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VIA Email, RESS and Courier

June 1, 2018

Ms Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, Suite 2700
Toronto, Ontario, M4P 1E4

Dear Ms Walli:

**Re: EB-2017-0129 – Draft Report of the Ontario Energy Board:
Framework for the Assessment of Distributor Gas Supply Plans**

Attached please find Enbridge Gas Distribution's comments on the Draft Report of the Ontario Energy Board.

This submission has been filed through the Board Regulatory Electronic Submission System.

If you have any questions, please contact the undersigned.

Yours truly,

[original signed]

Lorraine Chiasson
Regulatory Coordinator

Comments of Enbridge Gas Distribution Inc.

in response to

**Draft Report of the Ontario Energy Board:
Framework for the Assessment of Distributor Gas Supply Plans**

EB-2017-0129

June 1, 2018

1. Introduction

On April 12, 2018, the Ontario Energy Board (the “OEB” or the “Board”) issued the EB-2017-0129 Draft Report of the Ontario Energy Board: Framework for the Assessment of Distributor Gas Supply Plans (“Draft Framework”). In its cover letter, the Board invited interested parties to submit written comments on the Draft Framework by May 11, 2018. In a letter to interested parties dated May 2, 2018, the Board indicated that the deadline for providing comments on the Draft Framework had been extended to June 1, 2018. These are the comments of Enbridge Gas Distribution Inc. (“Enbridge” or the “Company”) filed in accordance with the aforementioned letter. In these comments Enbridge will address its understanding of what the Draft Framework (and the ultimate framework stemming from this process) is meant to achieve. Enbridge will also provide its comments on the sections contained in the Draft Framework.

Enbridge understands that in developing the Draft Framework the Board is seeking to provide a more transparent and effective regulatory process related to distributor gas supply planning. The Draft Framework will ultimately prescribe a new process (the “Framework”) for assessing distributor gas supply plans. Enbridge values the opinions of its stakeholders, customers and the Board and will continue to act on opportunities like this to improve communication of its gas supply activities as it always has.

Broadly, it is Enbridge’s understanding that the Framework the Board is seeking to develop will provide a process for overall review and assessment of distributor gas supply plans. This Framework will be designed to complement other applications and is not intended to overlap other applications or otherwise require duplicative work to be completed for regulatory purposes. While Enbridge is open to increased regulatory review of its gas supply plan, Enbridge believes that it is important to ensure that whatever new process is developed will recognize that gas supply is a mandatory function for which Enbridge does not earn any return and that gas costs incurred as a result of performing this function are a pass-through item. Finally, Enbridge expects that the Framework will recognize that gas supply decisions are made on the basis of the best information available at the time a decision is made and that these decisions cannot typically be reversed if circumstances change. Consequently, the Framework should make clear that hindsight will not be used to evaluate gas supply decisions in the Framework.

In addition, Enbridge hopes that the Framework will recognize and articulate that gas supply planning is an iterative process stemming from the fact that a gas supply plan is composed of assets (such as transportation and storage contracts) that have been acquired over a number of years and that these assets have different service attributes (for example varying expiry dates). Consequently, there is never an opportunity to remake a gas supply plan in its entirety, and any evaluation should not be conducted on the basis of what a completely new gas supply would include. Instead, any evaluation must be done iteratively by considering (in the context of all the existing gas supply assets) the subset of the assets contained in an overall gas supply plan that can be changed at any given time.

With that context, what follows are Enbridge’s comments on the Draft Framework. As will be seen, Enbridge generally supports the proposed approach to the review of gas supply plans, but believes that further details and clarification are appropriate in a number of areas.

2. Background: Current Gas Supply Plan & Process

Currently, Enbridge is operating under a Custom Incentive Regulation Plan and has been filing a gas supply plan and a related memorandum as part of its annual rate applications. This process recovers certain gas cost elements through distribution rates in annual rate setting, as well as establishes the budget against which gas cost variances are tracked and cleared through subsequent Quarterly Rate Adjustment Mechanisms (“QRAM”) and Deferral and Variance Account clearance applications. Enbridge’s current gas supply plan and cost recovery process is distinctly different from Union Gas Limited’s (“Union Gas”) process which is driven by a Price Cap Mechanism whereby gas cost variances are dealt with when certain deferral and variance accounts are cleared. Pursuant to the EB-2017-0306 and EB-2017-0307 applications, it is the Company’s intention to amalgamate with Union Gas and to enter into a Price Cap rate setting regime, commencing January 1st 2019 (the “Amalgamation Application”). As the Amalgamation Application is currently before the Board, no planning has occurred on how Enbridge’s and Union Gas’ Gas Supply Plans will be combined. As such, it is anticipated that there will be an undetermined transition period required to harmonize the plans. At the outset of an amalgamation, Enbridge’s franchise area and Union Gas’ franchise areas (i.e. Union North and Union South zones) are likely to be treated as distinct zones with unique Gas Supply Plans, presented together at the same time.

