Ontario Energy Board | Commission de l'énergie de l'Ontario

August 3, 2021

OEB Staff Report to the Ontario Energy Board

Review of 2021 Annual Update to Enbridge Gas Inc. Natural Gas Supply Plan

EB-2021-0004

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TABLE OF CONTENTS

1 INTRODUCTION AND SUMMARY

On February 19, 2021, the Ontario Energy Board (OEB) initiated a consultation to review the annual update to the five-year natural gas supply plan of Enbridge Gas Inc. (Enbridge Gas) in accordance with the gas supply plan assessment process established in the OEB's *Report of the Ontario Energy Board: Framework for the Assessment of Distributor Gas Supply Plans* (Gas Supply Framework).[1] This is the OEB Staff Report resulting from this consultation. The OEB will consider the recommendations in this report to determine if there are issues that require a hearing.

In 2019, the OEB initiated a review of the five-year Gas Supply Plan (GSP) of Enbridge Gas Inc. (Enbridge Gas) culminating in an OEB staff report dated March 26, 2020.[2]

The Gas Supply Framework requires distributors to file an annual update to their five-year GSP. In an initiation letter dated July 6, 2020, the OEB determined that it would defer Enbridge Gas's first annual update to early 2021 so it could include the impact of COVID-19 in its demand forecast and associated GSP. Accordingly, Enbridge Gas filed its annual update to the five-year GSP on February 1, 2021.

This report sets out OEB staff's assessment of Enbridge Gas's annual update to the GSP. In particular, as per the Gas Supply Framework, OEB staff assessed the extent to which:

- Enbridge Gas's GSP provides the information requirements (i.e., the framework criteria) used to evaluate whether the plan delivers value to customers and meets the OEB's guiding principles of: i) cost-effectiveness, ii) reliability and security of supply and iii) public policy. The OEB's framework criteria are: i) demand forecast analysis, ii) supply option analysis, iii) risk mitigation analysis, iv) achieving public policy objectives, v) procurement process and policy analysis and vi) performance measurement.

- Enbridge Gas's GSP includes a description of how the framework criteria have been met.

- Enbridge Gas's GSP successfully balances the three OEB guiding principles in a way that is prudent and delivers value to customers.

[1] EB-2017-0129, October 25, 2018.
[2] EB-2019-0137 Final OEB Staff Report to the Ontario Energy Board on Consultation to Review Natural Gas Supply Plans, March 26, 2020.

In its comments to the annual update, several stakeholders supported Enbridge Gas's 2021 annual update. None of the stakeholders identified major issues with the annual update or requested a further review of the plan. Most of the stakeholder comments focused on issues including additional information to be included in future annual updates, proposing goals or targets for some of the performance metrics, and responding to Enbridge Gas's proposed purchase of Sustainable Natural Gas.

OEB staff is generally supportive of the annual update and the information provided therein. OEB staff has considered the comments of stakeholders and the reply of Enbridge Gas in formulating its recommendations to the OEB. While OEB staff is proposing that additional information be provided as part of the next annual GSP update, OEB staff does not propose any further review of this annual plan update and recommends that the process end with the filing of this report.

1.1 Background

The Gas Supply Framework set out the OEB's approach for the assessment of the rate-regulated natural gas distributors' (distributors) supply plans. It identified three guiding principles to be used in assessing the distributors' GSPs:

- **Cost-effectiveness** – The GSP will be cost-effective. Cost-effectiveness is achieved by appropriately balancing the principles and in executing the supply plan in an economically efficient manner.

- **Reliability and security of supply** – The GSP will ensure the reliable and secure supply of natural gas. Reliability and security of supply is achieved by ensuring gas supply to various receipt points to meet planned peak day and seasonal gas delivery requirements.

- **Public policy** – The GSP will be developed to ensure that it supports and is aligned with public policy where appropriate.

The OEB clarified that cost-effectiveness does not necessarily mean the "lowest cost," reliability does not mean "reliable at any cost" and support for public policy does not mean "support at any cost" or "any level of reliability". Rather, the intent is to strike a balanced approach to the benefit of customers. Distributors are required to demonstrate that their GSPs balance the principles in a way that is prudent and appropriate for customers. It is expected that distributors would employ strategies that clearly describe

their approach, customer impacts and risks associated with both the options considered and chosen to deliver value to customers.[3]

The OEB also stated that a distributor's plan must meet specific criteria established by the OEB and the GSP should include a description of how the criteria have been met. The framework criteria are the following:

- **Demand Forecast Analysis**: A distributor must describe: i) the process used to develop its demand forecasts, ii) the factors impacting its demand forecasts such as historical demand, customer demographic trends and changing weather patterns, and iii) associated risks. A distributor is expected to also use its OEB-approved methodology when preparing these forecasts.

- **Supply Option Analysis**: A distributor must describe the options that were considered and how the selected option was determined. The option analysis should include: landed costs, bill impacts, the risks associated with each option and how the option aligns with the OEB's guiding principles.

- **Risk Mitigation Analysis**: A distributor must provide a clear description of the risk management process (identification and mitigation) and an assessment of the risk/cost trade-off implications for customers that are associated with options examined. A distributor must also include a suite of scenarios: best, most likely and worst scenarios.

- **Achieving Public Policy**: A distributor must identify and demonstrate the public policy (i.e., public policy that is in effect, not proposed) that its gas supply plan is supporting and how it balanced achieving this with the other guiding principles.

- **Procurement Process and Policy Analysis**: A distributor must provide an overview of its gas procurement policies including how the distributor monitors the market and what resources are applied to ensure that it meets demand.

- **Performance Measurement**: A distributor must develop performance metrics that reflect the OEB's criteria and demonstrate how the OEB's guiding principles have been achieved.

[3] EB-2017-0129, Gas Supply Framework, p. 8

1.2 The Process

On February 1, 2021, Enbridge Gas filed its annual update to the five-year GSP. In the initiation letter dated February 19, 2021, the OEB set up a process to review this annual update to the GSP, including a transcribed stakeholder conference, written comments by stakeholders and written reply by Enbridge Gas. At the stakeholder conference, Enbridge Gas provided written and oral responses to the written questions from stakeholders and provided additional information about the 2021 annual update. The participants included Enbridge Gas, OEB staff and 18 stakeholders representing consumer groups, gas utilities and a gas transportation company.

Enbridge Gas did not propose any changes to its GSP in response to questions raised at the stakeholder conference. Following the stakeholder conference, parties submitted written comments. Following Enbridge Gas's reply, OEB staff were to file its conclusions to the OEB in the form of a report (i.e. this document). Unless the OEB decides to hold a proceeding to consider any component of the annual updates, the review process concludes with OEB staff's report.

On March 16, 2021, the OEB issued its Decision on Cost Awards Eligibility and Procedural Order, along with timelines for the stakeholder conference and subsequent steps.

The following parties participated in the consultation:

- Anwaatin Inc. (Anwaatin)
- Building Owners and Managers Association, Greater Toronto (BOMA)
- Consumers Council of Canada / Vulnerable Energy Consumers Coalition (CCC/VECC)
- Canadian Manufactures & Exporters (CME)
- City of Kitchener – Utilities Division (Kitchener)
- Environmental Defence (ED)
- EPCOR Natural Gas Limited Partnership (ENGLP)
- Federation of Rental-housing Providers of Ontario (FRPO)
- Industrial Gas Users Association (IGUA)
- London Property Management Association (LPMA)
- Northwestern Ontario Chambers of Commerce Coalition (NWCOC Coalition)
- Ontario Sustainable Energy Association (OSEA)
- Pollution Probe
- School Energy Coalition (SEC)
- Six Nations Natural Gas Co. (SNNG)
- TransCanada PipeLines Limited (TCPL)

On March 30, 2021, eleven stakeholders and OEB staff filed questions to Enbridge Gas on its annual update to its GSP.

A stakeholder conference was convened on April 26 through to April 27, 2021. At the stakeholder conference all attending parties agreed to extending the timelines of the written comments and written reply by Enbridge Gas.[4]

Twelve stakeholders submitted written comments on May 11, 2021. Enbridge Gas submitted its written reply on May 25, 2021.

