

September 16, 2020

Christine Long
Registrar and Board Secretary
Ontario Energy Board
2300 Yonge Street
P.O. Box 2319
Toronto, Ontario
M4P 1E4

Dear Ms. Long:

EB-2019-0294 – Enbridge Gas Inc. – LTC – Low Carbon Energy Project – Markham

Please find, attached, the Final Argument of the Consumers Council of Canada in the above-reference proceeding. We apologize for the late filing of our argument.

Yours truly,

Julie E. Girvan

Julie E. Girvan

CC: All Parties
EGI, Regulatory Affairs

FINAL ARGUMENT OF THE CONSUMERS COUNCIL OF CANADA

RE: ENBRIDGE GAS INC.'S LOW CARBON ENERGY PROJECT

EB-2019-0294

Introduction:

On March 31, 2020, Enbridge Gas Inc. (“EGI”) applied to the Ontario Energy Board (“OEB”) for leave to construct facilities in the City of Markham that would allow it to inject a controlled amount of hydrogen into an isolated portion of its distribution system. Referred to as the Low-Carbon Energy Project (“LCEP”) this pilot is intended to provide insight into the use of hydrogen as a method for decarbonizing the natural gas grid and to provide a means through which EGI can begin to prepare for the requirements of the Federal Government’s Clean Fuel Standard (“CFS”)¹.

These are the submissions of the Consumers Council of Canada regarding EGI’s Application.

Submissions:

EGI’s application is seeking approval of the following:

- Leave to construct facilities (amounting to approximately \$5.23 million in capital costs) to allow it to inject a controlled amount of hydrogen into an isolated portion of its distribution system in the City of Markham. The LCEP facilities include approximately 750 m of new pipeline, as well as a hydrogen station, a hydrogen blending station, a district station and two pipe disconnections. These facilities are required to carry natural gas from an existing EGI pipeline to EGI’s Technology and Operations Centre (“TOC”), and then to blend hydrogen produced by a Power to Gas (“PtG”) facility at the TOC, and then distribute the blended gas to blended gas area (“BGA”) in Markham;
- An Order approving proposed easement agreements; and
- Approval of a rate rider of \$10 per year to compensate BGA customers for increased gas consumption arising from the fact that hydrogen has a lower heating value than traditional natural gas.

EGI is proposing the LCEP for the following reasons:

- It is a pilot project that will allow EGI to “green” a portion of the natural gas grid in Ontario. The experience gained through the implementation of the LCEP will position

¹ Argument in Chief, dated August 28, 2020, p. 5

EGI to expand hydrogen injection into other parts of its gas distribution system, reducing greenhouse gas emissions (“GHG”) across the Province.²

- It will provide insight into the use of hydrogen as a method for decarbonizing the natural gas grid and provide a means through which EGI can begin to prepare for the requirements of the Federal Government’s Clean Fuel Standard, currently in development and expected in 2023.
- It is aligned with Ontario policies aimed at reducing GHGs;
- It fits within the City of Markham’s municipal energy plan and supported by the City of Markham;
- It supports innovation in the natural gas sector in Ontario and is consistent with the OEB’s Strategic Blueprint.³
- Hydrogen blending has long-term electrical benefits because it would provide a means of storing the Province’s surplus electrical energy

EGI has set out the rate impacts of the project. Upon rebasing the costs of the project will be included in rate base and paid for by all customers across the EGI rate zones as they will receive the benefit. EGI has estimated this to be less than \$.12 per year.⁴

The Council has had the benefit of reviewing the Final Argument of Environmental Defense regarding EGI’s LTC Application. ED has concluded that although it strongly supports decarbonization efforts EGI’s project is not prudent and should not proceed. The basis for the ED conclusion is that hydrogen blending is highly ineffective, expensive and speculative in comparison to alternative measures⁵. ED has presented a detailed environmental and economic analysis that I expect will be addressed by EGI in its Reply Argument. From the Council’s perspective, given this analysis it may be premature to approve EGI’s Application. In the context of reducing GHG emissions, and preparing for the requirements of the CFS is EGI’s proposal the best use of \$5.23 million of ratepayer funds? Based on the analysis provided by ED the Council has concluded that it is not. The Council submits that EGI’s application should not be approved at this time.

ED has suggested that climate change issues are being dealt with in a piecemeal fashion through various OEB proceedings – this one, EGI’s renewable natural gas proceeding, the integrated resource planning proceeding, and the DSM Framework review. ED has suggested that a generic proceeding to deal with the financial issues associated with decarbonization

² AIC, p. 1

³ AIC, pp. 1-7

⁴ AIC, p. 13

⁵ Final Argument of Environmental Defense, dated September 8, 2020, p. 3

would be appropriate.⁶ The Council agrees. It is not at all clear that EGI's ratepayers, those that will ultimately fund this project, will benefit from it.

In addition, given EGI affiliates are involved in this project, it is unclear as to whether this project is being pursued to benefit EGI's shareholders or its ratepayers.

If the OEB decides to approve the LTC for the reasons set out by EGI, it should only do so subject to a number of conditions.

Those conditions should include the following:

- The OEB should require EGI, upon rebasing to provide a full cost/benefit analysis regarding the project. A full analysis will be required in order to allow the OEB and other parties to assess what costs should be included in rate base in the context of 2024 rates;
- The OEB should require EGI to provide full disclosure regarding the arrangements between EGI, its affiliates and its parent corporation with respect to this project and any further projects regarding hydrogen;
- If ratepayers are funding the project, any intellectual property developed should be to the account of ratepayers.

All of which is respectfully submitted.

⁶ Final Argument of Environmental Defense, dated September 8, 2020, p. 13