

ONTARIO ENERGY BOARD

EB-2020-0192

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

AND IN THE MATTER OF an application for leave to construct for the London Line Replacement Project

Submissions of Environmental Defence

Enbridge's London Line Replacement Project

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Summary

Enbridge is proposing to replace the so-called London Lines at a cost of \$164.1 million.¹ Environmental Defence agrees that a replacement is needed for safety and reliability. However, Enbridge has not complied with Board directions regarding Integrated Resource Planning (“IRP”) because it did not conduct any IRP analysis at the preliminary stage of project development and the analysis it finally conducted was woefully inadequate. For example, Enbridge’s analysis was conducted far too late, completely disregarded demand response as part of the non-pipe measures, and totally ignored energy bill savings from reduced gas use arising from energy efficiency. As a result, Enbridge did not properly explore whether targeted demand side management (“DSM”) could have reduced project costs through a smaller pipe size.

Unfortunately, Enbridge believes it is too late to develop and implement IRP measures in this case, leaving the Board with few options.² Therefore, Environmental Defence respectfully requests that the Board consider the appropriate regulatory response to the failure to follow Board directions and once again remind Enbridge of its obligation to conduct a more rigorous Integrated Resource Planning assessment at the preliminary stage of project development in future cases.

Background: OEB directions regarding IRP

The Board has directed Enbridge to practice Integrated Resource Planning many times over the past 30 years.³ These directions date back to the OEB’s IRP proceeding in the early 1990s.⁴ More recently, in its 2014 decision on Enbridge’s GTA pipeline case, the Board directed Enbridge “to provide a more rigorous examination of demand side alternatives, including rate options, in all gas leave to construct applications.”⁵ The Board added further detail later that year in its DSM Framework:

As part of all applications for leave to construct future infrastructure projects, the gas utilities must provide evidence of how DSM has been considered as an alternative at the preliminary stage of project development.

In order for the gas utilities to fully assess future distribution and transmission system needs, and to appropriately serve their customers in the most reliable and cost-effective manner, the Board is of the view that DSM should be considered when developing both regional and local infrastructure plans. ...The Board expects the gas utilities to consider the role of DSM in reducing and/or deferring

¹ Exhibit F, Tab 1, Schedule 1, Page 1.

² Exhibit I.ED.5(g)&(h).

³ E.g. EBO 169-III, *Report of the Board on the Demand-Side Management Aspects of Gas Integrated Resource Planning*, July 23, 1993, pp. 1-4; Ontario Energy Board, *Decision in EB-2012-0451/0433, January 30, 2014*, p. 46-47 (GTA Pipeline); ³ Ontario Energy Board, *DSM Framework*, December 22, 2014, p. 35-36; ³ EB-2018-0097, *Decision and Order*, January 3, 2019, pp. 6-7 (Bathurst Reinforcement).

⁴ EBO 169-III, *Report of the Board on the Demand-Side Management Aspects of Gas Integrated Resource Planning*, July 23, 1993

⁵ Ontario Energy Board, *Decision in EB-2012-0451/0433, January 30, 2014*, p. 46-47 (GTA Pipeline).

future infrastructure investments far enough in advance of the infrastructure replacement or upgrade so that DSM can reasonably be considered as a possible alternative. If a gas utility identifies DSM as a practical alternative to a future infrastructure investment project, it may apply to the Board for incremental funds to administer a specific DSM program in that area where a system constraint has been identified.⁶

In 2018, the Board again directed Enbridge to do better. The Board’s DSM Mid-Term Review report called on Enbridge to develop “rigorous protocols to include DSM as part of their internal capital planning process” and that this “include a comprehensive evaluation of conservation and energy efficiency considered as an alternative to reduce or defer infrastructure investments as part of all leave to construct applications.”⁷ The full passage is as follows:

