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May 27, 2019

Delivered by Email, RESS & Courier

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street
Suite 2701
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: Enbridge Gas Inc. - 2019 Federal Carbon Pricing Program Application
EB-2018-0205
Written Submission of the Association of Power Producers of Ontario
("APPrO")**

Pursuant to Procedural Order No. 2, please find attached APPrO's written submissions in this proceeding. Paper copies of this letter and the accompanying submission will be delivered to you by courier.

Should you have any questions or require further information in this regard, please do not hesitate to contact me.

Yours very truly,

BORDEN LADNER GERVAIS LLP

Per:

Original signed by John A.D. Vellone

John A.D. Vellone
Encl.

cc: David Butters, APPrO
All Parties to EB-2018-0205

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, Sched. B, as amended;

AND IN THE MATTER OF Applications by Enbridge Gas Inc., pursuant to section 36(1) of the *Ontario Energy Board Act, 1998*, for an order or orders to establish rates resulting from the *Greenhouse Gas Pollution Pricing Act*.

**SUBMISSIONS OF THE
ASSOCIATION OF POWER PRODUCERS OF ONTARIO (“APPrO”)**

May 27, 2019

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A. INTRODUCTION

1. The Association of Power Producers of Ontario (“**APPrO**”) submits these written submissions in respect of an application by Enbridge Gas Inc. (“**Enbridge Gas**”) with the Ontario Energy Board (the “**Board**”) under Section 36(1) of the *Ontario Energy Board Act, 1998* (the “**Act**”) for an Order or Orders to establish rates resulting from the *Greenhouse Gas Pollution Pricing Act* (“**GGPPA**”) filed on October 10, 2018 (Board File No. EB-2018-0205) (the “**Application**”).
2. Enbridge Gas was formed on January 1, 2019, as an amalgamation between Enbridge Gas Distribution Inc. (“**EGDI**”) and Union Gas Limited (“**Union**”).

B. SUMMARY POSITION

3. Among APPrO’s members are gas-fired generators in the EGDI and Union franchise areas.
4. Enbridge Gas’ Application includes a request to charge customers a Federal Carbon Charge in the amount required to be paid pursuant to the GGPPA. Many APPrO members are expected to fall under Part 2 of the GGPPA - the Output-Based Pricing System (“**OBPS**”).
5. Part 1 of the GGPPA is administered by the Canada Revenue Agency and it establishes the fuel charge that will be paid by fuel producers or distributors and generally applies to fossil fuels.¹ Part 2 of the GGPPA is administered by the Department of the Environment and provides authority to establish an OBPS. The OBPS is aimed at minimizing competitiveness risks for emission-intensive and trade-exposed facilities, while retaining a price signal on carbon pollution and an incentive to reduce Green House Gas (“**GHG**”) emissions.²
6. Facilities participating in the OBPS should be able to purchase charge-free fuel because they will have a compliance obligation on the portion of their GHG emissions that exceed prescribed limits. These facilities can either remit eligible compliance units or pay the excess emissions charge, or a combination of both. The OBPS, is mandatory for prescribed industrial facilities that report 50 kt of CO₂e or more in 2014 or a subsequent year to the

¹ Notice Establishing Criteria Respecting Facilities and Persons and Publishing Measures, Canada Gazette, Part II, Volume 152, Number 22

² Ibid.

Greenhouse Gas Reporting Program and carry out a covered activity listed in section 3 of the Notice Establishing Criteria Respecting Facilities and Persons and Publishing Measures³. There is also a voluntary opt-in for facilities that emitted a quantity of greenhouse gases equal to 10 kt of CO₂e or more, during the 2017 calendar years or after.⁴

7. As such, the facilities that are covered under Part 2 of the GGPPA and are participating in the OBPS should not be required to pay federal fuel charges under Part I of the GGPPA.
8. APPrO's concern was that these members should be exempt from Enbridge Gas' proposed Federal Carbon Charge, as these APPrO members would be charged under OBPS. If Enbridge Gas charges them with their Federal Carbon Charge, it would amount to double charging for these members for compliance under the GGPPA.
9. In response to that concern, Enbridge Gas stated:

“Enbridge Gas will apply billing system functionality that was originally implemented to facilitate Cap and Trade charges to track customer accounts that are exempt from the Federal Carbon Charge. As discussed at Exhibit B, p. 3, Enbridge Gas has created a declaration form that its customers are required to complete in order to be exempted from the Federal Carbon Charge. Once a customer's completed declaration form, CRA-issued exemption certificate and registration confirmation letter have been provided, Enbridge Gas will update its billing systems accordingly to reflect exemption from the Federal Carbon Charge for applicable accounts.”⁵

10. APPrO finds Enbridge Gas' response to be reasonable.
11. APPrO was also concerned about how transitional years would be addressed. For example, a facility becomes a covered facility and may be eligible to participate in OBPS in the

³ Ibid.

⁴ Voluntary participation policy for Output-Based Pricing System, Environment and Climate Change Canada, <https://www.canada.ca/content/dam/eccc/documents/pdf/climate-change/pricing-pollution/Policy-Voluntary-Participation-OBPS.pdf>

⁵ EB-2018-0205, Interrogatory Responses, Exhibit I.APPrO.1 at page 2 of 3.

middle of the year.

