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May 24, 2022

EB-2022-0072 – Enbridge Gas 2022 Update to Gas Supply Plan
Pollution Probe Comments

Dear Ms. Marconi:

In accordance with OEB direction, please find attached a copy of Pollution Probe's comments related to the Enbridge 2022 Update to the Gas Supply Plan.

Respectfully submitted on behalf of Pollution Probe.



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ONTARIO ENERGY BOARD

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

POLLUTION PROBE WRITTEN COMMENTS

May 24, 2022

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Introduction, Overview and Context

The following are the written comments on behalf of Pollution Probe. Specific recommendations for Enbridge and the OEB are also included.

On March 11, 2022, the Ontario Energy Board (OEB) announced a consultation to review the annual update to Enbridge Gas Inc.'s (Enbridge) five-year natural gas supply plans (Gas Supply Plan) in keeping with the Gas Supply Plan assessment process contemplated in the OEB's Report of the Board: Framework for the Assessment of Distributor Gas Supply Plans (Gas Supply Framework). The OEB set out a process to review the annual update to the GSP, including the scheduling of a Stakeholder Conference on May 5-6, 2022 and opportunity for written stakeholder comment by May 24, 2022.

It was confirmed by Enbridge that the annual Gas Supply Plan update is not just an update based on one year, but a new five-year plan since Enbridge updates the entire five-year plan annually¹. This means that each year the OEB and stakeholders are actually reviewing the full five-year Gas Supply Plan. **The annual review process is important given the magnitude of costs and impacts related to the Gas Supply Plan, but this process is even more important heading into the rebasing period² where any issues not resolved through the annual OEB review process will reside.** To the extent that issues can be resolved before the rebasing application, it will make that a more manageable process. Given that occurs in 2024, time may have run out for annual improvements to be applied. It will be up to the OEB to signal if improvements should be made now or delayed until 2024.

Pollution Probe understands that the annual process set by the OEB is meant to provide an open and transparent review of the Gas Supply Plan and the opportunity to identify opportunities to close gaps or make improvements. **It is unclear whether the review and consultation process used in 2022 is meeting the outcomes intended by the OEB and Pollution Probe requests that the OEB consider steps to ensure a more thorough and complete process is defined for Enbridge.** For example, during the 2022 Stakeholder Conference Enbridge indicated that it would not entertain providing additional information, including by way of undertakings³. This inherently limits the ability to ensure that appropriate information is provided on the public record for assessment of the Gas Supply Plan. It appears that Enbridge may have interpreted that the OEB did not support an undertaking process since it was not defined specifically in its review process letter. Enbridge committed to provide information during the

¹ Transcript EB-2022-0072 Enbridge GSP Stakeholder Conference Day 1. Page 63, lines 11-17.

² 2024, but consultation begins in 2022.

³ Transcript EB-2022-0072 Enbridge GSP Stakeholder Conference Day 1. Page 7, lines 7-9.

Stakeholder Conference related to the emission intensity of the RNG it has procured through Gas Supply⁴, but later Enbridge's external Counsel indicated that Enbridge would not be providing that information. It appears that this issue could be resolved by the OEB specifically including the timing and process for Enbridge to respond to undertakings. Stakeholders always have the ability to formally request that the OEB order Enbridge to file this type of information, but that process seems less efficient and would be more costly to rate payers than a clear undertaking process during the Stakeholder Conference.

