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May 25, 2022

Ontario Energy Board
2300 Yonge Street
Suite 2700
Toronto, Ontario M4P 1E4

Attention: Nancy Marconi, Registrar

Dear Ms. Marconi:

**Re: Ontario Sustainable Energy Association's ("OSEA") Comments
Consultation on Enbridge Gas Inc.'s 2022 Annual Update to Five-Year Natural Gas
Supply Plan (Board File No. EB-2022-0072)**

Please find enclosed the OSEA's comments in the above-noted matter, pursuant to the Ontario Energy Board's letter dated March 11, 2022.

Yours truly,



Raeya Jackiw

cc: Dan Goldberger, OSEA
Travis Lusney, Power Advisory LLC

Document #: 2159948

ONTARIO ENERGY BOARD

Consultation to Review Enbridge Gas Inc.'s 2022 Annual
Update to its Five-Year Gas Supply Plan

WRITTEN SUBMISSION OF ONTARIO SUSTAINABLE ENERGY ASSOCIATION ("OSEA")

May 25, 2022

On March 1, 2022, Enbridge Gas Inc. filed its 2022 Annual Update to Enbridge's five-year natural gas supply plan ("GSP"). The Annual Update address changes to market outlook, planning and execution process, and integration updates.

On March 11, 2022, the Ontario Energy Board ("OEB") initiated a consultation to review Enbridge's Annual GSP Update¹

The scope of the consultation is limited to assessing the GSP against the guiding principles and criteria outlined in the *Report of the OEB: Framework for the Assessment of Distributor Gas Supply Plans* ("Framework").²

OSEA appreciates the opportunity to comment on Enbridge's annual GSP update. OSEA's comments, set out in more detail below, focus on

- 1 increasing the visibility of the impact of Responsibly Sourced Natural Gas ("RSG") and Renewable Natural Gas ("RNG") procurement on carbon emissions, and
- 2 proposed changes to Enbridge's procurement process related to carbon costs.

IMPACT OF RSG AND RNG ON CARBON EMISSIONS

In the 2022 GSP Annual Update, Enbridge indicated that it intends to support the energy transition by purchasing diverse sources of supply including RSG and RNG.³

With respect to RSG, the Annual Update indicates that Enbridge was able to procure RSG in 2022 and will continue to seek economical RSG contracts with suppliers.⁴ At the

¹ OEB Letter re Consultation to Review Annual Update to Five-Year Natural Gas Supply Plan dated March 11, 2022.

² Report of the OEB: Framework for the Assessment of Distributor Gas Supply Plans (EB-2017-0129) dated October 25, 2018 [Framework].

³ Enbridge Gas Inc. 2022 Annual Gas Supply Plan Update dated May 3, 2022 at pg. 29 [Annual Update].

⁴ Annual Update at pg. 30.

Stakeholder Conference Enbridge clarified that it does not apply a value to RSG certification during procurement and has no RSG target; rather, Enbridge purchases the lowest price gas, and if two offers are received at the same price (one certified and one not certified), RSG certification could be a decision-making factor in procurement.⁵ Enbridge also explained that it is difficult to quantify any reduction in greenhouse gas (“GHG”) emissions associated with the use of RSG in its portfolio because there is no pre-RSG certification baseline for emissions, and because Enbridge does not have visibility into production practises or emissions.⁶

With respect to RNG, the Annual Update indicates that Enbridge is evaluating how to support the development of an RNG market in Ontario.⁷ At the Stakeholder Conference, Enbridge noted it has a general idea of the carbon intensity score for RNG purchased since 2020, but does not have GHG emission reduction calculations (RNG suppliers declared that the supply provided was RNG but Enbridge did not use a certification company to verify the carbon intensity of RNG it received).⁸ Enbridge also noted that it is possible that certain RNG could have GHG emissions that are higher than conventional natural gas.⁹

OSEA’s view is that GHG emissions should be an important factor in Enbridge’s procurement decisions, and that it is necessary to increase transparency around GHG emissions associated with RSG and RNG so that rate-payers can understand the value of purchasing either supply type.

OSEA recommends that Enbridge increase the visibility of RSG and RNG emissions by exploring processes to verify or confirm the carbon intensity of RSG or RNG that it procures such as hiring a third party to verify same or requiring suppliers to provide audited confirmations. EGI should develop permanent measurement and verification processes for alternative fuels, including RNG and RSG, but also to address any new fuels that come to market.

OSEA also recommends that Enbridge develop value assignments for RSG and RNG purchases for the 2023 Annual Update to be used in future gas supply decision-making processes. The amount of value assigned to both fuel types may be small initially as Enbridge determines the worth to rate-payers, and value based on government policy, regulatory objectives and customer preferences. OSEA recommends that Enbridge consider one, or both, of the following.

- 1 A specific carve out for each product to determine the price and supply capacity available for Ontario rate-payers. The justification for the carve-out amount should

⁵ Stakeholder Conference Day 1 Transcript dated May 5, 2022 at pg. 83-84, 102 and 109.

⁶ Stakeholder Conference Day 1 Transcript dated May 5, 2022 at pg. 75 and 82.

⁷ Annual Update at pg. 35.

⁸ Stakeholder Conference Day 1 Transcript dated May 5, 2022 at pg. 90, 97-98.

⁹ Stakeholder Conference Day 1 Transcript dated May 5, 2022 at pg. 95-96.

be determined based broader rate-payer values and alignment with regulatory and government policy.

- 2 Awarding evaluation criteria points to suppliers offering RNG or RSG verified products. The evaluation criteria points could be used to reduce the offer price through the procurement process to fairly compare traditional supply sources with these new products. For clarity, the price reduction would only be for determine supply contract awards, and would not be used in the execution of the supply contract.

CARBON BORDER PRICE ADJUSTMENT

Further to OSEA's comments on the 2021 Annual Update, OSEA continues to recommend that Enbridge consider establishing a border carbon price to normalize the cost of carbon emissions from the creation of natural gas across jurisdictions with Ontario's and Canada's carbon policy.

Enbridge could normalize the cost by:

- 1 instructing all bidders to
 - a) identify the cost of carbon emissions as an independent line item in the bid price, and
 - b) include a summary of the carbon emissions associated with providing the service (including operations, maintenance, and administration etc.).
- 2 Enbridge could then calculate the Ontario carbon price. Where the Ontario price is higher, the Ontario price should be used in place of the cost of carbon set out in the bid. This will allow different proposals to be compared on a similar basis with reference to Ontario's carbon costs.

This carbon border price adjustment would ensure that proposals from lower carbon priced jurisdictions do not have an advantage in Enbridge's RFP process.