

December 9, 2015

**VIA E-MAIL, RESS & COURIER**

Ms. Kirsten Walli  
**ONTARIO ENERGY BOARD**  
P.O. Box 2319, 27<sup>th</sup> 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-2015-0237 – Natural Gas Market Review (NGMR).**

**Industrial Gas Users Association (IGUA) Input re Scope.**

---

Further to the Board's November 25, 2015 letter to interested parties regarding the upcoming NGMR Forum, we write on behalf of IGUA to provide input to the January 21, 2016 Forum agenda. We also request that IGUA be determined eligible for an award of costs.

### **Topics Suggested in the Board's Correspondence**

1. *Recent trends/changes in the North American and Ontario gas supply market, including, for example, geographic expansion of natural gas distribution service in Ontario.*

An update on the gas supply market is a good starting point for any NGMR type discussion.

IGUA takes the Board's suggested topic, paraphrased above, to indicate that the implications, if any, on Ontario gas supply of the increases in Ontario demand arising from any significant community expansion, might be relevant in a broader demand/supply discussion. IGUA notes that the geographic expansion question is currently before the Board in the context of an application advanced by Union [EB-2015-0179]. EGD has this week filed correspondence in that proceeding indicating its intention to be actively involved in the policy issues raised by Union's application, in anticipation of EGD's own expansion application to follow. The number and breadth of interests who have now intervened in the proceeding to consider Union's application indicates that the policy matters thereby engaged will be the subject of some scrutiny in that proceeding.

The Board may wish to clarify its intent in respect of the extent to which the topic of gas service expansion will be considered in the NGMR Forum. Given the focus on expansion

policy in the current Union application, IGUA suggests that any discussion of expansion in the NGMR Forum be limited to the potential increase in gas demand resulting therefrom.

2. *Further developments flowing from the 2014 NGMR, such as the impact of recent winter price excursions on distributor and large customer gas supply planning, and implications for the OEB's QRAM mechanism.*

IGUA notes that the issue of distributor gas supply planning is also currently before the Board, through a Board initiated consultation on the topic [EB-2015-0238]. At a recent stakeholder conference held in that consultation it was tentatively indicated that the review might expand into Q1 of 2016, in the interests of the dissemination by Enbridge Gas Distribution Inc. (EGD) and Union Gas Limited (Union) of more, and more comparative, information on their current gas supply planning approaches.

The Board may wish to clarify the extent to which similar issues will be entertained in this NGMR Forum. IGUA suggests that discussion of this topic in this consultation be limited to the provision of context for other NGMR Forum topics.

Regarding large customer gas supply planning, IGUA would be pleased to canvass its members and provide information on this topic in some fashion if the Board or other interested parties would find such information useful. This line of inquiry is related to the topic of "secondary markets" referenced below.

3. *Potential impact of cap and trade markets and carbon pricing on North American and Ontario gas markets.*

Any discussion of this topic should include consideration of the implications for ratepayer funded DSM of any details of the Ontario cap and trade regime available as at the time of the Forum. IGUA is particularly concerned about redundant regulatory obligations and costs for "large final emitters" (LFEs) arising as a result of both ratepayer funded DSM and LFE carbon reduction obligations.

4. *Implications of recent and anticipated market developments for gas distribution asset planning over the longer term.*

Through our October 29, 2015 letter to the Board regarding scope for the ongoing Distributor Gas Supply Planning Consultation [EB-2015-0238], IGUA provided input on the topic of gas infrastructure planning. The Board indicated in its November 9, 2015 correspondence in that proceeding that the topic of infrastructure planning will be included in the NGMR Forum. While IGUA's input on scope for the Gas Supply Planning Review contemplated the provision of information by EGD and Union, for the purposes of the NGMR Forum the Board could ask its consultant to consider the following (adapted from our October 29<sup>th</sup> letter to the Distributor Gas Supply Planning Consultation):

- Union's recently approved expansion projects and further expansion projects anticipated, including time frames and linkages with upstream and/or downstream infrastructure projects.
- The long-term Nexus capacity contracts proposed by Union and Enbridge.



- The essential characteristics of the recent settlement agreements (in 2013 and in 2015) between eastern LDCs and TransCanada, and the implications of these agreements for gas supply including options, risks, costs and trade-offs.
- The sufficiency of planned gas transmission capacity in the Eastern Ontario Triangle (EOT) following implementation of TransCanada's proposed Energy East/Eastern Mainline Projects (in reference to the 2015 settlement between the eastern LDCs and TransCanada on this topic), and the implications thereof on gas supply.
- Emerging alternative Ontario gas supply points – such as Niagara – and the implications of gas supply from these points on gas supply options, risks, costs and trade-offs, and on existing and planned Ontario gas transportation infrastructure.

