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May 11, 2021

Ontario Energy Board
2300 Yonge Street
Suite 2700
Toronto, Ontario M4P 1E4

Attention: Christine Long, Board Registrar

Dear Ms. Long:

**Re: Ontario Sustainable Energy Association's ("OSEA") Written Comments
Consultation on Enbridge Gas Inc.'s Annual Update to Five Year Gas Supply Plan
Board File No. EB-2021-0004**

Please find enclosed OSEA's written comments in the above-noted matter, pursuant to the Board's Decision on Cost Eligibility and Procedural Order dated March 16, 2021.

Yours truly,



Raeya Jackiw

cc: Dan Goldberger, OSEA
Travis Lusney, Power Advisory LLC

Document #: 1952487

ONTARIO ENERGY BOARD

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

AND IN THE MATTER OF the Ontario Energy Board's
Consultation to Review Enbridge Gas Inc.'s Annual Update to
its Five Year Gas Supply Plan

WRITTEN SUBMISSION OF ONTARIO SUSTAINABLE ENERGY ASSOCIATION ("OSEA")

May 11, 2021

On February 19, 2021, the Ontario Energy Board ("OEB") initiated a consultation to review Enbridge Gas Inc.'s Annual Update to Enbridge's five-year natural gas supply plan ("GSP").¹ The scope of the consultation is limited to assessing the GSP against the guiding principles and criteria outlined in the *Report of the OEB: Framework for the Assessment of Distributor Gas Supply Plans* ("Framework").²

OSEA appreciates the opportunity to comment on Enbridge's annual GSP update. OSEA's comments, set out in more detail below, focus on

- 1 adjustments required to Enbridge's demand forecast going forward based on evolving carbon pricing policy. Specifically, OSEA recommends that Enbridge revisit its demand forecast for the power sector to address factors that could impact the forecast, including a higher carbon price, and updated demand assumptions, and
- 2 proposed changes to Enbridge's Blind Request for Proposal ("RFP") process related to carbon costs. OSEA recommends that Enbridge implement a carbon price border adjustment to ensure that Enbridge's Blind RFP process does not indirectly lead to higher carbon emissions in other jurisdictions.

¹ OEB Letter re Consultation to Review Annual Update to Five-Year Natural Gas Supply Plans dated February 19, 2021.

² OEB's Decision on Cost Award Eligibility and Procedural Order dated March 16, 2021; Report of the OEB: Framework for the Assessment of Distributor Gas Supply Plans (EB-2017-0129) dated October 25, 2018 [Framework].

ENBRIDGE'S DEMAND FORECAST

One of the Framework criteria is demand forecast analysis. The Framework states that “as part of the review of a GSP, the OEB will assess whether the distributor has demonstrated they have considered the appropriate factors that could impact the demand forecasts.”³

Enbridge's current demand forecast was produced in the summer of 2020. At that time, the Federal carbon price was set to increase to \$50/tonne by 2022 and remain at that price until 2030.⁴

In addition, the federal government applies carbon pricing to gas-fired generation through an Output-Based Performance Standard (“OBPS”)⁵. The OBPS currently exempts all existing gas-fired generation with a heat rate of less than 370 CO₂e tonnes/GWh.⁶ In Most of Ontario's gas-fired generators were developed in the mid-2000s and have heat rates low enough to be exempt from the existing carbon pricing regime. As such, gas-fired generators in Ontario do not include carbon pricing in their energy offers to the IESO-Administered Market (IAM), and therefore the current electricity price does not reflect carbon pricing. The threshold for the exemption for new or materially changed gas-fired generation facilities is set to decline progressively, with the exemption set at 0 CO₂e tonnes/GWh by 2030.

Since the Enbridge demand forecast was produced a number of policy developments have occurred that could impact the demand forecast, and that should be considered by Enbridge:

- ♦ In December 2020, the federal government announced its intention to increase the carbon price from \$50/tonne in 2022 to \$170/tonne by 2030 (i.e., \$15/tonne per year from 2023 to 2030).⁷ This significant carbon price increase will have broad impacts on natural gas consumption throughout Ontario.
- ♦ In March 2021, the Supreme Court of Canada held that the federal *Greenhouse Gas Pollution Pricing Act* is constitutional, reducing uncertainty on carbon pricing in Canada.⁸

³ Framework at s. 3.1.1.1.

⁴ *Greenhouse Gas Pollution Pricing Act*, S.C. 2018, c. 12, s. 186, Schedule 4 (Excess Emissions Charge).

⁵ Output-Based Pricing System Regulations, SOR/2019-266, s. 36.1 [OBPSR].

⁶ OBPSR, Schedule 1, Item 38(c).

⁷ Environment and Climate Change Canada, Pricing Carbon Pollution: A healthy environment and a healthy economy, retrieved from: https://www.canada.ca/content/dam/eccc/documents/pdf/climate-change/climate-plan/annex_pricing_carbon_pollution.pdf.

