INTRODUCTION

As a result of greater than expected growth of Marcellus supplies and the approval of assets designed to allow Ontario access to these prolific supplies, the Ontario Natural Gas Market ("Market") is changing rapidly. In response to this and in its role as economic regulator, the Ontario Energy Board ("the Board") ordered this Review with the following Purposes and Objectives:

> *The Review will examine recent developments in the North American natural gas market to better understand any potential implications for Ontario's natural gas sector. Specifically, the consultation process will identify and explain key influences on the Ontario natural gas sector over the next 3 to 5 years.*
>
> *Insights gained through the Review will assist the Board to:*
>
> • *identify the potential need for modifications to the Board's regulatory framework/policies; and*
> • *review utility applications that affect the rates and quality of service to customers.*

The following are the submissions of the Ontario Greenhouse Vegetable Growers ("OGVG") and the Federation of Rental-housing Providers of Ontario ("FRPO") in response to the Board's letter of December 22, 2014. After some general submissions regarding our collaborative efforts with the Canadian Manufacturers and Exporters ("CME"), the remaining submissions are organized by the issues outlined in the Board's letter.

COLLABORATIVE SUBMISSIONS

As outlined in CME's submissions, we joined together to retain Mr. John Rosenkranz to provide evidence on Dawn Parkway Turn Back risk and high level advice on aspects of the proceeding. To avoid duplication, we adopt CME's submissions under the topics of Natural Gas Market Developments and Winter 2013/14 Market Conditions and add the following supplemental comment to the issue of historic gas supply planning.

As pointed out in the CME submissions, the historic model of filling WCSB long haul deliveries using storage as foundation of the gas supply plan is no longer valid for optimum asset utilization. Beyond the implications provided by CME, we would add that the Board will need to give consideration to other policies such as storage allocation and UDC mitigation as the market evolves over the next 5 years. We believe there is insufficient information on the record of this proceeding to delve into these issues but will be mindful of their import into next year's Market Review.

ISSUES

1) *How can the Board's assessment of distributor natural gas supply plans be enhanced to ensure a better understanding of the various elements of the plan, the potential risks associated with those elements, and the applicant's proposals for methods of managing those risks?*

Gas supply management is fundamentally a risk-management exercise. As is outlined in the LDC'S evidence in various applications and summarized in presentations of Session 2/Panel 2, an LDC must plan its gas supply keeping in mind both the peak day needs and the seasonally adjusted load balancing requirements of the franchise. With uncertainty in seasonal consumption, influenced mostly by weather, utilities strive for a balance between additional investments in security and the economic value of that security.

In our view, the oversight of this risk management exercise becomes more challenging when it is acknowledged that the utility and its customers experience the consequences of these risks differently. Colder winter weather can create reduced bottom line risk for the utility but increase costs for its customers while warmer winter weather can have the reverse impact. But, investment in additional security coupled with a warmer winter may result in lower throughput over which to spread the fixed cost of the assets providing the security thus mitigating the benefit for the customers. Hence, we believe the Board ought to be concerned with the LDC's establishment of a balanced plan and their demonstration of pre-planning and ongoing measurement to recognize and react to factors, such as weather in a fashion that understands and manages the respective risks.

To aid in assisting the Board with evaluation of the utilities efforts in balancing the risks, we offer the following recommendations for the Board's consideration:

A) LDC's File a more Comprehensive Gas Supply Plan including Storage Targets, Sensitivity Analysis and Potential Contingency Plans

In recent years, Utility's gas supply plans have come under some scrutiny as it was noted that the gas supply plan filed with the Board was not the same plan than was operationalized. Putting the issues of gas cost and optimization in the past, this last winter provided a perspective on the risks and resulting costs associated with managing colder than normal weather using the assumptions in the plan. To ensure the Board is sufficiently informed about the LDC's plan, we would respectfully submit that additional data and information on contingencies would be helpful. In our view, the following information could be included in the respective utility's Gas Supply plans presented to the Board and stakeholders in the recently established Annual Stakeholder meetings:

Storage Fill Targets

In the same way a personal bank account gives an individual a sense of the cumulative effect of inflows and outflows throughout a month or a season, the storage balance informs LDCs if their actual outflows exceed the planned volumes and if additional inflows are required. Further, being that the LDC needs to relay a minimum volume to storage in order to meet peak day requirements, this milestone target provides the utility with a future metric to ensure they can meet this threshold or have another more effective economic method to replace the planned deliverability.

Prior to the Stakeholder sessions, FRPO presented a hypothetical simulation of the potential effect of managing to storage targets based upon last year's experience. Prior to presenting at the Stakeholder session, we learned from Enbridge that they were amenable to considering this type of approach and that there was a flaw in arithmetic of the spreadsheet. Therefore, we focused less on the numbers, which are only hypothetical, to give more background on the concept. However, to ensure the record for the proceeding is corrected, we are attaching to these submissions a corrected version of the spreadsheet which has been reviewed by Enbridge for arithmetic accuracy.