IGUA also believes that both future and extant gas infrastructure investments must be considered in light of a low carbon, and perhaps no carbon, future. In the longer term, for example, the de-carbonization of residential and small commercial heating load could have significant implications for recovery of the costs of gas infrastructure, and the satisfaction, in an affordable manner, of continuing industrial demand for natural gas as a feedstock for heat and process applications. It would be appropriate for the Board to acknowledge, and to start to expressly contemplate, such developments.

## Additional Topics

### 5. *Criteria for Gas Transmission System Expansion*

The Settlement Proposal now before the Board in Union's 2017 Dawn Parkway Expansion Application [EB-2015-0200] includes the following passage in reference to the NGMR Forum:

*Considering;*

- i) the passage of time since E.B.O. 134;*
- ii) the fact that the Feasibility Guidelines clarified filing requirements but did not review, reconsider or clarify the E.B.O. 134 principles or tests themselves;*
- iii) the rapid evolution of both the market and gas infrastructure; and*
- iv) the recent context of projects a principal purpose of which is to allow ex franchise shippers to shift gas supply to eastern North American resources,*

*a number of the parties believe that a different approach to addressing feasibility and impact on existing ratepayers may be appropriate in future, and that review and clarification by the Board of "feasibility" parameters for future similar expansion projects would be timely. A number of parties further believe that given the accelerating pace of change in the market, future expansion applications should include evidence reflecting*

*consideration and evaluation, including through consultation with the market, open season or by way of RFP, as, when and if appropriate, of the risks and benefits of permanent or interim non-facility alternatives to facility investment. These parties further suggest that, to start with, the topic could be usefully included in the Board's next Energy Sector Forum (as contemplated in the Board's March 31, 2015 Letter to interested parties at the conclusion of the EB-2014-0289 Natural Gas Market Review).*

6. *Criteria for Long-Term Contract Preapproval.*

The imminently concluding applications by Union and EGD for pre-approval of 15 year contracts for capacity on the proposed Nexus pipeline [EB-2015-0166/0175] have highlighted a lack of clarity of the Board's 2009 policy on pre-approval for long-term natural gas supply and/or upstream transportation contracts.

Assuming that the Nexus applications have been determined by the time of the NGMR Forum, IGUA suggests that continuing sufficiency of Board's policy in this respect may be appropriate for discussion.

7. *Secondary Market Considerations.*

In OEB Staff's March 31, 2015 *Report to the Board on the 2014 Natural Gas Market Review* [EB-2014-0289], Staff recommended that the Board consider incorporating into its next meeting of sector stakeholders information on the adequacy of access to the market information required to meet the needs of bulk gas purchasers.

IGUA provided comments in the 2014 NGMR regarding the importance of, but little understood or considered, secondary market for gas transportation and supply in Ontario. IGUA recommends that the Board request its consultant to consider the impacts on the secondary market of recent demand, supply and Ontario infrastructure developments impacting Ontario gas supply.

## **Intention to Seek an Award of Costs**

IGUA also hereby requests that it be determined eligible for recovery of its reasonably incurred costs of its participation herein.

As a party primarily representing the direct interests of industrial consumers (i.e. ratepayers) in relation to regulated services, IGUA has in the past been determined to be eligible for cost awards pursuant to section 3.03(a) of the Board's *Practice Direction on Cost Awards*.

IGUA is an association of industrial companies located in the Canadian provinces of Ontario and Québec, who use natural gas in their industrial operations. IGUA was first organized in 1973 and it provides a coordinated and effective public policy and regulatory voice for those industrial firms depending on natural gas as a fuel or feedstock. IGUA has become the recognized voice representing the industrial user of natural gas before regulatory boards and governments at both the provincial and national levels.

The Association's activities are guided by a 15 member Board of Directors, constituted to assure that each industrial sector and geographic region is represented. The Board of Directors has

regularly scheduled meetings at least six times each year. A full time President and other staff are based in a permanent office in Ottawa.

Through regulatory intervention, government advocacy, marketing, promotion, partnerships, education and outreach, IGUA successfully represents industrial gas users. IGUA's mission is to be the voice of its members within the natural gas industry through intervention, advocacy, and partnerships.

## Conclusion

IGUA hopes that this input is of some use to the Board in planning the upcoming NGMR Forum, and looks forward to active participation in the discussions to be had.

Yours truly,



Ian A. Mondrow

c: S. Rahbar (IGUA)  
Stephen Cain (OEB Staff)

TOR\_LAW\ 8843454\2