

ONTARIO ENERGY BOARD

**Framework for the Assessment of Distributor
Gas Supply Plans**

Final Submission
of the
Vulnerable Energy Consumers Coalition
(VECC)

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1.0 Summary of the Submissions

1. VECC supports the Board adopting a comprehensive gas supply policy. It believes that with some minor modifications the objectives set out in the Board's draft policy are sound and reasonable.
2. VECC submits that the Board should incorporate the review of natural gas supply plans as part of the adjudicative process established for setting natural gas distribution and commodity rates.

2.0 The Policy Principles

3. The Board describes the objective of the policy as an update to the regulatory approach to the gas supply planning process and inject greater transparency, accountability and measurement into the current system to ensure that consumers are getting value for money¹. In part this policy initiative appears driven by the new government policies with respect to renewable natural gas (RNG) and cap and trade carbon policies.
4. The policy follows a staff report issued in August of 2016 with respect to gas supply planning². We observe that in large part the Board's draft report simply adopts the Staff's earlier proposals. These are summarized at the highest level as the objectives of: (1) accountability; (2) transparency and (3) performance measurement. At the highest level we think these goals are uncontroversial. More difficult is how these objectives are translated in action as part of the regulatory process.
5. The gas plan objectives of cost effectiveness, reliability/security of supply and meeting public policy are, also at a high level, uncontroversial. The more concrete gas supply issues put forward in the draft policy: rate predictability, diversity, flexibility, and continuous improvement overlap somewhat with the gas plan objectives.
6. For example, it is not clear why "diversity" of supply deserves distinct treatment as an objective. In our view what is important is that gas supply is reliable. Diversity of supply options (including storage and transportation) may, or may not, provide better reliability and flexibility in meeting demand and it may, or may not, allow lower prices to be accessed. The draft policy appears to presume that diversity as an objective but diversity is in and of itself is of little consequence. In our view how diversity of the

¹ OEB Letter of march 16, 2017

² Staff Report to the Ontario Energy Board, EB-2015-0238, Distributor Gas Supply Planning, August 12, 2016 August 12,

plan meets the objectives of reliable and flexible needs is an issue best left to the facts in any given plan.

7. Likewise it is not particularly clear to us how “continuous improvement” is to be demonstrated or evaluated and why it should be given independent weight in evaluating supply plans. As an objective it is rather amorphous, akin to suggesting the utility should “always try harder,” or “do the right thing.” Such goals are lofty but rather meaningless in practice. And while there might appear to be no harm in their inclusion, in the event, such items are either generally ignored or, in a worst case, result in an inordinate amount of regulatory resources to order to demonstrate some action has been taken to address the objective.
8. In our view the germane issues in understanding the prudence of a gas supply plan are as articulated: rate predictability (to minimize rate shock), flexibility (to meet changing demands), and security of supply (to ensure reliable supplies). To this we would add: rate efficiency. By this we mean that the utility should be obligated to demonstrate that its supply plan offers the best commodity price given the (often competing) objectives of the gas supply plan. It appears to us that the Board clearly understands this in the body of the policy where it discusses “supply option analysis”.³
9. In our view the absence of “price or cost effectiveness” in the policy objectives of the gas plan is a major (if in the context of the draft policy somewhat semantic) omission. The fact is that the vast majority of residential customers and a significant majority of small commercial customers continue to receive their gas supply from the regulated utility. As such the Board continues to have an obligation to these customers to ensure that they are being provided commodity at a reasonable price. “Landed cost” has historically been included by Enbridge as a policy objective.⁴ We note, however, that that this principle is reflected in the guiding principle of cost-effectiveness.
10. VECC is also concerned that the OEB’s conception of the “public policy” objectives relative to approval of gas supply plans may be unduly limited to climate change. The public policy considerations guiding the Board are set out in s 2 of the *Ontario Energy Board Act*, and include protecting the interests of consumers with respect to price reliability and quality, facilitating rational expansion, and facilitating the development and safe operation of gas storage.⁵ While the OEB is obliged to give regard to Ontario’s long-term energy plan, many of the options set out in that report, like renewable natural gas and power-to-gas are not cost-effective as energy sources or abatement options without substantial government subsidies.⁶ The advancement of the latest technologies should not be prioritized over rates and actually achieving emission reductions.