12. In response to that concern, Enbridge Gas stated:

“Enbridge Gas understands that its customers may not retroactively apply for inclusion in the Output-Based Pricing System (“OBPS”) and that the date of enrollment in the OBPS will be the date that Environment and Climate Change Canada (“ECCC”) issues a “Covered Facility” certificate to the customer. As discussed at Exhibit A, p. 5, Enbridge Gas’ customers can use the Covered Facility certificate from ECCC to apply to CRA for exemption from the Federal Carbon Charge. As discussed in the response at part 1, once customers provide their completed declaration form, CRA-issued exemption certificate and registration confirmation letter to Enbridge Gas, Enbridge Gas will update its billing systems accordingly to reflect exemption from the Federal Carbon Charge for applicable accounts effective as of the date of the CRA-issued registration confirmation letter. In extenuating circumstances where a retro-active billing adjustment is required, Enbridge Gas is committed to working with customers to reflect the date of registration provided on the CRA-issued registration confirmation letter. Please also see the response at Exhibit I.STAFF.7.”⁶

13. APPrO finds Enbridge Gas’ response to be reasonable.
14. Finally, APPrO was also concerned about how Enbridge Gas will address the situation where a facility initially qualified for OBPS but finds at the end of the year that they actually do not qualify for OBPS for that year due to emission dropping below the threshold.
15. In response to that concern, Enbridge Gas stated:

“Similarly, Enbridge Gas understands that an application to ECCC is required in order to cancel a customer’s “Covered Facility” designation under the OBPS. The policy states that if the application to have the

⁶ Ibid.

designation cancelled is granted, “it will generally take effect at the end of the compliance period in which the application is made”.⁷ If a customer receives approval to cancel its designation under the OBPS, they would be required, as stated on Enbridge Gas’s declaration form, to notify Enbridge Gas of any changes to the information that they had initially provided. Upon receipt of such notification, Enbridge Gas will process the change within its billing systems effective at the start of the next compliance period.”⁸

16. APPrO finds Enbridge Gas’ response to be reasonable.

C. DEFERRAL AND VARIANCE ACCOUNT DISPOSITION

17. In their response to APPrO’s interrogatories, Enbridge Gas explains that it is not proposing a disposition methodology as part of this proceeding and will seek to dispose of the 2019 balances in its proposed administration-related and Federal Carbon Charge-related deferral accounts for the EGD rate zone and Union rate zones in any future application for disposition.⁹
18. APPrO submits that Enbridge Gas’ discretion to choose a disposition methodology in the future must be conditioned by the OEB in this hearing.
19. Specifically, APPrO submits the Board should require Enbridge Gas, as a condition of its approval in this decision, to consult directly with and obtain consent from all affected gas fired generators (i.e. not gas fired generators covered by the OBPS) on Enbridge Gas’ proposed disposition methodologies prior to seeking disposition of these accounts with the Board.
20. Enbridge Gas has chosen to ignore the substantial impacts to gas fired generators and the consequential electricity market price distortions that can be caused by their choices of

⁷ ECCC Voluntary Participation Policy for Output-Based Pricing System, p. 4;
<https://www.canada.ca/en/environment-climate-change/services/climate-change/pricing-pollution-how-it-will-work/output-based-pricing-system/voluntary-participation-policy.html>.

⁸ EB-2018-0205, Interrogatory Responses, Exhibit I.APPrO.1 at page 3 of 3.

⁹ EB-2018-0205, Interrogatory Responses, Exhibit I.APPrO.4 at page 1 of 1.

disposition methodologies for these accounts.

21. APPrO has been raising this concern for years in submissions in EB-2018-0331, EB-2018-0249, EB-2017-0306 / EB-2017-0307, EB-2017-0224 / EB-2017-0255 / EB-2017-0275, EB-2017-0102, and EB-2016-0296 / EB-2016-0300 / EB-2016-0330.
22. Most recently, in EGDI's October 2018 QRAM Application (EB-2018-0249), EGDI had failed to consult directly with its gas fired generator customers prior to its interim disposition of certain Cap and Trade variances.
23. As a result, the unexpected and sudden change in volumetric gas distribution rates during an electricity shoulder season arising from the interim Cap and Trade regulatory account dispositions had a dramatic impact on the IESO administered contracts held by gas fired generators (millions of dollars impact).
24. Prior to being notified by their gas fired generation customers, EGDI was completely unaware of the problem they had created, and the significant electricity market distortions that these variance account dispositions created. Luckily, the IESO and affected generators were able to arrive at a mutually agreeable resolution to the unexpected circumstances arising from EGDI's interim disposition of Cap and Trade variances.
25. However, going forward we should avoid these situations before they even occur. This can happen if the Board clearly states its requirement that Enbridge Gas consult directly with affected gas fired generators and obtain their consent prior to proposing a disposition methodology.

D. COSTS:

26. APPrO has participated in this proceeding in a responsible and efficient manner, including coordinating interrogatories and cross-examination with other intervenors to minimize duplication and maximize efficiency of the hearing process. APPrO requests that it be awarded 100% of its reasonably incurred costs in connection with this matter.

ALL OF WHICH IS RESPECTFULLY SUBMITTED THIS 27TH DAY OF MAY, 2019

BORDEN LADNER GERVAIS LLP

Per:

Original signed by John A. D. Vellone

John A.D. Vellone

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