

SCOTT POLLOCK
T 613.787.3541
spollock@blg.com

Borden Ladner Gervais LLP
World Exchange Plaza
100 Queen St, Suite 1300
Ottawa, ON, Canada K1P 1J9
T 613.237.5160
F 613.230.8842
blg.com



Our File # 339583-000271

By electronic filing

July 16, 2020

Christine E. Long
Registrar and Board Secretary
Ontario Energy Board
2300 Yonge Street, Suite 2701
Toronto, ON M4P 1E4

Dear Ms. Long

**Re: Enbridge Gas Inc. (“EGI”) – Voluntary Renewable Natural Gas Program
Application
Board File #: EB-2020-0066**

Pursuant to the Board’s *Procedural Order No. 3* dated May 22, 2020, please find enclosed the Submission in regard to the above-noted proceeding on behalf of our client, Canadian Manufacturers & Exporters (“CME”).

Yours very truly,

A handwritten signature in blue ink, appearing to read 'Scott Pollock', is written over a light blue horizontal line.

Scott Pollock

Enclosure

c. Brandon Ott (EGI)
David Stevens (EGI Legal Counsel)
Intervenors for EB-2020-0066
Alex Greco (CME)

114910040:v1

ONTARIO ENERGY BOARD

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

AND IN THE MATTER OF an application by Enbridge Gas
Inc. for an order or orders related to its Voluntary Renewable
Natural Gas Program;

AND IN THE MATTER OF an application by Enbridge Gas
Inc. for an order or orders amending or varying the rates
charged to customers for the sale, distribution, transmission,
and storage of gas commencing as of January 1, 2021.

**ARGUMENT OF
CANADIAN MANUFACTURERS & EXPORTERS (“CME”)**

July 16, 2020

Scott Pollock
Borden Ladner Gervais LLP
Barristers & Solicitors
100 Queen Street
Suite 1300
Ottawa, ON K1P 1J9

Counsel for CME

TABLE OF CONTENTS

I.	INTRODUCTION.....	1
II.	EGI'S PARTICIPATION IN THE RNG MARKET AND ITS EFFECT ON OTHER PARTICIPANTS.....	2
III.	THE ALLOCATION OF COSTS FOR NON-PARTICIPANTS IN THE VOLUNTARY RNG PROGRAM	3
IV.	CONFLICTS OF INTEREST IN THE VOLUNTARY RNG PROGRAM.....	4
V.	COSTS.....	6

I. INTRODUCTION

1. These submissions are made on behalf of Canadian Manufacturers & Exporters (“**CME**”). CME represents over 400 Ontario based companies that operate energy intensive businesses. CME’s members are diverse. Some members are part of Ontario Output Based Pricing System and some pay the federal cost of carbon as part of the cost of natural gas. Despite their diversity, CME’s members all have an interest in EGI’s proposal for a voluntary renewable natural gas program.
2. On March 5, 2020, EGI filed an application seeking approval for a voluntary renewable natural gas (“**RNG**”) program. Specifically, EGI proposed an optional program whereby participants would be charged \$2 a month to fund the purchase of RNG.
3. EGI did not propose to allocate specific volumes of RNG to any individual participant in the program. Rather, EGI would buy RNG collectively for the natural gas distribution system as a whole with the sum total of the money collected from participants.
4. EGI further proposed that any reductions in the federal carbon charge that would result from the use of RNG would be credited to the Federal Carbon Charge – Customer Variance Account (“**FCCCVA**”).
5. Pursuant to Procedural Order #3, the parties participated in a technical conference on June 16 and 18, 2020.
6. Additionally, Procedural Order #3 provided that intervenors deliver their written submissions by July 16, 2020. The following are CME’s submissions with respect to EGI’s voluntary RNG program.
7. CME generally supports the creation of the voluntary RNG program on the basis outlined by EGI, subject to its comments on three issues:
 - (a) EGI’s participation in the RNG market and its effect on other participants;
 - (b) The allocation of costs for non-participants in the Voluntary RNG Program; and
 - (c) Conflicts of interest in the voluntary RNG program.

