ONTARIO ENERGY BOARD

Enbridge Gas Inc.

Application for Multi-Year Natural Gas Demand Side Management Plan (2022 to 2027)

Final Argument of Industrial Gas Users Association (IGUA)

INTRODUCTION AND IGUA POSITION

1. These submissions are made on behalf of IGUA, whose members are EGI's largest volume customers; those taking natural gas delivery service under rates T2 and Union Rate 100. There are 9 gas fired power generators (GFGs) in these rate classes, represented in this proceeding by APPrO, and 28 large volume industrial customers (LVICs).[1]

2. These LVICs consume several to dozens of millions cubic meters of gas a year, for which they pay hundreds of millions of dollars. Natural gas costs are a very significant proportion of their input costs. These are Ontario's steel, automotive, pulp and paper, petrochemical, refining and plastics producers and mining companies. They are distinct from what are commonly referred to as "industrial" customers in the commercial and industrial ("C&I") gas customer segment.[2]

3. LVIC's, are provided DSM programming under a unique (within EGI's DSM program portfolio) and self-contained (to these two rate classes) Direct Access program.

[1] ExI.10e.EGI.APPrO.1 and Tr. 1-19.
[2] Tr. 1, pp. 15-17.

4. It is IGUA's submission that EGI's LVIC DSM program should be discontinued. These 28 LVICs taking service under rates T2 and Union Rate 100 should not be required to pay in their rates for EGI DSM programing. These very large volume gas consumers;

(a) are subject to direct carbon regulation;

(b) have well developed energy efficiency and decarbonisation corporate mandates driven not only by legislated emission reduction requirements but equally by shareholder and investor ESG expectations;

(c) operate in globally competitive markets where there is both external and internal competition for capital, and make decisions regarding the highest and best use of capital, including in respect of candidate energy efficiency and decarbonisation initiatives, through rigorous economic analysis and internal governance processes unique to their operations and specific to their industries[3]; and

(d) allocate hundreds of millions, and in some cases billions, of dollars a year to energy efficiency, energy transformation and decarbonisation.

5. EGI's LVIC DSM program;

(a) has little if any impact on the energy efficiency and decarbonisation decisions of these customers;

(b) <u>in</u>creases their natural gas costs;

(c) decreases funds available for managing those costs through energy efficiency; and

(d) distracts from internal prioritization of programs to optimize gas use efficiency and decarbonisation initiatives.

INCREASED ENERGY COSTS, DIVERSION OF ENERGY EFFICIENCY AND DECARBONIZATION FUNDS

6. Under EGI's current LVIC DSM program, which EGI proposes to continue, customers are required to pay DSM program costs in their OEB approved rates, and can apply to EGI to recover those DSM costs to fund energy efficiency measures approved by EGI. Any DSM costs not paid back to the customers who paid them through rates are made available to other large volume customers to fund their own approved energy efficiency measures.

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[3] Tr. 1, p.42, lines 22-25.

7. In the process, these customers lose about 20% of their funds off the top to pay for EGI's administration of the program.

   (a) In 2019 customers in rates T2 and Union Rate 100 paid a total of $3.385 million in their rates for DSM programs, exclusive of low-income program costs, of which $0.7 million (20.7%) funded program administration, including allocated DSM overhead.[4]

   (b) In 2020 these same customers paid a total of $3.658 million in their rates for DSM programs, again exclusive of low-income program costs, of which $0.74 million (20%) funded program administration, including allocated DSM overhead.[5]

8. In the result, this program, in practice, actually diverts funds that would otherwise be available for energy efficiency, resulting in customers paying more to achieve energy efficiency than would otherwise be the case.

9. For 2023 and beyond, EGI is proposing to add an EGI shareholder incentive for this program, further increasing the funds diverted from actual energy efficiency and decarbonisation investment by LVICs.

10. The primary purpose of DSM is supposed to be to assist customers in managing their energy bills. EGI's LVIC DSM programming has the opposite effect; it undermines these customers' efforts to manage their energy bills.