3. Scope and Focus of Gas Supply Plan Outlook

Draft Framework Proposal

The Draft Framework articulates 3 objectives, 3 guiding principles, 4 measures of “value to customers”, and 7 criteria on which to evaluate gas supply plans.

The Draft Framework’s objectives are articulated on page 5 and include:

1. Accountability
2. Transparency
3. Measurement

The Draft Framework’s guiding principles are articulated on page 6 and include:

1. Cost-effectiveness
2. Reliability / Security of Supply
3. Public Policy

On pages 6 and 7, the Draft Framework calls on gas distributors to develop clearly described strategies which deliver value to customers, and goes on to define the “measures” that will be used to determine whether value to customers is being achieved. The four measures are listed as:

1. Rate Predictability
2. Diversity
3. Flexibility
4. Continuous Improvement

Lastly, beginning on page 7, the Draft Framework articulates 7 “criteria” which will be “...used by the OEB to evaluate a distributor’s plan to assess whether it meets the principles and delivers value to consumers.” These 7 criteria include:

1. Demand Forecast Analysis
2. Supply Option Analysis
3. Performance Metrics
4. Risk Mitigation Strategy
5. Achieving Public Policy Objectives
6. Procurement Process & Policy
7. Current & Future Market Trends & Analysis

Enbridge Recommendations

1. Clarify the Guiding Principles, Measures and Criteria

In order to clarify the guidance provided in the Draft Framework Enbridge recommends the following revisions to the guiding principles, measures and criteria included in the Draft Framework:

- i. Eliminate the measures of customer value, and instead reflect the 4 elements currently within this category elsewhere in the guiding principles and criteria of the final Framework. Flexibility, diversity and rate predictability can be included within the guiding principles. Continuous improvement can become a criterion, essentially requiring gas distributors to describe their strategy and process to continually evaluate and implement where appropriate improvements to their gas supply planning practices.
- ii. Add design day and Renewable Natural Gas (“RNG”) as additional criteria in the final Framework.

The design criteria approved by the Board in EB-2011-0354¹ and EB-2014-0276² represent the most critical input assumptions to Enbridge’s gas supply planning efforts and have the greatest influence on the ability of Enbridge to meet the Guiding Principles. Figure 1 below summarizes the expected outcomes of different types of design criteria.

¹ In EB-2011-0354, the Board approved a new design day criteria based on a 1 in 5 recurrence interval.

² In EB-2014-0276, the Board approved new storage deliverability targets which included maximum deliverability from storage until the end of February and deliverability sufficient to meet a March peak day until the end of March.

Figure 1: Impact of Design Criteria on Gas Costs

Design Criteria	Demand Variance Above Budget	
	Minimal	High
Risky	Low Budget Cost Neutral Execution Cost	Low Budget Cost High Execution Cost
Conservative	High Budget Cost Neutral Execution Cost	High Budget Cost Low Execution Cost

The EB-2015-0238 Staff Report to the Ontario Energy Board on Gas Supply Planning that was issued after the “polar vortex” conditions in the winter of 2013/2014 indicated “...that while transparent price signals remain important, protecting consumers from volatile prices is paramount for the OEB.”³ Enbridge believes that the Draft Framework appropriately identifies rate volatility as a consideration within a Gas Supply Plan. Consequently, Enbridge believes that design criteria need to be included within any Gas Supply Plan.

Should gas distributors be required to include RNG within their portfolios, as discussed later in this submission, such direction can be explicitly provided for as a criterion.

