

## OVERVIEW OF COMPLIANCE PLAN

1. In April 2015, the Ontario government announced that it would be implementing a Cap and Trade system as part of its climate change strategy targeted to achieve emission reductions from 1990 levels of 18% by 2020 and 80% emission reductions by 2050.
2. On May 18, 2016, the government received Royal Assent on its Climate Change Mitigation and Clean Economy Act (the “Act”), followed by approval of *Ontario Regulation 144/16, The Cap and Trade Program* (the “Regulation”) on May 19, 2016.
3. Board Staff issued a Cap and Trade discussion paper on May 25, 2016 to address a broad range of topics. On July 28, 2016, the Board issued an early determination on billing issues, including the design of charges to recover Cap and Trade costs and the communication of those costs on customers’ bills in response to requests from the Utilities for business readiness purposes. In particular, the Board issued decisions around cost allocation, bill presentment and communications objectives.
4. On the basis of the guidance received, Enbridge was able to start development work towards an IT billing system that is responsive to cost allocation and bill presentment requirements. Although Enbridge did not advocate for the route taken in the interim guidance to fold Cap and Trade costs into the delivery charge line item on customer bills, it respected the guidance and proceeded accordingly.

Witnesses: M. Kirk  
A. Langstaff  
J. Murphy  
F. Oliver-Glasford  
A. Welburn

5. Before the interim guidance Enbridge had started high level communications with its customers about Cap and Trade, and continued that process with outreach to large customers and smaller business customers – those that would not reach the threshold as a large final emitter nor be a candidate for voluntary opt-in status – as well as its residential customers. Those communications were shared with the Board prior to distribution for information purposes.
6. Upon receiving the Final Cap and Trade Framework (EB-2016-0363) on September 26, 2016, Enbridge set to work developing its Compliance Plan. Enbridge's 2017 Compliance Plan is a starting point upon which to build over the coming years and compliance periods. Given the Ontario carbon market is nascent and the Company is on the steep part of the learning curve, Enbridge has focused on creating a prudent one-year procurement plan coupled with strong governance processes.
7. During the development of its 2017 Compliance Plan, the Company sought the assistance of a recognized third-party carbon market expert. Enbridge vetted proposals from several consultants with experience in various carbon markets in North America and Europe. In August 2016 Alpha Inception LLC ("AI"), was retained by Enbridge<sup>1</sup>.
8. AI produced two reports which have been filed as appendices to this Exhibit. Appendix A, the Carbon Market Report, is a comprehensive overview of the Ontario Cap and Trade Market, discussing basic program facts and defining the compliance

---

<sup>1</sup> AI's credentials and experience are outlined in Exhibit C, Tab 1, Schedule 1 Appendix B, page 4.

Witnesses: M. Kirk  
A. Langstaff  
J. Murphy  
F. Oliver-Glasford  
A. Welburn

instruments available to Enbridge as a capped participant.<sup>2</sup> [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

9. The Compliance Plan described in the following sections was developed by Enbridge based on the recommendations from AI. AI's recommendations are described at length in Appendix B, while specific passages from Appendix A and Appendix B are referenced throughout this Exhibit C, Tab 1, Schedule 1 and Exhibit C, Tab 2, Schedule 1 where appropriate.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] Further, Enbridge has considered the Board's Guiding Principles, as outlined in Section 3 of the Framework, and believes that the preferred strategy discussed in this exhibit best meets those guidelines. Discussion of how the Guiding Principles have been addressed is further articulated in Exhibit C, Tab 2, Schedule 1. [REDACTED]

[REDACTED]

[REDACTED]

---

<sup>2</sup> "Capped participant" refers to both mandatory and voluntary participants, as outlined in the Cap and Trade regulation.

Witnesses: M. Kirk  
A. Langstaff  
J. Murphy  
F. Oliver-Glasford  
A. Welburn



[REDACTED]

Table 3: [REDACTED]

*[TABLE DELETED]*

[REDACTED]

Witnesses: M. Kirk  
A. Langstaff  
J. Murphy  
F. Oliver-Glasford  
A. Welburn

[REDACTED]

14. Furthermore, other than the Green Investment Fund (“GIF”) whole home energy efficiency retrofit program, there are no incremental customer or facility abatement activities in Enbridge’s 2017 Compliance Plan. Enbridge anticipates abatement activities will feature more prominently in future Compliance Plans. Discussion on abatement activities is outlined in Exhibit C, Tab 2, Schedule 1, Exhibit C, Tab 3, Schedule 4, Exhibit C, Tab 3, Schedule 5, and Exhibit C, Tab 6, Schedule 1.