Sensitivity Analysis & Contingency Plans

LDC's use degree day compensated forecasting to assist in planning for seasonal consumption expectations. Keeping base load constant, the utility can make adjusts to the number of degree days to determine what the resulting consumption effect would be for their franchise. This approach can provide the utility consumption forecasts assuming the weather is 10 percent warmer or colder than normal. Using their base case asset plan to manage normal weather, the utilities could keep all other factors constant and forecast with their SENDOUT models, what the expected approach would be to managing increased or decreased consumption. Recognizing that actual weather resulting consumption amongst other factors would influence decisions at the time of action, these approaches would be subject to change. However, by presenting a sensitivity analysis, the utility would already be prepared with contingency plans that could be altered, with reasons, based upon prevailing economic conditions. The reasons, coupled with data about other alternatives, could be recorded to be available if issues arise.

B) LDC's Present a Retrospective Review of Gas Supply Plan at Annual Meeting

We have recommended that these prospective plans would be presented at the Annual Stakeholder meetings. The retrospective actual gas supply management could be presented in

that same meeting. The results of the retrospective plan could then be incorporated into the LDC's filings for its Deferral and Variance Account disposition proceeding similar to the way Union Gas did this past year. We submit that this approach would require additional communication including the two way dialogue of a presentation to increase understanding. In addition, this approach would remove the expectation of discovery from the QRAM proceeding like this previous year.

C) Enbridge to Assess Impact of Moving its Full Deliverability Target from end of January to February

In coming to understand Enbridge's Gas Supply planning better over this last year, we were surprised to learn that Enbridge planned their storage to cross the threshold that allows full deliverability after January 31st. It is commonly understood by utilities that peak days normally occur in January. However, periodically they occur in February. In fact, while January had bitterly cold days, the number of degree days on February 28, 2014 exceeded 80% of the degrees days in January for both Toronto and Ottawa. The record of Union Gas' penalty rate proceeding EB-2014-0154 evidences the potential cost of replacement gas if the LDC must supplement storage with delivered gas during a cold February.

2) *How can the Board better ensure that it's assessment of natural gas applications is informed by up to date information on relevant developments in the broader North American natural gas sector?*

We appreciate the Board's recognition of the need to see applications in the broader context of the evolving North American market. We offer the following recommendations to promote effective acquisition of relevant information for the Board's consideration.

A) Continued Stakeholder Involvement with Funded Expert Opinions

Invested parties will tend to provide evidence that supports their preferred outcomes in a proceeding. But their evidence may not provide a broad perspective. An example of this effect is available to us in this Review. As laid out in more detail in the CME submissions, different infrastructure companies produced forecast evidence that aligned with corporate views and interests in the market. However, neither those organizations nor the Board expert provided any material information on potential substantive risks of de-contracting that could be experienced by these companies as a result of the same underlying driver of US northeast supply.

Ratepayers, on the other hand, who are interested in the obtaining the benefits of the northeast US supply want to strive to inform the economic regulator of these risks for the benefit of informed decisions in rationale economic development. Open forums like this Review and infrastructure or rate applications can benefit from stakeholder involvement including non-applicant sponsored experts for the effective presentation of other perspectives for the Board's knowledge and consideration.

We are encouraged that the Board announced that the Natural Gas Market Review will be an annual forum. In our view, this opportunity will result in greater focus on emerging issues and provide an effective means of obtaining information on the broader context.

3) *What is the appropriate role of the Board in relation to the efficient operation of the natural gas market in the public interest, for example, regarding the sufficiency of Ontario access to northeastern U.S. gas supplies?*

A) Board's Role as Economic Regulator

In our view, as the economic regulator of the Ontario natural gas market, the Board can create conditions for the efficient operation of the market by limiting unnecessary barriers to market development. The ability to create rules that require transparency and ensure non-discriminatory access provide the Board with tools to create an environment which allows the market to work. Infrastructure investments can then be viewed in the context of market demand and with the understanding of the long-term financial commitment associated with those decisions.

Practically speaking, in this context, we would encourage a review of the Storage and Transportation Access Rule ("STAR") to determine if the implications of that Rule and the preceding Natural Gas Electricity Interface Review ("NGEIR") are providing the outcomes anticipated.

4) *In what ways, if any, do the Board's public interest mandate and/or views in relation to the overarching outcome(s) for Ontario's natural gas market require clarification?*

No submissions as would seek a better understanding of the Board's mandate and outcomes before we could request clarification.

5) *What are the merits and disadvantages of replacing the Empress (AECO – C) price with the Dawn Hub price as the reference price for the commodity used for regulatory purposes?*

This proceeding is driven primarily by the shift in the predominant natural gas supply source from the WCSB to the US northeast regions of Marcellus and Utica. There was some difference in opinion between experts as to the percentage of gas that would remain sourced in the WCSB. While precise numbers are unattainable in any forecasting, trends and implications drawn from those trends are important. Hence, I believe it is important to qualify the two expert views and the implications.