- iii. In relation to rate predictability, the final Framework should make note of the limited tools available to gas distributors to achieve this outcome. Specifically, the Company recommends noting gas distributors’ cannot currently offer long-term contracts to customers or participate in hedging activities, both of which could be used to reduce gas cost volatility.
- iv. Articulate the respective purposes of the objectives, guiding principles and criteria included within the Framework to ensure the priority and interaction amongst these elements are clear to all parties. Enbridge recommends the following descriptions of each of these elements:
 - **Objectives**: The outcomes the Board ultimately seeks to achieve through implementation of the Framework. Gas distributors are not expected to explicitly address the objectives in their Gas Supply Plan. Rather the objectives provide a contextual foundation for the gas distributors to understand the Board’s intent when reviewing Gas Supply Plans.
 - **Guiding Principles**: The outcomes and factors that gas distributors should balance when designing their Gas Supply Plan. In assessing a Gas Supply Plan, the Board’s primary focus shall be determining whether or not a distributor has successfully balanced **all** of the guiding principles.

³ Staff Report to the Ontario Energy Board, EB-2015-0238, page 3.

- **Criteria:** Specific information or requirements which must be included in Gas Supply Plans submitted to the Board for review. Gas distributor's plans must meet specific criteria established by the Board and the Gas Supply Plan should include a description of how those criteria have been met.
- v. Should the Board accept Enbridge's recommendations, the objectives, guiding principles and criteria would read as follows:
 - **Objectives**
 1. Transparency
 2. Accountability
 3. Measurement
 - **Guiding Principles**
 1. Cost-effectiveness
 2. Rate predictability
 3. Reliability
 4. Diversity
 5. Flexibility
 6. Public policy
 - **Criteria**
 1. Design Day Criteria
 2. Demand Forecast Analysis
 3. Renewable Natural Gas Requirement
 4. Supply Option Analysis
 5. Performance Metrics
 6. Continuous Improvement
 7. Risk Mitigation Strategy
 8. Achieving Public Policy Objectives
 9. Procurement Process & Policy
 10. Current & Future Market Trends & Analysis

Enbridge Comments

Enbridge believes that most of the elements (i.e. the Objectives, Guiding Principles and Criteria) described above are important factors to consider. Indeed many of these elements are already addressed within the gas supply evidence filed by Enbridge in its annual rate applications. The Company notes that in light of the number of elements and associated sub-factors considered by the Draft Framework, the final Framework may benefit from a very clear definition of these groups of items and the ways in which they interact with one another. Prioritization of these elements would also be useful information for a distributor to consider when developing a Gas Supply Plan.

4. Performance Metrics

Draft Framework Proposal

One of the objectives articulated in the EB-2015-0238 Staff Report to the Ontario Energy Board was Performance Measurement. This is now reflected in the Draft Framework. As a means to achieve this objective, the Draft Framework includes a criterion entitled Performance Metrics which requires a gas distributor to submit performance metrics that "...demonstrate how the principles have been achieved."⁴

Section 3.2.3 of the Draft Framework requires gas distributors to submit performance metrics which:

- Link directly to one or more of the Gas Supply Plan criteria;
- Are "quantitative measures used to assess whether the principles have been achieved...";
- Are measureable;
- Focus on strategy and results, not activities;
- Demonstrate continuous improvement;
- Demonstrate customer value;
- Accurately measure achievement of the principles of cost-effectiveness, reliability/security of supply, and public policy; and,
- Reflect the outlook and the critical elements of the plan that the distributor intends to use to meet its demand requirements.

Enbridge Recommendations

1. Gas Distributors to Propose Metrics

Enbridge interprets the Draft Framework to require metrics to be proposed by the distributors within their Gas Supply Plans. The Company is supportive of this approach to establishing metrics as the distributors are the best positioned parties to make such a proposal. Enbridge encourages the Board to confirm this approach in the final Framework.

2. Continuous Improvement Metrics

In Enbridge's view, metrics will be of the most assistance to all parties when used on a prospective basis for the purpose of continually improving Gas Supply Plans where appropriate. Applying metrics to analyze how a Gas Supply Plan implementation has varied from expectations might be useful for future decision-making. However, utilizing metrics for a retrospective/hindsight analysis for the purpose of assessing gas cost variances and gas cost prudence is not appropriate. As stated earlier, gas supply planning should be evaluated on the basis of facts and circumstances known at the time decisions are made.

Metrics should be focused on assisting parties in assessing how the proposed Gas Supply Plans successfully balance all of the guiding principles and achieve the objectives outlined in

⁴ Page 9

the final Framework. To clearly articulate this focus the Company recommends that the final Framework call for the creation of “Continuous Improvement Metrics” rather than “Performance Metrics.”

