## Introduction

Governments around the world are grappling with their respective decisions regarding the appropriate policies and regulations to address climate change in an economically responsible manner. In Ontario, investments have been made in attempting to increase the proportion of electricity generated from renewables. However, the economic impact of theses investments has resulted in escalating hydro rates that have been mitigated through long-term debt.

In 2011, the Board heard applications from the legacy Union Gas and Enbridge Gas Distribution that proposed ratepayer subsidization of a Renewable Natural Gas ("RNG") program. We appreciated the Board taking measured steps at that time to deny the proposed approach but to remain open to the concept. The recently merged Enbridge Gas Inc. ("EGI") has brought an application for a voluntary program with no ratepayer subsidization. We believe measured steps are still warranted to develop an economically effective program.

The following are the submissions of the Federation of Rental-housing Providers of Ontario ("FRPO") regarding the proposed program.

## FRPO Conditionally Supports the Proposed Program

Fundamentally, FRPO supports the voluntary nature of the proposed program. This approach could allow customers who make an informed choice to support the program to invest in the opportunity for EGI to gain understanding of customer interest in renewable natural gas and experience in the mechanisms to procure the commodity in a non-discriminatory manner while allocating the costs and benefits in an effective manner. Parsing out this statement of support, we would like to highlight three key caveats to our support.

1) Informed Customer Choice: We respect that EGI has stated that the promotional aspects of the program have not been developed[1]. From our experience in coming to understand this proposal, we respect that there are nuances in what the customer is choosing. We encourage Enbridge to emphasize what the customer is actually investing in. In our view, the investment is more about assisting EGI in developing a more robust program for the long-term than the customer "buying" a significant amount of the natural gas for their premises.

[1] Transcripts_EGI_Technical Conference_20200616, page 38 lines 8-9

We respectfully submit that properly informing customers about the nature of their investment is crucial. This critical step of informing was actually cited in the denial of recent application for a renewable natural gas program in Minnesota:

> *Participants in the proposed pilot must know that the RNG purchased on their behalf is authentic, that the carbon intensity of the RNG has been accurately calculated, and that the environmental attributes have not been double-counted; only then can the participants be confident that their investment in the program has a positive environmental impact and is worth the higher cost*[2].

Some of the specific concerns in the above referenced proceeding may be different than concerns for the EGI proposal but the foundation is informed customer choice. While we would stop short of recommending Board approval of the communication program prior to distribution of marketing materials, we would respectfully submit that the utility ought to be accountable to the Board if stakeholder feedback provides constructive improvements as the program is implemented and as it matures. We provide more detail under the Further Regulatory Concerns section below.

2) Non-discriminatory Procurement: EGI has emphasized that its "Gas Supply Procurement Policies and Practices" provides the protocols for procuring the lowest cost RNG for the program[3]. While we respect that the policies and practices of the utility have been implemented and tested at times to create more rigorous traditional commodity procurement contributing to comfort in non-discriminatory application, this procurement is different.

   Potential RNG producers ("proponents") are predominantly agricultural producers or municipal solid waste and wastewater handlers and treaters. Entering into this emerging market requires the refinement of the proponent's product. To have their RNG product injected into the EGI system, the proponent needs to contact EGI for injection services.

   But prior to the injection service being available to the proponent, the raw stream of produced methane must be refined or upgraded to eliminate or reduce by-products of its processing. As the Board ruled previously[4], the upgrading service

[2] G-008/M-18-547 MINNESOTA PUBLIC UTILITIES COMMISSION, ORDER DENYING PETITION WITHOUT PREJUDICE, In the Matter of a Petition by CenterPoint Energy to Introduce a Renewable Natural Gas Pilot Program, Issued August 29, 2019, page 5.
[3] Transcripts_EGI_Technical Conference_20200616, page 55. Lines 8-22
[4] EB-2017-0319

is a contestable service while the injection service is a utility service. However, from a proponent perspective, this distinction may not be readily discernable. This reality creates a sustainable advantage for EGI which could inhibit the development of an economically efficient market for RNG. We respect that there is not the evidentiary record to address this competitive advantage issue in this proceeding and it need not inhibit EGI initiating this service. Therefore, we provide our recommendations in the "Further Regulatory Concerns".