All material related to this consultation is available on the OEB's website.

[4] EB-2021-0004, Stakeholder Conference, April 27, 2021, page 83

2 SUMMARY OF NATURAL GAS SUPPLY PLAN

Enbridge Gas's Five-Year GSP included an in-depth description of methodologies and related gas supply processes.[5] This is the second annual update to the Five-Year GSP. Enbridge Gas's plan covers the legacy Enbridge Gas Distribution (EGD) and Union Gas rate zones (Union North West, Union North East and Union South).[6] The objective of Enbridge Gas's GSP is to identify an efficient combination of upstream transportation, supply purchases and storage assets to serve sales service and bundled (direct purchase) customers' annual, seasonal and design day natural gas delivery requirements.

As per the Gas Supply Framework, distributors are required to provide an annual GSP update. The update is expected to primarily focus on updates to the Outlook section of the GSP, a description of significant changes from previous updates and a historical comparison of actuals to the Outlook. An in-depth evaluation of the GSP is only expected in the event that the update significantly deviates from the five-year plan.[7]

The annual update included four notable changes:

I. Market changes including COVID-19 impacts

II. Public Policy initiatives and pilots

III. Contracting changes

IV. Changes to existing processes

Enbridge Gas also made process improvements since filing the 2020 Annual Update. These process improvements, explained in further detail below, include the following:

- Refinements to the Gas Supply organizational structure
- Blind RFP process enhancement

[5] EB-2019-0137
[6] Effective January 1, 2019, the former Enbridge Gas Distribution and Union Gas Limited amalgamated to form Enbridge Gas Inc. (Enbridge Gas).
[7] Gas Supply Framework, October 25, 2018, p.14.

Refinements to the Gas Supply organizational structure

Enbridge Gas made a refinement to the organizational structure of the Gas Supply team. This involved moving accountabilities for the procurement of storage and transportation assets to the same group accountable for procurement of the gas commodity. This consolidated the procurement function under one group.

Further to the consolidation of the procurement function, accountabilities for Enbridge Gas's non-OEB regulatory function have also been moved to the Gas Supply team. These accountabilities include the monitoring of regulatory matters impacting upstream transportation assets held by Enbridge Gas as well as the management of reporting requirements associated with Enbridge Gas storage and transportation assets regulated by non-OEB parties such as the Canada Energy Regulator, Federal Energy Regulatory Commission, and various state and provincial regulators. This change is also anticipated to improve the efficiency and effectiveness of information sharing that is important for the Gas Supply team to carry out their accountabilities.

Blind RFP process enhancement

The legacy Enbridge Gas Distribution (EGD) rate zone does not have enough storage space to meet its in-franchise requirements and therefore Enbridge Gas purchases storage in the marketplace. A blind Request for Proposal (RFP) process is used for these purchases because Enbridge Gas and its affiliates own and operate a significant amount of non-utility storage facilities in Ontario. In other words, absent a blind RFP process, Enbridge Gas could be in the position of favouring its own non-utility storage operations to purchase market-based storage for its in-franchise customers.

In the five-year GSP Final Report to the OEB, OEB staff noted that the existing process was not entirely "blind" and that the process does not effectively ring fence Enbridge Gas's supply procurement group (who are making the decision to purchase market-based storage) from its own non-utility storage in the Union South rate zone and its affiliates in Ontario. OEB staff recommended an independent third-party evaluation process to eliminate any concerns of bias. OEB staff proposed that Enbridge Gas report on its progress to refine the current blind RFP process in its annual update.[8]

As part of this annual update, Enbridge Gas retained a third-party independent expert, ScottMadden Management Consultants (ScottMadden) for the review. ScottMadden provided its final report on October 9, 2020. ScottMadden's key recommendations included:

[8] EB-2019-0137, Final OEB Staff Report to the Ontario Energy Board, March 26, 2020, pp. 32-33.

- Expanding the criteria and requirements for choosing an external RFP manager
- Defining and documenting the roles and responsibilities of Enbridge Gas and the external RFP manager
- Revising the RFP letter, bid template and bid instructions to increase clarity and reduce follow-up questions from RFP bidders
- Extending the bidding period to allow bidders more time to submit bids
- Having the external RFP manager conduct Round 1 of bid evaluations and provide initial rankings and recommendations to Enbridge Gas

Enbridge Gas incorporated all the key recommendations from ScottMadden's report into its blind RFP process that took place during January 2021.

2.1 Market Overview

Market Outlook

In 2020, North American energy markets were impacted by both the COVID-19 pandemic and a steep decline in oil prices. The impact from COVID-19 has mainly affected the commercial sector, with many schools, offices, restaurants, and retail outlets closed in several states and provinces, and the industrial sector, where demand has declined primarily in the chemical and refinery sectors. Enbridge Gas noted similar impacts in Canada and continues to monitor market intelligence from external sources as well as internal sources to stay informed on changing market conditions.

2.1.1 North American Supply

North American natural gas production in the near-term is expected to be lower than previous forecasts, as many producers cut back production and capital spending in response to low commodity prices. U.S. production is not expected to return to 2019 levels until 2022.

2.1.2 Natural Gas Demand

In Ontario, natural gas demand fell by as much as 7% to 12% in 2020 due to COVID-19 with the most significant impacts seen in April and May of 2020. Consumption was down in all sectors except for power generation with the largest declines experienced in the commercial and industrial sectors.

ICF forecasts overall Ontario demand in 2021 to exceed pre-COVID 2019 levels. Residential, commercial and industrial sector natural gas demand has recovered faster than expected in Ontario. In the longer term, ICF forecasts average demand in Ontario to grow by 1.59% in Ontario.

2.1.3 Natural Gas Price Signals

Natural gas prices were historically low throughout the winter of 2019/20. This was driven by warmer than normal winter temperatures and consistent supply from Marcellus, Utica, Permian and Haynesville production. Storage levels were consistently above the five-year average. However, the Energy Information Administration (EIA) forecasts that declines in natural gas production this winter compared to 2020 will put some upward pressure on near-term natural gas prices. However, natural gas prices are expected to remain low relative to historic averages over the longer-term.

2.2 Public Policy Updates

Enbridge Gas provided the following updates to remain responsive to public policy.

2.2.1 Renewable Natural Gas

On November 29, 2018, the Ontario government introduced its Made-in-Ontario Environment Plan (MOEP). The plan identified actions that the government intends to implement to achieve its greenhouse gas emissions reductions goals. The MOEP also identified the government's intent to require natural gas utilities to implement a voluntary renewable natural gas (RNG) option for customers. In response, Enbridge Gas filed an application with the OEB offering customers an option to pay a fixed $2 monthly charge to fund the incremental cost of procuring RNG as part of the overall system supply. On September 25, 2020, the OEB granted Enbridge Gas approval of Enbridge Gas's Voluntary RNG program on a pilot basis.[9] [10]The Voluntary RNG program was launched on April 6, 2021. Enbridge Gas will monitor customer participation and expects to begin procuring RNG by the end of the year. Enbridge Gas forecasts total RNG procurement for the voluntary program to reach approximately 35,000 GJ by the third year of the program.

[9] EB-2020-0066 Decision and Order, September 24, 2020.
[10] As noted in the OEB's Decision and Order, there was no Ministerial Directive, provincial legislation or regulation, or any other government imperative requiring natural gas utilities to implement voluntary RNG programs at the time of the OEB's decision, nor is there any such requirement currently.

2.2.2 Low Carbon Energy Project

Enbridge Gas submitted a Leave to Construct application for a Low Carbon Energy Project (LCEP).[11] This pilot project proposes to supply natural gas blended with up to 2% renewable hydrogen by volume to about 3,600 customers in Markham, Ontario. In a decision issued on October 29, 2020, the OEB approved the pilot project and construction of the physical facilities that support implementation of the project.

Blended gas, due to its hydrogen content, will emit less greenhouse gas emissions than traditional natural gas. The experience gained through implementation of the LCEP will help Enbridge Gas determine whether to expand hydrogen blending to other parts of the distribution system. The LCEP pilot project, and future projects of the same type, will expand Enbridge Gas's ability to support current and future government policies and objectives aimed at reducing greenhouse gas emissions.