It was also indicated during the Stakeholder Conference that Enbridge would not make or comment on suggestions on how to adjust its Gas Supply Plan and related scorecards to address stakeholder input during the Stakeholder Conference⁵. Although the Stakeholder Conference is not ADR, Pollution Probe understood that it was intended as a process to close gaps and make improvements. Through the experience of three years of annual reviews, Pollution Probe is unaware of any changes made to the Gas Supply Plan based on recommendations raised through the OEB annual review process. **The OEB should consider whether this process is meeting its intended purpose or if more structure is required to enable Gas Supply Plan enhancements based on the feedback through the annual reviews.**

This process represents the third Annual Update to the five-year Year Gas Supply Plan that Enbridge (including the amalgamated Enbridge Gas and Union Gas) has filed with the OEB pursuant to the Report of the Ontario Energy Board: Framework for the Assessment of Distributor Gas Supply Plans (Framework)⁶. Enbridge provides gas supply, transportation and storage to meet forecasted customer demand and these costs represent a significant portion of the costs on customer bills. Decisions made as part of the Gas Supply Plan can also have an impact on other areas of the utility.

In keeping with its commitment to protect consumers and hold distributors to account, the OEB identified three guiding principles that will be used in assessing gas supply plans: cost effectiveness, reliability (which includes security of supply) and support for public policy. The Framework outlines the information that the OEB requires to assess whether the gas supply plans appropriately balance the guiding principles and deliver value to customers. The responsibility for delivering reliable supply to customers in a prudent manner remains with the distributors⁷.

Gas Supply and the related Gas Supply Plan is an integrated element of Enbridge's Integrated Resources Planning (IRP) process. The diagram below indicates a high-level

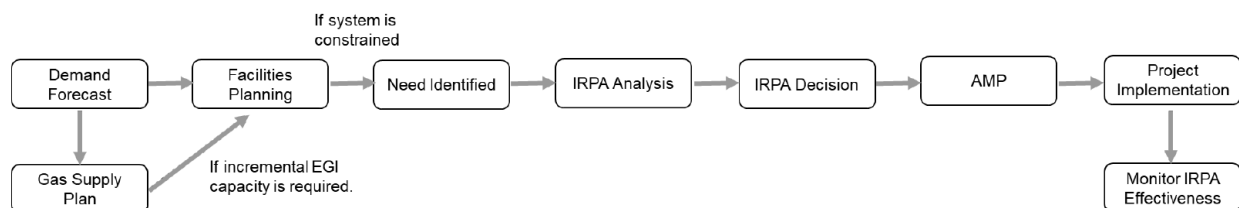
⁴ Transcript EB-2022-0072 Enbridge GSP Stakeholder Conference Day 2. Page 2 lines 8-22.

⁵ Transcript EB-2022-0072 Enbridge GSP Stakeholder Conference Day 2. Page 76 lines 13-14.

⁶ EB-2017-0129 Gas Supply Framework.

⁷ EB-2017-0129 Gas Supply Framework, Page 1.

orientation to where the Gas Supply Plan fits in the IRP process⁸. Gas supply options can also impact infrastructure decisions and related costs (or savings), such as in the case of supply side alternatives for utility IRP. In some cases, infrastructure decisions driven by gas supply changes can result in hundreds of million in Ratepayer savings.



Enbridge confirmed that no IRP alternatives related to Gas Supply have been considered since the OEB gas IRP Decision⁹ issued in the summer of 2021. It appears that the Gas Supply team is a receiver of IRP assessment requests and does not have the mandate to generate supply side IRP alternatives without a request from another group at Enbridge¹⁰. **There appears to be a lack of progress in identifying potential IRP alternatives in alignment with the OEB's gas IRP Decision and this is a lost opportunity.** Gas Supply is waiting to be approached to assess IRP alternatives, but has not been approached to this point¹¹. The process appears broken and needs attention.

It should also be noted that there remain differences between approaches, models and methodology used by the legacy Enbridge Gas and Union Gas franchise areas. Some alignment or enhancements have been made by Enbridge (e.g. organization consolidation under one group) as outlined in the Stakeholder presentation, but most of the changes required to align or optimize those approaches will require significant effort and analysis to develop the evidence to support OEB review and/or approval.

