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BY E-MAIL AND WEB POSTING

September 26, 2016

**TO: All Participants in EB-2015-0363
All Other Interested Stakeholders**

**RE: Report of the Board: Regulatory Framework for the Assessment of Costs of
Natural Gas Utilities' Cap and Trade Activities
File No.: EB-2015-0363**

Today the Ontario Energy Board (OEB) issued its *Regulatory Framework for the Assessment of Costs of Natural Gas Utilities' Cap and Trade Activities* (the Framework).

The OEB has developed this Framework to facilitate the recovery of costs incurred by rate-regulated natural gas utilities (Enbridge Gas Distribution Inc., Natural Resource Gas Limited, and Union Gas Limited) in meeting the legislated requirements of Ontario's Cap and Trade program which comes into effect as of January 1, 2017.

Background

In a [letter](#), dated March 10, 2016, the OEB announced its consultation to develop a regulatory framework for the natural gas utilities' implementation of cap and trade.

The OEB engaged with stakeholders throughout the month of April 2016 on the issues, options and proposals for consideration in the development of the framework. Stakeholders representing residential, commercial and industrial customers, environmental groups, and utilities were consulted.

A Staff Discussion Paper outlining staff's initial views on the key elements, issues and proposals for the cap and trade regulatory framework was issued on May 25, 2016. Comments were invited from all interested stakeholders over the period May 25 through June 22, 2016.

The OEB received comments from over 40 stakeholders, including natural gas utilities, consumer groups representing residential, commercial and industrial natural gas users as well as environmental organizations. All comments received as part of the consultation are posted on the OEB's website [here](#).

The Regulatory Framework

The OEB's report addresses all elements considered in the Staff Discussion Paper related to the regulatory requirements for implementation of cap and trade by Ontario's natural gas utilities. These elements include cost assessment, confidentiality, cost recovery, billing, monitoring and reporting, and customer information.

In response to requests from the utilities for an early determination, the OEB issued its [decision](#) on billing issues, including the design of charges to recover cap and trade related costs and how those charges are to be included on customers' bills on July 28, 2016. The determinations in the July 28 decision are reflected in the final Report of the OEB on the Framework.

Extensive and comprehensive comments were received from stakeholders in response to the Discussion Paper. Many comments related to billing matters which, as noted, have already been finalized in the OEB's determination issued on July 28. Comments related to the remaining elements of the Framework were generally supportive of the proposals presented in the Discussion Paper.

Due to the comprehensive nature of the comments received, the OEB is able to issue its *Regulatory Framework for the Assessment of Costs of Natural Gas Utilities' Cap and Trade Activities* in its final form.

The OEB expects to establish interim charges for each of the utilities by January 1, 2017 when the Cap and Trade program comes into effect. In order to do so, utilities will be expected to file their applications by November 15, 2016. A full review and assessment of the utilities' Compliance Plans will follow.

As discussed in the Report, the Cap and Trade program is a new set of obligations for

utilities, as is the OEB's review and assessment of the associated costs of compliance. The guiding principles the OEB has established for the Framework include the need to be flexible and adjust as experience is gained and cap and trade markets evolve. On that basis, as stated in the Report, the OEB will undertake a review of the effectiveness of the Regulatory Framework before the end of the first compliance period.

The OEB also intends to establish a working group to undertake further discussions on the metrics that should be relied upon for assessing and monitoring Compliance Plans, and assist the OEB in monitoring the implementation of the Framework. The OEB also expects the working group to provide input on ongoing customer communications and outreach regarding the cap and trade program as required. The OEB believes that a working group of customers, utilities and other stakeholders can provide valuable advice and input that will contribute to the continuous improvement of the Framework. Further information on the establishment of the working group will be provided in due course.

Filing Guidelines

The OEB has also finalized the filing guidelines in support of the Framework. The filing guidelines are outlined in Appendix A of the Report.

This concludes the process of the development of the Framework. The OEB thanks all those stakeholders who participated in the consultation for their comments. The OEB will address the issue of cost awards for this consultation by separate correspondence to be issued shortly.

Questions about the Framework should be directed to Laurie Klein at laurie.klein@ontarioenergyboard.ca or at 416-440-7661 or Rachele Levin at rachele.levin@ontarioenergyboard.ca or at 416-440-7673. The OEB's toll-free number is 1-888-632-6273.

Yours truly,

Original signed by

Kirsten Walli
Board Secretary