

**EB-2019-0137**

**Comments of Energy Probe on the Draft OEB Staff Report to the Ontario Energy Board**

**Consultation to Review Natural Gas Supply Plans**

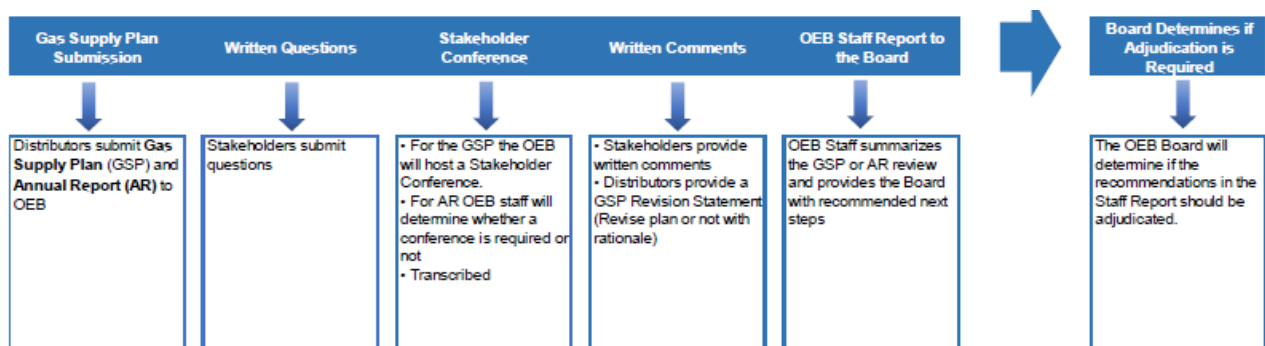
**January 17, 2020**

**Introduction**

On December 19, 2019, the OEB issued the Draft OEB Staff Report to the Ontario Energy Board Consultation to Review Natural Gas Supply Plans. On the same day it invited Enbridge and stakeholders to submit written comments on the Draft OEB Staff Report by January 17, 2020. This submission presents the comments of Energy Probe Research Foundation (Energy Probe).

**The Process**

Before commenting on the Draft OEB Staff Report, Energy Probe would like to make some comments on the process. At the start of the Consultation to Review Natural Gas Supply Plans, the OEB outlined the process that would be followed in the consultation describing the steps as shown in the chart below<sup>1</sup>.



The second step that provided for written questions was not properly described to stakeholders. They expected their questions to be responded to in writing, not to be asked again at the

---

<sup>1</sup> EB-2017-0129 Framework for the Assessment of Distributor Gas Supply Plans, Report of the Ontario Energy Board, October 25, 2018, page 13

consultation session. At the start of the session, Enbridge made a presentation that contained substantial new information. Energy Probe suggests that the presentation slide deck should have been provided to the stakeholders several days in advance so that they could prepare for the consultation.

A more familiar alternative format would have been a technical conference which requires stakeholders to indicate the areas they will explore via cross examination of the Company witnesses.

It is suggested that the Board Staff should have taken a role similar to that in an ADR, by commenting on the settlement proposal, or in this case the Stakeholder's written comments on the Gas Supply Plan. The Board should have access to the full written Stakeholder submissions and the Board Staff Report when considering its Decision. Placing Board Staff in what seems to be a position of having the final word on whether the Board approve or require amendments to the Gas Supply Plan is not appropriate.

### **Gas Supply Plan Framework**

The OEB stated<sup>2</sup> that a distributor's plan must meet **specific criteria** established by the OEB and the gas supply plan should include a description of how the criteria have been met.

- **Demand Forecast Analysis:**
  - i. the process used to develop its demand forecasts,
  - ii. the factors impacting its demand forecasts such as historical demand, customer demographic trends and changing weather patterns, and
  - iii. associated risks.

*A distributor is expected to use its OEB-approved methodology when preparing these forecasts.*

---

<sup>2</sup> EB-2017-0129, Gas Supply Framework

- **Supply Option Analysis:** A distributor must describe the options that were considered and how the selected option was determined. The option analysis is to include: landed costs, bill impacts, the risks associated with each option and how the option aligns with the OEB's guiding principles.
- **Risk Mitigation Analysis:** A distributor must provide a clear description of the risk management process (identification and mitigation) and an assessment of the risk/cost trade-off implications for customers that are associated with options examined. A distributor must also include a suite of scenarios: best, most likely and worst scenarios.
- **Achieving Public Policy:** A distributor must identify and demonstrate the public policy (i.e., public policy that is in effect, not proposed) that its gas supply plan is supporting and how it balanced achieving this with the other guiding principles.
- **Procurement Process and Policy Analysis:** A distributor must provide an overview of its gas procurement policies including how the distributor monitors the market and what resources are applied to ensure that it meets demand.
- **Performance Measurement:** A distributor must develop performance metrics that reflect the OEB's criteria and demonstrate how the OEB's guiding principles have been achieved.