In the Stakeholder Conference for the Gas Supply Plan Enbridge suggested that outstanding issues for the Gas Supply Plan will largely be the focus of the rebasing application rather than resolved during the OEB annual review process¹². Enbridge also indicated that they are planning a rebasing stakeholder session in June 2022 in advance of the 2024 rebasing. **It is unclear what enhancements will be addressed in the 2022 or 2023 Gas Supply Plan, if any, and how they related to the rebasing**

⁸ Reference: EB-2020-0091 Exhibit I.Staff.2 reconfirmed in 2022 by Enbridge that it is still accurate - Transcript EB-2022-0072 Enbridge GSP Stakeholder Conference Day 1. Page 33 lines 15-17.

⁹ EB-2020-0091

¹⁰ Transcript EB-2022-0072 Enbridge GSP Stakeholder Conference Day 1, Page 69 lines 15-24 and Page 70 lines 12-13.

¹¹ Transcript EB-2022-0072 Enbridge GSP Stakeholder Conference Day 1, Page 72 lines 7-9.

¹² Transcript EB-2022-0072 Enbridge GSP Stakeholder Conference Day 1. Page 34, lines 13-20.

application. It is expected that significant detailed review for the Gas Supply Plan will need to occur in alignment with Enbridge rebasing.

Information from gas supply planning has a significant impact even beyond gas supply, transportation and storage to meet forecasted customer demand. It can also drive other significant costs and savings. As previously identified, gas supply issues can fall through the cracks between proceedings. **Pollution Probe recommends that the Rebasing and Annual Update process should be the default process to bring issues forward unless the OEB has identified a different proceeding to deal with specific issues.**

Alignment with Guiding Principles

The OEB defined guiding principles that are consistent with its legislated mandate to protect the interests of customers with respect to price and the reliability of gas service. The guiding principles for a distributor's gas supply plan are to deliver gas supply that is cost-effective, reliable (secure) and achieves public policy objectives. Enbridge's Annual Update provides a summary of Enbridge's activities in relation to these guiding principles. Below are relevant comments specific to each respective guiding principle.

Cost-effectiveness

The gas supply plans must be cost-effective. Cost-effectiveness is achieved by appropriately balancing the principles and in executing the supply plan in an economically efficient manner. Portions of this guiding principle were assessed during the Annual Update process. A full review of the cost-effectiveness of the Gas Supply Plan was not included during the annual review, even though the plan represents a new five-year plan. Pollution Probe has assumed that this would be done at rebasing and that the OEB would enable OEB Staff and Stakeholders to assess any specific issues related to cost-effectiveness during the Annual Update process.

Reliability and security of supply

During the Stakeholder Conference, several parties assessed issues related to reliability and security of supply. Pollution Probe attempted to avoid duplication on those issues.

Enbridge references the ICF Natural Gas Strategic Report throughout its Gas Supply Plan. Many questions were asked related to the details to the ICF information, particularly since it is contrary to publicly available information from other sources. Enbridge indicated that it is not able to make the information in the ICF report publicly available which results in a disconnect in transparency and being able to test underlying information. **The OEB should consider a process where any information and**

reports referenced in the Gas Supply Plan are able to be reviewed for reasonableness. If required, this can include confidential filings for portions of materials that meet the OEB threshold.

Public policy

Public policy objectives under the Gas supply Plan and related scorecard continue to be a challenge. A more fulsome review of current public policy would result in greater benefits and opportunities for Enbridge to support the energy transition in Ontario.

The public policy area of the scorecard is under-represented and less developed than the other two guiding principles. **Pollution Probe recommends adding additional metrics that can provide better (or more granular) clarity on whether the public policy outcomes are being met. Examples include:**

- **Specific municipal access to RNG,**
- **GHG emissions reductions (in tonnes CO₂e) due to RNG procurement**
- **# of infrastructure projects deferred or avoided due to supply side IRP alternatives.**
- **Annual and cumulative lifecycle GHG emissions reductions (in tonnes CO₂e) supported through Gas Supply procurement, including contracting of Sustainable Natural Gas.**

It also appears that the annual update process has not been effective at keeping up with policy changes. The policy and scorecards in the Enbridge Gas Supply Plan have remained the same even though policy has advanced in the past year. One example is the policy drivers in the OEB Mandate Letter¹³ which represent a higher degree of outcomes for IRP, GHG emission reductions and other issues directly or indirectly related to Gas Supply. Alignment with community energy plans across Ontario continues to be a gap and the OEB has indicated that more is needed to close that gap¹⁴.