2.2.3 Community Expansion

In December 2019, the Government of Ontario announced its intention to continue to expand access to natural gas with Phase Two of the Natural Gas Expansion Support Program. Enbridge Gas submitted several project proposals for the Government's consideration with respect to funding. On June 9, 2021, the Government of Ontario announced 28 projects that will receive funding, 27 of which are projects proposed by Enbridge Gas.[12] At the stakeholder conference, Enbridge Gas noted that its GSP is robust and flexible enough to accommodate community expansions. Enbridge Gas further noted that the connected communities are relatively smaller in terms of customer numbers and once the communities are connected, the plan is robust enough to supply natural gas to these communities.[13]

2.2.4 Federal Carbon Charge

As of April 1, 2021, the Federal Carbon Charge that Enbridge Gas must remit to the Government of Canada under the GGPPA for eligible volumes of natural gas increased from $30 per tonne of carbon dioxide equivalent (tCO_2e) to $40 per tCO_2e.

The demand forecast underpinning the 2021 Annual Update includes this federal carbon charge in the price-related demand driver variables used in its regression equations. Based on the information available at the time of filing the 2021 annual

[11] EB-2019-0294
[12] https://www.ontario.ca/page/natural-gas-expansion-program#section-3
[13] Stakeholder conference, April 26, 2021, pp. 102-104.

update, Enbridge Gas assumed $40 per tCO_2e in 2021, increasing by $10 per tCO_2e annually until it reaches $50 per tCO_2e in 2022.

2.2.5 Federal Clean Fuel Standard

The federal government is developing a Clean Fuel Standard (CFS), which will require fossil fuel producers, importers and distributors to reduce the carbon intensity of the fuels used in Canada. In December 2020, the federal government announced that the proposed CFS will not impose a compliance obligation on gaseous or solid fuels. However gaseous fuel producers, importers and distributors may have the ability to participate in the CFS by generating credits for production/import of low carbon fuels such as RNG and hydrogen. As a result, Enbridge Gas anticipates that any RNG or hydrogen procured as part of Enbridge Gas's supply portfolio may generate CFS credits, effectively lowering the cost of these fuels. As the CFS regulation has not been finalized, impacts of the CFS have not been considered in the 2021 Annual Update.

2.2.6 Integrated Resource Plan

The OEB established an IRP Framework for Enbridge Gas effective July 22, 2021.[14]. OEB staff notes that the IRP Framework sets out a role for non-pipeline solutions to meet customer needs in the future, and that the outcomes of the IRP Framework may need to be addressed in future annual updates to the GSP.

2.3 Demand Forecast Analysis

Enbridge Gas's in-franchise customers are divided into two customer segments: the general service market and the contract market. A majority of Enbridge Gas's customers in the general service market are residential and small commercial customers who primarily use natural gas for space heating. Accordingly, their consumption is weather sensitive. The remaining rate classes constitute the contract market which is largely made up of large industrial firms with fairly consistent demand over the year.

Enbridge Gas provides distribution services to all in-franchise customers. Customers have the option to purchase gas from Enbridge Gas as a sales service customer or arrange their own supply through a direct purchase arrangement. Within the general service rate classes, 80% of the customers are sales service while the remaining 20% are direct purchase customers. Conversely, in the contract market, the majority of customers (92%) are on direct purchase.

[14] EB-2020-0091 Decision and Order, July 22, 2021.

2.3.1 Annual Demand

The annual demand forecasts are prepared separately for the EGD and Union rate zones, using OEB-approved methodologies. Overall, the pandemic reduced total annual demand in the contract market in 2020, with volumes expected to return to pre-pandemic levels in 2021. However, the current forecast is showing higher demand compared to the 2020 annual update as a result of updated driver variables, recent actual consumption trends, and known and forecasted customer and contracted demand growth. Compared to the previous forecast, general service demands are expected to be about 2.8% higher on average, driven by updated average use and partially offset by a lower customer forecast. The contract market overall is an average 4.2% higher due to higher firm contract demand in some markets and planned growth. However, as observed from Table 1 below, Enbridge Gas's total annual demand is expected to be almost flat, increasing by an average 0.3% over the forecast period. Year over year, increasing demand from customer growth is slightly outpacing decreases related to DSM savings and other efficiencies. Table 1 below illustrates the annual demand forecast for each rate zone.

Table 1: Annual Demand Forecast

Line No.	Particulars (TJ)	2020/21	2021/22	2022/23	2023/24	2024/25
	EGD					
1	General Service	388,193	390,299	392,361	395,340	396,176
2	Contract	70,625	70,148	69,784	69,513	68,861
3	Total EGD	458,819	460,448	462,145	464,853	465,037
	Union North West					
4	General Service	14,335	14,470	14,484	14,601	14,579
5	Contract	1,636	1,683	3,767	4,803	4,798
6	Total Union North West	15,971	16,153	18,252	19,404	19,377
	Union North East					
7	General Service	38,290	38,646	38,671	38,961	38,892
8	Contract	3,763	3,878	3,884	3,871	3,858
9	Total Union North East	42,053	42,524	42,555	42,832	42,750
	Union South					
10	General Service	175,431	175,430	175,133	175,944	175,170
11	Contract	54,127	56,738	57,587	55,609	54,407
12	Total Union South	229,558	232,168	232,720	231,553	229,577
13	Total Demand Forecast	746,401	751,292	755,671	758,642	756,741

2.3.2 Design Day Demand

The EGD rate zone design day demand[15] weather conditions are based on a 1 in 5 recurrence interval using a lognormal distribution. The Union rate zones design day demand weather conditions are based on the coldest observed degree day. Table 2 below illustrates the design day demand forecast for each rate zone.

Table 2: Design Day Demand Forecast

Line No.	Particulars (TJ/d)	2020/21	2021/22	2022/23	2023/24	2024/25
1	EGD	4,022	4,040	4,057	4,074	4,090
2	Union North West	128	128	128	128	127
3	Union North East	398	404	406	410	409
4	Union South	3,137	3,175	3,275	3,450	3,486

2.4 Current Portfolios

2.4.1 Commodity Portfolio

Enbridge Gas procures supply on behalf of its system sales service customers from diverse sources including the Western Canadian Sedimentary Basin, Dawn, Chicago, Niagara, U.S. Midcontinent, and the Appalachian Basin in the U.S. Northeast. These supply sources, along with Enbridge Gas's transportation contracts move the supply to both the distribution system and storage assets.

[15] Natural gas utilities are expected to provide a firm level of service to customers on an extremely cold weather day called the Design Day.

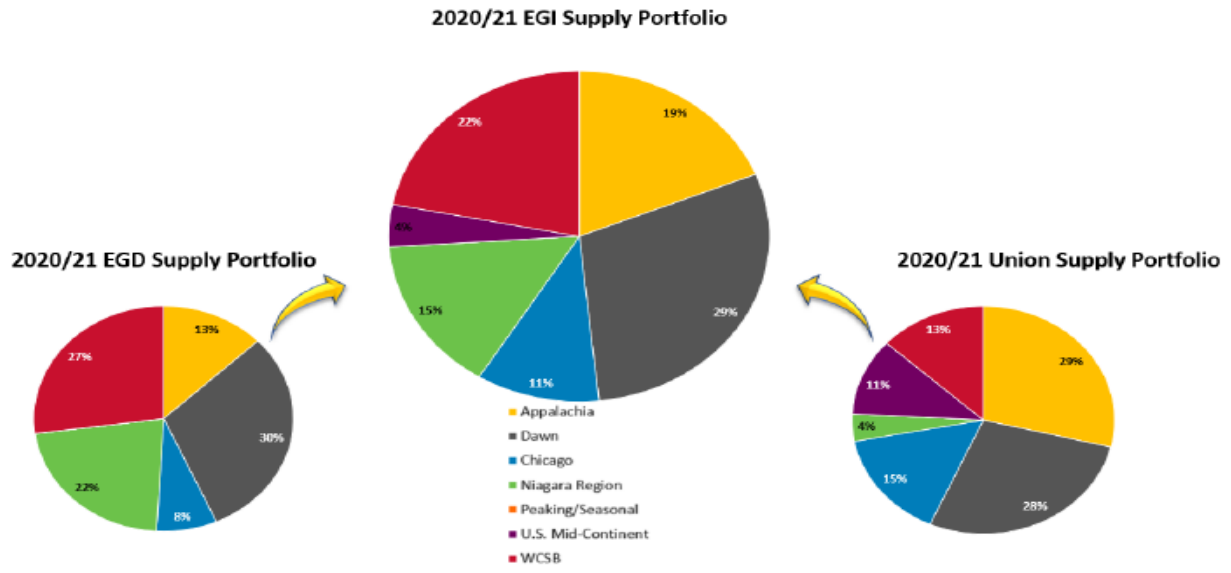


Figure 1: Enbridge Gas Sources of Supply

2.4.2 RNG Portfolio

Enbridge Gas has forecasted total RNG procurement for the voluntary program to reach approximately 35,000 GJ by the third year after program launch (2024). RNG is not currently reflected in Enbridge Gas's GSP due to the relatively low volumes forecasted for RNG in relation to Enbridge Gas's total gas supply portfolio.

