

Elson Advocacy

June 4, 2020

BY EMAIL AND RESS

Ms. Christine Long

Board Secretary
Ontario Energy Board
2300 Yonge Street, Suite 2700, P.O. Box 2319
Toronto, Ontario M4P 1E4

Dear Ms. Long:

Re: EB-2020-0091 – Enbridge Gas Inc. – Integrated Resource Planning Proposal

I am writing on behalf of Environmental Defence to provide comments on the draft issues list.

Environmental Defence has advocated for many years for robust integrated resource planning (“IRP”) as a mechanism to reduce energy bills while also lowering carbon emissions. The Board’s decision in EB-2014-0451 referenced Environmental Defence’s role and highlighted the need for further examination of IRP:

Environmental Defence urged the Board to send a signal to the companies that new supply-side investments will not be approved unless all lower cost DSM and/or interruptible service options have been explored and documented. ...

In light of the evidence presented, the Board concludes that further examination of integrated resource planning for gas utilities is warranted. The evidence in this proceeding demonstrates that the following issues should be examined:

- The potential for targeted DSM and alternative rate designs to reduce peak demand
- The role of interruptible loads in system planning
- Risk assessment in system planning, including project prioritization and option comparison
- Shareholder incentives ...

Pending that review, the Board expects applicants to provide a more rigorous examination of demand side alternatives, including rate options, in all gas leave to construct applications.

Based on its experience and knowledge relating to IRP, Environmental Defence provides the following five comments on the draft issues list.

1. Planning Process and Timing

Environmental Defence proposes the following additional issue:

What mechanisms are needed to ensure adequate lead time for consideration and implementation of cost-effective resources that may require additional lead time (e.g. DSM).

Least-cost planning is impossible without lead time to consider and, if appropriate, implement demand-side solutions. By the time a utility has filed a leave to construct application, it may be too late to implement a demand-side solution that would cost less and thus result in lower energy bills. Mechanisms are needed to prevent this.

For example, a 10-year rolling integrated resource plan could be mandated to ensure that capacity needs are identified as long in advance as possible. The mechanisms to ensure adequate lead times would likely focus on requirements governing utility planning processes as well as reporting and accountability mechanisms to ensure stakeholders are made aware of future constraints and involved as early as possible.

As this is a critical issue, we recommend that it be separately identified in the issues list.

2. Assessment Criteria and Methodology

Environmental Defence proposes the following additional issue:

What criteria and methodology should be used to assess resource options and choose between them? What kinds of costs, risks, and benefits should be accounted for?

It is critical that any comparison of resource options account for relevant factors and assess the options on an equal playing field. If options are not assessed on an equal playing field, the planning process will result in sub-optimal outcomes and energy bills will be higher than necessary as a result. For example, Environmental Defence is concerned that Enbridge's stage one analysis includes DSM costs but not the value of the resulting gas saving.¹ If this is so, it would completely fail to provide an accurate comparison of options.

In the same vein, DSM provides important benefits that we believe should be accounted for when comparing resource options, but which are sometimes overlooked. For example, DSM provides a cheap hedge against future gas and carbon price increases. It reduces future price risk and is akin a long-term fixed price contract. This has a real value, that should be accounted for. It is just one example.²

Environmental Defence asks that this issue be added to the list or for confirmation that it is already covered by existing issues.

¹ Exhibit A, p. 13.

² Synapse Energy, *Benefit-Cost Analysis for Distributed Energy Resources*, September 22, 2014, p. 45 (<https://www.synapse-energy.com/sites/default/files/Final%20Report.pdf>).

3. Incentives and Requirements

Environmental Defence proposes the following additional issue:

What incentives and regulatory requirements are appropriate to ensure optimal integrated resource planning outcomes?

Environmental Defence believes it is essential that Enbridge be both incentivized and required to select the optimal option through its integrated resource planning.

At the moment, Enbridge's incentives conflict with the interests of consumers. It earns a return on supply-side gas infrastructure projects but there is no mechanism for it to earn a return on a non-pipe options that could be far less expensive and otherwise preferable. Enbridge would be rewarded for selecting the worse option and may earn nothing for selecting the best option. This need to change.

In addition to incentives, Environmental Defence wishes to explore regulatory requirements as a means to ensure optimal outcomes. We believe Enbridge should be required to select the optimal outcome and that there should be consequences of taking steps that were not prudent.

Environmental Defence asks that this issue be added to the list or for confirmation that it is already covered by existing issues.

4. Focus on High-Level Topics

Many of the draft issues ask whether certain aspects of Enbridge's proposal are appropriate. As a general comment, Environmental Defence recommends that the issues be recast to ask about the topic in general and not be restricted to Enbridge's proposal on the topic. For example, issue 5 asks: "Is Enbridge Gas' proposed definition of IRP, and its goal for what IRP should accomplish ... appropriate?" We recommend describing this issue as follows: "What is the appropriate definition of IRP and what goals should IRP accomplish?" Equivalent revisions could be made to issues 6, 7, 8, 9, 10, 11, and 12.

Recasting the issues in this way could provide more clarity and consistency in this process. It would also be fairer to other participants. Board Staff is putting evidence forward on the appropriate aspects of an IRP plan. Other intervenors, including Environmental Defence, will also likely put forward evidence and/or proposals on the appropriate IRP elements. The above change would ensure the issues list does not pre-suppose or favour Enbridge's proposal.

Alternatively, if these issues are not recast, we support the recommend amendments proposed by Pollution Probe in this regard, which has suggested an additional sentence at the end of each issue asking, if Enbridge's proposal is not appropriate, what would be appropriate.

5. OEB Direction and Guidance

Finally, Environmental Defence recommends that issue 1 be amended as follows to include reference to E.B.O. 169 III:

Taken as a whole, does Enbridge Gas' IRP proposal adequately respond to previous OEB direction and guidance on IRP (e.g., E.B.O. 169 III, DSM Framework Mid-Term Review, GTA pipeline decision, etc.)?

In 1993, the Board issued its *Report of the Board on the Demand-Side Management Aspects of Gas Integrated Resource Planning*.³ This report called for future steps to integrate the demand and supply side planning processes, which have not yet happened. This is an important part of the overall context and the report remains relevant today. It is also important to note that the Board mandated integrated resource planning almost 30 years ago, if only to emphasize the need to move forward with this important process.⁴

Yours truly,



Kent Elson

CC: Parties in the above process

³ EBO 169-III, *Report of the Board on the Demand-Side Management Aspects of Gas Integrated Resource Planning*, July 23, 1993, pp. 1-4.

⁴ ERBO 462, Decision and Order, April 9, 1990 (Union Gas Rates); EBO 169-III, *Report of the Board on the Demand-Side Management Aspects of Gas Integrated Resource Planning*, July 23, 1993, pp. 1-4