11. EGI's Mr. Ariyalingam agreed that if customers are hampered in managing their energy bills as a result of EGI's DSM programming the primary objective of that programming would be undermined.[6] That is exactly what EGI's LVIC DSM program currently results in. IGUA's members are;

   (a) losing 20% of the DSM fees that they pay in rates to administration by EGI of its Direct Access program;

   (b) expending further internal resources to demonstrate program qualification in order to get 80% of their money back[7]; and

   (c) potentially being forced to divert energy efficiency spending from higher value energy efficiency or carbon abatement initiatives in order to undertake activities

[4] EB-2021-0072, Ex. I.IGUA.2, page 2.
[5] EB-2022-0007, Ex. I.IGUA.2, page 1.
[6] Tr. 1, pp. 20-21.
[7] Tr. 1, p.28, lines 5-24.

that can be qualified under EGI's LVIC program and allow these customers to get 80% of their money back.

12. Not only do these customers pay more for a given level of energy efficiency or carbon abatement than they would without EGI's Direct Access program, they are also potentially distracted from better energy efficiency or decarbonisation initiatives in order to qualify to get 80% of their DSM contributions back.

13. Yes, LVIC customers generally participate in EGI's Direct Access DSM program (though to a lesser degree than forecast - see below). If your company was forced to deposit a few hundred thousand dollars with someone and then apply to get it back, wouldn't it apply? "Compelled" (EGI's term[8]) participation in this completely non-voluntary program does not reflect support. It reflects common sense.

14. Tellingly, in both 2019 and 2020 customers taking delivery service under Rates T2 and Union 100 paid more in their rates during the year than they accessed for energy efficiency expenditures qualifying under EGI's Direct Access DSM program. That is, their rates were set on DSM budgets that were underspent, resulting in credits to the rate classes upon clearances of the associated variance accounts.[9]

(a) In 2019, these customers underspent EGI's the Direct Access DSM program budget by $465.4 thousand, or about 15%.[10]

(b) In 2022, the underspend under the program was more modest, at just under $230 thousand, or about 7%.[11]

15. LVICs are leaving their own energy efficiency money unclaimed, not because they are not spending money on energy efficiency and decarbonisation (to the contrary, as demonstrated below), but because EGI's Direct Access program provides minimal, if any, "value add" for these customers.

[8] ExE/T1/S6/p5, paragraph 13, & p.6, paragraph 18; Tr. 1, p.26.
[9] EB-2021-0072, Ex. I.IGUA.2, page 2, part c); EB-2022-0007, Ex. I.IGUA.1, part (c).
[10] EB-2021-0072, Ex. I.IGUA.2, table row 1.
[11] EB-2022-0007, Ex. I.IGUA.2, table row 1.

DIRECT ACCESS PROGRAM VALUE ADD?

16. According to EGI, the Direct Access program, through its two technical account managers, helps LVIC's to achieve their external emission reduction goals because[12];

> *… they provide industry perspective… share best practices and support project adoption.*
>
> *They have dedicated coverage with these customers to identify, track, quantify and implement energy efficiency projects and our customers continue to see value from this program.*
>
> *…*
>
> *So [these LVIC customers] have these ambitious goals, high priority items. So again, from our program, what they can do, they can shift their focus on the high-priority items where our technical account managers add value in some of the low-hanging fruit, and again, they will share best practices, provide some industry perspective, and provide dedicated coverage to identify, track, quantify energy efficiency projects. They will be able to leverage their knowledge and expertise.*

17. We leave it to the Hearing Panel to determine what this description actually means. What we can say, with all due respect to Mr. Ariyalingam, is that IGUA's members, not just a "select few" of them as EGI has suggested, do <u>not</u> continue to see value from this program, and are advocating that it be terminated.

