

VIA E-MAIL

September 3, 2020

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

RE: EB-2020-0091 – EGI Integrated Resource Planning - FRPO Response to PO#4

I Introduction

We are writing on behalf of the Federation of Rental-housing Providers of Ontario (FRPO) to provide additional information and comments pursuant to paragraph 2 of the directives in Procedural Order No. 4 (PO#4).

In PO #4, the Board acknowledged that supply-side alternatives can be pertinent to Integrated Resource Planning (IRP). The Board expressed concern that FRPO's proposed evidence may duplicate matters related to the EGI 5-year gas supply plan and that a "snapshot" of natural gas and flow dynamics is more relevant in a specific system needs application than in the development of an IRP framework. However, the Board also expressed concern that at the time of the Leave to Construct application it may be too late to consider other alternatives and therefore wanted to explore the appropriate timing and approach for considering supply-side alternatives including "contracted deliveries". As such, PO#4 directed EGI to provide more details on the extent to which their additional evidence would address evaluation of supply-side alternatives and OEB staff to indicate the degree to which supply alternatives will be considered in its evidence regarding IRP in NY State. Further, PO#4 provided FRPO an opportunity to file any additional comments on the forgoing items.

By letter dated Aug 27, 2020 EGI advised the OEB that its additional evidence will include a non-exhaustive list of facility and non-facility alternatives, that may be included as part of its consideration of identified system capacity constraints presented in the subsequent applications to the OEB.

OEB staff reported that its evidence will address how supply-side alternatives to identified system capacity constraints rely on supply-side options. Staff notes that NY state combines elements of gas supply and system planning and observes that market for contractual deliveries for EGI will likely be different than in NY state. Staff suggested that FRPO's reply comments may provide more detail on the value supply-side solutions can bring to IRP for EGI.

II Scope of this Framework Proceeding

FRPO agrees that this IRP proceeding is confined in scope to matters pertaining to a “framework” for a timely and fair consideration of “alternatives” for responding to the identification of system capacity constraints during the course of EGI’s facilities planning process. This “framework” is intended to apply when specific system capacity has been found to be insufficient for the forecasted demand generally years into the future. Given the inherent error in forecasting, in our view, a range of potential demand scenarios ought to be considered.

Once a demand profile is completed, the analysis of how the demand is met forms part of the review traditionally by the Facilities Planning department of the utility. While the gas supply plan is generally focused on meeting the annualized or seasonal demand, facilities planning focuses on peak daily demand for transmission planning and peak hourly demand for distribution. The “shortfall” analysis that triggers a consideration of alternatives identifies the specific areas on the system that are expected to become constrained in the near term.

It is the location of the constraints that in turn leads a consideration of supply-side alternatives that could be available to respond to the “need” that the “shortfall” has triggered.

The process of identifying the supply-side alternatives that may be available to respond to a “shortfall” capacity constraint, beyond facilities installation, include one or more the following:

- Contracted seasonal deliveries
- Contracted peak day deliveries or daily demand contracts at location
- Designed displacement of gas to effect localized delivery obligations
- Annualized contractual obligations of parties to deliver unless relieved of the obligation

These alternatives are readily available in the market, have been contracted previously, and can be contracted with rigorous prudential requirements to ensure faithful execution of the deliveries by counterparties. The alternatives can be scaled to fit the need both in quantity and term. The efficacy of these features is that they can be adjusted to eliminate a shortfall over a period of time while other supply-side or demand-side measures which take more time are implemented.

FRPO proposals for supply-side component of IRP do not duplicate matters addressed in the OEB’s review of EGI’s supply plan as the focus of supply-side IRP is meeting an hourly or daily locational demand and not driven by the molecule need of annualized gas supply or seasonal load-balancing performed by gas supply planning.

III Market Context is Essential to the Consideration of Contracted Supply-side IRP

An important element of that assessment would be availability of a means of contracted supply. This would be initially evaluated by understanding the pipeline flows and contracted capacity proximate to the locational need. Our evidence would address an approach that would be useful in the preliminary and eventually more rigorous assessment.

Before contracted supply-side alternatives can be identified in a “shortfall” based system constrained case, the market context expected to prevail when the “shortfall” is expected to occur needs to be known, understood, and presented to the regulator. This “window of opportunity” presentation is essential and should be a specified requirement of the framework.

FRPO agrees that the currently prevailing details of that window of opportunity are not relevant to this framework proceeding. What is relevant to this proceeding is that a presentation of this nature is essential when the time comes to identify specific supply-side alternatives that are available at the time that a shortfall in a specific case is expected to occur.

