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June 12, 2020

VIA RESS

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

Dear Ms. Long:

Re: Enbridge Gas Inc. 2021 DSM Plan Application – Written Submissions
Board File No. EB-2019-0271

We are counsel to the Association of Power Producers of Ontario (**APPrO**). Please find enclosed APPrO's written submissions in the above noted proceeding, filed pursuant to Procedural Order No. 4.

Sincerely,

Lisa (Elisabeth) DeMarco

c. David Butters, APPrO
Adam Stiers, Enbridge Gas Inc.
Dennis O'Leary, Aird & Berlis LLP

ONTARIO ENERGY BOARD

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

AND IN THE MATTER OF an application by Enbridge Gas Inc. (**Enbridge Gas**) for an order or orders pursuant to section 36(1) of the Act, extending the approved 2020 Demand Side Management Plan for one year into 2021 and approving the 2021 Demand Side Management Plan.

EB-2019-0271

ASSOCIATION OF POWER PRODUCERS OF ONTARIO (APPrO)

WRITTEN SUBMISSIONS

June 12, 2020

INTRODUCTION

1. The Association of Power Producers of Ontario (**APPrO**) is a non-profit organization representing 100 members. Twenty of its 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. Enbridge Gas has filed an application requesting that the Ontario Energy Board (the **Board**)

   (i) issue an extension of its current EB-2014-0134 2015-2020 Demand Side Management (**DSM**) Framework for one year (effective January 1, 2020 to December 31, 2021);

   (ii) issue an order extending Enbridge Gas' previously approved 2020 DSM plans for one year into 2021; and

   (iii) approve the proposed 2021 DSM plans

   (collectively, the **Application**).

3. The Board's decision on the Application, and the implementation of that decision by Enbridge Gas, are of particular relevance to APPrO's natural gas-fired electricity generator (**GFG**) members, which are large volume customers (**LVCs**) of Enbridge Gas. APPrO's GFG members and end-use electricity customers therefore stand to be directly and materially affected by the Board's decision on the Application.

HISTORY AND CONTEXT

4. The Board's review of DSM planning has a long history and it is taking place in a rapidly changing public policy context. In this proceeding, Enbridge Gas proposes to roll forward into 2021 its existing 2020 Enbridge Gas Distribution Inc. and Union Gas Limited (**Union**) DSM plans, including all programs, scorecards and parameters (i.e., budgets, targets, incentive structure) as previously approved by the Board in EB-2015-0029/EB-2015-0049 for 2020 (the **DSM Decision**). Enbridge Gas stated in a September 6, 2019 letter that it would not be in a position to undertake DSM planning for 2021 under the new Post-2020 DSM Framework (EB-2019-0003) for which consultation is ongoing.

5. The DSM Decision was rendered at a time when numerous climate change, greenhouse gas (**GHG**) emission reduction and low-carbon fuels policies and programs were being developed and implemented, and several of which will continue to apply to GFGs when the Board renders its decision on the Application. Specifically:

Canada:

(i) On June 21, 2018, the federal government enacted the *Greenhouse Gas Pollution Pricing Act*, which includes a carbon charge and an output-based pricing system, both of which apply in Ontario. As part of this program, a carbon charge applies to fossil fuels sold in Ontario, including natural gas. On April 1, 2020, the federal carbon charge for natural gas increased to 5.87 cents per cubic metre. This charge will increase annually each April. In April 2021, this charge will increase to 7.83 cents per cubic metre. GFGs are paying these costs.

(ii) Since being announced on January 10, 2018, the *Regulations Limiting Carbon Dioxide Emissions from Natural Gas-fired Generation of Electricity* under the *Canadian Environmental Protection Act, 1999*, 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. GFGs are burdened with the costs of this regulation.

(iii) Environment and Climate Change Canada (**ECCC**) has released a regulatory framework outlining ongoing proposed design of the Clean Fuel Standard (**CFS**), which will impact the cost of natural gas purchased by GFGs. Publication of the proposed regulations for the liquid fuel class of the CFS in Part 1 of the *Canada Gazette* is expected in Fall 2021, with finalization anticipated in late 2021 and coming into force in 2022. ECCC moreover continues to work toward development of gaseous and solid fuel regulations for the CFS, which are anticipated approximately 12 months after the liquid fuel class regulations. GFGs will, in addition, pay these costs.

Ontario:

(i) 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. GFGs paid related allowance costs.

(ii) 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. Many GFGs were burdened with costs associated with this policy change.

(iii) On July 4, 2019, Emissions Performance Standards Regulation (Ontario Regulation 241/19) came into effect and would apply to fossil fuel electricity generation. Should it come into effect, GFGs would be burdened with the costs of this regulation.

(iv) 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 and Ontario Regulation 24/19 respecting the expansion of natural gas distribution systems came into force on July 1, 2019, each providing additional opportunities for natural gas distributors to implement DSM measures for customers that do not have numerous pancaked and overlapping climate- and energy efficiency-related costs all intended to effect the same outcome.

United States:

(v) 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.