18. With all due respect, EGI's two technical account managers do not, and cannot possibly, understand the role of natural gas in these customers' highly specialized and technical processes as well as the customers themselves do.[13]

19. For example, during testimony, Mr. Ariyalingam;

    (a) was reluctant to provide a view on the value of the marginal abatement cost curve, a fundamental analytical tool, used by Glencore, one of EGI's LVIC customers with whom he regularly engages, in its energy efficiency and emission reduction investment prioritization[14];

    (b) was unable to recall (or, in fairness perhaps misspoke) what the acronym DRI stands for in steel making (it stands for "Direct Reduced Iron" [see Ex. K2.1, p.24, 2nd column, first paragraph], not "direct redesign technology as Mr. Ariyalingam suggested in testimony [Tr 1, p.40];

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[12] Tr. 1, p.22, lines 11-17; p.41, lines 15-23.
[13] Tr. 1, p.40 line 27 – p.41, line 3; p.42, lines 5-21.
[14] Tr. 1, p.35, line 6 to p.36, line 4.

(c) was unable to recall (or, again in fairness, perhaps misspoke) the generic term "styrenics" in the context of the manufacture of various products by another EGI LVIC – Styrolution - of which styrene, as identified by Mr. Ariyalingam, is one.[15]

These examples are cited not with the intent to fault Mr. Ariyalingam. Rather they are cited to point out that EGI's two technical account managers (of which Mr. Ariyalingam is one) should not be expected to, and cannot possibly, match the internal expertise of the LVICs themselves in their own businesses and processes.

20. Mr. Neme acknowledged this fact in his oral testimony.[16]

(Mr. Neme did, however, proceed to suggest that EGI's technical account managers could pick up ideas from one customer that another could apply in their own operations.[17] To the extent that these energy intensive, trade exposed, competitively pressured industrials are not already sharing information with each other through trade associations and sector specific expert technical advisors, we find it hard to imagine the sanctioning by any of these customers of the sharing of their operational information by EGI's technical account managers with other EGI LVIC customers. In any event, it is noteworthy that in providing his opinions on these LVICs, Mr. Neme had not considered, because he was not aware of, even in orders of magnitude, their average annual spend on natural gas[18] or the proportion of their input costs that this spend represents[19]. When this information was suggested to him, he agreed that *"absolutely, they would have an interest and focus on energy efficiency"*. Mr. Neme had also not reviewed the corporate materials filed in respect of the internal focus of these customers on energy efficiency and decarbonisation (as reviewed below), though he conceded that he had no reason to doubt the commitments therein reflected.[20])

[15] Tr. 1, p.44, line 22 – p.45, line 20.
[16] Tr. 4, p.96, lines 25-28.
[17] Tr. 4, p.97.
[18] Tr. 4, page 148
[19] Tr. 4, page 150.
[20] Tr. 4, page 151.

LVIC's COMMITTMENT TO ENERGY EFFICIENCY AND DECARBONISATION

21. In fact, and wholly unrelated to EGI's DSM program, LVICs are driven by, and investing heavily in, energy efficiency and decarbonisation.

22. Against natural gas spend well north of $100 million annually, the $100 - $150 thousand that EGI's Direct Access DSM program provides these LVIC's with access to is wholly unnecessary to motivate a focus on optimizing natural gas consumption.

23. EGI's DSM program provides no incremental incentive to abate carbon for these customers as they are already subject to legislated carbon and other emission abatement requirements and costs. As recognized by Mr. Arilyalingam, *"they are subject to either federal carbon pricing programs or emission performance standards… depending on the industry, there may be other regulations as well"*.[21] That increasing carbon pricing will drive more large industrial energy efficiency was recognized by Mr. Neme in his testimony.[22]

24. Three LVIC examples were canvassed in detail during the oral hearing to demonstrate the commitment to energy efficiency and decarbonisation that is embedded in the investment and operational decisions of Ontario's largest volume gas consumers, and that this commitment has nothing to do with EGI's LVIC DSM program.

