



June 21, 2016

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, Suite 2700
Toronto, ON M4P 1E4

Re: OEB Consultation: Staff Discussion Paper on a Cap and Trade Regulatory Framework for Natural Gas Utilities

Board File No. EB-2015-0363

Dear Ms. Walli:

I am writing pursuant to the Board's letter dated May 25, 2016 regarding the above proceeding to comment on a recommendation the Board is making to Natural Gas Utilities.

Blackstone Energy Services Inc. is an independent energy management and advisory firm based in Toronto, Ontario. In all, Blackstone manages approximately \$2.5 Billion in natural gas and electricity spend. Our client base include many Broader Public Sector organizations, as well as large and small industrials – including those in steel and cement production – across the province. Our clients represent the spectrum of Cap and Trade participation status: from those indirectly affected and potential voluntary participants, to Large Emitting Facilities (LEFs) that are required to participate in the Program.

My staff and I have taken on detailed reviews of the Staff Discussion Paper on a Cap and Trade Regulatory Framework for Natural Gas Utilities. We are very pleased with the general focus on transparency and optimization of the carbon procurement process. We are especially pleased with the foresight the OEB has in allowing natural gas utilities to participate in the futures market – allowing utilities to participate in the secondary carbon markets will ultimately lead to the most market-efficient pricing that reflects the true economic cost of carbon emission.

However, we have concerns about a number of recommendations made in the document, specifically the following:

1. Rolling emissions credit purchase cost into delivery charges rather than as a separate line item;
2. Rolling Cap and Trade administrative cost into existing administrative cost line items;
and



3. Distributing Cap and Trade administrative cost to its entire rate base, including mandatory and voluntary Cap and Trade participants

Masking the cap and trade costs into the delivery and transportation charges essentially hides the procurement costs from consumers. This makes it difficult for natural gas users to track their own emission profile, and also goes against the spirit of transparency promised by the OEB. Rolling these costs into existing line items also make it more difficult for consumers to hold the gas utilities accountable to optimizing their carbon procurement costs.

Lastly, spreading the administrative cost to mandatory and voluntary Cap and Trade participants unfairly increases the high cost of compliance they already face, which may get passed downstream to consumers through higher prices, and further reducing the competitiveness of Ontario businesses.

At Blackstone, we do not think these recommendations are made with the consumers' best interest in mind, and create an unfair environment for businesses already making a commitment to the Cap and Trade Program. We strongly suggest the following:

1. Separate out costs of emissions credit purchases and administrative costs as separate line items
2. Exempt mandatory and voluntary participants from the utilities' cap and trade administrative cost

We respectfully request the Board reconsider the recommendations on the reporting of cap and trade charges as well as the distribution of the administrative costs. We believe these changes will ensure fairness across the utilities' rate base, as well as uphold the spirit of transparency on which the recommendations are based.

Please do not hesitate to contact me if you have any questions or require further information.

Sincerely,

A handwritten signature in black ink, appearing to read "RDuffy", with a long horizontal line extending to the right.

Ryan Duffy
President & CEO
Blackstone Energy Services