

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

May 11, 2021

**Re: EB-2021-0004 – Enbridge 2021 Annual Update to 5 Year Gas Supply Plan
Pollution Probe Written Comments**

Dear Ms. Long:

Please find attached Pollution Probe's written comments related to the Enbridge 2021 update to its 5 Year Gas Supply Plan.

Respectfully submitted on behalf of Pollution Probe.



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cc: Enbridge Regulatory (email via EGIRegulatoryProceedings@enbridge.com)
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David Stevens, Aird & Berlis (via email)
Khalil Viraney, OEB Case Manager (via email)
All Parties (via email)
Richard Carlson, Pollution Probe (via email)

ONTARIO ENERGY BOARD

**Consultation to Review Enbridge Gas Inc.'s
2021 Annual Update to Natural Gas Supply Plan**

POLLUTION PROBE WRITTEN COMMENTS

May 11, 2021

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Background

On February 19, 2021, the Ontario Energy Board (OEB) announced that it was initiating a consultation to review the annual update (Annual Update) to Enbridge Gas Inc.'s (Enbridge) five-year natural gas supply plans (GSP) in keeping with the GSP assessment process contemplated in the OEB's Report of the Board: Framework for the Assessment of Distributor Gas Supply Plans.

A Procedural Order was issued by the OEB on March 26, 2021. Stakeholder questions were submitted to Enbridge on or before March 30, 2021. A Stakeholder Conference was held on April 26, 2021 and April 27, 2021 in which Enbridge made a presentation and responded to questions related to its updated Gas Supply Plan. Enbridge also provided a package of materials prior to the Stakeholder Conference, where it believed a written response was more efficient.

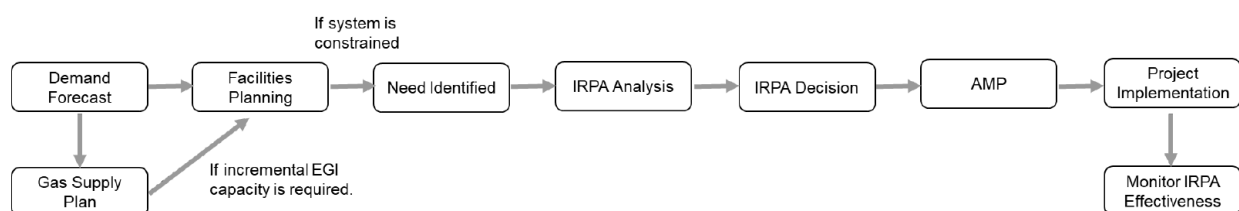
The following are the written comments on behalf of Pollution Probe.

Context and Importance of the Gas Supply Plan

This process represents the second Annual Update to the 5 Year Gas Supply Plan that Enbridge (including the amalgamated Enbridge Gas and Union Gas) has filed with the OEB pursuant to the Report of the Ontario Energy Board: Framework for the Assessment of Distributor Gas Supply Plans (Framework)¹. Enbridge provides gas supply, transportation and storage to meet forecasted customer demand and these costs represent a significant portion of the costs on customer bills. Decisions made as part of the 5 Year Gas Supply Plan can also have an impact on other areas of the utility.

In keeping with its commitment to protect consumers and hold distributors to account, the OEB identified three guiding principles that will be used in assessing gas supply plans: cost effectiveness, reliability (which includes security of supply) and support for public policy. The Framework outlines the information that the OEB requires to assess whether the gas supply plans appropriately balance the guiding principles and deliver value to customers. The responsibility for delivering reliable supply to customers in a prudent manner remains with the distributors².

Gas Supply and the related Gas Supply Plan is an integrated element of Enbridge's Integrated Resources Planning (IRP) process. The diagram below indicates a high-level orientation to where the Gas Supply Plan fits in the IRP process³. Gas supply options can also impact infrastructure decisions and related costs (or savings), such as in the case of supply side alternatives for utility IRP. In some cases, infrastructure decisions driven by gas supply changes can result in hundreds of million in Ratepayer savings.