25. The first example, Glencore, a mining company with operations in Ontario and an EGI LVIC required to pay in its gas delivery rates for the Direct Access DSM program;

(a) has a strong corporate focus on sustainability, and energy efficiency in particular;[23] and

(b) has strong emission abatement and eventual elimination targets;[24]

and these priorities have nothing to do with EGI's Direct Access DSM program.[25]

26. ArcelorMittal (in Ontario, Dofasco), Ontario's largest steel manufacturer and an EGI LVIC required to pay in its gas delivery rates for the Direct Access DSM program;

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[21] Tr.1, p.21, lines 24-28, and generally pp. 21-23.
[22] Tr. 4, p.91, lines 2-6.
[23] Tr. 1, p.33, lines 1-4; Ex K1.2, p.14 & Tr.1, p.34; Ex K1.2, p.17 & Tr. 1, p.36.
[24] Ex K1.2, p.12; Tr. 1, pp. 33 – 34.
[25] Tr. 1, p.33, lines 25-27 & p.34, lines 23-26.

(a) has committed to a $1.875 **b**illion investment in a low-carbon steel plant in Hamilton;[26]

(b) has corporately committed carbon reduction initiatives funding of $10 **b**illion to achieve 2030 group decarbonisation targets;[27]

(c) has committed to accelerating decarbonisation efforts in Canada, including in Ontario;[28]

(d) has a corporate focus on "energy transformation";[29]

(e) has an internal corporate culture of technological innovation in its operations;[30]

and none of this has anything to do with EGI's LVIC DSM program.

27. Ineos Styrolution, which makes various styrenics based products and is an EGI LVIC required to pay in its gas delivery rates for the Direct Access DSM program;

(a) has a strong corporate commitment, which is *"a key driver for all capital expenditure projects"*, to improving its energy efficiency as a component of its *"operational excellence program"*;[31]

(b) displays a high internal corporate awareness of efficiency, innovation and GHG reduction;[32] and

(c) since its establishment in 2011 has *"completed a number of energy reduction projects and every year",* has a capital expenditure program which *"includes numerous initiatives to improve energy efficiency"* and has *"implemented energy management systems to measure, monitor, internally report, and evaluate the use of energy"*;[33]

none of which has anything to do with EGI's LVIC DSM program.[34]

28. Like the other 25 LVICs compelled (EGI's term[35]) to participate in EGI's Direct Access DSM program, these very large natural gas users do not need EGI's DSM programs to drive energy efficiency and decarbonisation spending. EGI's Direct Access DSM program

[26] Tr. 1, pp.37-38.
[27] Ex K2.1, p.21; Tr. 1, p.38.
[28] Ex K2.1, p.30; Tr. 1, pp.38-39.
[29] Ex K2.1, p.32; Tr. 1, pp. 39-40.
[30] Ex K2.1, p.33; Tr. 1, pp. 40-41.
[31] Ex. K2.1, p.51 and p.53; Tr. 1, pp. 45- 46.
[32] Tr. 1, p.46.
[33] Ex K2.1, p. 53.
[34] Tr 1, p.46, lines 23-26.
[35] ExE/T1/S6/p5, paragraph 13, & p6, paragraph 18; Tr. 1, p.26.

merely diverts attention and resources (including available funds and internal resources) from more, and more effective, decarbonisation and energy efficiency spending.

PREVIOUS CONSIDERATION OF LVIC DSM BY THE OEB

29. This is not EGI's fault. EGI is currently required by the OEB to include these 28 LVICs as well as the 9 GFGs in its DSM programming. There is some history to this requirement.