8. CME's submissions on these three issues are outlined below.

II. EGI'S PARTICIPATION IN THE RNG MARKET AND ITS EFFECT ON OTHER PARTICIPANTS

9. EGI previously applied to the Board for approvals related to RNG in EB-2011-0242/0283. In that proceeding, the Board declined to approve the sale of natural gas that included the cost consequences of purchasing biomethane.¹

10. The Board determined, *inter alia*, that it was inappropriate for natural gas distributors to use system gas customers to create a viable market for RNG.²

11. In the current application, EGI changed their RNG proposal in many respects. EGI stated in its evidence that it addressed the five concerns previously outlined by the Board, and as a result, its application in this proceeding should be approved.³

12. CME acknowledges the following:

(a) EGI is only aware of one gas marketer offering a voluntary RNG program in Ontario.⁴ This program is significantly different than the one offered by EGI;⁵

(b) The Government of Ontario has indicated its support for a utility-led voluntary RNG program;⁶

(c) In the years since the Board's decision in EB-2011-0242/283, private market participants have not generated a market for RNG; and

(d) Gas marketers can already provide certain RNG offerings.

13. However, CME remains concerned about the impact EGI's entrance would have on the market. For instance, while EGI's evidence demonstrates that a significant portion of

¹ EB-2011-0242/0283 Interim Decision and Order, July 12, 2012.

² EB-2011-0242/0283 Interim Decision and Order, July 12, 2012, p. 13.

³ EB-2020-0066, Exhibit B, Tab 2, Schedule 1, p. 7 of 9.

⁴ EB-2020-0066, Exhibit B, Tab 2, Schedule 1, p. 8 of 9.

⁵ EB-2020-0066, Exhibit B, Tab 2, Schedule 1, p. 8 of 9.

⁶ EB-2020-0066, Exhibit A, Tab 2, Schedule 1, p. 1 of 5.

Ontarians are willing to pay a premium for RNG,⁷ it is not clear to CME how much of that demand for RNG will be met through EGI's program. In other words, how much demand will there be for other natural gas products and programs from other providers if a significant amount of EGI's ratepayers opt in to the voluntary RNG program?

14. By meeting demand for RNG in Ontario, EGI's entrance into the market could end up reducing the number of other entrants into the RNG market, and rob ratepayers of the benefits of an open, competitive RNG marketplace.
15. Furthermore, it is not clear to CME whether EGI's participation in the RNG market would eventually cause feedstock bottlenecks for other RNG market participants. EGI's evidence is that there are currently no forecast limitations on feedstocks.⁸ However, as recognized by EGI, there is currently only one other participant in Ontario's RNG market, and they may not use Ontario feedstock.⁹
16. Accordingly, CME submits that the Board should require EGI to file evidence in its next rebasing application that allows stakeholders and the Board the ability to monitor EGI's impact on the RNG market.

III. THE ALLOCATION OF COSTS FOR NON-PARTICIPANTS IN THE VOLUNTARY RNG PROGRAM

17. EGI's proposal is an opt-in program, whereby participants would contribute \$2 to the purchase of renewable natural gas. EGI has designed the program such that rates for those customers who do not opt-in will not go up as a result of the proposal.¹⁰
18. However, EGI has confirmed that the \$2 contribution by opt-in customers will be allocated solely for the purchase of RNG, it will not be used to fund the operating costs of EGI's

⁷ EB-2020-0066, Exhibit C, Tab 3, Schedule 2 p. 2 of 3. Specifically, 47% of customers say they are willing to pay a premium for RNG.

⁸ EB-2020-0066, Technical Conference Transcript, Vol. 1, p. 45.

⁹ EB-2020-0066, Technical Conference Transcript, Vol. 1, p. 64.