### **Energy Probe Comments**

At this penultimate point in the process, Energy Probe provides specific comments on three components of the Framework as set out in the Board Staff Draft Report-Demand Forecasts, Self-Dealing and Performance Measures.

### **Demand Forecast Analysis:**

In EB-2017-0306 / 0307, the OEB approved a deferred rebasing period of five years. The next rebasing application is expected for 2024 rates.

In the interim, EGI uses the Legacy Demand Forecasting methodologies. These methodologies differ for each rate zone. Board-Approved Settlements that require a review of the methodologies have been postponed until 2024.

For each of the rate zones, Enbridge prepares a gas supply plan. An annual demand forecast is prepared using the OEB-approved methodologies<sup>3</sup> to forecast the number of billed customers and the total annual throughput volumes by the general service market and contract market.

Enbridge's regression models for each rate zone include similar variables such as heating degree days, natural gas prices and other economic variables.

A design day demand forecast is developed using OEB-approved design criteria. The Legacy approaches differ. Enbridge uses regression models to forecast the design day demand by weather zones. For the EGD rate zone, the design day forecast is based on a one-in-five recurrence interval and for the Union rate zones, it is based on the coldest observed day.

The current portfolio of supply and transportation assets is examined to see whether Enbridge's assets meet the design day demand forecast and annual day requirements by rate zone or whether additional supply and transportation assets are required to meet its forecasts.

Energy Probe remains concerned about the accuracy of the demand and design day forecasts. It is not appropriate as implicit in Board staff accepting the existing models and methodologies, to wait until 2024 for a comprehensive review.

---

<sup>3</sup> For the EGD rate zone, RP-2000-0040 and EB-2014-0276. For the Union rate zones, EB-2011-0210. EGD weather zones are central, eastern and Niagara. Union are London, Thunder Bay and Sudbury

Fortunately, the combined Union/Enbridge System is able to purchase and receive peaking supply at Dawn to meet most shortfalls in peak demand and the only issue is the **cost** of such incremental supply.

As Tables 4 and 5 of the Staff Report show, the CDA and EDA regions in the EGD rate zone have a shortfall of gas supply assets relative to projected design day demand during the five-year period. For the EGD Rate Zone peaking service for each year of the Plan is the lowest cost option. Union has no forecast shortfall.

Energy Probe suggests that in the next Gas Supply Plan filing EGI should be required to provide a complete Scenario Analysis of the Demand and Design Days similar to that of ICF in Appendix E.

Over the next two years integration of demand and supply in the EGI Gas Supply Plan should be a goal.

## **Self Dealing**

There are two main aspects of the GSP that are at the centre of Stakeholder concerns about Self-dealing- Storage and Transportation

### Storage

Energy Probe believes that Enbridge may be able to discern information regarding the proposals and the bidders for EGD Rate Zone storage. The blind RFP process should be refined to include third party review if it is to be an effective tool in demonstrating independence.

Energy Probe believes until the NGEIR decision is reviewed, excess Union rate zone storage should be allocated to EGD Rate zone at the same price as the average price of the best Market bids.

## Transportation

Energy Probe supports the position of FRPO that the STAR policies should be reviewed.

In sum for both Storage and Transportation, the current Board Policies (NGEIR and STAR) applicable the Legacy Utilities are not appropriate for EGI operating as an Integrated Utility.

## **Performance Measures**

Enbridge outlines the performance metrics that will be used to monitor the effectiveness of the Plan. The performance metrics have been categorized to reflect the OEB's guiding principles of *cost-effectiveness*, reliability and security of supply, and public policy. Enbridge has established an internal process to track these metrics and intends to file its first completed scorecard as part of its first Annual Update in 2020.<sup>20</sup>

Enbridge stated that the performance metrics should focus on the execution of the Plan and demonstration of the Plan's adaptability<sup>4</sup>. Since gas supply costs are treated as a direct pass-through to customers, *Enbridge indicated that it does not expect that the performance measures would be applied in any way that may financially reward or penalize the distributor for its gas supply activities.*

*Given the above statements the OEB should ask the question "What is the purpose of performance measures?"*

If the Plan does not provide the most **cost-effective supply and transportation outcome** for EGI customers this must be clear from the measures in the Scorecard.

---

<sup>4</sup> TR: Stakeholder Conference, September 24, 2019, pp. 52-54.

The Scorecard should compare Plan to Actual results. This is basic and allows parties to argue whether changes are required or should a reward or penalty be assessed.

Energy Probe agrees that the Scorecard should include Weather Variation; however this is an explanatory variable.

**The Scorecard should include the difference between the Forecast and Actual Normalized Demand for each rate zone. This addresses the performance issue of how good is the Company's Demand forecast based on approved Normal weather methodology.**

**If the Supply Demand balance is not met, EGI should report on the overall cost difference to meet the Peak demand not just the Acquired Assets to meet design day requirements.**

Respectfully Submitted on behalf of Energy Probe Research Foundation by its consultants,

Roger Higgin, SPA Inc.      Tom Ladanyi, TL Energy Regulatory Consultants Inc.