30. In December, 2014, in response to a Ministerial Directive to develop a new DSM framework and following a working group process, a jurisdictional review of DSM practices, and *"thorough and meaningful comments from 24 stakeholders representing consumer, environmental and ratepayer groups, industry participants, private companies and individuals, as well as both Enbridge and Union"*, the OEB issued its *Demand Side Management Framework for Natural Gas Distributors (2015-2020)* (2014 Framework)[36]. The 2014 Framework was a policy document issued by the OEB as a whole, and included the following direction regarding LVIC DSM (our emphasis)[37]:

> *The Board is of the view that the rate funded DSM programs for large volume customers should <u>not</u> be mandated as these customers are sophisticated and typically competitively motivated to ensure their systems are efficient.*

31. Following the issuance by the OEB of the 2014 Framework, Enbridge Gas Distribution (EGD) and Union Gas filed multi-year DSM program proposals, in accord with the 2014 Framework.[38] EGD did not propose any large volume customer DSM program. Union proposed a modest program consisting of training presentations, energy efficiency calculation tools, energy use analysis and other technical assistance from Union's technical account managers.[39]

32. IGUA argued in that proceeding that there should be no LVIC DSM program. GEC sponsored evidence from Mr. Chris Neme of the Energy Futures Group which recommended reinstatement of Union's previous Direct Access LVIC DSM program, with

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[36] EB-2014-0134.
[37] EB-2014-0134 Report of the Board, December 14, 2014, page 27.
[38] EB-2015-0029/0049.
[39] EB-2015-0029/0049 *Decision and Order*, January 20, 2016, pages 48-49.

certain modifications, including an opt-out option *"for customers already addressing all cost-effective opportunities in their facility"*[40].

33. The Hearing Panel in the EB-2015-0029/0049 case reversed the recently articulated OEB 2014 Framework DSM policy, and directed that Union's large volume customers <u>should</u> be a part of Union's DSM programs. The Hearing Panel explained its rationale for rejecting the recently articulated OEB policy on LVIC DSM as follows[41] [footnotes omitted]:

> *The OEB was assisted by the evidence provided by Union and the expert witness. The OEB benefitted from the fuller evidentiary record produced in this proceeding, which was not available to the OEB at the time the DSM Framework was established.*
>
> *Experience demonstrates that Union can achieve material savings through the continued delivery of its existing self-direct program, rather than a program providing only technical advice with no estimated gas savings.*
>
> *The [2014] DSM Framework highlighted two concerns with mandated rate funded DSM for the large volume customer class. First, the OEB was of the view that large volume customers would already be competitively motivated to ensure that their systems were efficient. The OEB found the evidence of the expert witnesses, which was that large volume customers would not initiate all cost-effective conservation if DSM programs similar to those offered until 2015 were not available, compelling. Furthermore, the expert evidence was that in jurisdictions which offered an "opt-out" provision, large volume customers did not actively pursue all available conservation and when given the opportunity to demonstrate that they had spent an equivalent amount of money on conservation, the large volume customers did not avail themselves of this option. Submissions from parties also made it clear to the OEB that the lost opportunity for natural gas savings from this customer segment would be substantial.*
>
> *Approximately 50% of Union's CCM savings in 2013 and 2014 were as a result of savings realized from the large volume customer class. The OEB finds it impossible to maintain a goal of achieving all cost-effective conservation, while simultaneously excluding the customer segment with the largest gas consumption and the greatest potential for savings.*
>
> *…*
>
> *The OEB heard the concerns raised by large volume customers and generators related to cost competitiveness of rate funded DSM programs. However, the priority on increasing conservation efforts and opportunities in Ontario continues to grow. The OEB must balance the benefits of rate funded conservation activities with the costs of those activities. The OEB finds the significant benefits of*

[40] EB-2015-0029/0049 *Decision and Order*, January 20, 2016, pages 49-50.
[41] EB-2015-0029/0049 *Decision and Order*, January 20, 2016, pages 50-51.

continuing Union's self-direct Large Volume program outweigh the costs of delivery and it would be inappropriate to stop a program that has been so cost-effective.

34. The OEB set an annual budget of $4 million for Union's large volume customers self-direct program for the years 2016 through 2020, and did not direct an opt out option.