It should also be noted that there are differences between approaches, models and methodology used by the legacy Enbridge Gas and Union Gas franchise areas. Some alignment or enhancements have been made by Enbridge (e.g. organization consolidation under one group) as outlined in the Stakeholder presentation⁴, but most of the changes required to align or optimize those approaches will require significant effort and analysis to develop the evidence to support OEB review and/or approval. Much of

¹ EB-2017-0129 Gas Supply Framework.

² EB-2017-0129 Gas Supply Framework, Page 1.

³ Reference: EB-2020-0091 Exhibit I.Staff.2

⁴ EGI_StakeholderConference_Compendum_20210422eSigned

this effort is currently being conducted by Enbridge in advance of rebasing⁵ and Enbridge indicated during the proceeding that it will require a “full court press for the next couple years to get us [Enbridge] to rebasing to figure out what we want the utility and gas supply specifically to look like”⁶. The following few years will be significant and have the potential to fundamentally change the way gas supply, transportation and storage is conducted at Enbridge.

The annual review process provides an opportunity for the OEB and stakeholders to see what has actually occurred over the past year and what planned changes and updates will be impacting the portfolio going forward. The 2021 consultation process primarily consisted of a Stakeholder Conference and the ability for stakeholders to submit written comments. The presentation and materials provided by Enbridge during the Stakeholder Conference were helpful and provided a good foundation for discussion. Enbridge indicated that the annual review process is not aimed at approvals of specific costs or testing of prudence⁷. For issues that Enbridge considers out of scope, it is unclear to stakeholders what other OEB process(es) should be leveraged to assess issues related to the gas supply portfolio in greater detail (e.g. bill impacts)⁸. It was also understood that gas supply questions related to IRP should be included in the annual update process⁹, but it now appears to be outside the scope of the annual update to the Gas Supply Plan and should have been potentially covered in the IRP proceeding. When each part of the value chain is looked at in a silo, it removes the opportunity to optimize the entire process and related benefits. A significant detailed review for the Gas Supply Plan will likely occur in alignment with Enbridge rebasing. Additional scope may also be needed in the 2022 Annual Update process, particularly following the pending OEB IRP Decision and the need to assess supply side alternatives on a more regular and integrated basis. To the extent that some issues can be resolved in advance of rebasing, it would make the rebasing assessment more manageable. OEB direction (e.g. IRP Decision) may also require changes at Enbridge more immediately.

Information from gas supply planning has a significant impact even beyond gas supply, transportation and storage to meet forecasted customer demand. It can also drive other significant costs and savings. One recent example is the withdrawal of the Dawn Parkway Expansion Project¹⁰ which saved over \$200 million of incremental capital costs funded by Ratepayers. This project was initially justified on a mix of in-franchise and ex-

⁵ EB-2021-0004 Enbridge Stakeholder Conference April 26 2021 transcript. Page 74-75.

⁶ EB-2021-0004 Enbridge Stakeholder Conference April 26 2021 transcript. Page 75.

⁷ EB-2021-0004 Enbridge Stakeholder Conference April 26 2021 transcript. Page 19.

⁸ EB-2021-0004 Enbridge Stakeholder Conference April 26 2021 transcript. Page 20-21.

⁹ Final Transcript EB-2020-0091 Enbridge IRPP Vol 1 March 1 2021. Page 44.

¹⁰ EB-2019-0159

franchise demand and it was never clear in either the Leave to Construct or Rate Case, why the project was no longer required. Only during the Stakeholder Conference for the 2021 Annual Update was clarity available that the project withdrawal was premised on the decrease in ex-franchise demand¹¹. This further reinforces the significant role that Gas Supply has on other areas of the Enbridge integrated portfolio, including utility IRP. It would be of value for the OEB to provide clarity on which proceeding would be the best for bringing forward Gas Supply issues that Enbridge considered out of scope for the Annual Update. Pollution Probe recommends that the Annual Update process should be the default process to bring issues forward unless the OEB has identified a different proceeding to deal with specific issues.

