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June 1, 2018

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
P.O. Box 2319  
2300 Yonge Street, 27<sup>th</sup> Floor  
Toronto, ON M4P 1E4

Dear Ms. Walli,

**RE: EB-2017-0129 – Comments on Draft Report of the Ontario Energy Board:  
Framework for the Assessment of Distributor Gas Supply Plans of London Property  
Management Association**

The following comments are provided on behalf of the London Property Management Association (“LPMA”) on the *Draft Report of the Board: Framework for the Assessment of Distributor Gas Supply Plans* (“Draft Report”) dated April 12, 2018.

LPMA is generally supportive of the Board’s framework as set out in the Draft Report. However, as noted below, there are a number of areas where LPMA believes that additional information would be of value to the Board and to stakeholders in order to assess the gas supply plans. LPMA also has comments on the stakeholder engagement, also as outlined below.

**a) Additional Information**

LPMA believes that the information to be provided in the distributor gas supply plans as outlined in the Appendix to the Draft Report is fine as far it goes. However, LPMA submits that further information should be provided on a standard basis.

The additional information that should be provided involves a series of scenario analyses.

LPMA agrees with the statement that the goal of a distributor’s gas supply plan is to develop a portfolio of gas supply, transportation and storage assets that provide consumers with gas supply service in a manner that meets customer demand requirements and is consistent with the province’s public policy objectives. LPMA is also generally

supportive of the framework objectives of transparency, accountability and performance metrics.

The need for various types of scenario analysis is required to determine if the proposed gas supply plan and the actual plan results meet, or have met, the guiding principles of cost-effectiveness, reliability and security of supply and public policy. Without robust scenario analyses, the Board and other stakeholders will not be able to determine if the plans provide reliability and security of supply to various receipt points need to meet planned peak day and/or seasonal gas delivery requirements in the most economically efficient manner while still supporting public policy.

As noted in the Board Report, the current framework discussion follows a consultation process that started with the winter of 2013/2014 and the so-called “polar vortex”. This weather event caused significant volatility in gas supply costs and the availability of transportation of the gas to Ontario, as well as stressing storage deliverability capability.

The polar vortex was only a weather event. LPMA submits that there are other significant events that could stress a gas supply plan and lead to significant deviations between the plan and what is actually done on year to year basis, month to month basis, and even on a day to day basis. This does not mean that the plan was inadequate or insufficiently robust to adjust to circumstances that are different from the base scenario upon which the gas supply plan is based.

A gas supply plan cannot be reviewed in isolation. A plan may be seen to be the best plan when it comes to reliability and security of supply in the most economically efficient manner while supporting public policy when viewed from the point of view of everything expected to go as forecast. However, since forecasts are rarely 100% accurate, the real value of a robust gas supply plan and planning process is how the gas supply plan reacts to unforeseen events. A good gas supply plan will be flexible enough that it can bend while still maintaining reliability and security of supply in the most economically efficient manner and remain within the bounds of public policy. A bad gas supply plan will break and there may be negative consequences to reliability and security of supply. More often than not, the cost of gas will be significantly impacted and may not reflect the most economically efficient manner for the acquisition and delivery of the gas. Public policy could also be impacted, through the curtailment of firm customers and the loss of customer confidence in the gas supply system.

Gas supply plans relate to the supply, transportation and storage to meet customer demands. The gas supply plan must integrate each of these components to arrive at a functional plan to provide the service required and to assure that consumers are getting

value. LPMA submits that a good gas supply plan should also have contingency plans in place for unforeseen events. The integrated nature of the supply, transportation and storage assets used to provide service to customers results in a degree redundancy. For example, the failure of some upstream deliveries can be met through additional storage withdrawals on some days. The plans to deal with such events should be considered a crucial component of a robust gas supply plan.

LPMA submits that a gas supply plan should have undergone significant stress tests before it is chosen as the preferred plan. This analysis should be included in the information provided by a distributor as part of the gas supply plan submission. Information should be provided to show the regulator and the ratepayers what actions would be undertaken under a number of scenarios so that all parties can form an opinion of the level of reliability and security of supply and the resulting cost consequences of those actions.

The polar vortex of 2013/2014 is just one example of a scenario analysis that should be undertaken. It was a stress event related to colder than normal weather. Warmer than normal weather could also be a stress event – where does the gas go if storage is full?

With respect to the demand forecast, LPMA submits that in addition to the above noted weather scenarios, the demand forecasts should be stressed by a strong economy (faster than forecast customer additions, gas use) and by a weak economy (recession or depression). The economic outlook deviations from the base forecast are especially important for two reasons. The first is the five-year plan horizon during which the economy can go from boom to bust and vice-versa. The second is the large volume of gas now consumed by electricity generators which are also impacted to a significant degree by the state of the economy.