¹⁰ EB-2020-0066, Exhibit B, Tab 2, Schedule 1, p. 1 of 9.

voluntary RNG program. Prior to rebasing, EGI has indicated that the costs of the program will be managed within existing rates.¹¹

19. Given that EGI's current rate framework includes earnings sharing provisions, to the extent that EGI is in an earnings sharing position, the costs of the voluntary RNG program will reduce the available money to be shared with ratepayers. This interaction between the costs of the RNG proposal and EGI's earnings sharing mechanism has been confirmed by EGI.¹²
20. While CME accepts EGI's evidence that the total costs of the RNG program will not be significant, and therefore the potential reduction in amounts to be shared with non-participating customers will be commensurately modest, CME believes that the costs of the program should be borne by ratepayers who opt-in to the program. This will ensure that those customers who do not wish to participate are not worse-off as the result of EGI's voluntary RNG proposal.
21. Accordingly, CME submits that the Board should direct EGI to either fund the program costs from the \$2 voluntary charge, or charge a slightly increased amount to cover the cost of commodity purchase (\$2) as well as the program costs.

IV. CONFLICTS OF INTEREST IN THE VOLUNTARY RNG PROGRAM

22. EGI intends to purchase RNG on the open market. According to EGI's evidence, sellers of RNG could include companies that have an existing relationship with EGI's unregulated gas improvement services,¹³ and could include EGI's unregulated affiliates themselves.¹⁴
23. During the technical conference, CME asked EGI what tools and processes EGI would use to ensure that there were no conflicts of interest with respect to purchases of RNG. EGI stated that the primary tools available to prevent conflicts of interest from impacting

¹¹ EB-2020-0066, Exhibit B, Tab 2, Schedule 4, p. 1 of 2.

¹² EB-2020-0066, Technical Conference Transcript, Vol. 1, p. 96.

¹³ EB-2020-0066, Exhibit B, Tab 2, Schedule 1, p. 7 of 9.

¹⁴ EB-2020-0066, Technical Conference Transcript, Vol. 1, pp. 84-85.

-
- purchasing decisions would be the use of requests for proposals (“**RFP**”) as a procurement tool, and the affiliate relationship code (“**ARC**”).¹⁵
24. CME accepts that the ARC and RFP processes will help to ensure that participants receive the best price possible for RNG, and limit the impact of conflicts of interest. CME also accepts that the small quantities of purchased gas means that the cost of processes designed to prevent conflicts of interest could be disproportionate to the commodity costs issue.
25. However, CME remains concerned that EGI’s proposal does not have sufficient safeguards in place to prevent conflicts of interest, or the appearance of conflicts of interest with respect to non-RFP purchases from non-affiliated entities.
26. For direct purchases from non-affiliated entities, such as the ones that do business with EGI,¹⁶ EGI’s evidence did not indicate that there would be proactive processes in place to prevent a conflict of interest from interfering with EGI’s purchasing decisions.¹⁷ EGI indicated however, that the appropriate forum to review these transactions would be at rebasing.¹⁸
27. As a result, CME submits that the Board should direct EGI to file evidence regarding the transactions entered into as part of the voluntary RNG program sufficient to allow stakeholders and the Board the opportunity to review these purchase transactions as part of its next rebasing application.

¹⁵ EB-2020-0066, Technical Conference Transcript, Vol. 2, p. 80.

¹⁶ EGI’s evidence indicated “the Company has been active in supporting the development of RNG production facilities in the province... Enbridge Gas will be working with these project developers and providing the services they require to get their RNG to market” at EB-2020-0066, Exhibit B, Tab 2, Schedule 1, p. 7 of 9.

¹⁷ EB-2020-0066, Technical Conference Transcript, Vol. 2, pp. 80-81.

¹⁸ EB-2020-0066, Technical Conference Transcript, Vol. 2, p. 84.

V. COSTS

28. CME requests that it be awarded 100% of its reasonably incurred costs in connection with this matter.

ALL OF WHICH IS RESPECTFULLY SUBMITTED this 16th day of July, 2020.



Scott Pollock
Counsel for CME