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

Dear Ms. Walli:

Re: Post-2020 Natural Gas Demand Side Management Framework
Board File No.: EB-2019-0003

We are counsel to the Association of Power Producers of Ontario (**APPrO**). Further to the Board's letter dated May 21, 2019, please find enclosed APPrO's written comments in respect of Phase 1 of the above-noted proceeding.

Sincerely,

Jonathan McGillivray

Encl.

c. David Butters, APPrO

ONTARIO ENERGY BOARD

EB-2019-0003

ASSOCIATION OF POWER PRODUCERS OF ONTARIO (APPrO)

WRITTEN COMMENTS

June 27, 2019

INTRODUCTION

1. The Association of Power Producers of Ontario (**APPrO**) is a non-profit organization representing 100 members. Its 20 generator members produce the majority of Ontario's electricity from clean and renewable resources including nuclear, co-generation, hydro-electric, natural gas, wind, wood waste, and solar energy. APPrO members own, operate, and/or produce more than 90 per cent of the electricity generated in Ontario. APPrO's membership is not limited to electricity generators. It also includes fuel suppliers and marketers, contractors, equipment suppliers, consultants, local distribution companies, legal services providers, financial organizations, and customer service providers. APPrO's mission is to achieve an economically and environmentally sustainable electricity sector in Ontario that supports the business interests of electricity generators, ratepayers, and the provincial economy.

2. The Ontario Energy Board's (the **Board's**) decisions related to Demand Side Management (**DSM**), and the implementation of those decisions by Enbridge Gas Inc. (**Enbridge**), are of particular relevance to APPrO's natural gas-fired electricity generator (**GFGs**) members, which are large volume customers (**LVCs**) of Enbridge. APPrO's GFG members and end-use electricity customers therefore stand to be directly and materially affected by developments in the DSM framework after 2020.

3. In Phase 1 of the consultation on the post-2020 DSM framework, the Board has invited parties to provide input on three specific issues:

   - **Principles:** Do the guiding principles from the 2015-2020 DSM Framework remain appropriate? If not, what principles are needed and why?
   - **Goals and objectives:** What should be the primary goal(s) and objective(s) of the post-2020 DSM Framework?
   - **Scope:** Should the OEB undertake major revisions to the 2015-2020 DSM Framework or focus on specific updates that are more minor in nature?

HISTORY AND CONTEXT

4. The Proceeding has a long history and it is taking place in a rapidly changing public policy context. The Board's consultation process to develop a DSM framework for natural gas distributors beginning in 2021 was initiated following the Board's development of a framework for the DSM activities of natural gas distributors for 2015-2020, further to a March 26, 2014 directive. The Board's Decision and Order on the 2015-2020 DSM plans filed by each of Enbridge Gas Distribution Inc. and Union Gas Limited (now the consolidated entity, Enbridge Gas Inc. (**Enbridge**)) were issued on January 20, 2016 in EB-2015-0029/EB-2015-0049 (the **DSM Decision**).

5. The DSM Decision was rendered by the Board at a time when numerous climate change, greenhouse gas (**GHG**) emission reduction and low-carbon fuels policies and programs were being developed and implemented. Specifically:

Ontario:

- On May 18, 2016, the Government of Ontario enacted *the Climate Change Mitigation and Low-Carbon Economy Act, 2016* and subsequently implemented Ontario Regulation 144/16*, The Cap and Trade Program*, which entered into force on July 1, 2016.
- In December 2018, the Government of Ontario entered into the *Agreement on the Harmonization and Integration of Cap-and-Trade Programs for Reducing Greenhouse Gas Emissions* and linked its cap and trade market with those of the State of California and the Province of Quebec effective January 1, 2018.
- On June 15, 2018, the government announced that Ontario would not participate in the quarterly cap and trade allowance auction as part of the linked cap and trade market.
- On July 3, 2018, Ontario introduced Ontario Regulation 386/18 to repeal the cap and trade program regulation (Ontario Regulation 144/16) and prohibit registered participants from acting to "purchase, sell, trade or otherwise deal with emission allowances and credits."
- On October 31, 2018, the *Cap and Trade Cancellation Act, 2018* received royal assent, repealing the *Climate Change Mitigation and Low-carbon Economy Act, 2016* and formally ending the province's cap and trade program.
- On February 22, 2019, Ontario released a regulatory proposal for an industrial emission performance standard, which is expected to apply to fossil-based electricity, thermal energy supply, and cogeneration.
- On December 6, 2018, the *Access to Natural Gas Act, 2018* received royal assent, facilitating the expansion of access to natural gas in rural and northern Ontario. Ontario Regulation 24/19 respecting the expansion of natural gas distribution systems will come into force on July 1, 2019.