[REDACTED]

Governance and Accountability

16. Enbridge recognizes the nascent nature of Ontario’s Cap and Trade market. To ensure proper governance and guidance in the development and implementation of

Witnesses: M. Kirk  
A. Langstaff  
J. Murphy  
F. Oliver-Glasford  
A. Welburn

Enbridge's Cap and Trade program, the Company has assembled a team of employees to form the Carbon Procurement Governance Group ("CPGG").

17. The CPGG will consist of non-voting and voting members. By position only, the team's composition along with voting status is listed below:

- Vice President, Market Development and Public and Government Affairs (voting)
- Vice President, Finance, Gas Distribution and Power (voting)
- Vice President, Energy Supply and Customer Care (voting)
- Vice President, Gas Distribution Law (voting)
- Director, Regulatory Affairs, Financial Planning and Analysis (voting)
- Director, Energy Supply and Policy (non-voting)
- Director, Business Development (non-voting)
- Manager, Carbon Strategy (non-voting)
- Manager, Gas Supply and Strategy (non-voting)
- Manager, Gas Supply, GD Procurement & Reporting (non-voting)
- Gas Supply Regulatory Specialist (non-voting)
- Gas Supply Optimization Specialist (non-voting)
- Business Readiness Specialist, Carbon Strategy (non-voting)
- Senior Environmental Advisor, Carbon Strategy (non-voting)

18. Subject to organizational changes, the membership of CPGG may change. The Board will be provided with updates on team membership during the Company's annual filing.

Witnesses: M. Kirk  
A. Langstaff  
J. Murphy  
F. Oliver-Glasford  
A. Welburn

19. CPGG team membership encompasses individuals from varied groups within Enbridge. The team has representation from Market Development, Finance, Energy Supply, Legal, Carbon Strategy and Regulatory Affairs.
20. Three members from each group, voting and non-voting, are required to establish quorum. Meetings will not be conducted without quorum.
21. The group's primary responsibility will be to ensure the successful and cost-effective implementation of Enbridge's Cap and Trade program, inclusive of its Compliance Plan.
22. In 2017, the team's primary mandates will include: development and maintenance of carbon procurement procedures and policies; implementation of Enbridge's carbon procurement strategy; execution of procedures and policies and ensuring policies are suitable and operational. [REDACTED]  
[REDACTED]  
[REDACTED]
23. The CPGG will also use these meetings as an opportunity to review and discuss all relevant carbon policies and market developments. This will ensure that the team is current on all carbon-related information, including regulatory activity, lending itself to the implementation of a flexible Compliance Plan as detailed in the Guiding Principles.
24. [REDACTED]  
[REDACTED]

Witnesses: M. Kirk  
A. Langstaff  
J. Murphy  
F. Oliver-Glasford  
A. Welburn

[REDACTED]

[REDACTED]

[REDACTED] Additional meetings may be scheduled to review the annual Compliance Plan submission to the Board in August. Meetings will follow a set agenda and be documented.

25. Employees on the CPGG team will be privy to confidential information. To ensure all CPGG members are aware of the confidential material exchanged at these meetings, all members will be required to confirm their obligation to treat the auction and market confidential information with the upmost sensitivity.
26. Enbridge will apply the Plan-Do-Check-Act/Review ("PDCA") model for the implementation and review of its Compliance Plan.

#### Plan

27. The 'Planning' stage will consist of the non-voting members identifying and detailing multiple options to achieving Enbridge's compliance obligations.
28. The non-voting members of the CPGG will rely primarily on the following input in the development of their annual strategies:
  - Natural gas forecast and actual volumes;
  - Demand Side Management ("DSM") volumes;
  - Natural gas reductions associated with customer-related abatement projects;

Witnesses: M. Kirk  
A. Langstaff  
J. Murphy  
F. Oliver-Glasford  
A. Welburn

- Natural gas volume reduction associated with facility-related abatement projects; and,
- Carbon market intelligence, including OTC pricing data from ICE.

29. Annually, the non-voting members will recommend a strategy to the voting members. A risk assessment of each strategy will be completed and outlined to the voting members. The CPGG will approve an annual strategy, which will be revisited, revised as necessary and approved [REDACTED]  
[REDACTED]

30. The voting members will review and discuss the strategy with the non-voting members. Assuming the strategy is acceptable, voting members of the CPGG will provide their approval.