2.4.3 Sustainable Natural Gas

Enbridge Gas is investigating the possibility of acquiring Sustainable Natural Gas (SNG) as part of its system supply portfolio. SNG represents gas that is responsibly sourced and conforms to certain standards. These standards measure the impacts to environmental, social and governance (ESG) attributes including air and water quality, carbon emissions and relations with indigenous communities.

Enbridge Gas estimates the premium for sourcing SNG to be in the $0.05 per GJ to $0.15 per GJ range.

2.4.4 Transportation Portfolio Changes

For the period of November 1, 2020, to March 31, 2022, the Union South rate zone has the following portfolio change:

NEXUS Pipeline

During the summer of 2020, Enbridge Gas acquired 25,000 dekatherms per day of NEXUS pipeline capacity for the term November 1, 2020 to March 31, 2022 with a receipt point of Clarington and a delivery point of Kensington. The contract provides the following additional benefits:

I. Supports of the acquisition of supply from upstream markets, maintaining diversity of contract terms and supply basis

II. Provides flexibility to access other supply points along the path

III. Provides Enbridge Gas with receipt flexibility within the path

IV. Provides flexibility as the capacity can be segmented

V. Landed cost of gas flowing to Enbridge Gas along this route is competitively priced.

2.4.5 Storage Portfolio

Storage provides a cost-effective, reliable and secure alternative to purchasing commodity when required. Storage provides operational flexibility allowing Enbridge Gas to fill storage during the low consumption months (and when gas supply prices are usually lower) and withdraw during the winter to meet the design day storage withdrawal requirements.

In accordance with the Natural Gas Electricity Interface Review (NGEIR) Decision, the amount of cost-based storage reserved for legacy EGD rate zone customers is 99.4 PJ and 100 PJ for legacy Union Gas customers.[16]

In addition to the cost-based storage available to customers in the EGD rate zone, Enbridge Gas holds 11 service agreements for 26.4 PJ of storage capacity at market-based rates. Every year Enbridge Gas conducts analysis to determine its storage requirements. Based on the results of the analysis, a blind RFP process is undertaken to replace expiring storage service agreements or add incremental storage capacity.

2.4.6 Unutilized Capacity

Enbridge Gas does not plan for any unutilized EGD rate zone capacity of its TCPL long-haul transportation. For the Union South rate zone, Enbridge Gas plans for upstream pipeline capacity to flow at 100% utilization each day of the year. During low

[16] EB-2005-0551, Decision with Reasons, November 7, 2006.

consumption periods, excess supply is injected into storage at Dawn and when demand is high, gas is withdrawn from storage and transported to Union South in-franchise customers. Consequently, there is no planned unutilized capacity in Union South.

In the Union North rate zones, the upstream transportation portfolio is sized to meet design day demand. Accordingly, there is planned unutilized capacity in the Union North rate zones. If weather is colder than normal and/or annual consumption is greater than forecast, Enbridge Gas will use this capacity to meet incremental supply requirements.

Table 3 illustrates the total planned UDC by rate zone.

Table 3: Planned UDC

Line No.	Particulars (PJ)	2020/21	2021/22	2022/23	2023/24	2024/25
1	EGD	-	-	-	-	-
2	North West	9.7	8.5	8.6	9.7	8.3
3	North East	5.9	6.3	4.4	5.2	6.7
4	South	-	-	-	-	-
5	Total Planned UDC	15.6	14.8	13.0	14.9	15.0

2.5 Supply Options Analysis

Enbridge Gas evaluates supply options using several criteria. They are based on applicable OEB guiding principles. Enbridge Gas focused on reliability and security of supply, and cost effectiveness.

Factors that impact reliability include supply liquidity, nomination performance, delivery performance, distance of haul, gate station connectivity and the level of third-party services. Enbridge Gas also considered flexibility and diversity of supply to ensure the required level of supply security to customers. Some elements of flexibility that Enbridge Gas considers include contracting lead time, transportation contract term, supply contract term, availability of third-party services, number of nomination windows and renewal rights. When evaluating a supply option's impact on diversity, Enbridge Gas assesses the ability to provide transportation capacity through multiple paths.

Finally, Enbridge Gas's evaluation of the costs of a potential supply option is mainly a quantitative exercise and considers the landed costs ($ per GJ/day). If the option is intended to meet design day needs, annual costs are calculated.

With the exception of the Union North rate zones, there have been no changes in options to serve and no material differences in the evaluation matrix used in the five-year GSP. The Union Northeast forecast shows a 2 TJ per day shortfall starting in

2023/24 which grows to 3 TJ per day by 2024/25. Enbridge Gas intends to monitor this small deficit and may procure a transportation service in the future to meet its needs.

2.6 Gas Supply Plan Execution

Enbridge Gas stated that it executes the GSP, balancing reliability, diversity and flexibility, while achieving a cost-effective solution for ratepayers. To manage risk, Enbridge Gas procures supply regularly throughout the year from creditworthy counterparties at multiple trading points using a layered approach with consideration to diversity of delivery term and supplier. The weather forecast is used as a means of assessing potential demand impacts and required adjustments to the supply plan for the upcoming month.

2.7 Procurement Process and Policy

On October 2, 2019, the *Gas Supply Procurement Policies and Practices* document was updated to represent a combined group of policies and practices for both legacy utility's (EGD and Union Gas) rate zones. The objective of the policies remains consistent with past versions from both legacy utilities to provide cost effective, reliable and diversified supply with appropriate controls and credit requirements.

In 2020, Enbridge Gas received OEB approval of two applications that will result in Enbridge Gas purchasing RNG to support the Voluntary RNG Program and hydrogen to support the Low Carbon Energy Project (LCEP). In January 2021, the Gas Supply Procurement Policies and Practices were updated to allow for the purchase of hydrogen.

2.8 Three-Year Historical Review

The following tables provide an overview of the previous three year forecasted to the actual.

Table 4: Actual vs Plan Heating Degree Day

Line No.	Particulars (HDD)	2017/18			2018/19			2019/20		
		Actual	Plan	Variance	Actual	Plan	Variance	Actual	Plan	Variance
1	EGD Central	3,818	3,642	5%	3,841	3,640	6%	3,648	3,621	1%
2	EGD Eastern	4,521	4,331	4%	4,707	4,325	9%	4,418	4,336	2%
3	EGD Niagara	3,604	3,421	5%	3,637	3,417	6%	3,424	3,417	0%
4	Union North West	5,479	4,918	11%	5,460	4,948	10%	5,173	4,941	5%
5	Union North East	5,064	4,918	3%	5,100	4,948	3%	4,864	4,941	-2%
6	Union South	3,921	3,779	4%	3,909	3,782	3%	3,726	3,763	-1%

In 2019/20, heating degree days were relatively close to budget across most weather zones; colder than expected in EGD Central, Eastern, Niagara and Union Northwest; and warmer in Union Northeast and Union South.

