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May 24, 2022

OEB VIA RESS
Applicant VIA E-MAIL

Nancy Marconi
Registrar
Ontario Energy Board
2300 Yonge Street
Toronto, ON
M4P 1E4

Dear Ms. Marconi:

Re: EB-2022-0072 Enbridge Gas Inc.
Submission of the Vulnerable Energy Consumers Coalition (VECC)

Please find attached the Submission of the Vulnerable Energy Consumers Coalition (VECC) with respect to the above referenced proceeding.

We have also directed a copy to the Applicant via e-mail.

Yours truly,

John Lawford
Counsel for VECC

Cc: EGI - Richard Wathy - Richard.Wathy@enbridge.com

Public Interest Advocacy Centre – 2-285 McLeod Street, Ottawa, ON K2P 1A1 – www.piac.ca
John Lawford – Counsel, jlawford@piac.ca; - 613-562-4002 ext. 125

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Consultation to Review Enbridge Gas Inc.'s 2022 Annual Update to Natural Gas Supply Plan

EB-2022-0072

Submission of the
Vulnerable Energy Consumers Coalition
(VECC)

MAY 24, 2022

Vulnerable Energy Consumers Coalition

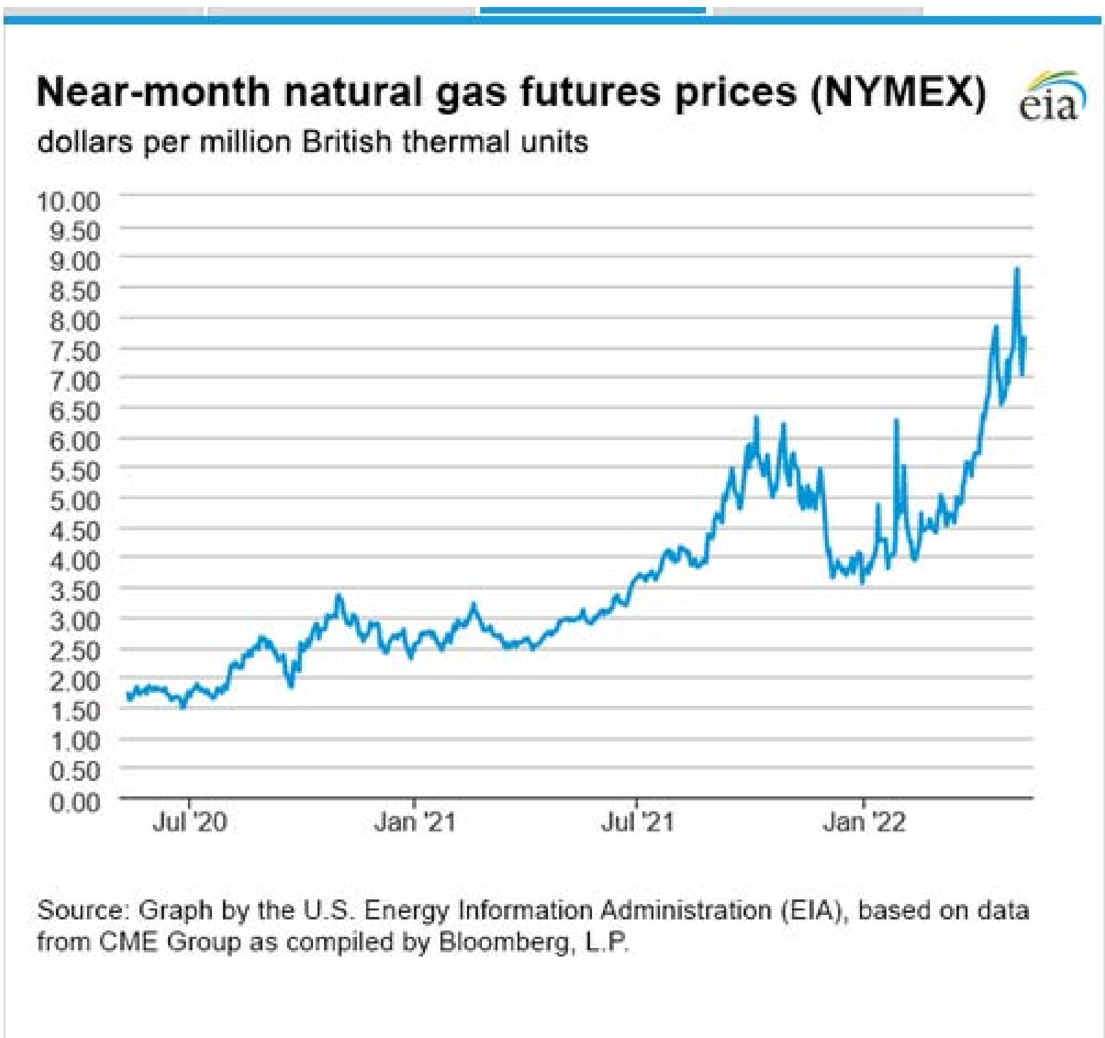
Public Interest Advocacy Centre
613-562-4002
piac@piac.ca

