

Elson Advocacy

February 17, 2022

Nancy Marconi,
Registrar (acting)
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, Ontario
M4P 1E4

Dear Ms. Marconi:

**Re: Comments on Draft Natural Gas Facilities Handbook
EB-2022-0081**

I am writing pursuant to the OEB's letter of February 3, 2022 inviting comments on the draft Natural Gas Facilities Handbook (the "Handbook").

Thank you for providing us with the opportunity to make these comments. Environmental Defence supports this initiative. We agree that it could help in efforts to achieve predictable and efficient regulatory processes and process improvements. As requested, these comments focus on the accuracy and clarity of the draft Handbook.

1. Description of non-pipeline solutions

We believe it is appropriate and a positive step forward that the Handbook specifically references non-pipe solutions. We recommend two small adjustments to the wording to more accurately describe those solutions:

- (a) **Mixed solutions:** Non-pipeline solutions can be best in combination with other non-pipeline solutions or with pipeline solutions. For example, geographically targeted efficiency efforts can be combined with a supply-side solution, a repair option, demand response, or a smaller or deferred pipeline. The current wording could be interpreted as putting each solution in its own silo to be assessed in isolation. We suggest the following change in wording to eliminate that potential misinterpretation:

The applicant must demonstrate that the identified need is best addressed by the proposed project, having adequately considered all viable alternatives (including ~~both~~ other pipeline solutions ~~or~~, non-pipeline solutions including integrated

resource planning (IRP) alternatives discussed in further detail below, and combinations thereof).¹

- (b) **Planning/option value and deferral value:** Non-pipeline solutions can provide significant benefits short of the complete avoidance of a pipeline. For example, they can defer a pipeline project, resulting in a deferral value (i.e. the savings from pushing the cost forward in time) and planning/option value (i.e. implementing a smaller solution to allow time to learn whether the forecasted load will actually materialize, which may allow the complete avoidance of a pipeline in the future). We suggest the following wording change to address this comment:

The aim of IRP is to avoid or defer building additional pipeline infrastructure where there are other options available, and to ensure that applicants have thoroughly considered all ~~potential “non-build”~~ alternatives that include non-pipeline solutions.

2. Metrics for comparing alternatives

The draft Handbook describes the metrics to compare alternatives in a way that is potentially inaccurate when it comes to non-pipeline solutions. We suggest the following revisions:

The applicant must demonstrate that it compared the alternatives using appropriate metrics including costs ~~and cost savings~~, benefits, risk, economic feasibility (~~Profitability Index, Net Present Value~~), timing, reliability, safety, land use requirements, permitting requirements, stakeholder impacts (e.g., municipalities, landowners, Indigenous communities) and environmental impacts.²

The rationales for these changes str as follows:

- (a) **Benefits:** An examination of non-pipeline and pipeline solutions also needs to look at the benefits of each option. As outlined in the IRP decision, those benefits are not always limited to “cost savings.” A simple reference to costs and benefits is proposed as that will not exclude potentially relevant impacts.
- (b) **Risk:** Comparative risks are a key metric that must be included in any comparison of alternatives. This is particularly the case with non-pipeline solutions which can help to reduce risks in a number of ways. The IRP decision specifically calls out “risk management” as one of the factors to take into account when comparing alternatives.³

¹ See page 25. Similar wording also would need adjustment on page 34, which is part of the filing requirements, and page 49, which is in Appendix A.

² See page 25. Similar working also would need adjustment on page 49, which is in Appendix A.

³ EB-2020-0091, Decision and Order, IRP, July 22, 2021, p. 3 (“Integrated Resource Planning is a planning strategy and process that considers Facility Alternatives and IRP Alternatives (including the interplay of these options) to address the system needs of Enbridge Gas’s regulated operations, and identifies and implements the alternative (or

- (c) **Profitability index and NPV:** We suggest removing the references to profitability index and NPV as those are not the terms used with respect to non-pipeline solutions in the IRP framework and it is not necessary to specifically reference them.

3. Specific integrated resource planning process issue

We recommend a specific issue be added to Appendix A to address the OEB directions regarding the kind of evidence required in leave to construct applications in relation to IRP. The current issues 2.1 and 2.2 discuss adequate consideration of non-pipeline solutions. This is very positive but does not fully address the specific directions made by the OEB. In particular, the applicant should be required to show that adequate consideration occurred *at the preliminary stage of project development* and support this with in-depth quantitative and qualitative analysis. This flows directly from OEB decisions, such as the 2021 decision in the London Lines case, which stated as follows:

