

February 3, 2017

BY COURIER (2 COPIES) AND RESS

Ms. Kirsten Walli

Board Secretary

Ontario Energy Board

2300 Yonge Street, Suite 2700, P.O. Box 2319

Toronto, Ontario M4P 1E4

Dear Ms. Walli:

Re: EB-2016-0296/0300/0330 – Union Gas Limited (“Union”), Enbridge Gas Distribution Inc. (“EGDI”), Natural Resource Gas Limited (“NRG”) – 2017 Cap-and-Trade Compliance Plans

We are writing pursuant to Procedural Order #1 to provide comments on the draft issues list.

Environmental Defence requests that the following issue be added to the list: “Are the gas utility’s proposed abatement programs reasonable and appropriate?” Abatement programs (i.e. conservation programs) are an incredibly important issue that warrants specific reference in the issues list. Cost effective conservation is a *free* compliance tool because the savings to consumers (from avoided energy costs) outweigh the cost of the conservation measures. Purchasing carbon allowances is a pure monetary *loss* to consumers whereas cost-effective conservation brings about significant net *savings*, while also reducing greenhouse gasses and creating jobs and positive economic activity in Ontario.

A recent report by ICF International commissioned by the Board found that the cost-effective gas conservation potential is very high. If all cost-effective measures were pursued (i.e. measures where the savings outweigh the costs), gas consumption could be reduced by 26.5% by 2030 versus the base case.¹ Although a somewhat smaller percentage is considered “achievable” (17.8%), the report also recommends deeper examination in the next conservation potential study, which could identify additional opportunities.²

¹ ICF Internatinoao. Natural Gas Conservation Potential Study, July 7, 2016, http://www.ontarioenergyboard.ca/oeb/_Documents/EB-2015-0117/ICF_Report_Gas_Conservation_Potential_Study.pdf, p. iv

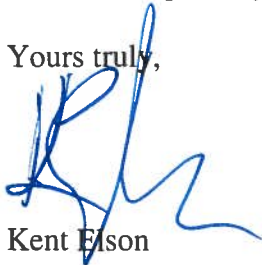
² *Ibid.*, p. iv & xvii-xviii

The Board's *Regulatory Framework for the Assessment of Costs of Natural Gas Utilities' Cap and Trade Activities* also highlights the importance of abatement as one of the two ways for utilities to meet their compliance obligations.³ As noted in the Board's Framework, "abatement programs are a key part" of the government's efforts to reduce GHG emissions.⁴ The Board Framework requires utilities to consider abatement options and to develop "a Compliance Plan that is as cost-effective as possible."⁵ The Filing Guidelines also require that compliance plans include an outline of planned abatement activities and a "comparison of costs of investing in GHG abatement activities versus procuring emissions units over the short-term and long-term."⁶

Despite the benefit of cost-effective conservation as a "free" compliance option, and despite the importance placed on it by the Board's Framework, the utilities have not included any incremental conservation in their compliance plans. Although the plans include Green Investment Fund initiatives, this is a pre-existing taxpayer-funded program.

Consumers will be charged hundreds of millions of dollars for cap and trade compliance each year. These costs can be minimized by pursuing cost-effective conservation measures that reduce energy bills while also helping utilities meet their cap and trade obligations. Environmental Defence submits that this issue is extremely important and should be separately identified in the issues list.

Yours truly,



Kent Elson

Cc: Parties in EB-2016-0296/0300/0330

³ Ontario Energy Board, *Regulatory Framework for the Assessment of Costs of Natural Gas Utilities' Cap and Trade Activities*, September 26, 2016, p. 6.

⁴ *Ibid.* p. 19.

⁵ *Ibid.* p. 21.

⁶ *Ibid.* Appendix A: Filing Guidelines, p. vii, viii.