Submissions

1. As in our past submissions we conclude that overall EGI has a robust and prudent gas planning process and resultant gas plan. One area of concern however, are the price increase pressure and high price volatility, likely to continue to occur over the coming year and perhaps longer. In our view the Board should consider the potential impact of these changes along with the price pressures caused by new carbon tax policies in how it develops is policy guidelines for system supply.

<u>Gas price volatility</u>

2. As shown below natural gas prices are becoming both more expensive and more volatile. Current events in Europe and the proliferation of policies to reduce reliance on carbon based fuels are likely to increase this trend. The current policies of the Board prohibit EGI from engaging in gas price hedging. Without tools to manage elevated risk of gas price volatility customers may be subject to an inordinate level of retroactive adjustments as prices variances between supply purchase and end-sales increases.



https://www.eia.gov/naturalgas/weekly/#tabs-prices-3

3. In earlier regulatory periods, when the market was characterised by longer term supply contracting and gas supply price changes were only made annually the OEB did allow for a certain amount of price hedging. These policies were eliminated in the late 1990's as the market moved to shorter term contracting and the Board introduced quarterly gas supply price updates. However, periods of economic and price volatility raise the possibility and the severity of retroactive adjustments and thereby increased customer dissatisfaction at paying post consumption charges. We recall that in the past high level of consumer dissatisfaction with post consumption adjustments has led to government intervention.

4. EGI suggests that their contracting strategy does mute price volatility.[1] Within the regulatory framework for gas supply established by the OEB, Enbridge appears to be following a prudent and informed program. However, there are no financial tools the Utility can apply to mitigate price volatility. The question we think should be considered is whether given the current market pressures and uncertainty the Board should revisit the issues of contracting parameters and price hedging within gas supply plans.

5. Having said that VECC is not advocating the adoption of active financial hedging or any other particular policy. We do think however that the Board may at some point wish to consider whether the current policies continue to best serve ratepayers in what may be a period of prolonged energy price volatility. Such a policy examination might also include examining moving to more frequent and more mechanistic monthly price adjustments.

[1]See discussion at Technical Conference, Vol.1 May 5, 2022, pages 12-13

Responsibly Sourced/Sustainable Natural Gas – or "attribute tagged gas"

6. EGI continues to explore acquisition of "tagged" gas under the ambit of "sustainable natural gas" or "responsibly sourced gas". We have previously noted our discomfort with programs which provide "feel good" value to consumers without any direct economic benefits[2]. Notwithstanding (we would argue -superficial) consumer surveys to the contrary we think it unlikely that most consumers are willing to pay additional amounts for natural gas tagged with socially determined attributes. It is noteworthy that EGI's pilot programs for renewable or low carbon fuels, which have clear definable GHG benefits, has attracted very few participants willing to pay even a small incremental amount. As we noted in our joint submission with the Canadian Consumer Council (CCC) in the 2021 Gas Supply Update, EB-2021-0002, *if EGI seeks to include SNG in its gas supply portfolio it should be required to file a formal application with the Board for approval. At that time the Board and intervenors would have an opportunity to assess both the costs and benefits of this supply source*.

7. In this proceeding EGI explained in more detail the various certification agencies and processes[3]. There are three different certifications agencies each using different attributes and requirements (and we suspect with different audit and enforcement policies). The Utility also explained that the industry appears to be moving generally in the direction of having suppliers meet some form of social certification however it remains unclear to us what this might be in the long term. In any event, in this proceeding EGI attested that there are no

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[2]

[3] Stakeholder Conference, May 5, 2022, page 82-

incremental gas supply costs for participating in these programs.[4] As such there is no harm to ratepayers in the addition of this program to the gas supply plan.