Stakeholders indicated reservations in the usefulness of the transition plan provided by the natural gas utilities. The OEB agrees that although the progress made is at an early stage, the transition plan does not advance the understanding of the role and impact that energy conservation can play in deferring or avoiding capital projects. Currently, leave to construct applications do not include a description of the DSM alternatives considered to help avoid and/or defer the proposed capital project. The natural gas utilities should continue to develop **rigorous protocols** to include DSM as part of their internal capital planning process. This should include a **comprehensive evaluation** of conservation and energy efficiency considered as an alternative to reduce or defer infrastructure investments as part of all leave to construct applications.⁸

In the 2019 Bathurst Reinforcement decision, the Board again directed Enbridge “to provide sufficient and timely evidence of how DSM has been considered as an alternative at the preliminary stage of project development.”⁹ It also warned Enbridge that it “faces the risk that future application will be deemed incomplete.”¹⁰

Enbridge contravened OEB IRP directives

As in past cases, Enbridge’s IRP analysis in this case once again did not meet the Board’s directions regarding IRP. Enbridge briefly looked at only one IRP alternative: reducing approximately 1/4 of the length of the NPS 6 pipe to a NPS 4 pipe through additional energy efficiency programs.¹¹ This was insufficient for the following reasons:

1. **Ignored DSM cost savings:** Enbridge ignored the cost savings from reduced gas use that accrue to customers via DSM. Instead, it accounted only for the costs of the DSM option.

⁶ Ontario Energy Board, *DSM Framework*, December 22, 2014, p. 35-36.

⁷ EB-2017-0127/0128, *Report of the Ontario Energy Board, Mid-Term Review of the Demand Side Management (DSM) Framework for Natural Gas Distributors (2015-2020)*, November 29, 2018, p. 20-21.

⁸ *Ibid.* (emphasis added).

⁹ EB-2018-0097, Decision and Order, January 3, 2019, pp. 6-7.

¹⁰ *Ibid.*

¹¹ Enbridge examined replacing 10.3 km of the NPS 6 pipe with an NPS 4 pipe (see Exhibit B, Tab 2, Schedule 2, Page 13). The NPS 6 pipe is proposed to be 39 km long (Exhibit B, Tab 1, Schedule 1, Page 1).

One cannot include the costs but exclude the benefits.¹² Enbridge's current DSM programs are forecast to generate \$4.71 for every dollar invested by the utility and its most cost-effective programs in the commercial sector are forecast to create over \$16.00 for every dollar invested.¹³ Incremental cost-effective DSM could allow the pipe to be downsized while actually resulting in *net savings* from avoided gas use that are multiple times the DSM investment.

2. **Ignored demand response:** Enbridge ignored other DSM alternatives such as demand response.¹⁴ Enbridge was asked by multiple intervenors why it ignored demand response and it provided no reasonable justification.¹⁵
3. **Ignored other DSM alternatives:** Enbridge only examined an alternative whereby 1/4 of the length of the NPS 6 pipe would be downsized. It ignored, for example, alternatives whereby a longer stretch was downsized through a combination of greater energy efficiency and demand response.¹⁶
4. **Ignored impact of declining gas demand:** Ontario's Environment Plan calls for significant reductions in gas demand over the next decade.¹⁷ This will also likely be driven by recently-announced federal government carbon price increases and other climate change investments. Enbridge ignored the impact of expected increases in broad-based DSM.¹⁸ If gas demand is likely to decline, there is presumably an opportunity to downsize the pipe by implementing relatively inexpensive interim measures (e.g. demand response) while broader-based DSM ramps up.
5. **Insufficient documentation:** Enbridge provided insufficient documentation. For example, it provided no details on how it calculated incremental energy efficiency costs to be \$4.3 million.¹⁹ Environmental Defence asked for those details and Enbridge refused to provide them.²⁰
6. **Too late:** Enbridge identified the London Lines as needing replacement almost 20 years ago.²¹ However, Enbridge only conducted its IRP analysis very recently and it is now too late to develop and consider IRP alternatives.²²

¹² Exhibit B, Tab 2, Schedule 4, Page 1.

