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Ontario Energy Board: EB-2019-0137 -Consultation to Review Enbridge 5-Year Natural Gas Supply Plans

The producers of natural gas in Ontario are participating in the Stakeholder Conference in an effort to establish fair and reasonable terms on which they are compensated for supply of natural gas into the Enbridge Gas Inc. distribution system. The producers are seeking:

1. Payment for gas sales equal to the price EGI actually charges customers for the gas commodity
2. Compensation in gas prices recognizing the gas is delivered at or near customer meters
3. Reasonable access to the network for new gas delivery points

The Ontario Energy Board is guided by the following principal in Section 2 of the Act:

5.1 To facilitate the maintenance of a financially viable gas industry for the transmission, distribution and storage of gas.

- The Ontario natural gas producers have consistently been undercompensated for the natural gas they have supplied to Union Gas Limited and its successor EGI
- Ontario natural gas producers provide approximately 5,155,000 GJ per year into Union South and EGD, not the 450,000 indicated in the EGI submission. Gas is delivered under both M13 and Gas Purchase Agreements.
- These producers form an important part of the economy, particularly in many South Western Ontario communities.
- The structure of natural gas pricing, contracts and services has caused undue hardship for the industry.
- The Ontario producers flow gas into the EGI system at or near the points of customer consumption.
- The Ontario producers receive a much lower price for their gas than EGI's Total Gas Supply Commodity Charge which is levied on its customers.
- Over the last 4.5 years the price the producers have been paid under the GPA's has been approximately \$0.0328 per M3 less than that charged by EGI to its in-franchise customers.
- Producers have little or no ability to negotiate prices and terms of service due the market dominance of EGI.
- Under the GPA, producers are paid CGPR Dawn index for the gas less a balancing and transportation charge of \$0.11.
- Under the M13, they are charged approximately \$0.06 per GJ for the gas transportation
- EGI has through the cost structure, compelled virtually all but the very largest delivery points be converted to GPA contracts.
- What actually happens under both arrangements is the gas is delivered into the distribution network with little or in some cases no EGI infrastructure other than a gas meter and regulator
- In the most extreme case, which is that of Metalore Resources, EGI serves 134 customers directly off the Metalore pipeline.

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- Although the general concept is that EGI is not to make a profit on the gas commodity, the price paid by EGI on the GPA contracts has on average been \$0.0328 per M3 or about \$0.841 per GJ less than that charged to the customers.
- All gas delivered into EGI is not under the same terms -M13 deliveries in the former Union Gas area are charged \$0.06 while a producer is paid \$.15 for that what is ultimately delivered into the EGD area -plus there are no M13 station charges which saves close to \$1000 per month.
- We see no reason why the producers should not receive the Total Gas Supply Commodity Charge for the gas delivered into the EGI system. This is the closest proxy for the value of the gas delivered to points at or close to that at which the gas is consumed.
- It is through EGI's exercise of their monopoly power that they have been able to keep the price at such low levels for the producers.
- The pricing structure for produced gas together with the high facility connection costs and practices have caused hardships for the Ontario natural gas producers.
- The high station connection costs which are levied by EGI causes producers to either not explore for new production or plug wells that could otherwise bolster the gas supplies in Ontario.
- Producers are concerned that EGI may change the currently unregulated GPA contracts to add additional charges.
- The charges by EGI vary widely between the M13 points and the GPA points on the former Union Gas system and EGD - Approximately \$1000 per month for M13 vs. \$90 per month for GPA vs. \$0 for EGD stations.
- It is not reasonable to charge the same station cost for all locations -one price does not fit all stations due to size, capacity, location etc.
- The fees charged by EGI have been imposed on the Ontario gas producers with little or no regulatory review aside from the M13 Rate Schedule
- EGI has been able to dictate these fees largely due to their monopoly power in the marketplace
- The high cost of the stations in conjunction with the cost structure act as barriers to entry
- EGD did not charge for the installation of the station where they take gas and pay \$0.15 or approximately 2/3 of the avoided transportation cost to Dawn to the producer
- The producers in Ontario are seeking a just and reasonable arrangement for the sale and delivery of gas into the EGI system.