Table 5: Actual vs Plan Annual Demand

Line No.	Particulars (TJ)	2017/18 Actual	2017/18 Plan	2017/18 Variance	2018/19 Actual	2018/19 Plan	2018/19 Variance	2019/20 Actual	2019/20 Plan	2019/20 Variance
	EGD									
1	General Service	394,777	368,461	26,317	413,685	379,759	33,926	381,268	378,189	3,079
2	Contract	68,241	66,898	1,343	67,770	67,245	525	64,216	66,821	(2,606)
3	Total EGD	463,018	435,358	27,660	481,456	447,004	34,451	445,484	445,010	474
	Union North West									
4	General Service	14,765	13,420	1,345	14,994	14,008	986	14,176	14,375	(198)
5	Contract	2,861	2,022	839	2,172	1,347	825	1,879	1,418	461
6	Total Union North West	17,626	15,442	2,184	17,165	15,355	1,811	16,055	15,793	262
	Union North East									
7	General Service	38,849	36,834	2,015	40,199	36,329	3,871	38,477	38,248	230
8	Contract	4,019	3,879	140	4,003	3,663	340	4,004	4,227	(223)
9	Total Union North East	42,868	40,713	2,155	44,203	39,992	4,211	42,481	42,474	7
	Union South									
10	General Service	176,087	161,379	14,708	180,218	164,995	15,223	169,670	173,530	(3,860)
11	Contract	51,808	49,350	2,458	53,593	50,015	3,578	53,990	51,814	2,176
12	Total Union South	227,895	210,729	17,166	233,811	215,010	18,801	223,660	225,344	(1,684)
13	Total Demand Forecast	751,407	702,242	49,165	776,634	717,361	59,274	727,680	728,622	(941)

In 2019/20, actual demand was relatively close to budget overall, versus the previous two years which were colder than normal.

Table 6: Actual vs Plan Commodity Purchases

Supply Actual vs Plan

Line No.	Particulars (TJ)	2017/18 Actual	2017/18 Plan	2017/18 Variance	2018/19 Actual	2018/19 Plan	2018/19 Variance	2019/20 Actual	2019/20 Plan	2019/20 Variance
	EGD									
1	Appalachia	-	43,466	(43,466)	42,152	43,466	(1,314)	38,500	43,585	(5,085)
2	Chicago	67,537	25,258	42,279	24,418	25,233	(815)	20,866	25,192	(4,325)
3	Niagara Region	72,462	72,988	(526)	72,483	73,085	(603)	72,319	73,303	(984)
4	Dawn	130,891	101,518	29,372	124,929	98,601	26,327	105,287	89,687	15,599
5	Peaking/Seasonal	216	135	81	1,013	166	847	-	96	(96)
6	WCSB	65,670	69,287	(3,617)	86,322	82,303	4,018	87,922	89,903	(1,981)
7	Total EGD	336,776	312,653	24,122	351,316	322,855	28,461	324,893	321,766	3,127
	Union North West									
8	WCSB	15,487	11,343	4,144	19,242	11,541	7,701	19,327	16,975	2,352
9	Ontario/Dawn	3,293		3,293	4,602		4,602	359		359
10	Total North West	18,780	11,343	7,437	23,844	11,541	12,303	19,685	16,975	2,710
	Union North East									
11	Appalachia	-	3,218	(3,218)	19,228	19,255	(27)	18,750	19,308	(558)
12	Chicago	8,016	16,037	(8,021)		-	-	-		-
13	Dawn	20,936	7,326	13,610	15,039	10,783	4,255	9,419	7,206	2,214
14	WCSB	4,545	4,781	(236)	1,491	1,364	127	1,495	1,368	127
15	Total North East	33,497	31,362	2,135	35,758	31,403	4,355	29,664	27,882	1,782
	Union South									
16	Appalachia	-	6,436	(6,436)	38,275	38,510	(234)	37,546	38,615	(1,069)
17	Chicago	32,365	24,329	8,036	30,332	30,807	(476)	27,412	30,892	(3,479)
18	Great Lakes			-			-	-	7,723	(7,723)
19	Niagara Region	7,553	7,702	(149)	6,879	7,702	(823)	7,722	7,723	(1)
20	Ojibway	7,702	7,702	0	7,702	7,702	0		-	-
21	Dawn	48,777	47,535	1,242	54,963	44,158	10,806	33,411	42,287	(8,876)
22	U.S. Mid-Continent	48,030	42,345	5,685	13,470	13,478	(8)	18,232	22,011	(3,779)
23	WCSB	1,095	1,095	-	1,095	1,095	(0)	8,821	1,098	7,723
24	Total South	145,522	137,144	8,378	152,716	143,452	9,264	133,144	150,348	(17,205)
25	Total Supply Forecast	534,575	492,503	42,072	563,634	509,251	54,384	507,387	516,971	(9,585)

**Ontario Production is included as part of the Dawn number in the Union South total*

For 2019/20, warmer than normal weather decreased demand and gas supply deliveries.

Table 7: Actual vs Plan UDC

Planned UDC

Line No.	Particulars (PJ)	2017/18 Actual	2017/18 Plan	2017/18 Variance	2018/19 Actual	2018/19 Plan	2018/19 Variance	2019/20 Actual[1]	2019/20 Plan	2019/20 Variance
1	EGD	-	-	-	-	-	-	-	-	-
2	North West	6.7	14.3	(7.6)	1.4	14.4	(13.0)	8.0	8.4	(0.4)
3	North East	0.6	2.7	(2.1)	0.9	4.3	(3.4)	8.4	7.1	1.3
4	South	-	-	-	-	-	-	11.6	-	11.6
5	Total UDC	7.3	17.0	(9.7)	2.3	18.6	(16.3)	28.0	15.6	12.4

[1] *Actual 2019/2020 UDC volume allocations are preliminary. Final allocations will be filed in the 2020 Non-Commodities Deferral proceeding.*

Actual UDC incurred was 12.4 PJ higher in 2019/20 as compared to planned primarily due to warmer than normal weather.

2.9 Performance Measurements

Enbridge Gas's performance metrics for 2019/20 can be found in Appendix A with a brief explanation of each measure's intent.

3 STAKEHOLDER COMMENTS AND OEB STAFF ANALYSIS

The consultation provided stakeholders an opportunity to submit written questions to Enbridge Gas which was followed by a stakeholder conference. At the stakeholder conference, Enbridge Gas provided written or oral responses to the questions and provided further information about the 2021 annual update.

The process also provided stakeholders an opportunity to submit written comments on Enbridge Gas's GSP on May 11, 2021. Twelve stakeholders[17] submitted written comments. Enbridge Gas was given the opportunity to review stakeholders' written comments and decide whether to: (i) provide written comments in response, and/or (ii) revise its plan and provide a revision statement that outlines any changes, together with the rationale for those changes. Enbridge Gas submitted its response to the comments on May 25, 2021, with no changes proposed to its GSP.

Below is a summary of the key issues raised by stakeholders on Enbridge Gas's annual update to the GSP and Enbridge Gas's response to these comments. OEB staff analysis does not appear in a separate section but immediately follows stakeholder comments so as to provide a better context to the discussion.

A Summary of OEB Staff Recommendations

OEB staff is of the view that Enbridge Gas provided the required information (i.e., the framework criteria) necessary to evaluate whether the annual update to the GSP continues to meet the OEB's guiding principles. OEB staff further believes that any matter addressed in this annual update do not warrant further review of the plan (prior to the filing of the next annual update) or require a hearing before the OEB at this time.

Overall, none of the stakeholders raised significant concerns regarding Enbridge Gas's annual update. CCC/VECC in its comments noted, "it is our view that Enbridge Gas has a robust and prudent gas planning process and resultant gas plan". LPMA and Anwaatin were generally supportive of Enbridge Gas's annual update.

With respect to specific concerns raised in this review, OEB staff generally agrees with stakeholder suggestions that Enbridge Gas should provide additional information on certain matters in future updates (e.g. sustainable natural gas, load balancing costs,

[17] Anwaatin Inc. (Anwaatin); Building Owners and Managers Association, Greater Toronto (BOMA); Consumer Council of Canada/ Vulnerable Energy Consumers Coalition (CCC/VECC), Canadian Manufactures & Exporters (CME); Environmental Defence (ED); Federation of Rental-housing Providers of Ontario (FRPO); Industrial Gas Users Association (IGUA); London Property Management Association (LPMA); Northwestern Ontario Chambers of Commerce Coalition (NWCOC Coalition); Ontario Sustainable Energy Association (OSEA); Pollution Probe; and School Energy Coalition (SEC)

and comparative analysis). OEB staff further supports stakeholders' suggestion regarding the development of goals or targets for some of the performance metrics.

