

John A.D. Vellone

T 416-367-6730

F 416-361-2758

jvellone@blg.com

James K. Little

T (416) 367-6299

F (416) 361-7332

jlittle@blg.com

Borden Ladner Gervais LLP

Scotia Plaza, 40 King St W

Toronto, ON, Canada M5H 3Y4

T 416.367.6000

F 416.367.6749

blg.com



June 8, 2016

Delivered By RESS, Courier & E-Mail

Ms. Kirsten Walli, Board Secretary
Ontario Energy Board
2300 Yonge Street
27th Floor, Box 2319
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: Enbridge Gas Distribution Inc. – Application re: Rate 332 Tariff STAR
Written Submissions of the Association of Power Producers of Ontario
("APPrO")
Board File No. EB-2016-0028**

Pursuant to Procedural Order No. 2 in the above referenced proceeding, please find enclosed the written submissions of APPrO.

Yours very truly,

BORDEN LADNER GERVAIS LLP

Per:

Original signed by John A.D. Vellone

John A.D. Vellone

JADV/bp

Encl.

Copy: David Butters, APPrO
John Wolnik, Elenchus
Andrew Mandyam, Enbridge Gas Distribution Inc.
Fred Cass, Aird & Berlis LLP

TOR01: 6355444: v1

ONTARIO ENERGY BOARD

IN THE MATTER OF section 36 of the Ontario Energy Board Act, 1998, S.O. 1998, c. 15, Sched. B, as amended;

AND IN THE MATTER OF an Application by Enbridge Gas Distribution Inc. for an Order or Orders approving a tariff pursuant to the Storage and Transportation Access Rule.

EB-2016-0028

Final Submissions

From

The Association of Power Producers of Ontario (APPRO)

June 8, 2016

A. APPrO Summary Position

1. APPrO supports Enbridge's application to, *inter alia*, establish a firm transportation service and the related firm rate for the Albion Pipeline, provided the following changes are made:
 - a. First, the Board should reject Enbridge's request to offer **all** unutilized capacity in the Albion Pipeline only to existing firm shippers on the Albion Pipeline as Authorized Overrun Service (AOS). Rather, the Board should order Enbridge to **also** allocate unutilized capacity in the Albion Pipeline as a more traditional interruptible transportation (IT) service which would be made available to any party on a non-discriminatory basis. The rate for the IT service should be the same as for AOS (i.e. no more than 120% of the daily firm transportation rate).
 - b. Second, the Board should require Enbridge to include Albion as an interruptible receipt point into its distribution system for unbundled direct purchase customers, and further that those affected unbundled direct purchase customer be allowed to add this point in their distribution contracts.
2. APPrO submits that these changes are consistent with the principle of providing non-discriminatory access to the Albion Pipeline, and are more likely to generate additional revenue for Enbridge and its ratepayers from unutilized capacity in the Albion Pipeline.

B. Background

3. One of the principle objectives of the Storage and Transportation Access Rule (STAR) is to ensure open and non-discriminatory access to transportation services for storage companies and customers.
4. However, Enbridge has proposed limiting access to the Albion Pipeline to firm shippers only.
5. The Association of Power Producers of Ontario (“**APPrO**”) is a non-profit organization representing more than one hundred (100) companies involved in the generation of electricity in Ontario. APPrO members produce power from hydro, gas, nuclear, wind and solar energy, waste wood and other sources. APPrO’s members produce over 95% of the electricity made in Ontario and own and operate power generation capacity in the province.
6. Among APPrO’s members are gas-fired generators in Enbridge’s franchise area. These generators take service from Enbridge primarily under Rate 125. Certain APPrO members may be interested in participating in purchasing interruptible transmission capacity on the Albion Pipeline. However, APPrO members are not expected to be firm shippers in the near term and are thus excluded by the terms of Enbridge’s proposed tariff.
7. Specifically, Enbridge filed its application on March 10, 2016 to seek an Order or Orders approving its proposed tariff for a new transmission pipeline rate, Rate 332 which would provide transportation service on a recently constructed pipeline extending from Parkway to Albion (the Albion Pipeline, also known as Segment A of the GTA Reinforcement Project).
8. The Rate 332 service is being proposed pursuant to the Board’s STAR.
9. The Albion Pipeline was developed, in part, to coordinate large pipeline facilities among Enbridge, Union and TransCanada, in an increasingly crowded urban corridor. TransCanada is planning on developing further facilities downstream of Albion¹ and Union is in the process of developing additional facilities upstream of

¹ Exhibit B paragraph 14

Parkway. TransCanada has received National Energy Board (NEB) approval for its King's North Pipeline². However, TransCanada's approval of its Vaughan Pipeline, an extension from the end of King's North Pipeline, is still pending³.