Enbridge Comments

Enbridge is appreciative of the Board’s desire to more objectively review the performance of distributors’ Gas Supply Plans and will endeavor to create metrics which accomplish this end. Additional clarity regarding how metrics will be used in evaluating a Gas Supply Plan and what the focus of those proposed metrics should be would provide helpful guidance to a distributor.

Performance measurement focused on continuous improvement would be compatible with the gas supply planning process, with the aim to continuously improve, where possible, each successive Gas Supply Plan, taking into account performance relative to the past metrics and input from interested parties and the Board.

5. Proposed Process for Gas Supply Plan Review & Approval

Draft Framework Proposal

Section 4 of the Draft Framework pertains to the assessment of Gas Supply Plans and begins with the following introduction:

The three objectives for the development of this Framework all require a robust process for the review of distributors’ Gas Supply Plans, in particular to achieve the transparency that has been endorsed by the OEB. Given the importance of gas supply related costs to natural gas consumers the process must ensure adequate participation and engagement. Gas Supply Plans play an important role in a number of different OEB processes, discussed further below, therefore it is important to consider how the process for the review of the plans can contribute to these other proceedings to deliver greater value to consumers⁵.

Having established the above context the Draft Framework goes on to outline the following 5 step process:

1. Plan submission
2. Stakeholder conference
3. Written comments from stakeholders
4. Plan revision, if required
5. OEB Staff Report to the OEB

Upon completion of an OEB Staff Report the Draft Framework envisions that the Board would have the opportunity, though not the obligation, to initiate a proceeding “...to address specific

⁵ Page 13

issues highlighted by the staff report”⁶. In the event that the Board does not elect to initiate a proceeding in response to issues highlighted by the Staff Report the process would conclude.

Subsequently, Section 5 of the Draft Framework discusses links to other Applications. This section articulates the Board’s expectation that “The Gas Supply Plan will provide a foundation for the OEB to consider other related applications”, further expressing the expectation that the “robust review” provided for in the Draft Framework would provide for “...greater efficiency in these other related application processes.”⁷ The Applications expected to be linked to the Gas Supply Plan include QRAM, Leave to Construct applications, Long Term Contract applications, Cap and Trade applications and Rate Applications.

In addition to the submission and review of a five year Gas Supply Plan the Draft Framework outlines the Board’s expectation that the distributors will provide annual updates to their Gas Supply Plans, the assessment of which would “...be carried out in a manner similar to the five year Gas Supply Plan.”⁸ The Draft Framework further notes that the timing of these annual updates and reviews may be coordinated with other applications from the distributor.

Enbridge Recommendations

1. Clarification of Regulatory Process & Timing

Enbridge understands that the Draft Framework contemplates a process whereby the Board would receive and consider a five year Gas Supply Plan separately from a rate application or an application related to deferral and variance accounts. Enbridge supports this separate consideration of the five year Gas Supply Plan.

Enbridge recommends that the final Framework articulate the details of when and how the OEB will review distributors’ five year Gas Supply Plans and Annual Gas Supply Plan Updates, and how this process will fit with any required annual approvals of the distributor’s gas costs. Among other things, Enbridge recommends that the Board address the following items:

- a) **No Pre-Approval:** The Company notes that the Draft Framework does not require the distributors to seek pre-approval of their five year Gas Supply Plans as previously recommended in the 2016 Staff Report⁹. Instead, the culmination of the review process is a report to be issued by OEB Staff. Enbridge supports this approach as it will be more responsive to stakeholder feedback and more appropriate in light of the commercial realities of gas supply planning activities. Specifically, this approach recognizes that execution decisions are made based upon the best information available at the time of execution and that forecasting commodity, transportation and storage market conditions with precision great enough to request Board approval five years in advance would be challenging and unrealistic. Given that pre-approval will not be sought, Enbridge recommends that the Framework explicitly state that the five year Gas Supply Plan will not be pre-approved by the Board.

⁶ Page 14

⁷ Page 16

⁸ Page 15

⁹ Staff Report to the Ontario Energy Board, EB-2015-0238, page 9.