35. IGUA notes a few things about the continued applicability of the rationale reflected in the OEB's EB-2015-0029/0049 finding on continued LVIC DSM:

(a) It was articulated in the context of a Ministerial Directive that specifically directed the OEB to develop and implement a DSM Framework that was designed to achieve *"all cost effective DSM"*. While the meaning and implementation of the phrase *"all cost effective"* was subject to ongoing debate at the time, this term is not used in the most current DSM directive. The government's policy in respect of DSM has changed, and as reflected in the most recent Ministerial Directive, is now focussed primarily on DSM programs that help customers manage their energy costs and support energy affordability. The OEB has also directed this modified DSM focus.

(b) It predated legislated carbon pricing in Ontario, other forms of large industrial emissions regulation, and the recent and marked emergence of corporate imperatives for ESG (equity, sustainability and governance) implementation, measurement and reporting which is in evidence in this proceeding.

(c) It was expressly concerned that *"the customer segment with the largest gas consumption and the greatest potential for savings"* would in fact contribute to provincial energy efficiency goals. The evidence in this proceeding indicates that these customers continue to invest significantly, well beyond the modest confines of EGI's LVIC DSM program, in energy efficiency and carbon abatement in Ontario, for reasons that have nothing to do with EGI's Direct Access DSM program.

Circumstances have changed since the evidence and resulting rationale relied on by the EB-2015/0029/0049 Hearing Panel.

36. Mr. Neme has acknowledged the growing importance of environmental, social and governance factors in corporate decision making, and the significance of the recent advent in Ontario of carbon pricing.[42]

37. The following passage from Mr. Neme's oral testimony is telling[43]:

[42] Tr. 4, p.151; Tr. 4, p.91, lines 2-6.
[43] Tr. 4, p.98, lines 4-9.

I would agree that, you know, the world is changing and the situation is a little bit different now than it was in the past, and that that might have some impacts, in terms of how much more a customer might – a large customer might be interested in doing now than they were 10 years ago.

38. Given these changed circumstances, and in consideration of the evidence before this Hearing Panel, IGUA respectfully submits that it is time to revisit mandatory LVIC DSM programming in Ontario.

RELIEF SOUGHT

39. The evidence before this Hearing Panel demonstrates that:

(a) Ontario's largest volume gas customers have a corporate emphasis on energy efficiency which has nothing to do with EGI's Direct Access DSM program.

(b) Ontario's largest volume gas customers are spending many millions, and at the upper end billions, of dollars towards abatement of carbon emissions from their processes, which again has nothing to do with EGI's Direct Access DSM program.

(c) Ontario's largest volume gas customers are now directly subject to carbon and other emission legislated compliance requirements that were not in place at the time of the abrupt and early reversal by the 2015-2020 DSM Plan Hearing Panel of the OEB's 2014 Framework policy that LVIC customer DSM programing need no longer be mandatory.

(d) EGI's Direct Access DSM program, continued in deference to the OEB's previous direction, diverts attention and resources, financial and otherwise, from bigger, self-driven, internally optimized LVIC energy savings and carbon reduction initiatives, undermining the overall efficiency and effectiveness of already allocated corporate spend on these initiatives.

40. ***IGUA asks this Hearing Panel to direct EGI to discontinue its LVIC DSM program. It has outlived what use it once had.***

41. To the extent that the OEB concludes it important to continue to track natural gas usage reductions by Ontario's largest gas consumers, IGUA and its Ontario members are prepared to work with EGI to develop a reporting mechanism that would allow EGI and the OEB, through publicly available information, visibility into large industrial natural gas efficiency savings and carbon abatement achievements.

LVIC DSM OPT-OUT

42. In its letter of April 11, 2020, the OEB indicated that parties may want to consider addressing the appropriateness of large volume gas customers being afforded the ability to opt-out of EGI's DSM program, and requirements for such a provision.