31. All approvals will be documented by email. These emails will be retained in a central repository.

32. In addition to the approval emails, this central repository will also include meeting minutes for the purposes of auditability.

[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

Witnesses: M. Kirk  
A. Langstaff  
J. Murphy  
F. Oliver-Glasford  
A. Welburn

Do

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Witnesses: M. Kirk  
A. Langstaff  
J. Murphy  
F. Oliver-Glasford  
A. Welburn

[REDACTED]

Check

42. Non-voting members will compile and review the past month's carbon procurement activities, if any, and provide notification to the CPGG. Actual GHG emissions versus forecast GHG emissions will be collected and compared in order to identify if Compliance Plan updates are required.

[REDACTED]

44. All carbon-related market developments will be summarized in the form of a market report. This market report will be distributed to all CPGG members on a monthly basis and prior to any meeting. [REDACTED]

[REDACTED]

45. To ensure a cost effective strategy, Enbridge will maintain key focus on the development of offsets and its market as well as any regulatory or legislative changes. Offset developments and information regarding past projects will be summarized.

Witnesses: M. Kirk  
A. Langstaff  
J. Murphy  
F. Oliver-Glasford  
A. Welburn

46. As identified in Exhibit C, Tab 3, Schedule 1, Compliance Plan performance metrics will be calculated. These metrics will identify the cost-effectiveness, flexibility and efficacy of the compliance strategy. A full summary of the Compliance Plan's forecast versus actuals and other key information will be provided in the annual monitoring report. A discussion of these results will also be provided.

Review/Act

47. Regular meetings will be scheduled with the voting and non-voting CPGG members.

48. The data compiled and performance metrics calculated as identified in the 'Check' phase, and which are consistent with what Enbridge has proposed to provide in its annual monitoring report, will be reviewed and discussed with the team. The market report will be discussed to ensure that all members remain current on carbon-related issues.

49. Future carbon procurement activities will be reviewed against the above mentioned data. The members will also reflect on the approved annual compliance strategy. If necessary, Compliance Plan adjustments will be made and approved.

50. Future transactions will be discussed at these meetings and approved via email.

Witnesses: M. Kirk  
A. Langstaff  
J. Murphy  
F. Oliver-Glasford  
A. Welburn

Carbon Procurement Procedures and Policies

51. The Cap and Trade program at Enbridge continues to evolve. Enbridge recognizes that this program impacts many groups within the Company.
  
52. A mandate of the CPGG is to ensure the development of sufficient and appropriate procedures and policies for the procurement of Enbridge's carbon compliance options. The Cap and Trade activities largely impact the Finance, Taxation, Regulatory and Regulatory Accounting groups.
  
53. To ensure that Enbridge is compliant with current internal processes and practices, the Company has identified key financial and regulatory processes, which will be impacted by the implementation of the Cap and Trade Program.
  
54. Flow charts are being developed for the budgeting of the carbon allowance as well as accounting for the purchases.
  
55. Enbridge also recognizes that if it plans to participate in a government auction, there are certain activities that must be completed to enable auction participation. To ensure that Enbridge has the ability to participate in any auction, processes will be developed to ensure that CITSS documentation is maintained and current. The table below outlines Enbridge's understanding of the requirements to be 'auction-ready'.

Witnesses: M. Kirk  
A. Langstaff  
J. Murphy  
F. Oliver-Glasford  
A. Welburn

Table 4: Auction-Ready Requirements:

Section in Regulation	Activities	Days Before (-) or After (+) Auction
60	Auction Notice Released	-60
67(1) 1.	Deadline to make changes in CITSS to any information required to be updated as a condition of registration	-40
66	Changes to the allocation of holding and purchase limits after this date prohibit participation in auction	-39
67(1) 2.	Deadline to apply for permission to bid in auction	-30
67(1) 3.	Deadline to submit financial assurance	-12
71(3)	Auction exchange rate set	-1
	Auction Held	0
63(1)	Payment required for successful bids	+7
61(1) 2.	Earliest date for bid guarantee expiration	+26
64(2)	Summary of auction posted no later than	+45

56. As identified in Table 4, Enbridge must submit its financial assurance at least 12 days prior to the auction. Enbridge must request its financial assurance from its parent, Enbridge Inc. A proposed amendment to the Regulation was posted to the Environmental Registry on November 4, 2016. This amendment will permit a Participant to communicate with its parent regarding auction participation for the purposes of obtaining financial assurance without fear of being in contravention of section 32 of the *Climate Change Act*. Enbridge will work with Enbridge Inc.'s Treasury department to develop the proper protocols for the issuance of financial assurance.