Performance Measurement

The OEB's Framework indicates that it is expected that a distributor will develop performance metrics that reflect the criteria the OEB has established to demonstrate how the principles have been achieved. The measures should demonstrate the value proposition for customers and how it balanced the Framework's guiding principles.

¹³ mandate-letter-from-the-Minister-of-Energy-20211115-en

¹⁴ Examples include OEB Decision for EB-2020-0293

Effective metrics will allow the OEB to focus its assessment on results that deliver value for customers and not a line-by-line review of expenditures.

Now that the third annual update has been provided, it is more visible whether the metrics in the Enbridge Scorecard are effective, demonstrate the value proposition for customers and providing the tangible value envisioned by the OEB. The annual review is meant to provide a continuous improvement opportunity to assess annual outcomes achieved and mature the scorecard and related metrics. However, there have been no scorecard metric updates as a result of the annual process.

Distributor performance metrics should link directly to one or more of the gas supply plan criteria and be chosen to illustrate the benefits expected from the gas supply planning decisions the distributor has made¹⁵. Most (if not all) of the Enbridge scorecard metrics are retrospective and only report on information from the past annual period. Providing retrospective information can provide some general value in that it helps record what was achieved in the previous annual reporting periods. However, without an understanding of what performance means, there is no context to understand if those outcomes represent poor or excellent performance. Without an ideal (or target) outcome provided, many of these metrics make it difficult to determine whether the OEB principles have been achieved or if the annual results represent value for customers. This does not necessarily mean that Enbridge performance is good or bad, but just that it is hard to make that determination based on the current scorecard.

Furthermore, the OEB's Framework indicates that performance metrics, should

- Focus on strategy and results, not activities.
- Demonstration that distributors consider opportunities for continuous improvement in their planning.
- Demonstration of value to customers.
- Performance metrics that will accurately measure whether the plans are cost-effective and reliable and support public policy.

There appears to be significant opportunities to enhance the scorecard, including enhancing or adding metrics, provide greater context on the desired range of results for each metric, and quantifying the tangible benefits related to the outcomes achieved. Some examples proposed to Enbridge are included above. Enbridge is familiar with outcome-based metrics that drive performance and transparency and the same principles apply to this scorecard.

¹⁵ EB-2017-0129 Gas Supply Framework, Page 11.

Percentage of RNG is essentially zero¹⁶ and is likely to remain a very small number as a percentage of system gas supply. Based on the trajectory of Enbridge to include RNG in its system, it is highly unlikely that RNG will make it even to 1%. It is recommended that a full review of the policy drivers and metrics related to RNG be conducted by the OEB and Enbridge. Enbridge's aspirational goal of 5% RNG does not appear to be on track and the % metric in the scorecard will likely remain at 0% for the foreseeable future.

Other Considerations

Enbridge does not have a complete list of what OEB approvals are required and what changes they can make without OEB approval or oversight. This limits the ability to make improvements on an annual basis and also poses a problem heading toward rebasing. **It is recommended that Enbridge provide a complete list of issues related to the Gas Supply Plan and that these be separated into issues that Enbridge has the authority to implement and a separate list for issues requiring OEB approval to implement. Having this list in advance of rebasing would be of value to the OEB and all stakeholders.** Lack of transparency is reducing the opportunity for progress.

¹⁶ Enbridge confirmed results are 0.000002% RNG in the Enbridge system.