3) The application proposes the allocation of the reduction in the Federal Carbon Charge to the Customer Variance Account. In the Technical Conference Undertakings, EGI defends the choice of the Facility Variance Account versus Customer Variance Account based upon the definitions in the Board-approved accounting orders for the two accounts[5]. The undertaking response provides that the amount of reduction will have to be calculated which confirms EGI's response on why these benefits cannot flow to the participating customers.

   The fact that the amount has to be calculated for the purposes of allocation to the appropriate variance account informs the Board that EGI could allocate those funds to any account. Some parties questioned why EGI was not channelling the benefits generated directly back to participating customers[6]. Inquiries were referred to a Staff interrogatory which cited the challenges with moving the credits back to customer bills[7]. However, with the reduction already calculated as outlined by the company's undertaking, that amount could simply be transferred to the RNG purchase account to increase the amount of RNG to be purchased.

   The stated purpose of the program is provide customers to invest in RNG on a voluntary basis. Further, the company ought to be creating Informed Customer Choice. In our view, being able to tell customers that the reduction in Federal Carbon Charge will be re-invested in the program to buy more RNG provides a simple approach to channelling the benefits back to program participants as opposed to all customers. We respectfully request the Board direct EGI to reinvest RNG-driven reductions in the Federal Carbon Charge to the purchase of more RNG.

[5] JT2.3
[6] Exhibit I.VECC.7 and Exhibit I.CBA.2
[7] Exhibit I. STAFF.14

## **Further Regulatory Concerns**

We respect that at times, some novel initiatives may need to take a "ready-fire-aim" approach. While FRPO provides its conditioned support for the Voluntary Program above, we are cognizant that a review of the implementation, delivery and outcomes of the program should be reviewed early in the process (i.e., in the first few years as opposed to the end of a ten year program). A Board-ordered milestone for a progress report established for the purposes of review by the Board and stakeholders would allow refinement to the program. In our view, this approach is preferable to extending the existing proceeding to review additional elements while potentially delaying the entire program. For the consideration of the Board, we offer a few examples of issues that could be addressed in this progress review.

### Communications with Customers

EGI has stated that it has not developed their marketing materials. We respect that the process of hearing stakeholders' thoughts and concerns through this proceeding and the initial market research should assist EGI in developing materials designed to inform their customers of the program. Given the OEB's purview, we believe that the produced communication materials would be subject to Board review and determination. However, we believe that initial materials will likely be further refined and improved by customer contact prompted by these materials. In our respectful submission, respecting the proposed time frames and the desire meet a public policy mandate, the optimum time for review would be in the first few years of the program.

### Non-discriminatory Access

In our conditional support of the Voluntary Program, we identified a concern that EGI has a sustainable advantage in their position as "gatekeeper" to RNG proponents' access to the market. To be able to sell RNG into the Ontario market, EGI must be contacted.

> *"Sustainable advantages fall into three categories: size in the targeted market, superior access to resources or customers, and restrictions on competitors' options. Note that these advantages are nonexclusive. They can, and often do, interact. The more of them, the better."*[8]

This required contact provides EGI with early identification of potential suppliers for its

[8] Harvard Business Review, September 1986. Pankaj Ghemawat, "Sustainable Advantage". https://hbr.org/1986/09/sustainable-advantage

RNG program. But the contact may also provide EGI's non-utility upgrade services this knowledge of a potential project providing superior access to customers among other advantages.

SEC attempted to gain understanding of the affiliate companies and their relationships. However, the answers focused the issue on the procurement aspect of RNG[9]. We understand that EGI's Procurement Policies have the capability to limit risks of advantage. On the other hand, the limited information that EGI was willing to provide[10] did not provide intervenors nor the Board with understanding of personnel, reporting relationships, information management, etc. Our concern regarding market develop is the opportunity for EGI affiliate companies to have sustainable advantage which has the potential to drive up costs and inhibit market development.