OEB staff also notes that the annual review process should be used as a platform to proactively seek stakeholders' input on upcoming integration proposals (e.g. design day) and other matters such as sustainable natural gas. It is also an appropriate forum to disclose rate related matters such as the increased tolls associated with the NEXUS contract.

3.1 Timing of Annual Update

Enbridge Gas requested that future annual updates be filed by March 1 of each year in place of February 1 as directed by the OEB for the filing of the 2021 update.[18] Enbridge Gas noted that the proposed timeline will better align with internal gas supply planning timelines and allow for the provision of annual updates that contain the most up to date information.

LPMA supported Enbridge Gas's request for a March 1 filing. Conversely, Pollution Probe recommended staying with the existing timeline of February 1 for filing annual updates. Pollution Probe submitted that the timing of the annual updates should be as close to the start of the calendar year. Pollution Probe further noted Enbridge Gas receives internal executive approval of the annual update in the third quarter of the calendar year and therefore a February 1 filing is achievable.

In response, Enbridge Gas maintained that March 1 is an appropriate filing date for future annual updates. Enbridge Gas submitted that the proposed timeline allows for the full year's information to be available from the previous year for the performance metrics and historical reporting. Enbridge Gas further maintained that the proposed timeline will allow feedback obtained through the stakeholder consultation process to be considered in the GSP going into the next winter season.

OEB Staff Recommendations

OEB staff supports Enbridge Gas's proposed March 1 annual filing timeline. It is OEB staff's opinion that the proposed timeline will not adversely impact the current review process and will provide the most up to date historical results on performance metrics and reporting requirements.

[18] OEB Letter July 6, 2020.

3.2 Performance Metrics

Stakeholders did not raise any specific concerns with the performance metric results. However, several stakeholders suggested additional metrics and the inclusion of goals or targets for some of the metrics.

Pollution Probe and BOMA submitted that there was no context for some of the metrics and with the absence of goals or objectives, it was difficult to assess whether the achieved performance represented poor or excellent performance. Pollution Probe further recommended the addition of performance metrics within the area of public policy. Such measures could include specific municipal access to RNG and number of infrastructure projects deferred or avoided due to supply side alternatives.

FRPO suggested the addition of new metrics related to load balancing costs and reduction of Utilized Demand Charges.

In reply, Enbridge Gas noted that it will consider stakeholder feedback on the existing performance metrics and whether it is appropriate to add items and provide guidance for target results for some of the performance metrics and report back in the next annual update.

OEB Staff Recommendations

OEB staff agrees with the comments of stakeholders that goals or targets for some of the performance metrics (e.g. metrics on diversity of supply) would be useful to provide a benchmark against which performance can be assessed. OEB staff considers Enbridge Gas's proposal to evaluate suggestions and feedback and report back as part of the next annual update to be responsive to stakeholder comments.

3.3 Changes to Existing Process

Blind RFP Process

A blind RFP process is used for storage because Enbridge Gas and its affiliates own and operate a significant amount of non-utility storage facilities in Ontario. Enbridge Gas engaged ScottMadden to conduct an evaluation of its blind RFP process. As noted earlier, Enbridge Gas incorporated all of ScottMadden's recommendations into its blind RFP process that took place during January 2021.

CCC/VECC and FRPO supported the changes to the Blind RFP process and confirmed that the changes adequately responded to concerns raised in the previous review of the GSP.

OSEA submitted that Enbridge Gas's blind RFP process does not include any adjustments to normalize carbon pricing between jurisdictions. Accordingly, OSEA submitted that proposals from lower carbon priced jurisdictions have an advantage in the Blind RFP process. In order to support Ontario's and Canada's climate change policies, OSEA suggested changes to the Blind RFP process to normalize the cost of carbon emissions with Ontario's prevailing carbon pricing regime. This would allow for different proposals to be compared on a similar basis with reference to Ontario's carbon costs.

Enbridge Gas did not agree with OSEA's recommendation as prices for storage services are competitive and providers choose the prices they charge which may or may not reflect the costs they pay for carbon. Enbridge Gas also noted that it is not reasonable and not in the interests of ratepayers to normalize carbon pricing for storage services as such prices would not actually apply or be paid.

OEB Staff Recommendations

OEB staff believes that Enbridge Gas has implemented adequate changes to the Blind RFP process and the proposed enhancements address the gaps identified in the OEB Staff Report on the Five-Year GSP.[19]

OEB staff agrees with Enbridge Gas's position that bids from storage providers may not fully reflect the costs of providing storage services, including the cost of carbon. OEB staff also notes that there is no regulatory or provincial requirement to normalize storage contract bids from other jurisdictions to incorporate a consistent carbon pricing regime. Normalizing bids to reflect Ontario's carbon costs would create an artificial pricing structure that does not reflect the actual costs paid by the utility.

3.4 Review of Ontario Storage Market

In November of 2006, the OEB issued a decision in the Natural Gas Electricity Interface Review (NGEIR) proceeding wherein the OEB determined that the storage market was workably competitive and that it would cease regulating prices charged for certain storage services.[20]

CCC/VECC expressed a concern as to whether there is a robust natural gas storage market available to Enbridge Gas customers. CCC/VECC recommended that the OEB

[19] EB-2019-0137, Final OEB Staff Report to the Ontario Energy Board, March 26, 2020.
[20] EB-2005-0551, Decision with Reasons, November 7, 2006.

add to its business plan a review of the Ontario storage market to ensure ratepayers are not paying monopoly rents for that service.

Enbridge Gas in reply submitted that it was not necessary or appropriate to revisit the findings of the NGEIR Decision. In the review of Enbridge Gas's 5-year GSP, Enbridge Gas submitted that the Competition Bureau reviewed the proposed merger between Enbridge Inc. and Spectra Energy and did not express any concerns with respect to the competitive impact of the merger on market participants. Enbridge Gas further noted that the OEB's Decision in the MAADs proceeding (that considered the amalgamation of EGD and Union Gas), determined that the status quo with respect to storage would continue during the deferred rebasing period and that a review of the NGEIR Decision was out of scope.[21]

OEB Staff Recommendations

OEB staff is of the view that the review of the Ontario storage market is out of scope for the review of GSPs as this is a policy matter. Any consideration of whether the storage market should be reviewed should follow Enbridge Gas's consolidated rebasing proceeding.

3.5 Sustainable Natural Gas (SNG)

In its annual update, Enbridge Gas proposed purchasing a portion of its gas that is sourced through socially responsible means. Enbridge Gas termed this gas as SNG and it was exploring the possibility of acquiring SNG within its system supply portfolio at a small premium.

Several stakeholders rejected Enbridge Gas's proposal in its current format. Stakeholders submitted that the label of "Sustainable Natural Gas" is misleading, where "sustainable" is associated with decarbonized fuel, which SNG is not. CME suggested the use of some other term to describe the gas such as "certified natural gas" while Anwaatin suggested the term "socially responsible natural gas". LPMA also proposed similar terminologies. However, Anwaatin was supportive of Enbridge Gas procuring supply from producers that certify their natural gas under frameworks such as Equitable Origin's EO100 Standard.[22]

[21] EB-2019-0137 Enbridge Gas Reply Submission, November 18, 2019, paras 68-72.
[22] The EO100 Certification process evaluates producers based on their impacts to water, air, wildlife, indigenous relations and working conditions for employees.

Enbridge Gas essentially agreed with stakeholders that a different term would be appropriate to describe gas that is not zero-carbon. Enbridge Gas stated that it would consider alternate descriptors and report back in the 2022 Annual Update.

SEC referred to the lack of information regarding the procurement method and cost differential regarding the source of supply. SEC and CCC/VECC submitted that Enbridge Gas should be required to bring forward a comprehensive proposal for review by parties and the OEB before any cost consequences are approved.

