

September 30, 2014

VIA RESS AND COURIER

Ms. Kirsten Walli
ONTARIO ENERGY BOARD
P.O. Box 2319, 27th Floor
2300 Yonge Street
Toronto, Ontario
M4P 1E4

Ian A. Mondrow
Direct: 416-369-4670
ian.mondrow@gowlings.com

Assistant: Cathy Galler
Direct: 416-369-4570
cathy.galler@gowlings.com

Dear Ms. Walli:

Re: EB-2014-0289: 2014 Natural Gas Market Review.

Industrial Gas Users Association (IGUA) Intent to Participate and Input on Scope of the Review.

Further to the Board's September 19, 2014 Notice to interested parties, we write as counsel to IGUA to register IGUA's intent to participate and to provide input on scope for this review.

Intent to Participate

The Board's Notice indicates that parties to the Board's recent [EB-2014-0199] QRAM process review will be automatically registered in this proceeding, and, as applicable, will be automatically determined to be eligible for cost awards in this consultation.

IGUA filed submissions (June 17, 2014) in the QRAM process review, though did not file a cost claim in that process. IGUA nonetheless assumes that, in addition to being registered to participate in this consultation, it will be eligible to claim recovery of its reasonably incurred costs herein, in accord with the Board's direction on cost recovery for participation in this consultation.

IGUA intends to send representatives to the December Stakeholder Conference in person, and will formally register those representatives closer to the conference as directed by the Board's September 19th Notice.

Input on Scope of the Review

Following is a list of considerations that IGUA has been developing in anticipation of this consultation. Many of the specific topics noted below may well be subsumed in the Board's broader 4 point scope as set out at page 2 of the Notice.

1. As IGUA suggested in its June 17th submission in the recent QRAM process review [EB-2014-0199], in considering appropriate "*cost and risk trade-offs of different gas supply planning parameters*" it would be very helpful for each of the gas distributors to provide additional information on their own gas supply planning circumstances, and how their respective planning and plan execution approaches are thus determined and appropriate. With a better understanding of these respective circumstances and approaches, the Board and parties will be better placed to consider whether additional direction to the utilities is warranted. The Board should consider inviting Enbridge Gas Distribution (EGD) and Union Gas (Union) to file information on this topic for consideration by interested stakeholders and the Board in this consultation.
2. As IGUA further suggested in its June 17th submission in the QRAM process review, the Board might consider as part of the current consultation replacement of the current Empress reference price with a Dawn reference price. As the shift by Ontario gas consumers, including EGD and Union on behalf of Ontario gas consumers, to short haul from long-haul continues, Empress pricing will become less directly relevant to Ontario landed gas prices. Again, IGUA suggests that information on this topic from each of Ontario's gas distributors would inform consideration of this issue by interested stakeholders and the Board.
3. IGUA believes that Canada's gas industry regulators (including in particular the OEB, Quebec's Régie de l'énergie, and the National Energy Board) could each benefit from enhanced inter-agency communication and, perhaps, regulatory agenda co-ordination. In the recent combined facilities applications brought by EGD and Union [EB-2012-0433; EB-2013-0074; EB-2012-0451], it became clear that ongoing and significant changes to TransCanada's Mainline gas transmission services and tolling, and to Gaz Métropolitain's gas supply plans, were having direct and significant impacts on the development of, and rates/services to be provided by, Ontario's gas transmission and distribution infrastructure. IGUA suggests that benefits of, and potential mechanisms for, such enhanced communication/co-ordination be considered as part of the instant review.
4. As Ontario regulated gas services continue to operate in an increasingly complex and competitive overall North American gas market, the benefits of, and mechanisms for, market monitoring and transparency would be worth considering in this consultation.