43. Notwithstanding, and without derogation from, the argument made above that LVIC DSM programming has outlived what use it might have had, should the Hearing Panel conclude that there remains a need to continue to mandate large industrial natural gas efficiency, IGUA notes that Mr. Neme continues to endorse an "opt-out" option for those large volume customers who meet the appropriate criteria.[44]

44. Mr. Neme has suggested that in order to opt out of LVIC DSM programming, customers should be required to demonstrate that they have already implemented "all cost effective" natural gas energy efficiency. Such a standard assumes the availability of a limitless amount of capital for such investment, which in any industry, let alone the highly competitive, trade exposed, global industries in which Ontario's LVICs operate, is an unrealistic assumption. Mr. Neme effectively acknowledged as much in his oral testimony, agreeing that capital is a constraint.[45] Achieving *"all cost effective"* DSM is also not a standard that participation in the currently proposed EGI Direct Access program would, or even attempts to, achieve.

45. A more realistic standard, and one which is more proportional to the DSM programs under consideration, would be for the customer seeking to opt out to demonstrate energy efficiency and decarbonisation commitments in line with those anticipated in EGI's current application to be achievable as a result of the proposed program.

46. Any such criteria should also recognize project budgeting cycles and implementation lead times, and be fashioned to apply over a multi-year period rather than in the particular calendar year. Mr. Neme's testimony in the context of appropriate DSM program design is instructive in this respect. In discussing his view that an LVIC DSM program should have multi-year flexibility, Mr. Neme said[46]:

> *… businesses have different capital investment cycles that are often multi-year, as [sic] it would make a lot more sense to meet businesses where their needs are to*

[44] UT JT4.4
[45] Tr. 4, p.152.

allow for a multi-year kind of time frame or framework for the customer to spend those dollars.

IGUA's view is that the same principle would be applicable to DSM program opt-out criteria for LVICs.

47. Should the Hearing Panel conclude that continuing an LVIC DSM program with an opt out option is appropriate, IGUA is prepared to work with EGI, APPrO and other interested stakeholders to bring back a proposal on appropriate criteria for the OEB's consideration.

48. IGUA does note that;

(a) As Mr. Neme has confirmed, *"numerous other jurisdictions appear to have successfully implemented opt out programs"*, and he presumes that EGI could do the same;[47]

(b) EGI has managed to provide through its existing billing system and rate processes for the inclusion or exclusion of customers from being subject to EGI's carbon charges, based on the customer being covered by or excluded from direct carbon compliance requirements and associated costs; and

(c) EGI's testimony on the topic[48] is to the effect that for a small rate class like T2 or Union 100, an opt out mechanism could be implemented, subject to criteria regarding windows for opting out or opting back in, to accommodate annual DSM budgeting with the affected customers and post-year end DSM variance account mechanics.

49. There should be minimal cost allocation concerns with Direct Access program opt out given that funds accessible by the customer are their own which they pay in rates. The only cost-allocation issue which could arise would be in respect of allocation of DSM overheads to fewer customers. Given that DSM Portfolio Overhead costs allocated to Rate T2 and Union 100 customers in 2019 totalled $296,378[49] and in 2020 totalled $319,850[50], this seems to be a relatively minor consideration.

50. EGI's Argument in Chief on opt out is strikingly sparse.[51] One paragraph is devoted to the topic.

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[46] Tr. 4, p.157, lines 11-21.
[47] UT JT4.4.
[48] Tr. 1, p.49, line 24 – p.52, line 27.
[49] EB-2021-0072, Exl.IGUA.2. p.2.
[50] EB-2022-0007, Exl.IGUA.2.
[51] EGI Argument in Chief, paragraph 86.

51. In that paragraph EGI raises no concerns about ability to implement an opt out, a topic not dependant on submissions of the parties, and thus readily addressed in Argument in Chief in the event of any concerns.