We tried to get an understanding of how EGI may play the role as an enabler of the market in the Technical Conference[11]:

MR. QUINN: And as a result, though the distributor, you had superior access to customers. Yes, it's not your -- it's not your regulated business that does the upgrade service. But would Enbridge consider contested ability test at some point in this program to determine if there is opportunity to facilitate other upgrade services to assist RNG producers to have access to the market?

MR. STEVENS: I think, as Steve has already indicated, Enbridge was told in no uncertain terms in the 2017-0319 proceeding that the upgrading service is not a utility service.

It's not something that can be done within the regulated utility. I think by implication, the Board has said that that is contestable.

MR. QUINN: Right. And so do you have an authorized upgrade service list of pre-qualified upgrade services?

MR. McGILL: No, we don't.

MR. QUINN: Okay. Is that something you would consider producing?

MR. McGILL: I don't think it is.

[9] Transcripts_EGI_Technical Conference_20200616, pages 83-87
[10] Ibid.
[11] Transcripts_EGI_Technical Conference_20200618, page 122, line 24 to page 123, line 15

Clearly, EGI could facilitate market development with the creation of an authorized list of pre-qualified upgrade service providers but it may be conflicted. Respecting Procedural Order No.1's direction to focus on the voluntary aspect of the Program, we understand that this proceeding is not the appropriate forum to pursue this issue. As such, we believe that a Board-ordered review of the program in the first few years would provide opportunity for the Board to ensure that the market is developing without undue constraint.

## Historic Policies Mis-Applied Ought Not be a Barrier to Market Development

Historically, Union Gas used M13 rates to allow Ontario-based natural gas producers to get their gas to Dawn to allow for transaction with counterparties. While this approach had elements of equal non-discriminatory access for Ontario natural gas producers, we respectfully submit that that the RNG market may be enabled by the establishment of a new Board-approved rate to minimize a barrier for potential RNG producers.

To be able to inject RNG into the system, the company ensures that it has sufficient local market to receive deliveries from the producer. However, in receiving these deliveries in the Union South area, EGI charges the producer an M13 rate to transport that gas to Dawn for re-sale. In our view, this rate should be reviewed in terms of its applicability to RNG producers to consider if there is a more appropriate cost recovery mechanism. To highlight this issue, we asked about the known City of Hamilton RNG facility[12].

> MR. QUINN: Okay. So when it has injected RNG, has Enbridge charged it in M13 rates to take the gas notionally from the distribution system in Hamilton back to Dawn and then back into the system to distribute inside of Hamilton?
>
> MR. McGILL: Dave Janisse would have to answer that question.
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> MR. JANISSE: Yeah. Hamilton produces their RNG using an M13 contract. So they are able to then market the gas at Dawn. To the extent they are effectively selling it back to themselves, they would do that at Dawn on their direct purchase contract. But they could also be selling that to others, and we do not have info about their direct sale arrangements and how the marketing would apply.
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> MR. QUINN: So if I have it clear, Dave, if they are

[12] Transcripts_EGI_Technical Conference_20200618, page 117, line 22 to page 118, line 13

> using it themselves initially, they show sufficient consumption to absorb all of their energy, they're paying M13 rates to notionally travel to Dawn and be sold to itself at Dawn?
>
> MR. JANISSE: Anything that passes through the meter into our system would be picked up on the M13 rate, yes.

Using the Hamilton experience, we believe that the development of a new RNG production-consumption rate would lower this barrier of additional undue cost to enable better the development of the market.

We have provided the above issues for the Board's consideration in our request that, as a condition of any Board approval, the Board direct an early term review after two years of operation of the Voluntary RNG Program. While this timing may coincide with the re-basing application of EGI, we are concerned that the scale and scope of the re-basing application may minimize resources available to assess this Program and would suggest that the review be separate with the exception of the identified Rate M13 issue.

## Conclusion

FRPO supports the introduction of a Voluntary Renewable Natural Gas Program by EGI. We do so while requesting that the Board direct EGI to channel the credits from the Federal Carbon Charge directly to the RNG program through additional RNG purchases. Further, we request that the Board direct an early-term review of the program to review issues identified in this proceeding and other matters that may arise in the implementation of the program.

All of Which is Respectfully Submitted on Behalf of FRPO,

Dwayne R

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