The National Energy Board has recently [RH-003-2011] set TransCanada's Mainline tolls on the basis of its evaluation of "*the reasonable upper limit of a competitive, just and reasonable, multi-year fixed Mainline FT toll*" [Decision, page 222, emphasis added], and has granted TransCanada unfettered pricing discretion for non-firm ("discretionary") gas transmission services. In this context, Union and Enbridge have adjusted their gas transmission portfolios to rely more on firm Mainline transmission. The decreasing reliance by EGD and Union on short term discretionary transmission services to manage peak supply and load balancing requirements will give rise to higher "unutilized demand

charges”, and potentially more active contracted capacity “optimization” in secondary transmission and delivered supply markets.

Union and EGD are also both expanding their systems (and, in Enbridge’s case, entering into the gas transmission market) to take advantage of new supply and transportation dynamics. This Board will, increasingly, be asked to approve services and related rate structures that respond to these and further competitive market dynamics.

These and similar developments, which IGUA anticipates will be the subject of the reports that the Board has commissioned to inform this consultation, commend consideration of the manner in which the Board should keep itself informed of the developments in rapidly changing gas markets.

5. A related issue is the ability of the Board to take a view on a desirable (from the “public interest”) outcome for the currently accelerated pace of connecting to new gas supply and storage resources. The market is in the middle of a unique period of unprecedented change. Once these new connections (physical and contractual) are made, they will dictate flow patterns for some time to come. In this context, the OEB should consider developing a view on an appropriate outcome for Ontario’s gas consumers which transcends any particular application brought before it.
6. A further related issue is the extent to which approved utility plans should anticipate continued growth, so that approvals are not required on an urgent and reactive basis for fear that capacity will run short. For example, it may be appropriate for gas distributors and transmitters to provide for a margin of growth in their infrastructure and contracting proposals.
7. The Board might also consider the appropriate evolution of gas distribution services in light of development of new or enhanced supply options and gas market opportunities.

For example, the Board has recently approved Union’s reformulated “Parkway Delivery Obligation”, recognizing the value to Union’s customers of being able to deliver gas to Union at Dawn (and, conversely, the cost of an obligation on customers to deliver gas at Parkway). EGD is currently developing a proposal for a Dawn transportation service under which customers will be able to elect delivery to EGD at Dawn, and transportation by EGD of the delivered supply to its franchise. Union is expected to consider expansion of its Dawn delivery services to its Northern Delivery Area (NDA), and EGD’s Dawn transportation service is expected to be extended to its Eastern Delivery Area (EDA) customers in the future.

These and new potential unbundled/flexible service offerings, in response to gas supply and transportation market evolution, commend consideration as part of this consultation.

Finally, IGUA recognizes that consideration of the implications of TransCanada’s proposed Energy East project on Ontario is part of a separate, and broader, review by the Board in response to a Ministerial directive. Nonetheless, no consideration of gas market developments would be complete if not at least cognizant of the implications for Ontario gas supply of repurposing of a significant portion of TransCanada’s Eastern Triangle system (and in particular the TransCanada Mainline facilities running from North Bay to Iroquois). IGUA submits that,

without treading into determinations to be made by the Board for report to the Minister as part of its Energy East review, the Board should, in the instant consultation, be informed about potential impacts of TransCanada's repurposing proposal on the future of Ontario's gas supply and transportation requirements.

Conclusion

IGUA looks forward to the opportunity to participate in this consultation. We request that the Board and interested parties include the writer, along with Dr. Shahrzad Rahbar, as representatives for IGUA on the circulation list for this matter going forward. For convenience, here is the contact information that we request be used:

Ian Mondrow, Partner
GOWLING LAFLEUR HENDERSON LLP
Suite 1600, 1 First Canadian Place
100 King Street West
Toronto, Ontario
M5X 1G5

Phone: 416-369-4670
Fax: 416-862-7661
E-Mail: ian.mondrow@gowlings.com

Dr. Shahrzad Rahbar
President
INDUSTRIAL GAS USERS ASSOCIATION
350 Sparks Street, Suite 502
Ottawa, Ontario
K1R 7S8

Office: 613-236-8021
Mobile: 613-983-2927
E-Mail: srahbar@igua.ca

Yours truly,



Ian A. Mondrow

- c. Dr. Shahrzad Rahbar (IGUA)
Stephen Cain (OEB Staff)