52. EGI does state a concern, as follows:

> *… Enbridge Gas would have concern about a large volume user that participated previously and benefitted from the program of deciding in future to opt out and no longer contribute to the program. This appears to resemble cross-subsidization and is something that the OEB needs to consider.*

We can make no sense of this paragraph, in the context of the self-funded, self directed LVIC Direct Access program which has been running since 2015 and in which LVICs (and GFGs) access their own funds which they are compelled through rates to contribute. We can't imagine how such a customer contribution/recovery model could, in any fashion, *"resemble cross-subsidization"*.

IMPLEMENTATION CONSIDERATIONS

53. ***For all the reasons articulated above, IGUA asks this Hearing Panel to direct EGI to discontinue its LVIC DSM program. It has outlived what use it once had.***

54. Mr. Fernandes addressed in testimony the consequences of such a finding.[52] He indicated that; i) the small scorecard dedicated to the LVIC DSM program and associated small LVIC program shareholder incentive would no longer be relevant; and ii) some form of target adjustment would be required to overall annual net benefits in avoided gas consumption for EGI's DSM program as a whole if LVIC energy efficiency and decarbonisation initiatives were no longer attributed to that program. However, Mr. Fernandes concluded that given the *"given the very limited customer set"*, removal of these 28 LVICs and 9 GFGs from the EGI DSM program would not impact the rest of the DSM portfolio.

[52] Tr. 1, pp. 52-53.

55. This evidence indicates that termination of EGI's LVIC DSM programming could be effected through the decision in this proceeding and an associated post-decision compliance filing.

56. Should the Hearing Panel direct discontinuance of EGI's LVIC DSM program but conclude it important to continue to track natural gas usage reductions by Ontario's largest gas consumers, an appropriate reporting mechanism could be brought back before the Board as part of the mid-term review proposed by EGI to occur after year 2 of the proposed 5 year DSM plan term. As noted above, IGUA would be prepared to work with EGI and other interested stakeholders on such a mechanism.

57. Should the Hearing Panel decline to direct discontinuance of EGI's LVIC DSM program and instead direct development of an opt out mechanism for LVIC customers, that mechanism should be approved without delay. In that event, IGUA asks the OEB to direct EGI to return with a proposed opt out framework at its earliest opportunity, and not await a mid-term review.

CONCLUSION

58. IGUA held its' annual, invitational seminar for members and invited guests in person earlier this week. The theme of that seminar was *Energy Transformation and Heavy Industry*. The discussions at that seminar were not about gas supply options or pipeline developments. The intent of the program was described in the seminar materials as follows:

> *The 2022 IGUA seminar focuses on reducing the disconnect between the differing visions for transforming Canada's energy system between the gas utilities, rate payers and societal actors. The consensus on the need to transform the way we produce, use and export energy breaks down when exploring pathways and options. We hope to begin the process of breaking down the separate silos and start building consensus on necessary next steps. It is an opportune time to foster a dialogue on solutions and showcase initiatives that reduce carbon emissions, keep industry competitive and maximize the use of existing energy and industrial assets.*

59. Ontario's LVICs largest volume gas customers are well aware of, and fully attuned to, the business imperative of reducing costs, reducing energy use, and reducing carbon and other emissions. They are fully, and necessarily, committed to energy efficiency and

carbon abatement. Their internal policies and processes recognize these imperatives, and they are allocating resources to pursue them.

60. These gas customers operate in a highly competitive global marketplace, and are constantly driven to optimize input costs, including energy spend, and allocate limited capital to its highest and best use.

61. The evidence before this Hearing Panel is that such capital allocations already include millions, and in some cases billions, of dollars for initiatives to increase energy efficiency and reduce, with the ultimate goal of eliminating, carbon emissions.

62. $150,000 of Direct Access DSM incentives don't contribute to these initiatives. At best the DSM program funding that these customers are required to pay through rates make such initiatives more expensive then they need to be. At worst it diverts resources from where they could be better utilized.

63. ***EGI's LVIC DSM program has outlived what use it once had, and IGUA asks the OEB to direct that it be discontinued.***

ALL OF WHICH IS RESPECTFULLY SUBMITTED by:

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