CME, IGUA and LPMA argued that Enbridge Gas should only be allowed to recover the cost of SNG from ratepayers if it can demonstrate that the premium paid provides corresponding benefits to ratepayers. Environmental Defence added that Enbridge Gas should provide more details regarding the potential reduction in carbon emissions and the cost per ton of avoided CO2 resulting from using SNG.

Based on comments from stakeholders, Enbridge Gas confirmed that it does not plan to include SNG in its gas supply portfolio for 2021 unless SNG can be procured without incremental cost when compared to “non-certified” natural gas. In the event that Enbridge Gas wishes to pursue procuring SNG in 2022 or beyond, it will provide further evidence in support of its plan in future annual updates.

OEB Staff Recommendations

The OEB is an economic regulator and the cost of natural gas is an important aspect of protecting ratepayer interests. In the absence of any regulatory or government direction, OEB staff is of the opinion that a premium for socially responsible gas can only be justified if the benefits outweigh the incremental costs. For the present time, OEB staff agrees with Enbridge Gas’s revised position not to procure SNG in 2021 unless it can be secured at no additional costs when compared to “non-certified” natural gas, and to provide further evidence to support its proposal in future annual updates.

3.6 Comparative Information

Some stakeholders were of the opinion that Enbridge Gas could provide additional information or analysis to support the GSP. Environmental Defence submitted that Enbridge Gas should provide more comparative information including changes in annual demand and design day forecasts and the need for infrastructure projects. FRPO added that avoided cost benefit analysis should be included in the choice of supply side alternatives to reduce or eliminate a future facility build.

Enbridge Gas did not agree that the GSP or annual updates need to indicate how changes in demand forecasts would impact the need or lack of need for infrastructure projects. Enbridge Gas noted that the gas supply team procures capacity and it is up to

the Enbridge Gas transmission group to determine if new infrastructure is required to supply the requested capacity. Enbridge Gas maintained that facilities usually require a longer-term commitment, and a decision is made on the basis of which option best meets the identified need.

OSEA disagreed that the power sector consumption will grow unimpeded into the future and recommended that Enbridge Gas revisit its demand forecast in the power sector. OSEA noted that the demand forecast assumes a federal carbon charge of $50 per ton in 2022 and subsequent increases of 2% per year thereafter; this is inconsistent with the Federal Government's announced intention of increasing the federal carbon charge from $50 per ton in 2022 to $170 per ton by 2030. OSEA claimed that Enbridge Gas's assumptions underlying the demand forecast were off by over 25% which was a significant deviation.

Enbridge Gas in reply confirmed that it would update the demand forecast for power sector customers (as well as for other customers) to the extent that underlying assumptions change (i.e. carbon pricing change) in future updates. However, Enbridge Gas did note that power sector customers are generally responsible for their own gas supply and therefore have no impact on the GSP.

LPMA suggested that Enbridge Gas should provide more detailed information in future annual updates on heating degree day sensitivities. In the current review, Enbridge Gas noted that a one-degree Celsius change in annual heating degree days reduced the plan heating degree days in 2020/21 by 7.4% and 10.7% depending on the region. LPMA submitted that a one percent change in annual heating degree days is a more appropriate sensitivity analysis than a one-degree Celsius change in the average daily temperature. LPMA noted that a change of one-degree has a different impact in January than it does in July. LPMA further suggested that it would be useful in future reviews to get further details on the weather sensitivity both by region and rate class within region and that the information should be based on customers that buy their gas from Enbridge Gas.

Pollution Probe commented that the Integrated Resource Planning (IRP) framework should be taken into account for the 2022 annual update.

Enbridge Gas was agreeable to providing more detailed information about heating degree day sensitivities in future annual update if OEB staff considered it appropriate. Enbridge also stated that the 2022 update would take into account the IRP framework although the initial impact is expected to be modest.

OEB Staff Recommendations

OEB staff sees merit in the changes proposed by LPMA on the heating degree day sensitivity analysis. In particular, OEB staff agrees with LPMA that a one percent change in degree days would be more meaningful than a one-degree day change. OEB staff also sees merit to base the sensitivity analysis on customers that are on system supply because it has a direct impact on the GSPs. A sensitivity analysis by region would also be useful as some regions are more heat sensitive than others and transportation options in some regions are more limited. OEB staff however considers that heating degree day sensitivity analysis by rate class would be overly onerous and not necessary as it is the aggregated effect of changes in degree days by region that will impact the GSPs.

In the OEB staff report on the 5-Year Review of the GSP, OEB staff recommended that Enbridge Gas identify any infrastructure requirements associated with supply options alternatives.[23] Enbridge Gas added this information to the evaluation matrix in this annual update. OEB staff believes that some of the additional information requested by Environmental Defence (i.e. need for infrastructure projects) has been addressed. OEB staff also believes that the inclusion of tables showing the changes in annual and design day forecast would be useful as it would facilitate a comparative analysis.

3.7 Market-Based Storage and Load Balancing

FRPO observed that the Incremental Transportation Contracting Analysis is completed using the Landed Cost Analysis for the Union rate zones. This approach according to FRPO only provides the estimated cost of supply and transportation to a commonly measured location but does not reflect the cost to re-deliver the seasonal varying amounts to the customer. FRPO noted that additional transportation costs (Dawn to Parkway capacity and Parkway to Union North capacity) and storage costs were not included in the supply option comparative analysis. FRPO submitted that this analysis should include the cost of load balancing.

FRPO further maintained that Enbridge Gas should consider purchasing gas at a fixed market price during the winter months as a substitute for storage to meet parts of its load balancing needs. This is especially applicable to the former EGD rate zone that relies on market-based storage for 20%-25% of its estimated load balancing needs. FRPO noted that a previous study by ICF tested various scenarios with various levels of storage but did not test the forward purchase of fixed price gas. FRPO claimed that Enbridge Gas has refused to provide monthly data that would allow stakeholders to

[23] EB-2019-0137, Final OEB Staff Report to the Ontario Energy Board, March 26, 2020, Pg 28

analyze options to reduce load-balancing costs. Accordingly, FRPO submitted that Enbridge Gas should release the monthly data for each delivery area.

Enbridge Gas disagreed with FRPO's suggestions. Enbridge Gas noted that there are multiple rate classes and other costs included in customer bills that makes comparison of costs between options difficult. Enbridge Gas noted that it does show bill impacts in the option comparison tables and the impact of all options is less than1%.[24]

With respect to additional monthly data, Enbridge Gas submitted that its purchase decisions related to market-based storage capacity for the EGD rate zone are consistent with the analysis and recommendations from a prior ICF study. Enbridge Gas noted that market-based storage for the EGD rate zone has contributed to stable and cost-effective natural gas prices for customers over the past several years and it was not necessary to revisit this approach, at least until rebasing when the gas supply portfolio is harmonized and load balancing requirements are assessed at a consolidated level.

OEB Staff Recommendations

OEB staff is interested in better understanding how load balancing costs could be included when comparing various supply options alternatives (including purchasing gas at a fixed market price during winter months). OEB staff recommends that Enbridge Gas consider options on how load balancing costs could be factored in bill impact analysis for the next annual update.

3.8 NEXUS Contract

In December 2015, the OEB approved the recovery of the cost consequences of long-term transportation contracts with respect to the NEXUS pipeline for both the former Union Gas and EGD which included a 15% capital tracker to limit the ratepayers' exposure to potential cost overruns.[25].

FRPO and IGUA noted that Enbridge Gas did not previously provide an update on the tolls paid by Enbridge Gas for the NEXUS pipeline and the appropriateness of the increased tolls (15% increase to forecasted NEXUS tolls). FRPO submitted that it requested cost information on the final NEXUS tolls in Quarterly Rate Adjustment Mechanism (QRAM) applications, but Enbridge Gas did not disclose the relevant information. IGUA was however satisfied with the additional information provided by Enbridge Gas during and after the stakeholder conference which confirmed that the final

[24] 2021 Annual Update evidence, Table 8, 10, 13 and 17
[25] EB-2015-0166/0175

construction costs were in excess of 15% of the original estimate that formed the basis of the OEB-approved NEXUS tolls. IGUA submitted that the updated construction costs supported the 15% increase to the forecasted NEXUS tolls.

