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VIA RESS AND COURIER

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

Dear Ms. Walli:

Re: EB-2015-0237 – Natural Gas Market Review (NGMR).

Industrial Gas Users Association (IGUA) Concluding Comments.

We write to provide IGUA's brief concluding comments to the Board's 2016 NGMR.

Gas Services & Pricing

IGUA appreciates having been afforded the opportunity to present to the Forum, and hopes that the presentation was able to communicate:

1. **The variety of approaches by large industrials to gas supply arrangements**, and that large customer gas supply choices are driven by production needs, and not the other way around.¹
2. **The significant impact that even a minor change in the cost of delivered gas supply can have on Ontario's large industrial customers.** External competition for customers and internal competition for capital across multiple jurisdictions means that changes in delivery rates matter for large industrials, even if gas prices across the continent continue to be rest at historic lows. In this context, subsidies for community expansion, DSM costs

¹ See IGUA presentation, pages 4–6.

and imminent carbon pricing continue to be of significant concern to IGUA and its members.

3. **The importance of a view into the role and dynamics of the secondary market for gas transportation capacity.** LDCs are playing an increasing role in underpinning new gas transportation infrastructure, given the current utility imperative for long-term commitments in support of gas transportation infrastructure investment.² This will, in turn, have an impact on the dynamics of the secondary market. It is important that the Board develop a perspective on these dynamics to inform its decision making.
4. **Prospects for changes in gas demand and long term recovery of infrastructure costs.** While IGUA endorses gas supply choices and sufficient infrastructure on the one hand, the prospect of a low or no carbon future raises concerns about gas supply infrastructure utilization and future cost responsibility on the other hand.³ More consideration of the medium and longer term future is warranted.

Whither the Future

In respect of long-term infrastructure cost recovery considerations, IGUA particularly appreciates the perspectives introduced by Enbridge Gas Distribution in its presentation regarding potential futures for gas demand and infrastructure utilization. IGUA fully endorses the need for the Board to consider potential medium and longer term trends in gas demand, particularly in the context of approval of new infrastructure.

IGUA also supports a discussion regarding gas distribution utility evolution in response to a low-carbon future, including the appropriateness of gas distributors assuming an R&D role and the appropriateness of use by the distributors of carbon cap and trade revenues for such work.

Criteria for Gas Transmission System Expansion

In our letter of December 9, 2015 providing IGUA's input on the scope for the Forum, we suggested the timeliness of a review of the Board's E.B.O. 134 criteria for gas transmission system expansion. That suggestion echoed a broader concern expressed by the parties to the Settlement Agreement in Union's recently completed 2017 Dawn Parkway Expansion Application [EB-2015-0200]. It was apparent on the record in that application that the revenues at current rates from the expansion therein approved did not support the investment (i.e. the profitability index - PI - for the project was well below 1.0). The significant rate impacts resulting from that project, and other recent transmission expansion projects, prompted the parties to the settlement in that application to expressly identify a concern regarding the continued sufficiency of the Board's approach to examining the costs and benefits of particular expansion proposals.⁴

² See IGUA presentation, page 9.

³ See IGUA presentation, page 12.

⁴ See EB-2015-0200 Settlement Agreement, pages 14-15.

The discussions in the current NGMR Forum included topics relevant to the concerns expressed by the parties to Union's recent expansion application:

- (a) The development of alternative Ontario supply points/paths, such as through Waddington, and the related topic of supply path diversity.
- (b) The possibility of LNG services in place of long distribution laterals to bring natural gas services to more remote communities (while this discussion engages the Board's E.B.O. 188 framework for distribution expansion, rather than the E.B.O. 134 framework for transmission expansion, it relates to the same general concepts regarding evaluation of system expansions and related costs and benefits).

IGUA suggests that, as expressed by the parties to the recent Union application settlement, the markedly low PIs for recent distribution and transmission expansion projects indicates that rigorous consideration of expansion benefits and alternatives is warranted.

Importance of This Process

Finally, IGUA repeats its endorsement of this annual NGMR process. Given the changes in gas supply and infrastructure that we have seen, and will continue to see, IGUA believes that it is critical that:

- (a) The Board continues to develop and retain a view on near and longer term gas sector trends influencing both present and future gas supply options and imperatives.
- (b) In doing so, the Board retain a transparent, inclusive process to inform itself and its stakeholders.

Yours truly,



Ian A. Mondrow

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