- b) **Gas Supply Plan Outlook and Annual Gas Supply Plan Updates:** Enbridge supports submission of a five year Gas Supply Plan and Annual Gas Supply Plan Updates, but is concerned that such an approach could grow less relevant through the five year term, and provide increasingly less insight into future planning. As such, Enbridge recommends that the value of the five year Gas Supply Plan and the Annual Gas Supply Plan Updates be evaluated as the Framework is implemented over the next few years. For example, it might become clear that updates of the five year Gas Supply Plan are required more frequently than each five years, in order to give context to the changes seen in an Annual Gas Supply Plan Update. The final Framework should therefore recognize that a five year Gas Supply Plan with annual updates is open for change if required.

Some clarity with respect to the Draft Framework filing requirements for the Gas Supply Plan and the Annual Gas Supply Plan Update is required. In the years where a five year Gas Supply Plan is filed, the value of a separately filed Annual Gas Supply Plan Update would be significantly diminished as the five year Gas Supply Plan would already include the best available information for the first year of the plan. Therefore, the first year of the plan would not require an Annual Gas Supply Plan Update. As a result, Enbridge believes that an Annual Gas Supply Plan Update should not be required in the same year that a five year Gas Supply Plan is submitted. Should the Board incorporate this approach into the filing requirements section of the Framework, then the filing requirements should subsequently be updated to include a three year historical review for the five year Gas Supply Plan similar to that required for the Annual Gas Supply Plan Update to ensure that the three year historical review is submitted each year.

The review process for the five year Gas Supply Plan and for Annual Gas Supply Plan Updates contemplates that stakeholders would provide comments and Board Staff would issue a report. Enbridge recommends that the distributor should have the right/option to provide final submissions (including, if appropriate, updates to the five year Gas Supply Plan and Annual Gas Supply Plan Updates).

- c) **Annual Rate Application:** Enbridge submits that some of the gas supply content currently contained within annual rate applications should be removed to reduce duplication and improve regulatory efficiency.¹⁰ Specifically, the gas supply memorandum and any forward looking market intelligence or forecast information would be moved to the five year Gas Supply Plan and Annual Gas Supply Plan Updates and be removed from annual rate applications. What would remain, however, would be any information relevant to the Board's approval of the cost consequences of gas supply activities for the year in question.¹¹ These test year cost consequences and the evidence to support those cost consequences would be distinct from the five year Gas Supply Plan and Annual Gas Supply Plan Updates that are the subject of the Draft Framework.

¹⁰ Enbridge's current recommendation regarding annual rate applications assumes that Enbridge Gas Distribution Inc., or Amalco, will be required under the terms of the Board's Decision and Order in the Amalgamation Application to submit an annual rate application which includes the 1 year cost consequences of gas supply activities. To the degree that the Board's Decision and Order in EB-2017-0306/0307 does not include this annual activity this recommendation may require revision.

¹¹ See footnote 10, above.

- d) **Linkages & Timing:** The scope of filing requirements contained in the Draft Framework are significant and will require an appropriate amount of time for distributors to analyze, develop, and implement. Assuming that the Draft Framework is finalized by the end of 2018, the Company recommends that the first five year Gas Supply Plan be filed in the second quarter of 2020 for the period of 2020 – 2024 with a three year historical review from 2017 - 2019. Year one of the five year Gas Supply Plan would include the most recent test year (2020) that was approved by the OEB in order to provide a concrete starting point for the outlook. To more clearly illustrate the timing recommended by the Company, please see Figure 2 below. To the extent that the Draft Framework is not approved prior to the end of 2018, the timing proposed by the Company would have to be reconsidered.

Figure 2: Five Year Gas Supply Plan and Annual Update Timeline

Regulatory Process / Application	Timing of Regulatory Process	Calendar Year Addressed by Regulatory Process / Application												
		2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
2020 Rate Application (1 year gas supply cost consequences)	2019 Q3													
2020-2024 Gas Supply Plan Outlook	2020 Q2													
2021 Rate Application (1 year gas supply cost consequences)	2020 Q3													
Annual Gas Supply Plan Update	2021 Q2													
2022 Rate Application (1 year gas supply cost consequences)	2021 Q3													
Annual Gas Supply Plan Update	2022 Q2													
2023 Rate Application (1 year gas supply cost consequences)	2022 Q3													
Annual Gas Supply Plan Update	2023 Q2													
2024 Rate Application (1 year gas supply cost consequences)	2023 Q3													
Annual Gas Supply Plan Update	2024 Q2													
2025 Rate Application (1 year gas supply cost consequences)	2024 Q3													
2025-2029 Gas Supply Plan Outlook	2025 Q2													

As noted previously, until a decision is reached on the Enbridge and Union Gas Amalgamation Application, planning cannot commence on the harmonization of the gas supply plans. At the outset of an amalgamation, Enbridge's franchise area and Union's franchise areas are likely to be treated as distinct zones with unique plans, presented together at the same time. At some point, however, the five year Gas Supply Plan could be combined – which could influence the timing of the steps set out in the Figure 2.