Alignment with Guiding Principles

The OEB defined guiding principles that are consistent with its legislated mandate to protect the interests of customers with respect to price and the reliability of gas service. The guiding principles for a distributor's gas supply plan are to deliver gas supply that is cost-effective, reliable (secure) and achieves public policy objectives. Enbridge's Annual Update provides a summary of Enbridge's activities in relation to these guiding principles. Below are relevant comments specific to each respective guiding principle.

Cost-effectiveness

The gas supply plans must be cost-effective. Cost-effectiveness is achieved by appropriately balancing the principles and in executing the supply plan in an economically efficient manner. Portions of this guiding principle were assessed during the Annual Update process. A full review of the cost-effectiveness of the 5 Year Supply Plan was not included during the Annual Review. Pollution Probe has assumed that this would be done at rebasing and that the OEB would enable OEB Staff and Stakeholders to assess any specific issues related to cost-effectiveness during the Annual Update process.

Reliability and security of supply

During the Stakeholder Conference, several parties assessed issues related to reliability and security of supply. Pollution Probe avoided duplication on those issues. Opportunity appears to exist to enhance these scorecard metrics and comments related to scorecard metrics have been included under that section below.

¹¹ EB-2021-0004 Enbridge Stakeholder Conference April 26 2021 transcript. Page 65-67.

Public policy

Public policy objectives under the Gas supply Plan and related Scorecard are a challenge. The definition and application of public policy consideration appears to fluctuate at Enbridge. For example, a very narrow and restrictive lens is applied in some cases (e.g. only considering policy currently mandated), where in the case of RNG a broader consideration of policy is used (i.e. consideration of the Made in Ontario Environment Plan which has no mandatory requirements for Enbridge). It is hopeful that the pending OEB IRP Decision will assist in delivering a greater level of consistency in assessing the broader impacts of public policy on the Gas Supply Plan. A more fulsome consideration of public policy (i.e. all relevant policy even if it is not mandatory) would result in greater benefits and opportunities for Enbridge to support the energy transition in Ontario.

The public policy area of the scorecard is under-represented and less developed than the other two guiding principles. Pollution Probe recommends piloting a few additional specific/targeted metrics that can provide better (or more granular) clarity on whether the public policy outcomes are being met. Examples could include specific municipal access to RNG, or # of infrastructure projects deferred or avoided due to supply side alternatives. There should be additional opportunities to make enhancement to the 2022 Annual Update once the pending OEB IRP Decision is released.

Performance Measurement

The OEB's Framework indicates that it is expected that a distributor will develop performance metrics that reflect the criteria the OEB has established to demonstrate how the principles have been achieved. The measures should demonstrate the value proposition for customers and how it balanced the Framework's guiding principles. Effective metrics will allow the OEB to focus its assessment on results that deliver value for customers and not a line-by-line review of expenditures.

Now that the second annual update has been provided, it is more visible whether the metrics in the Enbridge Scorecard are effective, demonstrate the value proposition for customers and providing the tangible value envisioned by the OEB. The annual review provides a continuous improvement opportunity to assess annual outcomes achieved and mature the scorecard and related metrics.

Distributor performance metrics should link directly to one or more of the gas supply plan criteria and be chosen to illustrate the benefits expected from the gas supply

planning decisions the distributor has made¹². Most (if not all) of the Enbridge scorecard metrics are retrospective and only report on information from the past annual period. Providing retrospective information can provide some general value in that it helps record what was achieved in the previous annual reporting periods. However, without an understanding of what performance means, there is no context to understand if those outcomes represent poor or excellent performance¹³. Without an ideal (or target) outcome provided, many of these metrics make it difficult to determine whether the OEB principles have been achieved or if the annual results represent value for customers. This does not necessarily mean that Enbridge performance is good or bad, but just that it is hard to make that determination based on the current scorecard.

