contract renewal rights as an embedded feature of the contract. It may be appropriate to have Enbridge prepare an independent annual transportation assessment to evaluate the level of transportation risk prior to requiring parties to contract for FT service. This assessment would evaluate the short to medium term (up to 3 years) market dynamics to determine the level of upstream transportation risk. If it appeared that the market fundamentals indicate that the availability of STFT is at risk, then it could make further recommendations to the Board with respect to the requirement for FT versus STFT. It would be expected that Enbridge would file these assessments with the Board and interested parties and seek the Board's approval prior to implementing this change.
11. Enbridge has indicated that it may propose additional changes to its tariff which could include expanding the requirement to hold FT contracts to all direct shippers taking service under Ontario T-Service or instituting standby or backstopping service for large volume customers. Enbridge has also indicated that a longer term solution in their view would be to implement a 'vertical-slice' arrangement⁸. The vertical slice would allow Enbridge to secure upstream transportation to its franchise area and then assign the capacity to direct purchase customers. Implementation of such an arrangement could have significant impact on direct purchase customers. APPrO contends that Enbridge will need to seek the Board's approval prior to the implementation of any of these programs. Moreover, APPrO also suggests that Enbridge conduct a full and timely consultation program with its customers to ensure that

⁸ Transcript 2009-05-07 page 41

the consequences of any new programs are fully understood by all parties and taken into account in advance of seeking Board approval.

12. Enbridge has indicated that the reason they have not required large customers to demonstrate firm upstream transportation at this time is because these are large loads, and due to the relatively fewer number of customers, Enbridge expects it may be able to physically shut off those customers whose supply has failed. In the future if Enbridge considers extending its requirement for firm upstream transportation, APPrO believes that plant curtailment for larger loads, whose supply has failed, is an appropriate alternative to demonstrating FT contracts.

Issue 8 Timing of the Next IRM Filing

13. APPrO takes no position on the timing of the next IRM filing.

Further Comments

14. APPrO submits that it has participated responsibly in working with other parties, limiting its involvement to those issues specific to APPrO members. APPrO therefore requests that it be awarded its reasonably incurred costs to participate in this proceeding per the Board's Practice Direction for cost awards.

ALL OF WHICH IS RESPECTFULLY SUBMITTED

A handwritten signature in black ink, appearing to read 'David Butters', with a large, sweeping loop at the end.

David Butters
President & CEO
Association of Power Producers of Ontario