

April 1, 2021

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

Dear Ms. Long:

EB-2020-0091 – Enbridge Gas Inc. – Integrated Resource Planning Proposal

Please find, attached, the Final Argument of the Consumers Council of Canada in the above-reference proceeding.

Yours truly,

Julie E. Girvan

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CC: All Parties
EGI, Regulatory Affairs

FINAL SUBMISSIONS OF THE CONSUMERS COUNCIL OF CANADA

RE: EB-2020-0091 – INTERGRATED RESOURCE PLANNING PROPOSAL

ENBRIDGE GAS DISTRIBUTION INC.

INTRODUCTION:

Enbridge Gas Inc. (“EGI”) filed an Application with the Ontario Energy Board (“OEB”) for Leave to Construct (“LTC”) a pipeline from an interconnect at the Kirkwall Valve Site to the Hamilton Valve Site in the City of Hamilton (“the Hamilton Project”). As part of that Application requested approval from the OEB for its Integrated Resource Planning Proposal (“IRP Proposal”). EGI’s was seeking a determination by the OEB that the IRP Proposal was “reasonable and appropriate both as it related to the Project and for application to future Enbridge Gas projects.”¹ The OEB determined that the Application for approval of the IRP Proposal would be heard separately from the LTC application.²

In October 20, 2020 EGI filed additional evidence, describing an illustrative IRP process plan, detailing how IRP will be integrated into system planning processes and activities at EGI under an IRP Framework. EGI also filed the following two studies undertaken by ICF Canada:

- Natural Gas Integrated Resource Planning: Initial Assessment of the Potential to Employ Targeted DSM to Influence Future Natural Gas Infrastructure Investment (2018);
- IRP Jurisdictional Review Report (2020).

In November 2020 OEB Staff filed evidence from Guidehouse Canada (“Guidehouse”) titled “Natural Gas Integrated Resource Planning in New York and Ontario.” In November 2020 the Green Energy Coalition (“GEC”) and Environmental Defense (“ED”) filed evidence prepared by Chris Neme of Energy Futures Group (“EFG”) titled “Best Practices for Gas IRP and Consideration of Non-Pipe Alternatives to Traditional Infrastructure Investments.”

On December 11, 2020, EGI filed Reply Evidence responding to the Guidehouse Report and the EFG Report. Through this evidence EGI provide further details regarding its IRP Proposal including issues such as stakeholder and indigenous engagement, economic evaluation of IRP Alternatives and pilot projects.

Following an interrogatory process, Technical Conference and Oral Hearing the evidentiary phase of the proceeding concluded on March 4, 2021. In its Procedural Order No. 9 dated March 5, 2021, the OEB set out its expectations regarding Final Submissions:

¹ EB-2019-0159 Exhibit A/T2/p. 1

² EB-2019-0159, Procedural Order No. 1, dated January 30, 2020

The OEB requests EGI's argument in chief to clearly describe exactly what the OEB is being asked to approve. This is in addition to Undertaking J1.4 in which Enbridge Gas will provide a list of its proposed screening criteria with additional specificity.

The OEB is establishing a 50-page limit on submissions, parties are advised to clearly outline specific framework elements that they want the OEB to establish. To the extent possible, it would be helpful for parties to follow the format of Enbridge Gas's argument in Chief.

These are the Final Submissions of the Consumers Council of Canada ("Council"). The Council does not intend to address all of the issues set out in EGI's Argument-In-Chief, or the specific details of EGI's IRP Proposal, and accordingly it has not followed the format used by EGI. The Council has some general comments regarding context. With respect to the detailed issues the Council has had the opportunity to review the detailed submissions of the Ontario Greenhouse Vegetable Growers ("OGVG") and with one exception, cost recovery (set out below), the Council agrees with those submissions. The OEB should approve EGI's proposals with the exceptions proposed by OGVG.

BACKGROUND and CONTEXT:

The Council agrees that as a matter of principle IRP is an important planning process that should be used in considering facility and non-facility alternatives to address long-term system constraints and needs such that an optimized and economic solution is proposed and implemented.