Canada:

- On June 21, 2018, the federal government enacted the *Greenhouse Gas Pollution Pricing Act* and has subsequently indicated that, pursuant to the legislation, both the federal fuel charge and the output-based pricing system will apply in Ontario, including to the electricity sector.
- Since being announced on January 10, 2018, the *Regulations Limiting Carbon Dioxide Emissions from Natural Gas-fired Generation of Electricity*, which impose performance standards (CO_2 emission intensity-based limits) on new and

significantly modified natural gas-fired electricity generating units, including combustion engines and boiler units, have come into force.

- Further, on December 13, 2017, Environment and Climate Change Canada released a regulatory framework outlining the ongoing proposed design of the Clean Fuel Standard, which will impact the cost of natural gas purchased by GFGs.

United States:

- On June 19, 2019, United States Environmental Protection Agency issued the final Affordable Clean Energy (ACE) Rule, which impacts modifications to existing coal-fired electric utility generating units and power plants, which may have the effect of increasing coal-fired power imports into Ontario from the United States.

6. The above list of carbon- and conservation-related measures illustrates that the electricity sector, and clean, natural gas-fired electricity generators therein, appear to be subject to more, stacked, and multiple carbon-related costs than any other sector of the economy.

COMMENTS

7. APPrO submits that the guiding principles, goals and objectives, and scope of the post-2020 DSM framework should reflect the consideration that the application of DSM costs to GFGs, in addition to all of the above-mentioned carbon- and conservation-related costs applicable to GFGs, runs contrary to the Board's DSM objectives and is ineffective. Further, it stands to increase the price of electricity in the province and the ultimate electricity bills paid by Ontario electricity consumers. APPrO is generally supportive of market measures to assist the electricity and other economic sectors in in the transition to a lower-carbon economy, but respectfully submits that applying DSM to Ontario's electricity sector, which is among the lowest-emitting in the world, is entirely inconsistent with this goal.

8. The goals and objectives of the post-2020 DSM framework should facilitate exempting all GFG natural gas customers from DSM-related costs and facilitating the efficient use of Ontario's extremely low-carbon electricity to reduce GHG emissions in other sectors of the economy with rising emissions, including transportation and buildings.

9. Ontario's electricity sector is virtually decarbonized (approximately 97 per cent emissions free), with an effective emissions rate of 36 kg/MWh estimated in 2017. This is among the very lowest electricity sector emissions rate in the world. It also results from the very significant cost investment that Ontario and Ontario electricity customers continue to absorb by phasing out coal. In contrast, the buildings and transportation sectors both have very significantly increasing emissions over the last decade, and the trend continues . There is therefore significant potential for electricity generation to play a very significant role in the transportation, industry, and building sectors, and thereby create efficiencies and customer savings in all of those sectors. APPrO submits that imposing DSM costs on GFGs with no resulting environmental impact impedes that beneficial environmental outcome.

10. High-emission electricity imports from the United States are, by contrast, largely exempt from any and all carbon and DSM-related input costs. Many electricity imports from Michigan and the northeast United States are up to 300 per cent higher than Ontario's clean natural gas electricity generators, and 3000 per cent higher than the average emissions intensity of Ontario's electricity sector. Further, there are no longer any import-related emission charges (allowance purchase obligations) that apply to such high-emission imported power. APPrO submits that the additional imposition of DSM-related costs on electricity production from Ontario's GFGs only exacerbates the potential for Ontario to import more higher emission, coal-fired power from the United States.

11. In developing the guiding principles and goals and objectives of the post-2020 DSM framework, APPrO respectfully requests that the Board provide an avenue to expressly exempt LVCs that are GFGs from the application of DSM costs given the multiple carbon- and conservation-related costs that they already pay. In addition, APPrO does not support the imposition of any new, expanded or additional DSM-related costs to GFGs. It is APPrO's strong view that imposing DSM related costs on GFGs, in addition to all of the above-mentioned conservation and carbon-related costs applicable to GFGs, is both contrary to the Board's DSM objectives and ineffective. APPrO also notes that GFGs’ contractual arrangements and Market Renewal already incentivize GFGs to operate as efficiently as their equipment allows.

12. LVCs that are GFGs have the internal expertise, or capability to seek expert resources specific to their industry and their operation, to assist with energy conservation measures if required, and have the financial wherewithal to evaluate opportunities specific to their operation and make risk adjusted decisions on implementation of energy conservations measures. They should not bear additional DSM-related costs.

ALL OF WHICH IS RESPECTFULLY
SUBMITTED THIS

27th day of June, 2019

Lisa (Elisabeth) DeMarco
DeMarco Allan LLP
Counsel for APPrO