**EB-2014-0199**

**IN THE MATTER OF** a proceeding initiated by the Ontario Energy Board to review the Quarterly Rate Adjustment Mechanism process for natural gas distributors.

**SUBMISSIONS OF**
**ENERGY PROBE RESEARCH FOUN DATION**
**("ENERGY PROBE")**

**June 17, 2014**

## Introduction

**The Board has requested input on the following matters:**

**(i) Whether the QRAM process should be amended to require, in certain cases, a substantive review of the application, including a review of the execution of the gas supply plan;**

**(ii) If the QRAM process is amended as described, what circumstances should trigger a substantive review;**

**(iii) Whether the Board should establish a policy on rate mitigation to protect system-supply customers from rate volatility; for example, by further smoothing rate impacts over time; and,**

**(iv) Whether the Board should establish protocols for communications to distribution customers.**

## Comments

**In the short time available for the consideration of these questions we have the following initial comments, some of which were included in the EB 2014-0039 proceeding...**

i) **The current QRAM process is in essence primarily a review of each Company's QRAM filing by Board Staff. By historic agreement CME provides customer input and receives its costs for this input. Accordingly to some degree the current process is not transparent to the representatives of some customer groups. To extend the process to reviews of the implementation of or amendments to the Gas Supply Plans would not add additional value.**

**However it is important that the gas supply plan be kept up to date to reflect changes in supply sources and transportation paths. Under IRM regimes this should be done annually and interim updates filed if material changes occur.**

**There are many variables that can result in major deviations and volatility in forecast gas commodity prices. Of these, other than "normal" market price changes, weather and the amount and inventory of gas in storage are some important factors. The PGVA Account retains variances in cost between the current reference price and forecast. However if weather is the primary driver rather than gas prices, then some form of mitigation to the unit rate to recover the PGVA could be considered.**

**One option is to change forecast reference prices *more frequently*, if changes in commodity price forecasts are above a certain threshold. This requires that the CIS of each company to have the capability to process such changes monthly.**

**Clearly this monthly update process would need to be under the Company's control, rather than a public process and be subject to periodic review (Quarterly?) by the Board Staff and Customer representatives. The PGVA would continue to be utilized as the primary mechanism for collecting/rebating gas cost variances, but hopefully balances would be smaller than with quarterly adjustments.**

**Greater use of Equal Billing or Budget Billing by small volume customers would also assist customers by allowing the variation in price or weather impacts to be managed over a year**

**ii) The QRAM is intended to amend the commodity/transportation costs applied to system/sales rates on a prospective basis and therefore prevent large deviations in customer bills and the Equal Billing Amount charged each month. The gas market can go through periods of volatility, such as occurred in the first quarter of 2014 as a result of colder than normal weather.**

**Other jurisdictions have modified sales rate adjustments, that to our understanding, may include smoothing mechanisms, principally to deal with weather-related impacts. The approach taken by other Canadian jurisdictions should be examined as an input to consideration of modifications to the current OEB QRAM process.**

**One option is to develop Ontario (Dawn?) reference price (commodity and Transportation) to be used with the current reference prices and could eventually be used alone once experience has been gained.**

**iii) The Board should focus on the customer reaction to material changes in their bills both on a short term basis and the annual billing total. In general for small volume customers any smoothing mechanisms should focus on achieving an annual amount of billed commodity and transportation costs over the gas year September-August so that higher than forecast gas costs are mitigated through the Equal Billing Plan Process. We are not in favour of longer periods due to customer mobility and other factors.**

**There may be collateral issues such as bad debt and customer cut-offs to be addressed. In addition the longer term impact on price signals driving conservation should be considered.**

**vi) The Board has a responsibility to ensure the utilities communicate significant changes in gas costs to system/sales customers. This is a difficult challenge for the small volume system sales customer market. Consideration of current media opportunities (internet etc.) may provide new channels.**

**As suggested in the EGD proceeding, a campaign to promote Equal Billing/Budget Billing should be conducted by EGD and Union. EGD and Union should also focus additional resources on the Low-Income Energy Assistance Program throughout the spring, summer and fall of 2014 in order to better prepare individuals in need of assistance for the significant cost increases expected next winter (or beginning in September on BBP).**

## Costs

**Energy Probe requests that it be 100% of its reasonably incurred costs associated with preparation and submission of these comments.**

**All of which is respectfully submitted this 17th day of June 2014.**

**Roger Higgin SPA Inc.**

**Consultant to Energy Probe Research Foundation**