10. Enbridge provided a draft tariff and rate schedule for Rate 332⁴.
11. Enbridge is planning on retaining 800 TJ/d of capacity on the Albion Pipeline to meet its infranchise distribution customer⁵ requirements, including capacity to accommodate future load growth⁶, with the remaining 1,200 TJ/d of capacity being made available for transportation purposes and subject to the open season⁷.
12. Enbridge's new Rate 332 tariff provides that any unutilized capacity on any day will be made available only to existing firm shippers as Authorized Overrun Service (AOS) capacity at rate of 120% of the underlying firm transportation service⁸.
13. Enbridge has not proposed that any unutilized capacity would be made available to other customers as an interruptible transportation service.⁹
14. As a result, by design Enbridge has excluded generators from purchasing any of this unutilized capacity directly from Enbridge.

² NEB GHW-001-2014

³ NEB GH-001-2016

⁴ Exhibit B Attachment II

⁵ Exhibit B paragraph 12

⁶ EB-2012-0451 Decision page 38

⁷ Exhibit B paragraph 58

⁸ Exhibit B Paragraph 44-45

⁹ Exhibit I.EGDI.APPrO.1 b)

C. Discussion

C.1 *The Board should order that Enbridge must also allocate its unutilized capacity in the Albion Pipeline as an interruptible transportation (IT) service.*

15. The nature of natural gas-fired generation is changing. With the increased generation from renewables, some long term NUG contracts coming to the end of their primary term, and the rising costs of alternative upstream transportation, generators need additional flexible tools to enable them to offer competitive electricity prices in Ontario when gas-fired generation is the marginal generation source.
16. APPrO believes that one of these tools could be accessing unused capacity in the Albion Pipeline during off-peak times of the year. APPrO submits that access to this off-peak capacity on an interruptible basis could be done in a manner so as to not compromise either the intended primary purpose of the Albion Pipeline or the operational flexibility that Enbridge may require for its other distribution customers. Offering an interruptible transportation service could also generate additional discretionary revenue for the benefit of Enbridge and all of its distribution customers.
17. Enbridge has stated that it is not intending to make any unutilized capacity available as interruptible capacity¹⁰, but rather all unused capacity would be reserved for the exclusive use of Rate 332 firm shippers as AOS.
18. APPrO submits that the Board should reject Enbridge's proposal to limit access to all unutilized capacity in the Albion Pipeline only to existing firm shippers on the Albion Pipeline as Authorized Overrun Service (AOS).
19. Rather, the Board should order that Enbridge must also allocate its unutilized capacity in the Albion Pipeline as an interruptible transportation (IT) service.
20. Unutilized capacity in the Albion Pipeline could then be sold as part of the IT service offering or as part of the AOS. Enbridge would be charged with allocating this unutilized capacity appropriately.

¹⁰ Exhibit I. EGD.I.APPrO.1 b)

21. The Board should further order Enbridge to consult with representatives of potential purchasers of this interruptible transportation (IT) service to develop terms associated with such a service. APPrO would be pleased to work with Enbridge to help resolve any issues.
22. It is commonplace in the transmission sector for pipeline companies to offer IT service, as explained by Enbridge¹¹. Both TransCanada and Union offer interruptible services that allow any shipper access to unused capacity in their transmission systems. Restricting access to unutilized capacity only to firm shippers is inefficient and unlikely to generate as much discretionary revenue as opening the capacity up to additional shippers.
23. Enbridge has indicated that any party wishing interruptible service on this corridor, would have to contract with TransCanada¹². This is mere speculation, and does not address APPrO's concerns.
24. First, it assumes that TransCanada would be successful in the open season for firm capacity on the Albion Pipeline. The open season has not yet occurred, and consequently this assumption is speculative.
25. Second, TransCanada needs to construct additional downstream capacity to be able to use more of the capacity. Enbridge has made it clear that any shipper must demonstrate that it has the necessary upstream and downstream capacity before it will allocate capacity from the open season¹³. TransCanada may request the full 1,200 TJ/d of capacity in the open season. However, if TransCanada does not have the full 1,200 TJ/d of incremental downstream capacity from Albion, to comply with the terms of the tariff, then ostensibly Enbridge would not allocate the full 1,200 TJ/d to TransCanada, as TransCanada would have no ability to use the corresponding capacity on the Albion Pipeline. If the full 1,200 TJ/d of capacity were not allocated in the open season, APPrO submits that it is in the public interest to allow other

¹¹ Exhibit I.EGDI.APPrO.1

¹² Exhibit I.EGDI.APPrO.1 d)

¹³ Exhibit B paragraph 57

potential shippers to access this capacity, even if this capacity were used only on an interruptible basis.