³ Board Report, Section 3.2.2, page 8

⁴ https://www.oeb.ca/oeb/_Documents/EB-2015-0238/Gas_Supply_Planning_Comparison_Document_20160316.pdf

⁵ Ontario Energy Board Act, 1998, S.O. 1998, c. 15, Sched. B, s.2.

⁶ https://files.ontario.ca/books/ltep2017_0.pdf at 113-114.

11. In our view cost effectiveness should be made a clear and principle objective of any gas supply plan. In fact, in presenting a plan various supply, transportation and storage options should be shown to allow the Board to consider the trade-offs between price, flexibility and reliability in the plan.
12. VECC does have some reservations with respect to section 3.2.6. This section adopts the concept of the necessity of detailed revelations around procurement policies. Generally VECC would argue for such transparency however we are cognizant of the fact that forcing distributors to reveal “triggers”⁷ as to when to sell or procure natural gas (or transportation and storage asset use) might ultimately be detrimental to customers. That is because the Ontario natural gas utilities’ play an inordinately large role in the natural gas market. It is conceivable that such “pre-knowledge” of the Utilities’ plans could have the unintended consequence of making the execution of a gas supply plan more costly.
13. The Board should consider whether the review of gas supply policy should be broadened to consider potential implications for related policies. For example, rate predictability might be advanced by establishing a reserve fund or spreading out the costs of an unexpected price surge over many years, such that residential consumers are less exposed to rate volatility. A review of gas supply policy might also lead to the conclusion that more or less renewable natural gas should be pursued as a Cap & Trade compliance option or that more or less demand side management/abatement should be pursued.

3.0 The Process

14. The proposed policy contemplates a five year gas supply plan and subsequent annual gas supply updates.
15. As we understand the proposal the Board would establish timelines and filing requirements for both the 5 year plans and their annual updates. The implication is that these filing would not necessarily be part of an application adjudicated decision making process, such as the QRAM or annual rate setting proceedings. Likewise the proposal contemplates “stakeholder engagement” rather than comprehensive participation with, for example, discovery. Instead Board staff would produce a report to the Board after which the Board would opine on the plan.
16. Based on this understanding VECC has a number of concerns. Primarily the proposed policy execution follows an increasing trend of the Ontario Energy Board to dismantle full and detailed participation and substitute it with “stakeholdering”. In its practice we have noted that “stakeholdering” generally results the Board adopting policies similar to those promulgated by the Board’s own staff in draft form.

⁷ Report section 3.2.6, page 12

17. In our submission this type of process does not lead to meaningful participation. Nor is it an effective way of gauging the public's concerns. It also frustrates the ability of the customers of the utility from coming to mutually agreeable terms. Rather this type of process substitutes the Board's adjudicative role - a role to listen and decide - with an administrative role in which the Board becomes both policy developer and policy decider.
18. VECC is concerned that without a fair adjudicative process, OEB decisions are open to challenge on the grounds of procedural fairness or substantive issues which were not address. However, we are more concerned that the Board may cut consumer representations out of its processes, without fully assuming responsibility for protecting the interests of consumers.
19. Given the relatively good track record of Ontario's gas utilities in addressing their gas supply responsibilities the tenuous link between the approval of a gas supply plan, the subsequent prices paid by ratepayers is seldom at issue. However, as noted in the Report severe weather or other extreme events general result in a renewed interest and in renewing and drawing that link closer together.
20. For these reasons we submit that the review of the long-term gas supply plan should be part of an adjudicative process, ideally a rate setting exercise. In our view the comprehensive review should be of a five year plan. A mid-term 3 year outlook should also be included as well as the immediate one year gas supply implementation plan.
21. The five year plan should ideally take place upon rate rebasing. Mid-term 3 year outlooks should be provided biennially and as part of any long-term rate setting proceeding. Long-term contract applications should to the extent possible, be included in either the 5 year long-term or 3 year mid-term reviews
22. It is perhaps just, if not more important that the implementation of the plan be monitored and understood. Therefore we suggest that in each year the Utility should file its following one year gas supply outlook in the last quarter QRAM application. Such a practice need not delay the 4th quarter QRAM price setting provided the Board is willing to make its determination on two parts.

5.0 Costs Incurred

23. VECC respectfully submits that it has acted responsibly and efficiently during the course of this proceeding and requests that it be allowed to recover 100% of its reasonably incurred costs.

ALL OF WHICH IS RESPECTFULLY SUBMITTED