Furthermore, the OEB's Framework indicates that performance metrics, should

- Focus on strategy and results, not activities.
- Demonstration that distributors consider opportunities for continuous improvement in their planning.
- Demonstration of value to customers.
- Performance metrics that will accurately measure whether the plans are cost-effective and reliable and support public policy.

There appears to be significant opportunities to enhance the scorecard, including enhancing or adding metrics, provide greater context on the desired range of results for each metric, and quantifying the tangible benefits related to the outcomes achieved. Enbridge is familiar with outcome-based metrics that drive performance and transparency and the same principles apply to this scorecard. It is also anticipated that the pending OEB gas IRP Decision¹⁴ may provide additional context to mature the scorecard (particularly public policy metrics) prior to the 2022 Annual Update.

Percentage of RNG is currently zero and is likely to remain a very small number as a percentage of system gas supply. If it is possible for Enbridge to reach 1% over the next decade, the annual amounts shown in the scorecard would be a fraction of a percent. Enbridge may want to look at that metric and to the extent that there is a long-term goal, also indicate that that theoretical goal is¹⁵.

¹² EB-2017-0129 Gas Supply Framework, Page 11.

¹³ Examples of metrics that were difficult to compare year over year were discussed in EB-2021-0004 Enbridge Stakeholder Conference April 27 2021 transcript. Page 47-50.

¹⁴ EB-2020-0091

¹⁵ EB-2021-0004 Enbridge Stakeholder Conference April 27 2021 transcript. Page 60-61.

Annual Update Timing

Enbridge advised the Board that they would like to file their Annual Updates by March 1 of each year. Pollution Probe supported Enbridge's request to delay filing until February 1, 2021 in order to include updates for 2021 and align better with annual planning. In principle, having the Annual Update filing as close to the start of the calendar year as possible is the most desirable. Reviewing the Annual Update later in the year reduces the value, particularly since other filings often rely on this information as an input. In the 2021 Annual Update review, half the year will be over before the plan review is complete¹⁶. Pollution Probe notes that the majority of the Enbridge work done for the Annual Update occurs in the previous summer and each year, the plan is finalized and receives executive approval in the third quarter¹⁷. Enbridge did not identify any significant gaps in the 2021 Annual Update that was filed by the February 1, 2021 OEB deadline. Earlier would be certainly be more beneficial, but Pollution Probe recommends that the OEB adopt February 1 as the filing deadline for Annual Updates. This is an achievable date without delaying the Annual Update.

Recommendations

Currently, Enbridge does not have a complete list of what OEB approvals are required and what changes they can make without OEB approval or oversight¹⁸. It is recommended that a complete list be provided in the 2022 Annual Update. It would provide a common view or an opportunity to identify potential issues while there is still time to resolve them prior to rebasing. The list can also be updated annually as additional items are identified. Looking for opportunities to address issues earlier would reduce the burden and complexity at rebasing.

It would be of value for the OEB to provide clarity on which proceeding would be the best for bringing forward Gas Supply issues that Enbridge considered out of scope for the Annual Update. Pollution Probe recommends that the Annual Update process should be the default process to bring issues forward unless the OEB has identified a different proceeding to deal with specific issues. This will become a more important issue as Enbridge prepares for rebasing and implements the pending OEB Decision for IRP.

¹⁶ Enbridge Reply Comments will be filed by May 25 and the process for the 2021 Plan Update will not be complete until at least Q3 2021.

¹⁷ EB-2021-0004 Enbridge Stakeholder Conference April 26 2021 transcript. Page 34.

¹⁸ EB-2021-0004 Enbridge Stakeholder Conference April 26 2021 transcript. Page 37.

It is recommended that Enbridge integrate the pending OEB IRP Decision into its 2022 Annual Update. A more detailed and thorough process may be required in the 2022 annual review, particularly for elements from the Gas Supply Plan to that feed into the IRP Framework.