The Council acknowledges that EGI has been prompted by the OEB for many years to develop demand side management ("DSM") alternatives to large infrastructure projects. This has been the subject of many LTC proceedings and was specifically articulated by the OEB in its Mid-Term Review of DSM Framework for Natural Gas Distributors:

Stakeholders indicated reservations in the usefulness of the transition plan provided by the natural gas utilities (which was directed by the OEB in its approval of the 2015-2020 DSM Plans). 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 DSM alternatives considered to help avoid and/or defer the proposed capital project. The natural gas utilities 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.³

³ EB-2017-0127/0128, Report of the Ontario Energy Board – DSM Mid-Term Review, pp. 2021

It has not been until it filed its Application with respect to the Hamilton Project that EGI has put forward a detailed proposal to assess LTC projects against other “non-pipe” or IRP Alternatives (“IRPAs”). Like other ratepayer groups we are concerned about EGI moving forward with large infrastructure projects if there are more cost-effective alternatives.

There has been a lot of discussion throughout this proceeding regarding the transition to a low carbon economy and the implications going forward for the Ontario natural gas industry. Conflicting provincial and federal policies regarding natural gas expansion, carbon pricing and increased electrification have created a great deal of uncertainty about the future of natural gas in Ontario. These are issues over which the OEB has no control.

Accordingly, the Council submits that the focus of any IRP Framework should be relatively narrow at this time, but subject to change as the natural gas sector evolves. The OEB should establish a framework that sets out the process for evaluating and approving solutions to an established system need. The Council submits that EGI’s proposals have in large measure done that. Although we do not agree with all elements of EGI’s IRP proposal it represents a good starting point. Over time, and following the implementation of several IRP pilots, we expect the OEB’s IRP Framework and the processes put in place to assess and approve IRPA’s to evolve.

The Council agrees with EGI that by their nature demand-side IRPAs are not as reliable as pipeline solutions. In addition, it is important to note that there has not been any significant activity or progress in developing natural gas IRP frameworks or advancing natural gas IRP in other jurisdictions. It has been limited and only occurring on a small scale⁴. As such, the proposals to proceed first with pilots is a prudent one.

We note that the Ministry of Energy, Northern Development and Mines has initiated a process to review Ontario’s long-term energy planning framework and is seeking input on how to refocus the current long-term energy planning process to enable better use of resources and increase benefits to customers.⁵ The Council hopes this initiative, and the new long-term energy framework, will eliminate conflicting provincial policies and provide clarity around the future of Ontario’s natural gas sector.

IRPA COST RECOVERY AND ACCOUNTING TREATMENT FUNDAMENTALS:

EGI is seeking OEB approval, at this time, of like-for-like treatment of IRPA investments, such that longer term investments in IRPA Plans will be capitalized as rate base, with cost recovery similar to the facilities investments that they are replacing at the time of in-service. It is EGI’s position that to the extent IRP becomes mandated to be part of the utility’s regulated

⁴ Argument-in-Chief, p. 10

⁵ Environmental Registry of Ontario – 019-3007, January 27, 2021

obligations, then it is appropriate to treat the costs of non-pipe alternatives the same as the pipelines they defer or replace.⁶

Although the Council is not necessarily opposed to recovering IRPA costs through rate base, we are of the view that cost-recovery methodologies should be considered on a case-by-case basis. The OEB should not, at this time, specify the way in which IRPA costs are to be recovered. In each case the OEB will need to consider the nature of the costs, the split between OM&A and capital, the potential ownership of assets, and the recovery period. In addition, cost allocation among customer classes will need to be addressed. If it makes sense to add IRPA costs to rate base EGI will have every opportunity to justify that form of cost recovery. It would be premature for the OEB to dictate a cost recovery methodology in the absence of understanding the nature of these costs.

STAKEHOLDERING:

EGI is seeking OEB approval of a three-component stakeholdering process, including a purpose-specific stakeholder technical working group to support IRPA development and to identify and discuss new IRP solutions and IRP avoided costs and benefits. The Council supports this process as it allows for meaningful stakeholder input prior to the development of IRPAs. Ultimately it will be up to EGI to determine what IRPAs it should develop and seek approval for. All parties, through a formal Application to the OEB will have an opportunity to test those decisions and potentially propose alternatives.

All of which is respectfully submitted.

⁶ EGI, Argument-in-Chief, p. 37