Enbridge Comments

The Board's current processes for the review and implementation of Enbridge's Gas Supply Plans and related linkages to other proceedings have served ratepayers well. Figure 3 provides a general summary of current regulatory timelines as they relate to the setting rates, the QRAM process and the disposition of deferral and variance accounts.

Figure 3: Current Regulatory Timeline

Process / Application	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Annual Stakeholder Day					Stakeholder Day							
Annual Rate Application									Filing			Decision
QRAM Application			Filing & Decision			Filing & Decision			Filing & Decision			Filing & Decision
Annual Deferral and Variance Account Clearance					Filing			Decision				

Within the Board's current regulatory calendar, consultations and applications proceed sequentially on an annual and quarterly basis, ensuring that critical inputs common to these various applications are known or approved in time for use in other venues. In or around the month of May, Enbridge holds its annual stakeholder day, inviting OEB Staff and interested parties to discuss developments, concerns and issues pertinent to upcoming regulatory applications and related matters. Feedback received during Enbridge's annual stakeholder day is subsequently incorporated into the Company's annual rate application where applicable. Filed in or around the month of September, Enbridge's annual rate application contains critical information required for the Board to approve just and reasonable rates effective January 1st of the following year, including a description of the cost consequences of gas supply activities and the Company's gas supply memorandum. Rates established in this proceeding create a starting point from which quarterly QRAM applications adjust consumer rates to account for variances in gas supply costs throughout the year. Finally, following the completion of a given calendar year, the Company submits an Deferral and Variance Account clearance application in or around May.

In Enbridge's view, the final Framework should build off of the current successful processes and ensure that new or altered processes can integrate into this busy but effective regulatory calendar.

Finally, Enbridge notes that there will be times when its gas supply planning decisions (implementation) vary from what is included in the five year Gas Supply Plan and/or its Annual Gas Supply Updates. The Company is hopeful that the final Framework and its associated processes will recognize the commercial realities inherent to gas supply planning and execution. While Enbridge will always make best efforts through the Board's processes to notify interested parties and the Board of its plans and to seek approval from the Board where necessary, the nature of gas supply planning dictates that important decisions often need to be made on short notice. New capacity open seasons and unexpected new service offerings can be accompanied by short bid windows which take place in between Board review processes. As noted on page 5 of the Draft Framework, "Distributors maintain responsibility to develop and execute their gas supply plans and are accountable for the outcome." To the degree that prudently carrying out their responsibilities requires distributors to make decisions which were not fully outlined in advance to the Board or interested parties, the distributors must be enabled to do so without

fear that these prudent actions will trigger a reprimand for diverging from previously articulated plans.

5. Public Policy & Renewable Natural Gas

Draft Framework Proposal

The Draft Framework contains new requirements for gas distributors to consider public policy when designing and executing their Gas Supply Plans. Aside from a passing reference to natural gas system expansion on page 6, the Draft Framework's consideration of public policy appears entirely focused on the incorporation of RNG in gas supply portfolios. Section 3.2.5 of the Draft Framework entitled "Achieving Public Policy Objectives" begins as follows:

A key public policy goal that distributors are required to comply with is the reduction of GHG emissions. Distributors are required to comply with the provinces *Climate Change Mitigation and Low-carbon Economy Act, 2016*. To achieve their goals related to GHG reduction it is anticipated that distributors may implement various strategies including procuring renewable natural gas. According to the advice from the working group, RNG offers many benefits to the consumer; it is carbon neutral (balancing a measured amount of carbon released with an equivalent amount offset), it can be locally sourced to support local businesses and avoid long-haul transportation, adds to the diversity of the supply mix and supports the public policy goals related to GHG emissions reduction.¹²

Toward the end of section 3.2.5 the Draft Framework goes on to note that "...in some instances longer term contracts may be required to ensure that RNG producers can provide a predictable service...The OEB currently has *Filing Guidelines for the Pre-Approval of Long-Term Gas Supply* that will help distributors determine the information required for the OEB to assess these applications."¹³