Resources and Capabilities

57. Business readiness for the Cap and Trade program has been a top priority for Enbridge since early 2016. To that end, the Company has noted the various key

Witnesses: M. Kirk  
A. Langstaff  
J. Murphy  
F. Oliver-Glasford  
A. Welburn

elements necessary for successful implementation of the Cap and Trade program starting January 1, 2017. Those elements include:

- Addressing incremental GHG reporting activities necessary to document the additional customer-related emissions starting in 2017;
- Familiarizing resources with the Cap and Trade Regulation as well as with relevant market tools, information sources, and key stakeholders;
- Completion of CITSS application;
- Ensuring appropriate trading personnel are Cap and Trade ready;
- Development and deployment of billing programs to collect customers' Customer-related and Facility-related obligations associated with the Cap and Trade program; and,
- Preparation of internal reporting requirements.

58. Enbridge has been attending and speaking at numerous conferences and events to learn and hear information about Cap and Trade policy and market development. For example, Enbridge attended the joint International Emissions Trading Association ("IETA")/CaliforniaCarbon.info/Ontario Chamber of Commerce's two-day Cap and Trade conference in October 2016. This provided significant access to carbon market professionals and insights on new compliance instruments. Enbridge has also been active on the Ontario Energy Association's ("OEA") Environmental Committee, Ontario Sustainable Energy Association's Cap and Trade Committee, IETA's Canadian and Ontario Committees and on the Canadian Energy Partnership for Environmental Innovation ("CEPEI"). Enbridge has and will continue to establish relationships with policy makers and market makers including carbon allowance and offset brokers, and offset developers.

Witnesses: M. Kirk  
A. Langstaff  
J. Murphy  
F. Oliver-Glasford  
A. Welburn

59. Enbridge has an experienced and qualified employee who is responsible for GHG reporting. This employee is a Professional Engineer, with a degree in environmental engineering, and the individual has also completed a post-graduate certificate in Climate Change Policy and Practice. The individual is also working towards achieving certification as a GHG quantifier through CSA. The individual has been indirectly involved in GHG reporting for Enbridge since 2007, with direct responsibility for the GHG inventory since 2011. As such, the individual is able to adeptly review and decode GHG reporting regulations, a skill which has been and will continue to be valuable to Enbridge and its ratepayers.
60. To ensure readiness for participation in primary and secondary Cap and Trade markets, Enbridge has successfully completed both phases of the CITSS registration process, submitting Phase 2 of the application, the company or “Participant” registration documents, on October 13, 2016.
61. As a result of the changes in *Ontario Regulation 143/16, Quantification, Reporting and Verification of Greenhouse Gas Emissions*, the Company is in the process of discussing a submission for the adjustment of its holding limits with the Ministry of the Environment and Climate Change (“MOECC”) pursuant to Section 41 of the Regulation.
62. Enbridge will leverage its vast expertise in the natural gas market to ensure the successful implementation of the Company’s Cap and Trade Compliance Plan. The Company’s gas supply team employs traders well versed in the methods and platforms used in commodity markets, and those methods and platforms have direct applicability to the market for Cap and Trade allowances. For example, the Board

Witnesses: M. Kirk  
A. Langstaff  
J. Murphy  
F. Oliver-Glasford  
A. Welburn

references the Intercontinental Exchange (“ICE”) as a “large, liquid and public market exchange” in its Framework. Members of Enbridge’s gas supply team frequently transact on ICE and understand the nuances of the platform. Enbridge will also ensure it attends and participates in the government led auction practice sessions currently scheduled for December 6, 2016. Should additional training be required, Enbridge will ensure it does what is necessary to be ready.

63. Enbridge recognizes that as the market develops, so too might its resource requirements. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] Keeping expertise in-house has long-term benefits to the ratepayers. As the market knowledge of Enbridge’s internal personnel increases, the Company and its ratepayers benefit from the continuous improvement in the execution of its Compliance Plan. It is abundantly clear though, that the carbon market is not a “perfect market” and does requires substantial attention to a number of different inputs to ensure an appropriate and optimal Compliance Plan is developed and implemented.

#### Assessment of Creditworthiness of Counter-Parties and Financial Intermediaries

64. Upon signals that the Ontario Cap and Trade market is formally linked with California and Québec, compliance options will become more diverse. With that diversity, there will be additional complexity. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Witnesses: M. Kirk  
A. Langstaff  
J. Murphy  
F. Oliver-Glasford  
A. Welburn