¹³ EB-2015-0049, Exhibit B-2-3, p. 7. These figures include all utility costs under the PAC calculations. The TRC calculations show \$2.60 on average and \$28.48 for the best programs per \$1 invested.

¹⁴ Exhibit I.STAFF.13; Exhibit I.APPrO.6(i); Exhibit I.ED.5(i).

¹⁵ Exhibit I.STAFF.13; Exhibit I.APPrO.6(i); Exhibit I.ED.5(i); Enbridge cited the ongoing IRP process as a reason for failing to consider IRP. This is no excuse as Enbridge has been directed to conduct IRP in the interim (see footnote 2 above). Enbridge also said that DSM cannot address integrity and safety drivers. That also is no excuse as DSM can allow for cost savings through downsizing.

¹⁶ Exhibit I.ED.6, Page 2.

¹⁷ Exhibit I.ED.7.

¹⁸ Exhibit I.ED.7; Exhibit I.ED.10.

¹⁹ Exhibit B, Tab 2, Schedule 4, Page 1.

²⁰ Exhibit I.ED.5

²¹ Exhibit I.ED.3.

²² Exhibit I.ED.5(g)&(h).

Taken together, it is clear that Enbridge has not followed the OEB's direction to conduct "a **comprehensive evaluation** of conservation and energy efficiency."²³ Nor has it followed the OEB's direction to consider IRP at the "preliminary stage of project development."²⁴

Enbridge will likely argue that it does not need to analyze IRP in this case because the project is driven by safety and reliability. Although the potential savings in these cases are restricted to the savings accruing from downsizing, that does not mean that alternatives will never be cost-effective. Furthermore, the OEB has directed Enbridge to comprehensively evaluate DSM alternatives "as part of **all** leave to construct applications."²⁵

Conclusion

The Board mandated Integrated Resource Planning almost 30 years ago in its 1993 *Report of the Board on the Demand-Side Management Aspects of Gas Integrated Resource Planning*.²⁶ The Board has consistently and repeatedly directed Enbridge to conduct Integrated Resource Planning at the preliminary planning stages and to file robust and comprehensive evidence resulting from this assessment.²⁷ The Board has done this in part because IRP reduces costs and energy bills. This is a critical issue with respect to the interests of consumers the OEB is mandated to protect.

In this case, Enbridge's analysis can be summed up as "too little, too late." Unfortunately, the Board now has little choice but to approve this project. Environmental Defence nevertheless asks the Board to consider the appropriate regulatory response to the failure to follow OEB directions and once again remind Enbridge of its obligation to conduct a more rigorous Integrated Resource Planning assessment at the preliminary stage of project development in future cases.

²³ EB-2017-0127/0128, *Report of the Ontario Energy Board, Mid-Term Review of the Demand Side Management (DSM) Framework for Natural Gas Distributors (2015-2020)*, November 29, 2018, p. 20-21.

²⁴ Ontario Energy Board, *DSM Framework*, December 22, 2014, p. 35-36.

²⁵ EB-2017-0127/0128, *Report of the Ontario Energy Board, Mid-Term Review of the Demand Side Management (DSM) Framework for Natural Gas Distributors (2015-2020)*, November 29, 2018, p. 20-21 (emphasis added).

²⁶ EBO 169-III, *Report of the Board on the Demand-Side Management Aspects of Gas Integrated Resource Planning*, July 23, 1993, pp. 1-4.

²⁷ Ontario Energy Board, *Decision in EB-2012-0451/0433, January 30, 2014*, p. 46-47 (GTA Pipeline); ²⁷ Ontario Energy Board, *DSM Framework*, December 22, 2014, p. 35-36; ²⁷ EB-2018-0097, *Decision and Order*, January 3, 2019, pp. 6-7 (Bathurst Reinforcement).