Enbridge Recommendations

1. Clarify Direction Regarding RNG Procurement

Given the current degree of uncertainty concerning how the development of an RNG market will unfold in Ontario over the next five years the Company believes that it would be difficult for the Board to provide clear direction to the distributors with respect to how it expects them to incorporate RNG into their gas supply portfolios at this time. As recommended by Enbridge in Section 3 of these written comments, Enbridge is of the view that what is needed in the gas supply framework is an acknowledgement from the Board that it will need to be flexible in the way it deals with RNG as part of a distributor's gas supply portfolio. This flexibility is required with respect to cost recovery, length of procurement contracts, etc. because many of the statutory rules and government policies specific to RNG are yet to be determined (i.e. carbon offset protocols, availability of government subsidies, low carbon fuel standards, etc.).

¹² Pages 10-11

¹³ Page 11

2. Create the Conditions Necessary for a Robust RNG Market

The Company recommends that the final Framework explicitly articulate the following:

- i. Gas distributors may apply for pre-approval of RNG supply contracts;
- ii. Recognize that under some circumstances, it may be appropriate for ratepayers to pay for the higher cost associated with RNG (i.e. as a result of Low Carbon and Clean Fuel Standards or Renewable Portfolio Standards); and
- iii. The Board's intention to coordinate its guidance regarding RNG and regulation of RNG related activities with any other agencies of Government, specifically but not limited to the Federal Government of Canada as it contemplates RNG within the context of a Clean Fuel Standard.

3. Allow for Broader Consideration of Public Policy

Updates to the final Framework may not always coincide with major and minor developments or evolutions in public policy. The Company encourages the Board to include language within the final Framework which considers public policy more broadly, beyond consideration of RNG procurement. Initiatives that gas distributors may consider in this regard may include, but should not be limited to the rational expansion of Ontario's natural gas system and the other objectives of the Board expressed in the *Ontario Energy Board Act, 1998*.

Enbridge Comments

Enbridge will continue to reflect public policy expectations and requirements in its operations, including (where relevant) within its Gas Supply Plan.

While Enbridge is strongly supportive of the inclusion of RNG within its gas supply portfolio, the Company has yet to be specifically directed by either the Government or the Board to undertake this activity. As currently written, the Draft Framework expresses an expectation that the distributors will procure RNG, however, this expectation appears to be based on the assumption that the distributors are required under the *Climate Change Act* to reduce emissions, which they are not. Notwithstanding this situation the Board has made it clear in its "Regulatory Framework for the Assessment of Costs of Natural Gas Utilities' Cap and Trade Activities" and "Early determination regarding Billing of Cap and Trade Related Costs and Customer Outreach" - File No.: EB-2015-0363 that introduction of RNG into the distributor's gas supply portfolio is one way in which they can meet their Cap and Trade compliance obligations.

In early 2018, Enbridge launched a Request for Proposals for the procurement of RNG, anticipating the receipt of funding from the Government of Ontario to subsidize the incremental cost of RNG for ratepayers. This funding is not yet available, and RNG procurement has not been completed. Regardless of whether or not Government funding is ultimately confirmed, Enbridge is ready to initiate the procurement of RNG provided that a mechanism is put in place to assure gas distributors that the costs of such procurement will be recoverable from ratepayers.

6. Next Steps

In addition to commenting on the Draft Framework itself, the Company would also appreciate the opportunity to provide comments on the appropriate next procedural steps for this EB-2017-0129 initiative. The upcoming procedural steps identified in the Draft Framework are limited to written comments from interested parties to be submitted by June 1, 2018. There is no provision for further comments and consultation leading up to the creation of a final Framework.

Given the scope of new gas supply planning processes identified in the Draft Framework, the comments provided by Enbridge on the Draft Framework, the comments that will be provided by other stakeholders, and the interrelations of the Draft Framework with other regulatory proceedings such as the Amalgamation Application and annual rate applications, the Company believes that allowing for further input and consultation before the OEB finalizes the Draft Framework is critical for regulatory efficiency. The Company recommends that the future procedural steps include, at a minimum, the issuance of a revised Draft Framework that considers the comments provided to the Board by interested parties by June 1, 2018 and then an opportunity for interested parties to comment on the revised Draft Framework.