However, despite the OEB approval of the application for leave to construct this Project, the OEB agrees with Environmental Defence that Enbridge Gas has an obligation to conduct a more rigorous Integrated Resource Planning assessment **at the preliminary stage of projects development in future cases**. As OEB staff also notes the failure to present detailed analyses makes it unlikely that Enbridge Gas would select an alternative including DSM or other non-build project option. The OEB acknowledges that more direction is likely to be provided to Enbridge Gas in future leave to construct projects as part of the ongoing IRP proceeding. In the interim, however, the OEB believes that all parties would be assisted if Enbridge Gas would, in the future, **undertake in-depth quantitative and qualitative analyses** of alternatives that specifically include the impacts of DSM programs on the need for, or project design of facilities for which Enbridge Gas has applied for leave to construct.⁴

Similarly, in the 2019 Bathurst Reinforcement decision, the OEB again directed Enbridge “to provide sufficient and timely evidence of how DSM has been considered as an alternative **at the preliminary stage of project development**.”⁵ It also warned Enbridge that it “faces the risk that future application will be deemed incomplete.”⁶ These are just two of many examples of the OEB directing utilities to include detailed IRP analysis in facility LTC applications.⁷

combination of alternatives) that is in the best interest of Enbridge Gas and its customers, taking into account reliability and safety, cost-effectiveness, public policy, optimized scoping, and risk management).

⁴ EB-2020-0192 (London Lines), OEB Decision and Order, January 28, 2021, p. 20 ([link](#)).

⁵ EB-2018-0097, Decision and Order, January 3, 2019, pp. 6-7 ([link](#)).

⁶ *Ibid.*

⁷ EB-2017-0127/0128, *Report of the Ontario Energy Board, Mid-Term Review of the Demand Side Management (DSM) Framework for Natural Gas Distributors (2015-2020)*, November 29, 2018, p. 20-21 ([link](#)) (“The natural gas utilities should continue to develop rigorous protocols to include DSM as part of their internal capital planning process. This should include a comprehensive evaluation of conservation and energy efficiency considered as an alternative to reduce or defer infrastructure investments as part of all leave to construct applications.”); Ontario Energy Board, *DSM Framework*, December 22, 2014, p. 35-36 ([link](#)) (“As part of all applications for leave to

Based on this Board guidance, we recommend that an additional issue 2.3 be added, which includes wording taken directly from previous OEB directions, such as the following:

2.3 Has the applicant undertaken a sufficiently rigorous Integrated Resource Planning assessment starting at the preliminary stage of project development, including in-depth quantitative and qualitative analyses that include the impacts of DSM programs on the need for, or design of the proposed project?

This is an important issue to add because it addresses not only the consideration of non-pipeline solutions, but whether that consideration occurred in a timely way and in a sufficiently rigorous fashion to meet OEB directives.

4. Filing requirements regarding Integrated Resource Planning

For the same reasons as outlined above, we recommend additional wording in the filing requirements section pertaining to integrated resource planning. This is necessary to reflect the OEB directions discussed above. In particular, we recommend the following additional wording on page 34:

7. Provide specific details on how the evaluation of non-pipeline solutions was conducted at the preliminary stages of project development and with sufficient lead time to allow the potential adoption of those solutions, including a detailed breakdown of the qualitative and qualitative analyses undertaken over the various stages of project development in relation to IRP.

5. Risk issue

The draft issue regarding risk is described in terms that exclude important types of risk. In particular, the wording only accounts for risks that can be addressed through contingency budgets, whereas some risks (such as forecasting risks) cannot be dealt with in that way. We suggest the following minor adjustment to address that issue:

3.2: Has the applicant adequately identified and described any risks associated with the proposed project? Is the proposed contingency budget appropriate and consistent with ~~these identified risks~~ the risk of cost overruns?

construct future infrastructure projects, the gas utilities must provide evidence of how DSM has been considered as an alternative at the preliminary stage of project development.”); Ontario Energy Board, *Decision in EB-2012-0451/0433, January 30, 2014*, p. 46-47 (GTA Pipeline) ([link](#)) (the OEB directed Enbridge “to provide a more rigorous examination of demand side alternatives, including rate options, in all gas leave to construct applications.”).

6. Future update

Lastly, we request that the OEB specifically plan for a further update and review of the Handbook in the near future. We have limited these comments to the relatively narrow scope outlined in the OEB's letter of February 3, 2022, which stated that "the OEB does not intend to materially expand the scope of the Handbook at this time or to implement material changes to existing practices." However, we believe there are critical evidence gaps in the materials typically filed in fossil fuel pipeline leave to construct applications. In particular, there is currently no analysis of the impact of decarbonization on project economics and the need to protect consumers by shrinking rate base over time. We hope that these and other important topics will be addressed in the near future.

Yours truly,

A handwritten signature in blue ink, appearing to read 'K. Elson', is written over a light blue horizontal line.

Kent Elson

cc: Parties to the above proceeding