26. Third, TransCanada also has a different tolling structure; therefore contracting with TransCanada could add significant costs to third party utilization of this capacity.

27. By contrast, if the Board were to order Enbridge to also allocate its unutilized capacity in the Albion Pipeline as an interruptible transportation (IT) service, firm shippers, such as TransCanada, could still access AOS. The difference would be that other parties, including but not limited to unbundled customers, could also access this unutilized capacity as an IT service in a manner consistent with the principle of non-discriminatory access. Enbridge would likely have to develop a methodology to assign capacity if it receives competing AOS and IT service requests. APPrO is prepared to work with Enbridge to develop any necessary protocols to work through operational requirements to implement this proposal.

28. Finally, APPrO submits that the Board should set the interruptible rate at no more than 120% of the firm rate. Because of the lack of liquidity at Parkway and Albion it will be impossible to determine a market value for this transportation path. In the circumstance where there are no market signals to determine the value of this path it is logical to use the firm rate as a benchmark to set the interruptible rate. Applying a 20% (or less) premium to the firm rate is practical solution and is the same as the proposed AOS rate.

C.2 The Board should order Enbridge to offer Albion as an interruptible receipt point into its distribution system for unbundled customers.

29. In order for generators to be able to take advantage of the unallocated capacity on the Albion Pipeline, Enbridge would also have to offer Albion as an interruptible receipt point into its distribution system. Since Enbridge is not offering Albion as a receipt point at all, even if a shipper were to contract with TransCanada for use of its capacity on the Albion Pipeline, gas could not be delivered into the Enbridge

distribution system at this location under the proposed tariff on either a firm or interruptible basis.

30. APPrO submits that the Board should order Enbridge to offer Albion as an interruptible receipt point into its distribution system for unbundled customers only.
31. Bundled and unbundled direct purchase customers can impose different requirements on the distribution system. Bundled customers deliver gas evenly throughout the year and Enbridge provides the vast majority of the day to day balancing on the system. Unbundled customers on the other hand only deliver the amount of gas that it would require in any day and manage most of their own balancing requirements. Unbundled customers have dedicated resources to actively manage their supply arrangements on a daily basis and have the capability to manage changing availability of an interruptible transportation service on the Albion Pipeline.
32. Enbridge acknowledges the uniqueness of unbundled customers and indicates that with the exception of some Rate 125 customers, all direct purchase customers who arrange their own transportation must deliver their gas to one of two broad TransCanada delivery areas.¹⁴
33. APPrO appreciates that distribution systems are developed over time, recognizing traditional gas delivery points and customer consumption patterns and locations. APPrO is not suggesting that the utility duplicate firm capacity in its distribution system to accommodate specific customer requirements, but rather for large unbundled direct purchase customers, where existing distribution capacity that is not being used at certain times of the year be made available on an interruptible basis. If this interruptible capacity were to be made available, Enbridge would always be in control of the amount of interruptible capacity that would be authorized at any time for receipt into its distribution system. This would not only provide more flexible arrangements for the unbundled customer to help optimize upstream costs, but in this case it also would create additional revenue generating opportunities for

¹⁴ Ibid.

Enbridge through the sale of interruptible capacity on the Albion Pipeline that would not otherwise occur.

34. In the alternative, if the Board does not require Enbridge to establish Albion as a receipt point for this purpose; then the Board should approve the inlet to the Albion Pipeline at Parkway as a receipt point into Enbridge's distribution system to meet some of interruptible unbundled distribution load. To facilitate these unbundled loads, Enbridge would make use of unutilized capacity it has access to in the Albion Pipeline to provide interruptible receipts into the distribution system and deliveries to the unbundled customer. This alternative would obviate the need to offer interruptible capacity on the Albion Pipeline and the potential to generate incremental interruptible revenue.
35. APPrO submits that the Board should require Enbridge to allow unbundled direct purchase customers the right to elect to have this receipt point included in their distribution contracts.
36. APPrO acknowledges that this is a relatively new concept to Enbridge. Should the Board approve this request, APPrO is prepared to work with Enbridge on behalf of unbundled customers to develop any necessary protocols to work through operational requirements to implement this proposal.

All of which is respectfully submitted this 8th day of June, 2016.

Original signed by John A.D. Vellone

John A.D. Vellone

Counsel to APPrO.