⁸ References re Greenhouse Gas Pollution Pricing Act, 2021 SCC 11, see <https://www.scc-csc.ca/case-dossier/cb/2021/38663-38781-39116-eng.aspx>.

- ♦ While initially opposed to carbon pricing, the official opposition (Conservative Party of Canada) released its climate change plan in April 2021. The Conservative Party's climate change plan includes implementation of a carbon price up to \$50/tonne.⁹
- ♦ In the United States, the newly elected Biden administration has moved swiftly to pursue a clean energy and sustainable development, committing \$400 billion over 10 years to investments in clean energy and innovation.¹⁰

Carbon pricing is now established in Ontario and neighbouring jurisdictions, and the carbon price is very likely to continue to increase in the future. The evolution of carbon pricing directly in Ontario and indirectly through investments in other economic sectors requires Enbridge to revisit its demand forecast and ensure the annual GSP accurately reflect potential changes to consumer behaviour in the short-term.

Currently, the Enbridge demand forecast assumes the carbon price will increase from \$50/tonne by 2% per year after 2022. The federal government has now indicated that it will be increasing the carbon price by \$15/tonne each year. This means that the assumptions underlying Enbridge's demand forecast are now off by over 25%, a significant margin of error.

Enbridge's demand forecast predicts the power sector's natural gas consumption to grow significantly over the next 25 years. OSEA believes that natural gas will continue to be a significant component of Ontario's electricity sector to ensure reliability and resource adequacy; however, OSEA disagrees that power sector consumption will grow unimpeded into the future, because:

- ♦ carbon pricing, corporate Environmental, Society and Governance ("ESG") objectives, and policy changes (e.g., municipal government sustainability targets), are expected to drive an increase in renewable energy generation. Energy production from renewable generation will decrease the annual energy production of gas-fired generation, primarily shifting gas-fired facilities to a peaking and flexibility role, instead of a consistent power production role, and
- ♦ the completion of the nuclear refurbishment program will return a large amount of clean energy supply to service, reducing energy production from Ontario's gas-fired generation facility. The most complex stage of the refurbishment program occurs over the 2022-2026 timeframe when up to 4 units will be offline at a time for refurbishment. After 2026, only a limited number of units will be offline at any one time as a result of the refurbishment program. The refurbishment program is anticipated to have a significant impact on natural gas consumption.

⁹ Secure the Environment: The Conservative Plan to Combat Climate Change, retrieved from: <https://cpcassets.conservative.ca/wp-content/uploads/2021/04/15104504/24068610becf2561.pdf>

¹⁰ Biden Harris Webpage, 9 Key Elements of Joe Biden's Plan for a Clean Energy Revolution, retrieved from: <https://joebiden.com/9-key-elements-of-joe-bidens-plan-for-a-clean-energy-revolution/>.

In light of the above, OSEA recommends that Enbridge revisit its demand forecast for the power sector to address factors that could impact the forecast, including a higher carbon price, changes to the OBPS exemption threshold, and updated demand assumptions.

BLIND RFP PROCESS

The Framework sets out guiding principles for the development of a GSP. One of the guiding principles is public policy. The Framework provides that the GSP “will be developed to ensure that it supports and is aligned with public policy where appropriate.”¹¹

Furthermore, one of the Framework’s criteria is achieving public policy objectives. The Framework states that distributors must “identify and demonstrate the public policy that their GSP is supporting and how they’ve balanced achieving this with the other guiding principles [cost-effectiveness and reliability and security of supply]. They should be public policy initiatives that are in effect rather than proposed public policy initiatives.”¹²

OSEA understands that Enbridge’s blind RFP process does not include any adjustment to normalize carbon pricing between jurisdictions (e.g., Ontario and Michigan). An applicant to the Blind RFP process determines the carbon cost of offering their services when preparing a bid. Proposals from lower carbon priced jurisdictions therefore have an advantage in the Blind RFP process.

To support Ontario’s and Canada’s climate change policies, Enbridge’s blind RFP process should aim to normalize the cost of carbon emissions with Ontario’s prevailing carbon pricing regime (whether the Federal program, a provincial program, or some combination, as may be applicable or amended at the time of the RFP).

Enbridge could normalize the cost by:

- 1 instructing all bidders to
 - a) identify the cost of carbon emissions as an independent line item in the bid price, and
 - b) include a summary of the carbon emissions associated with providing the service (including operations, maintenance, and administration etc.).
- 2 Enbridge could then calculate the Ontario carbon price. Where the Ontario price is higher, the Ontario price should be used in place of the cost of carbon set out in the bid. This will allow different proposals to be compared on a similar basis with reference to Ontario’s carbon costs.

¹¹ Framework at s. 3.1.

¹² Framework at s. 3.1.4.

This carbon price border adjustment would ensure that Enbridge's Blind RPF process is not indirectly leading to higher carbon emissions in other jurisdictions.

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