Navigant was asked if their 2020 forecast (figure 39 in their Preliminary report) included the effects of the approval of the Mainline Settlement Agreement on in Session 1/Panel 1. They confirmed it did not. While their Final report circulated Dec. 23, 2014 contained references to the NEB's approval of the Settlement Figure 39 remained unchanged. The Board is well aware that the Mainline Settlement Agreement was foundational to remove litigation and other barriers to create an environment suitable to allow investment in facilities needed to shift supply to more proximate supply basins. Therefore, including the results of the Mainline Settlement Agreement into any forecast model must increase the amount from Eastern US and decrease the amount from WCSB. Respectfully, we would encourage the Board not to rely on that figure in its considerations.

Meanwhile, ICF presented its Slide 7 in Session 4/Panel 1 depicting In-bound Gas Flows into Ontario. The predominant location of inbound delivery is currently Michigan with Western Canada having a significant portion. As a point of clarification, we would submit that it is important to understand that in-bound gas from Michigan can include sources beyond Marcellus. Michigan in-bound can include supplies from Gulf of Mexico, Mid-continent and even Chicago which may have originally sourced in Alberta. However, even if those supplies originated in Alberta, sourcing them from Chicago, with that market's dynamic supply sources, tends to disconnect the landed prices from an AECO plus price. Therefore, the route of the gas more than the source will impact the price.

A) Merits of Moving Reference Price to Dawn

The point is the majority of gas for Ontario will have a price that is more highly correlated to the landed cost of gas at Dawn than AECO. We encourage the Board to consider shifting the reference location to Dawn with the following implications:

a) Dawn's price is most closely correlated to landed cost in Ontario: As described above, this is a fact it is the landed price. While accounting may attempt to adjust the transportation price to align commodity and transportation back to a real price, that exercise is essentially trying to equate sources of gas to an Ontario landed price.

b) Accounting practices are imperfect: Much time has been spent in the last few years trying to account for actual gas costs as opposed to other aspects (toll changes, optimizations, etc.). Eliminating the "workaround" to come up with an Ontario landed price will reduce time and risk of error.

c) Dawn price is a better market signal: While this effect has been understood and applied in much of the wholesale sector, the retail sector continues to base its point of reference at Empress. This distinction has often been lost on the residential consumer with some companies not providing an apples-to-apples comparison in some retail strategies. In other cases, the retailer's commodity price has been compared to that of the utility but the transportation cost, buried in the fine print of the contract, extracts an additional margin over prevailing transportation costs. Providing one Ontario reference price, used by utilities and retailers provides inherent consumer protection in its simplicity.

d) Potential challenge of currency risk: Much of the wholesale market at Dawn is transacted in US$ per MMBtu or Dekatherm. Increased Dawn based transactions will result in some currency exposure depending upon the length of the contract. However, this exposure will come anyway with the evolution of the market and more sourcing of gas at and through Dawn. In our view, the given transparency of the currency markets versus the secondary transport markets, makes this accounting much less susceptible to issues than the current accounting for transportation

6) *Are there mechanisms for enhanced inter-regulatory agency communication and agenda coordination that would facilitate the consideration of the potential broader impacts of specific regulatory applications?*

While we are unaware of specific mechanisms, we submit that there is a need. With longer term initial contracts and increasing notice periods for pipeline infrastructure, there can be a misalignment of contracting terms and increased risk for natural gas generators. We encourage this recognition could lead to increased communication with the electrical planning agencies and the Ministry of Energy to reduce risk of decreased electric supply availability and increased costs.

7) *Regarding regulatory aspects of the natural gas and electricity markets interface, what process should the Board use to*
   a) *keep abreast of developments affecting both markets (e.g. role and regulation of natural gas storage); and*

b) facilitate better cross-sector communication and coordination (e.g. the impact of GDAR on potential information sharing between electricity and natural gas stakeholders)?

We will not presume to offer to recommend to the Board that which the already know so we will only reinforce the value of this Review in raising these types of issues. Mr. Fraser's comments in the issues list portion of Day 2 speak to the importance of such reviews. Again, we see significant merit in the annualization of the review and would encourage the Board to provide its experts reports well in advance of the meetings to facilitate response and informed discussion.

8) In what ways should access to information on Ontario primary and secondary natural gas markets be made more transparent for buyers and sellers?

A) Review the STAR and its Efficacy Relative to Market Needs

STAR was created following the NGEIR decision for the purposes and concerns emanating from that decision. While it may have served those purposes well, the market has had some five or so years of experience using the Rule. We believe with renewed emphasis on the rational development of the market, ensuring the Rule is effective in meeting past, current and future needs would be timely.

9) What, if any, are the merits of a stakeholder discussion on how to facilitate broad energy sector optimization (e.g. storage; multi-source district heating/cooling; combined heat and power; CDM/DSM) and if so, in what context should such a discussion take place?

The only suggestion we would submit is a comparable forum to this Review focused on the broad issues to try to bring to the surface opportunities worth pursuing.

10) General Comment

We would like to lend our support to the submissions made by CME on the matter of response. We have endeavoured to assist the Board with our preparation, active attendance and submissions. However, there were many other parties represented who did not provide their positions which may see for the first time after filing this document. We would encourage the Board to provide for a round of final submissions once preliminary submissions have been made.

ALL OF WHICH IS RESPECTFULLY SUBMITTED ON BEHALF OF OGVG AND FRPO,

Dwayne R. Quinn
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