

Enbridge Gas IRP Framework

(EB-2020-0091)

OEB Staff Perspective

Ontario Energy Board Staff

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Overview

- OEB staff perspective:
 - Desired outcomes from proceeding
 - Key issues in Framework development
- Staff-led expert evidence (Guidehouse report)
 - Purpose and findings

Desired Procedural Outcomes

Guidance to Enbridge Gas on comparison of facility projects and alternatives in asset management planning and LTC/IRPA applications, with implementation beginning as soon as possible

- Some elements of Framework may require more time to develop/refine

In parallel, **establish path** to improve understanding of IRPAs in an Ontario context (likely through pilot projects)

Clarity on the relationship between IRP and post-2020 DSM Plan:

“The OEB has an ongoing hearing that is considering Enbridge Gas’s proposed Integrated Resource Planning framework (EB-2020-0091). As part of that proceeding, the OEB will decide on the relationship between the IRP framework and future utility DSM plans and the extent to which Enbridge Gas will be expected to meet this secondary objective {create opportunities to defer and/or avoid future natural gas infrastructure projects} as part of its future DSM plan.”

OEB, December 1, 2020, post-2020 DSM proceeding

Scope of Enbridge Gas IRP Proposal/IRP Framework

Procedural Order 7:

“...it is appropriate to consider IRP for Enbridge Gas on a broader basis than the specific proposal that has been filed. As such, the OEB recognizes that parties may have perspectives on IRP that differ significantly from Enbridge Gas’s proposal.”

OEB staff perspective:

- With one exception (discussed later), Enbridge’s IRP proposal (as amended and supplemented through evidence and IRRs) provides proposals on the key policy issues that need to be considered in an IRP Framework
 - Not intended to imply staff support for Enbridge proposals
- Very similar issues addressed in Con Ed’s NPA proposal in NY State

Key Issues

Based on proceeding to date, Staff believe the following topics will be particularly important to address in the OEB's decision:

- Linking IRPAs into traditional system planning processes, and ensuring adequate lead time for comparison of facility alternatives
- Choice of cost-benefit test(s) used to compare options to meet system needs
- Approach to risks/rewards associated with IRPA investment
- IRPAs: Eligible types, input assumptions
- Demand forecast risk (in scope?)

Integration of IRPAs into System Planning

- Lack of adequate lead time to meet system need has been persistent stumbling block to IRPA consideration in LTC applications
- Original Enbridge IRP proposal did not address this topic in much detail
- Subsequent procedural stages have led to improved understanding of how Enbridge intends to integrate consideration of IRPAs into system planning
 - Includes proposals for advance visibility of expected system needs (and possible role of IRPAs) in Asset Management Plan
 - Level of OEB review at this stage will need to be determined

Cost-Benefit Testing

- Direction needed on which type of test(s) should be used in IRP analysis and given primacy
 - Current cost-benefit tests used for LTC infrastructure and DSM in Ontario are quite dissimilar
- Enbridge Gas proposes a test similar to current LTC test, which, in its initial stage, does not account for impacts on commodity costs
- Choice of primary cost-effectiveness test will affect:
 - General viability of IRPAs, and which specific types of IRPAs will potentially be selected
 - Cross-subsidization/bill impact concerns

Risk/Reward

- Enbridge Gas has proposed a conservative treatment of its costs and financial risks/rewards, similar to current facility projects.
- Proposal to capitalize IRPA-project related costs, such that Enbridge is financially indifferent to choice of solution
- Financial incentives or penalties to Enbridge to choose the “best” solution to a system need, or to minimize cost/maximize performance of the selected solution are not part of Enbridge’s proposal (except for the OEB’s traditional role in approving prudently incurred costs of approved investments)

Types of IRPAs

- Enbridge Gas requests direction from OEB as to eligibility of **electricity IRPAs** (e.g. heat pumps)
 - Considerations related to role of Enbridge Gas and appropriateness of rate-basing, assumptions used in C-E testing, etc.
- More detail may be needed on “menu” of best available information on IRPAs to be used by Enbridge Gas (types of IRPAs, cost and savings assumptions, etc.) in its evaluations (e.g. process for making assumptions public and subject to stakeholder input/OEB review)

Demand Forecast Risk

- Should the IRP Framework address how natural gas demand forecasts are established (e.g., assumptions regarding climate policy), and the risks associated with deviations from forecast?
- Forecasting methodology, risk of changes in policy/market conditions that affect project economics, and risk/regulatory treatment of stranded assets are all broader system planning issues that are not unique to IRP;
 - However, comparative viability of IRPAs versus facility projects may differ depending on how these issues are addressed
- Enbridge proposes no changes to current approach for demand forecasting assumptions used to identify system needs, including method of incorporating policy assumptions
- Discussed in GEC/ED expert evidence
- Will be considered to some degree in NY State proceeding:
 - *“To align with these {climate} policies and to recognize the emergence of potentially viable alternatives to gas infrastructure, gas planning must explicitly take account of the likely useful life of all alternatives, and of the resulting cost and risk implications.”* – New York PSC, Modernized Gas Supply Proceeding (ongoing)

Guidehouse Analysis: New York State IRP

- New York State seen to be leading jurisdiction in natural gas IRP and consideration of alternatives to infrastructure
- Guidehouse analyzed experience to date of natural gas IRP in New York State and assessed its relevance to natural gas IRP in Ontario
- In New York, programs preceded policy; New York IRP policy framework is a moving target, still under active development

Findings from New York State

- Jurisdictional differences between Ontario and New York could affect viability of IRPAs and specific choice of solutions, but policy elements for Framework are likely to be similar
- Some specific areas where Ontario may be able to learn from NY:
 - Implementation of specific programs/technologies (e.g., gas Demand Response)
 - Cost-benefit considerations for IRPAs
 - Incentive mechanisms for utilities
- Seven recommendations from Guidehouse for Ontario based on NY experience (to be discussed at hearing)

Thank you