Renewable Natural Gas (RNG)

8. In contrast to socially tagged natural gas, renewable natural gas has clear benefits to consumers not just in GHG emission reduction but also in potential monetary credits to offset carbon taxes. We are concerned that EGI is not maximising its opportunity to acquire RNG due to regulatory impediments. We highlight this part of their presentation[5]:

> This means that the market for RNG supply and RNG supply under development Ontario is able to be accessed by parties in other jurisdictions at an increased competition for access to this supply.
>
> Enbridge could, just as these utilities have done, access supply outside of Ontario and from across North America, either notionally or through one of our upstream transportation contracts.
>
> Supply in other areas where credits associated with environmental attributes of gas are actively traded, typically have higher prices for RNG as this credit is unmonetized.
>
> Enbridge filed market research in the voluntary RNG application, and is aware various parties continue to complete reports around this, and will continue to provide updates as we learn more on this topic.
>
> EGI is at a disadvantage to jurisdictions -- to other jurisdictions as a result of several factors. Without cost recovery certainty, EGI is unable to procure long-term contracts resulting in the need to purchase short term small quantities of RNG to support our current voluntary program.
>
> Jurisdictions able to support long term RNG projects have had an early-mover advantage selecting the projects that are most in line with their goals, either lower CI or most economics for example, to develop and continue to lock in projects that are coming online in the next few years.
>
> This leaves less supply and less options on the market for EGI to pursue.

[4] Ibid, page 84
[5] Stakeholder Conference, May 5, 2022, pages 87-88

> Today Ontario customers who seek RNG are having to pay prices that are competing with large off-takers like Fortis and Énergir, and usually at lower quantities.

9. It is our understanding that one of the impediments to accessing Ontario based RNG is the prohibition against long-term gas supply contracting. If so, this issue might be added to the list of reasons the Board may wish to review of its policies with respect to the Utility's acquisition of system supplied natural gas. As it stands today it would appear that Canada's largest gas distribution utility is unable to compete for renewable natural gas sourced within its own distribution franchise. If true, this would seem to be an undesirable outcome of the current Board system gas acquisition policies.

<u>Design Day – Interruptible Load</u>

10. During discussions at the Stakeholder Conference, it became apparent that the EGI rate zone uses a design day which makes the assumption that only 75% of interruptible contracts are off the system. This not only appears to be different than the assumptions used in the Union rate zones (100%), but is also at odds with our own experience in other jurisdictions - for instance the methods used by Fortis Gas BC.

11. The result of assuming anything other than 100% curtailment for the purpose of system gas supply planning would be to increase the costs ratepayers. EGI suggests that this is a topic that could be discussed in the context of the future rebasing cost of service proceeding[6].

12. We acknowledge that there appears to be a long-standing difference in the methodologies used by the former Ontario utilities with respect to how interruptible supply is considered in design day calculations. However, as an amalgamated utility such inconsistencies become incoherent and difficult to justify to consumers on a principled basis. Since there may be cost implications for ratepayers the Board, we would suggest, is duty bound to investigate the matter further.

13. We recommend that EGI provide further information on cost implications of the difference treatment of interruptible load at the next gas supply plan review.

<u>Enbridge Mainline – Alliance/Vector Transportation</u>

14. Considerable time was spent examining issues with respect to EGI's contracting on the Vector pipeline. Vector along with the Alliance Pipeline form part of what is known as the

[6]The discussion of this topic can be found at Stakeholder Conference, May 5, 2022, pages 189-200

"Enbridge Mainline"[7]. The ownership structures are complex and we are uncertain as to whether the relationships form an affiliate as defined by the Board's rules.[8] However, there are clear financial benefits to EGI's parent in the distribution utility contracting for pipeline capacity on the Mainline.

15. We found no evidence in this proceeding of anything untoward or detrimental to the interest of ratepayers in EGI's current contracting practices. We encourage EGI to continue its practice of providing detailed information about contracting on this route given the potential for self dealing interests.

16. Our summary submission is to note that EGI continues to provide and open and transparent process to explain to consumers their gas supply plans.

17. VECC submits that it has acted responsibly and efficiently during the course of this proceeding and requests that it be allowed to recover 100% of its reasonably incurred costs.

ALL OF WHICH IS RESPECTFULLY SUBMITTED

MAY 24, 2022

[7] See Canada Energy Regulator (CER) https://www.cer-rec.gc.ca/en/data-analysis/facilities-we-regulate/pipeline-profiles/oil-and-liquids/pipeline-profiles-enbridge-mainline.html

[8] Alliance Pipeline Canada is owned 50% through Enbridge Management Services Inc, Whereas the US. Pipeline is 50% owned by EIF US Holdings Inc, which is a related Enbridge company. Vector Pipeline is a joint venture between Enbridge Inc. and DTE Energy Company.