There are a number of other factors that can change quickly and can certainly change significantly over the five-year horizon of a gas supply plan. For example, a significant and unforeseen shift of system gas volumes to direct purchase volumes or a shift of direct purchase volumes to system gas could have a significant impact on the gas supply plan. While such a change could be gradual, which could be accounted for in annual revisions to the plan, it could also be sudden. The failure of a marketer is one such example of a potential sudden impact on system gas requirements.

Another area where a scenario analysis should be undertaken is related to upstream pipeline supply disruptions. Would the proposed gas supply plan be able to supply customers on an average winter day or on a peak demand day if there was a supply disruption upstream of Ontario, and if so, what would be the impact if the disruption

lasted one day, one week, etc.? If not, what contingency is included in the gas supply plans to deal with such a situation?

Similar to upstream disruptions, how does the gas supply plan deal with the situation in which some delivery point into Union and/or Enbridge becomes unavailable? What contingency plans are included in the gas supply plans that would deal with this situation.

Withdrawals from storage are a key component of deliveries during the winter. What is the impact on the gas supply plan and how does the plan deal with an unplanned reduction in deliverability from storage on an average winter day or on a peak demand day? Similarly, the ability to inject gas into storage in the spring and summer is a key factor. What is the contingency plan if, for some reason, deliverability into storage is less than that used in the base gas supply plan?

LPMA further submits that as part of the gas supply planning submission, a projection of the monthly level of gas in storage should be provided. This would include separate balances for the total amount of gas in storage, system gas in storage, in-franchise direct purchase customer gas in storage and ex-franchise customer gas in storage. These balances would reflect the base gas supply plan, along with the current requirements for direct purchase customers and ex-franchise customers.

As part of the annual review, the distributors should provide the actual level of gas in storage provided in the same level of detail as noted above. Variance explanations should be provided to explain the differences between the actual levels and the forecast levels included in the original submission. This would provide important information to the Board and stakeholders on all aspects of the gas supply plan, since storage is often the swing asset to deal with deviations from forecast.

When the actual demand for gas deviates significantly from the forecast, or when an unforeseen event occurs, such as an upstream supply disruption or injection/withdrawal issues with storage, variance explanations should be provided between what actually was done to deal with the event as compared to what was included as a contingency plan in the gas supply plan.

## **b) Gas Supply Plan Assessment**

The Draft Report indicates (Introduction, page 1) that gas supply costs represent a significant component of the gas bill for all customers and represents approximately 45% of the total bill for the average residential customers. LPMA notes that gas supply costs have been relatively low over the recent past compared to previous years. This means

that gas supply costs can represent a much higher proportion of the total gas bill for a residential customer. Gas supply costs can also represent a higher proportion of the total gas bill for commercial and industrial customers.

LPMA submits that given the importance of gas supply related costs to natural gas customers, the assessment of the gas supply plan and the annual gas supply plan updates needs to be both transparent and robust. This means that ratepayers and their representatives must have the ability to adequately and effectively participate in both the gas supply plan submission by the distributors and in the annual updates that are contemplated in the Draft Report.

With regards to the proposed Stakeholder Engagement (page 14 of the Draft Report), LPMA notes that it is not clear whether stakeholders will be allowed to submit questions to the distributors prior to the stakeholder conference with the expectation of answers being provided at the conference. It is also not clear if the stakeholder conference will be transcribed.

LPMA submits that in order to have a robust and transparent process, ratepayers must be able to ask questions and get responses to those questions and that the questions and responses and the presentations from the distributors at the stakeholder conference are on the record; hence the need for a transcript.

Ratepayer groups require this information in order to provide written comments related to the plan and whether it addresses the principles and the framework criteria.

With respect to the Staff report to the Board, LPMA submits that if Staff puts forward any positions (for or against) the gas supply plan, it should include the rationale for the position. All parties should have this information to inform them not only of the current Staff positions, but also for future gas supply plans and updates. Ratepayer groups are expected to explain why they have a specific position (for or against) any particular aspect of the gas supply plans. Not only does this provide a benefit to Staff and the Board, it also provides a benefit to other ratepayer groups. Ensuring that Staff provide explanations for their positions further adds to the benefits for all parties. It would also ensure the transparency that has been endorsed by the Board.

LPMA supports the treatment of the annual gas supply plan updates in the same manner as for the original gas supply plan submission as described above. In other words, there should be full involvement of ratepayer groups through the asking of questions, receiving responses, a transcribed stakeholder conference and provision for written comments from these groups which would then be taken into account in the Staff report to the Board.

After this robust and transparent review of the gas supply plan update (and historical comparisons) the Board would determine whether a more in-depth evaluation or review was required.

Yours very truly,

*Randy Aiken*

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