In reply, Enbridge Gas maintained that the utility provided all requested information about the NEXUS costs during and following the stakeholder conference. Enbridge Gas further submitted that no party including FRPO objected to the NEXUS contract costs that are included in the GSP and in gas supply costs.

OEB Staff Recommendations

While OEB staff agrees that Enbridge Gas filed the requested information, OEB staff notes that this was only filed in response to queries by stakeholders. OEB staff submits that Enbridge Gas should have clearly identified and provided the relevant information (final NEXUS tolls and updated construction costs) at the earliest opportunity in an appropriate proceeding (QRAM and/or annual update). OEB staff believes that such information should always be provided in an annual update to the GSP.

3.9 Cost Consequences of the GSP

Some stakeholders expressed concerns regarding the examination of the cost consequences of the GSP. Although CME did not object to Enbridge Gas's assertion that the cost consequences of the GSP are outside of the scope of the annual review, it did note that the QRAM proceedings were not an appropriate forum to review the GSP cost consequences. Accordingly, CME submitted that the review of the GSP cost consequences should take place in other proceedings such as the annual rate case. Pollution Probe similarly assumed that a full review of the cost-effectiveness of the five-year GSP would happen at rebasing.

LPMA suggested that the annual deferral and variance account disposition filings would be the best place to deal with the bill impacts and prudence review of the GSP. LPMA further submitted that the OEB should provide clear guidance on where bill impacts and prudence of the resulting GSP will be addressed.

Enbridge Gas submitted that the OEB's current processes appropriately and adequately allow for the review of gas supply decisions and costs. Enbridge Gas noted that gas supply matters and cost consequences are constantly evolving, and a point-in-time approval would require endless updates and adjustments to specific approvals granted. Enbridge Gas further noted that the Gas Supply Framework allows for a hearing process should OEB staff raise concerns requiring adjudication. Additionally, existing OEB processes such as QRAM applications and Enbridge Gas's annual commodity

deferral account disposition applications allow for review and approval of many gas supply related costs.

OEB Staff Recommendations

The Gas Supply Framework specifically states that the assessment of the GSPs will not result in a decision on the costs or cost recovery; that would be the subject of related applications.[26] However, the Gas Supply Framework sets out the OEB's approach for the assessment of the cost consequences of the GSP. The Framework further notes that the OEB will monitor, evaluate and report on whether the expected policy outcomes for the Framework are being met over time after the first five-year period has been completed.[27] Until then, the Framework contemplates that following consideration of the OEB staff report, the OEB may determine that a proceeding is required to address specific issues highlighted in the OEB staff report.

3.10 Community Expansion

Anwaatin submitted that Enbridge Gas should improve future annual updates to include measures that improve the adequacy of natural gas supply for Indigenous customers, in accordance with community expansion initiatives, including the *Access to Natural Gas Act, 2018*.

NWCOC Coalition proposed that the "Community Expansion" component of the GSP needs to be expanded to describe in more detail how such expansion is considered and provided for in the annual review. NWCOC Coalition also submitted that future community expansions in the GSP should include collaborations with other energy planners in the Northwest, such as the Independent Electricity System Operator and local stakeholders.

Enbridge Gas indicated that it is responsive to community expansion plans but the gas supply team or the GSP itself does not make decisions about community expansion projects that should be pursued. Enbridge Gas was therefore of the opinion that the requested additional details about community expansion plans are not an appropriate or necessary part of annual updates to the 5-Year Plan. Enbridge Gas noted that the OEB had a separate process that considers "Potential Plans to Expand Access to Natural Gas Distribution".[28]

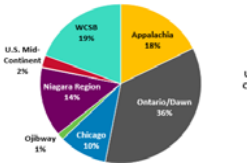
[26] EB-2017-0129, Gas Supply Framework, October 25, 2018, p. 2.
[27] *ibid*, p. 16.
[28] EB-2019-0255

OEB Staff Recommendations

OEB staff agrees that a detailed review of community expansion plans or a recommendation on community expansion projects are not in scope for any GSP review. Rather, it is the outcome of any community expansion plan that will be incorporated in the demand forecast and associated GSP. As stated earlier, Enbridge Gas confirmed that its plan is robust enough to meet community expansion requirements.

APPENDIX A: PERFORMANCE SCORECARD

2019/20 PERFORMANCE METRICS Enbridge Gas Inc.

OEB Guiding Principle	Performance Categories	Intent of Measures	Measures	2018/19 Results
COST EFFECTIVENESS				
The gas supply plans will be cost-effective. Cost-effectiveness is achieved by appropriately balancing the principles and in executing the supply plan in an economically efficient manner.	Policies and Procedures	Demonstrates EGI's consideration of timely pricing information and the utility's ability to transact according to internal policies for managing counterparty risk	Procurement plan reviewed and approved as outlined in the policy	C
			Transacting counterparties have met appropriate credit requirements	C
	Weather Variance[1]	Illustrates weather risk in EGI's Plan correlated with price variances (e.g. Positive HDD variances tends to lead to higher prices)	HDD Variance - EGD CDA	6%
			HDD Variance - EGD EDA	9%
			HDD Variance - EGD Niagara	6%
			HDD Variance - Union North West	10%
			HDD Variance - Union North East	3%
			HDD Variance - Union South	3%
	Price Effectiveness	Demonstrates the diversity of supply terms within EGI's procurement plan through a layered approach to contracting	Distribution of procurement supply terms:	
			Less than one month	14%
			Monthly	28%
			Seasonal	25%
			Annual or longer	32%
		Illustrates price stability and consistency in EGI's Plan	Reference Price[2]	
RELIABILITY AND SECURITY OF SUPPLY				
The gas supply plans will ensure the reliable and secure supply of gas. Reliability and security of supply is achieved by ensuring gas supply to various receipt points to meet planned peak day and seasonal gas delivery requirements.	Design Day	Demonstrates the extent to which EGI is able to procure assets required to meet design day demand, indicating the reliability of the plan	Acquired assets to meet design day requirements, as identified by the plan	100%
	Storage	Demonstrates EGI's execution of its storage inventory strategy	Percentage of actual storage target at November 1 compared to the plan	98%
			Percentage of actual storage target at February 28 compared to the plan	100%
			Percentage of actual storage target at March 31 compared to the plan	95%
	Communication	Ensure ongoing communication and understanding between planning and operations teams	Meet once a month at a minimum to discuss inventory position relative to targets and what action is required	C
			Instances when QRAM expected bill impacts exceed +/- 25%	0
			Communicated to ratepayers when bill impacts exceed +25%	C
	Diversity	Illustrates EGI's diversity of basin, contract term, counterparties and supply procurement in the plan	Supply basin diversity[3]	
			Percentage of contracts with remaining terms of:	
			1-5 years	23%
			6-10 years	33%
			> 10 years	44%
			Total number of unique counterparties	56

2019/20 PERFORMANCE METRICS Enbridge Gas Inc.

OEB Guiding Principle	Performance Categories	Intent of Measures	Measures	2018/19 Results
			Total number of receipt points	27
	Reliability	Reports EGI's experience with pipeline and supply disruptions demonstrating the reliability of the portfolio	Number of days of force majeure on upstream pipelines that reduced capacity	0
			Number of days of force majeure on upstream pipelines impacting customers' security of supply	0
			Number of days of failed delivery of supply	61
			Number of days of failed delivery of supply impacting customers security of supply	0
			Number of days of forced majeures on storage assets	0
PUBLIC POLICY				
The gas supply plan will be developed to ensure that it supports and is aligned with public policy where appropriate.	Supporting Policy	Reports public policy considered in EGI's Plan	Community expansion addressed in the plan	C
			DSM savings addressed in the plan	C
			Federal Carbon Pricing Program addressed in the plan	C
			Percentage of RNG portfolio	0%

Footnotes:

C - Compliant, NI - Needs Improvement

1 - Positive variance indicates colder than planned weather. Negative variance indicates warmer than planned weather.

2 - As filed in QRAM proceeding

3 - For data see Section 9.3