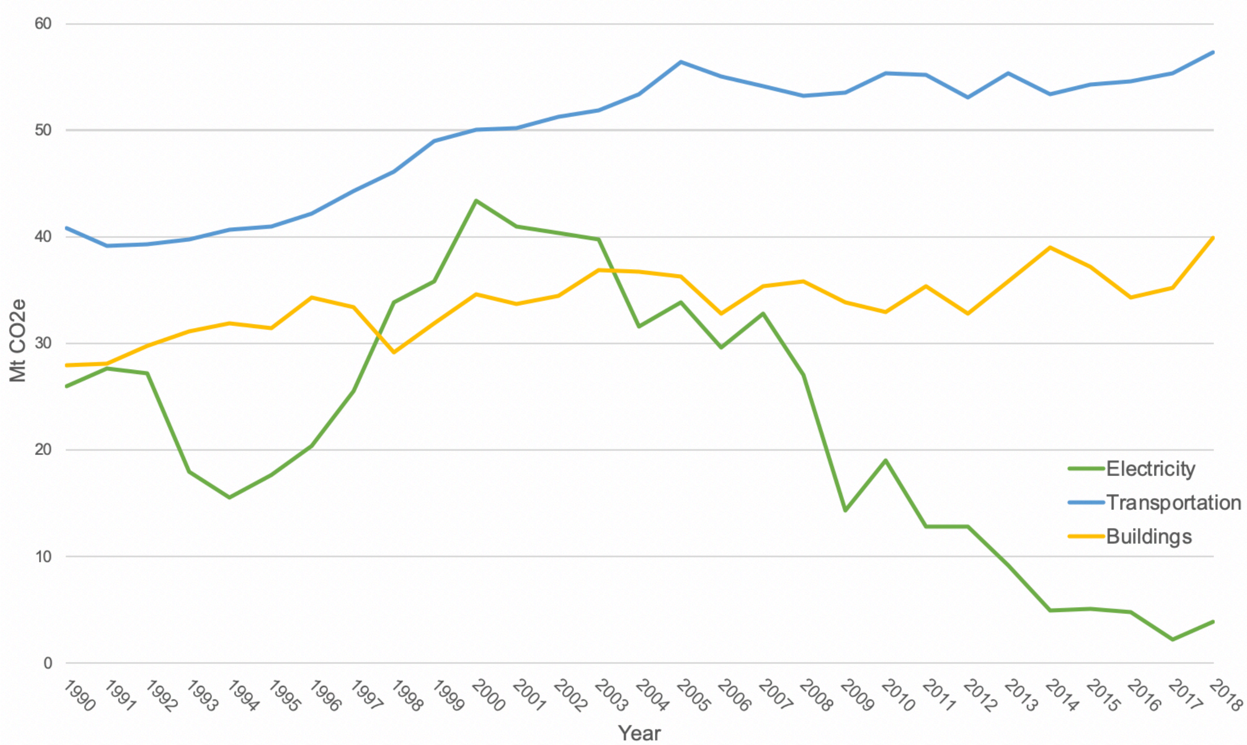
COMMENTS

7. APPrO submits that the Board's decision on whether to approve an extension of the 2015-2020 DSM Framework to 2021 and the proposed 2021 DSM plan 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. It stands to increase the price of electricity in the province and, ultimately, the electricity bills paid by Ontario electricity consumers, which have already been rising significantly because of pandemic-related decreased demand. The electricity sector will also play a vital role in supporting economic recovery from the COVID-19 pandemic and further DSM cost pressures would be unhelpful, and provide no additional climate- and energy efficiency-related impacts for GFGs. 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 and an additional, ineffective regulatory burden cost for them. We respectfully submit that the purpose and intent of the DSM program, when applied to GFGs, is entirely met by the numerous and overlapping programs set out in paragraph 5.

8. We therefore submit that that the decision on the Application should exempt 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, with express reference to the fact that GFGs are incented to find efficiencies and reduce GHG emissions from numerous other regulatory requirements.

9. Ontario's electricity sector is virtually decarbonized (approximately 93 per cent of electricity produced in 2018 was from non-carbon-emitting resources[1]), with electricity generation emissions intensity of 29 g CO_2e per kWh in 2018.[2] This is among the very lowest electricity sector emissions rates 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 (see Figure 1, below). 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 extending DSM costs on GFGs, that are already subject to costs and regulatory requirements, with no resulting environmental impact impedes that beneficial environmental outcome.

Figure 1: Greenhouse Gas Emissions by Economic Sector (Ontario, 1990-2018)



Source: Canada's Official Greenhouse Gas Inventory (GHG_Econ_Can_Prov_Terr Dataset)

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

[1] Independent Electricity System Operator, Annual Planning Outlook (January 2020), available online at: http://ieso.ca/-/media/Files/IESO/Document-Library/planning-forecasts/apo/Annual-Planning-Outlook-Jan2020.pdf?la=en.

[2] Canada's National Inventory Report (April 14, 2020), available online at: https://unfccc.int/documents/224829.

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. 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.

12. Enbridge Gas has confirmed that the 2021 DSM plan does not propose any new, expanded or additional DSM-related costs on LVCs that are GFGs.[3] Enbridge Gas does, however, propose DSM costs for LVC rate classes (Union rate classes T2 and R100) of a total of approximately $5.9 million in 2021, an increase of more than 66 per cent since 2015.[4] During recent Board consultation on the DSM, the parties directly discussed and contemplated removal of DSM costs once the legislation was implemented and carbon-related charges applied to GFGs. This must be done now. APPrO respectfully requests that the Board now provide an avenue to expressly exempt LVCs that are GFGs from the application of DSM costs in 2021 given the multiple carbon- and conservation-related costs that they already pay. 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, and imposes additional regulatory costs and burden without any further climate- and energy efficiency-related impacts. APPrO also notes that GFGs' contractual arrangements and Market Renewal already incentivize GFGs to operate as efficiently as their equipment allows.

[3] Exhibit I.APPrO.1(b).
[4] Exhibit I. APPrO.2(a)(iii).

ALL OF WHICH IS RESPECTFULLY SUBMITTED THIS

12th day of June, 2020

Lisa (Elisabeth) DeMarco
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Counsel for APPrO