Joshua Samuel
President & CEO of the General Partner
150 Connie Crescent, Unit 4
Concord, Ontario L4K 1L9

Direct Line: +1 (416) 848-1165
jsamuel@northeastmidstream.com

June 22, 2016

DELIVERED BY EMAIL AND RESS

Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4P

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

Re: EB-2015-0363: Consultation to Develop a Regulatory Framework for Natural Gas Distributors' Cap and Trade Compliance Plans: Staff Discussion Paper

Northeast Midstream LP ("Northeast") is a Toronto-based energy partnership focused on delivering natural gas to communities and industries not currently served by traditional pipelines.

In addition to saving money on their energy bills, the expansion of natural gas service to rural and Northern communities can help residential and commercial customers achieve significant greenhouse gas ("GHG") reductions by switching to natural gas from more carbon-intensive fuels.

Northeast recognizes the obligations prescribed by the *Climate Change Mitigation and Low-carbon Economy Act*, 2016 and subsequent regulations. However, Northeast is concerned that the OEB's Staff Discussion Paper on Cap and Trade Regulatory Framework for the Natural Gas Utilities (the "Framework") does not acknowledge the prospect of new entrants in the Ontario natural gas market.

Section 3: Guiding Principles of Framework

Northeast agrees overall with the principles set out in Section 3 of the Framework. However, the principal of "Flexibility" should specifically reference new entrants.

It is Northeast's view that there are significant differences in the way that incumbents and new entrants will realize reductions in GHG emissions in Ontario.

Incumbents own and operate mature systems and are well positioned to drive GHG reductions primarily through demand-side management ("DSM") programs, infrastructure upgrades and hedging strategies.

New entrants are expected to focus on the community expansion projects that displace carbon-intensive fuels such as propane and fuel oil with cleaner-burning natural gas. So while new entrants will increase natural gas consumption in the communities they serve, they will also contribute to an overall reduction in GHG emissions in Ontario.

Section 4: Compliance Plans

Northeast submits that new entrants will have fewer options and metrics to evaluate and apply compared with incumbent utilities. For example:

- The purchase of allowances at auction will most likely be the only viable compliance option for a new entrant, so it would be pointless to require the new entrant to provide a complete analysis of other options.
- Accurate load forecasting for new entrants will be challenging in early days of operations due to lack of historical data with respect to existing households converting to natural gas. More robust forecasts will only develop as the new entrant connects new subscribers to the distribution network.
- New entrants will focus on converting customers and replacing their furnaces and water heaters with the latest, most energy-efficient equipment within an expansion system. So they will realize significant GHG reductions on a per customer basis in the first few years of system operation, and GHG reductions will tail off in later years. It will take much longer for incumbents to achieve similar GHG reductions per customer within legacy systems.

Therefore, a new entrant should be eligible for flexibility with respect to compliance plans, such as an exemption or deferral for a reasonable period of time or until the new entrant has established itself as a mature utility in the Ontario market.

The Framework should also consider that a new entrant may come into the Ontario market part way through a compliance period. It appears that the Framework allows for some flexibility in the first year of the compliance period; however, this leeway is only afforded to incumbents.

Finally, the Framework discusses the option of developing a standardized marginal abatement cost curve ("MACC"), but a standardize MACC may only be relevant to incumbent utilities.

Northeast Midstream LP

Section 5: Cost Recovery

The objective of a new entrant is to minimize its operating costs to help ensure that it can provide the lowest possible rates to customers. If compliance is unnecessarily burdensome for new entrants, the administrative costs may become significant to the customer. This would reduce the competitiveness of natural gas service compared with other fuel options that are more carbon intensive, resulting in fewer attachments and higher GHG emissions than would otherwise be the case.

The costs associated with cap and trade should be an itemized cost on the customer's bill, and not embedded in the delivery charge. This will ensure complete transparency and allow the customer to differentiate between the cost of the gas delivery and the cost of their carbon emissions.

Section 6: Monitoring and Reporting

Consistent with our comments above, new entrants should be evaluated reasonably and be eligible for streamlined monitoring and reporting.

Section 7: Consumer Outreach and Education

Utilities should have flexibility in determining messaging for its customers. In the case of new entrants, they will provide significant local benefits to expansion communities receiving service, such as lower energy prices and improved air quality, in addition to helping to achieve the province-wide objective of reducing GHG emissions. Customers served by incumbents may require different messaging.

Conclusion

New entrants have a key role to play in reducing GHG emissions in Ontario through natural gas expansion projects, and new gas customers will benefit from an overall reduction of cap and trade compliance charges by switching to a cleaner fuel source. Northeast recommends that the OEB flexibility within the Framework in order to accommodate new entrants in the Ontario market, and not just prescribe processes and mechanisms suitable for incumbent utilities.

Thank you for your consideration of these recommendations. We would be pleased to provide additional details on any aspect of our submission.

All of which is respectfully submitted,

Joshua Samuel