When meeting a shortfall forecasted by distribution system planning, understanding the market context would benefit from the understanding of gas supply planning. As noted by Board staff, those functions “have been largely treated separately in Ontario.” That separation has been FRPO’s experience also as we have pursued the synergistic benefits of this approach over several years.¹ Our evidence would address the elimination of that separation.

In our initial letter outlining our intent to submit evidence, we stated: “*FRPO’s intended evidence would provide the Board with information and data on the gas market and flow dynamics in Ontario and the opportunity for the utility to make use of supply-side resources as part of its integrated plan.*” This phrase was misconstrued by EGI to submit “*In other words, a snapshot of information and data on the natural gas market and flow dynamics in Ontario as of November 2020, as proposed by FRPO...*”. That mischaracterization was not our intent as we were referring to the evolution of flow in Ontario over several years to be presented as an example of market context.

This evolution in the Ontario market context differentiates the consideration of contracted supply-side alternatives from the IRP considerations of National Grid in New York state. National Grid’s greatest challenge in meeting demand is in Downstate New York. The supply to this area has been constrained by numerous years of inhibited pipeline project development trying to access US northeast markets leaving legacy piping systems at or near capacity. Given the challenge to build compression or install additional piping through congested urban areas served by National Grid has resulted in the LDC evaluating a greater reliance on LNG, compressed natural gas delivery and

¹ EB-2014-0182 Transcript_Oral Hearing_Volume 1_20150924_pages 60-61

storage at critical points in their infrastructure and heightened interest in curtailment or demand reduction initiatives as both long-term and short-term solutions.

The inability to build new pipelines has not been as much of an issue in Ontario. When the potential for lower costs natural gas supplies from the emergent Appalachian region arose, pipelines and compressors were added on both the Dawn-Parkway system and in the GTA to move the additional supplies through to the available markets. Additional Appalachian supplies were also brought into the Ontario market by TCPL by reversing the flow of its Niagara pipeline. These pipelines and capacity were added while existing pipelines designed to bring gas from other basins stayed in place, at times, under-utilized. While additional utilization of the legacy pipelines has occurred more recently, the emergence of alternate flow paths creates consideration for the utilization of robust flow to meet peak daily demand on the transmission side. Said differently, robust flow coupled with market participants allow for the contracting of delivered supply-side solutions that are currently not available to Downstate New York.

IV Viability of Alternatives Requires Testing Against Criteria

As a requirement of the framework, an applicant for approval of an alternative to respond to a described system capacity constraint should be required to present the cost of bids it elicited from supply-side resources to attempt to satisfy their need. Some positive effort to solicit supply-side solutions should be required by the framework.

A presentation of the value of one supply-side alternative is obviously one of the criteria that the framework should require. The anticipated duration of the supply-side measure could be a component of this framework requirement.

Tracking of their supply-side alternatives' assessment is another factor that should be addressed in the framework. The requirement should be to conduct the assessment of alternatives, once the shortfall has been identified but before any Leave to Construct application is prepared. The objective should be for a fair consideration of reasonable alternatives to be properly conducted before the preparation of application commences.

V SUMMARY

The evidence that FRPO wishes to present is premised on the preceding submissions. It will be confined in scope to IRP framework issues related to the supply-side alternatives component of IRP. The evidence will not duplicate matters already covered by the OEB in its review of EGI's Gas supply plan.

The evidence will express FRPO's rationale for the context for considering the elements of the supply-side alternatives as part of the framework. This information is essential to be considered to identify the range of reasonable alternatives in a particular case. The criteria that should be addressed in the presentation of position on the appropriateness

of such an alternative should be included in the framework. The evidence will suggest evaluation criteria for inclusion in the framework and contain suggestions for the timing for assessing alternatives.

Except for providing a non-exhaustive list of possible supply-side alternatives, EGI will not be presenting framework evidence of this nature.

This approach is broader than the approach to supply-side alternatives available in New York State because of material differences in the market circumstances that prevail in Ontario.

We respectfully submit that this evidence will be relevant in scope and of assistance in helping the OEB appreciate the extent and value of supply-side alternatives to very costly natural gas system expansion. We submit that what we have outlined is the information that the Board requires to reasonably explore the appropriate timing and approach to supply-side alternatives as part of IRP.

Respectfully Submitted on Behalf of FRPO,

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Interested Parties, EB-2020-0091