Ontario Energy Board | Commission de l'énergie de l'Ontario

September 7, 2022

OEB Staff Report to the Ontario Energy Board

Review of 2022 Annual Update to Enbridge Gas Inc. Natural Gas Supply Plan

EB-2022-0072

2300 Yonge Street, 27th floor, P.O. Box 2319, Toronto, ON, M4P 1E4
2300, rue Yonge, 27e étage, C.P. 2319, Toronto (Ontario) M4P 1E4

T 416-481-1967 1-888-632-6273
F 416-440-7656 **OEB.ca**

TABLE OF CONTENTS

1 INTRODUCTION AND SUMMARY

On March 11, 2022, the Ontario Energy Board (OEB) initiated a consultation to review the annual update to the five-year natural gas supply plan of Enbridge Gas Inc. (Enbridge Gas) in accordance with the gas supply plan assessment process established in the OEB's *Report of the Ontario Energy Board: Framework for the Assessment of Distributor Gas Supply Plans* (Gas Supply Framework).[1] This is the OEB Staff Report resulting from this consultation. Based on the guidance set out in the Gas Supply Framework, the OEB will consider the recommendations in this report to determine if there are issues that require a hearing.

In 2019, the OEB initiated a review of the five-year Gas Supply Plan (GSP) of Enbridge Gas Inc. (Enbridge Gas) culminating in an OEB staff report dated March 26, 2020.[2]

The Gas Supply Framework requires distributors to file an annual update to their five-year GSP. Accordingly, Enbridge Gas filed its 2022 annual update to the five-year GSP on March 1, 2022 (2022 Annual Update).

This report sets out OEB staff's assessment of Enbridge Gas's 2022 Annual Update. In particular, as per the Gas Supply Framework, OEB staff assessed the extent to which:

- Enbridge Gas's GSP provides the information requirements (i.e., the framework criteria) used to evaluate whether the plan delivers value to customers and meets the OEB's guiding principles of: i) cost-effectiveness, ii) reliability and security of supply and iii) public policy. The OEB's framework criteria are: i) demand forecast analysis, ii) supply option analysis, iii) risk mitigation analysis, iv) achieving public policy objectives, v) procurement process and policy analysis, and vi) performance measurement.

- Enbridge Gas's GSP includes a description of how the framework criteria have been met.

- Enbridge Gas's GSP successfully balances the three OEB guiding principles in a way that is prudent and delivers value to customers.

[1] EB-2017-0129, October 25, 2018.
[2] EB-2019-0137 Final OEB Staff Report to the Ontario Energy Board on Consultation to Review Natural Gas Supply Plans, March 26, 2020.

In their comments, several stakeholders supported Enbridge Gas's 2022 Annual Update. With the exception of FRPO, none of the stakeholders identified major issues with the annual update or requested a further review of the plan.

OEB staff is generally satisfied with the 2022 Annual Update and the information provided therein. OEB staff has considered the comments of stakeholders and the reply of Enbridge Gas in formulating its recommendations to the OEB. While OEB staff is proposing that additional information be provided as part of the next annual GSP update, OEB staff does not propose any further review of the 2022 Annual Update and recommends that the process end with the filing of this report.

1.1 Background

The Gas Supply Framework set out the OEB's approach for the assessment of the rate-regulated natural gas distributors' (distributors) supply plans. It identified three guiding principles to be used in assessing the distributors' GSPs:

- **Cost-effectiveness** – The GSP will be cost-effective. Cost-effectiveness is achieved by appropriately balancing the principles and in executing the supply plan in an economically efficient manner.

- **Reliability and security of supply** – The GSP will ensure the reliable and secure supply of natural gas. Reliability and security of supply is achieved by ensuring gas supply to various receipt points to meet planned peak day and seasonal gas delivery requirements.

- **Public policy** – The GSP will be developed to ensure that it supports and is aligned with public policy where appropriate.

The OEB clarified that cost-effectiveness does not necessarily mean the "lowest cost," reliability does not mean "reliable at any cost" and support for public policy does not mean "support at any cost" or "any level of reliability". Rather, the intent is to strike a balanced approach to the benefit of customers. Distributors are required to demonstrate that their GSPs balance the principles in a way that is prudent and appropriate for customers. It is expected that distributors would employ strategies that clearly describe their approach, customer impacts and risks associated with both the options considered and chosen to deliver value to customers.[3]

[3] EB-2017-0129, Gas Supply Framework, p. 8

The OEB also stated that a distributor's plan must meet specific criteria established by the OEB and the GSP should include a description of how the criteria have been met. The framework criteria are the following:

- **Demand Forecast Analysis**: A distributor must describe: i) the process used to develop its demand forecasts, ii) the factors impacting its demand forecasts such as historical demand, customer demographic trends and changing weather patterns, and iii) associated risks. A distributor is expected to also use its OEB-approved methodology when preparing these forecasts.

- **Supply Option Analysis**: A distributor must describe the options that were considered and how the selected option was determined. The option analysis should include: landed costs, bill impacts, the risks associated with each option and how the option aligns with the OEB's guiding principles.

- **Risk Mitigation Analysis**: A distributor must provide a clear description of the risk management process (identification and mitigation) and an assessment of the risk/cost trade-off implications for customers that are associated with options examined. A distributor must also include a suite of scenarios: best, most likely and worst scenarios.

- **Achieving Public Policy**: A distributor must identify and demonstrate the public policy (i.e., public policy that is in effect, not proposed) that its gas supply plan is supporting and how it balanced achieving this with the other guiding principles.

- **Procurement Process and Policy Analysis**: A distributor must provide an overview of its gas procurement policies including how the distributor monitors the market and what resources are applied to ensure that it meets demand.

- **Performance Measurement**: A distributor must develop performance metrics that reflect the OEB's criteria and demonstrate how the OEB's guiding principles have been achieved.

1.2 The Process

Enbridge Gas filed its 2022 Annual Update on March 1, 2022. In the initiation letter dated March 11, 2022, the OEB set up a process to review the 2022 Annual Update, including a transcribed stakeholder conference, written comments by stakeholders and written reply by Enbridge Gas. At the stakeholder conference, Enbridge Gas provided written and oral responses to the written questions from stakeholders and provided additional information about the 2022 Annual Update. The participants included

Enbridge Gas, OEB staff and 16 stakeholders representing consumer groups, gas utilities and a gas transportation company.

Enbridge Gas did not propose any changes to its GSP in response to questions raised at the stakeholder conference. Following the stakeholder conference, parties submitted written comments and Enbridge Gas filed its reply. This report includes OEB staff's conclusions resulting from this review. Unless the OEB decides to hold a proceeding to consider any component of the annual updates, the review process concludes with OEB staff's report.

The following parties participated in the consultation:

- Building Owners and Managers Association, Greater Toronto (BOMA)
- Consumers Council of Canada
- Canadian Manufactures & Exporters (CME)
- City of Kitchener – Utilities Division (Kitchener)
- Energy Probe
- Environmental Defence (ED)
- Federation of Rental-housing Providers of Ontario (FRPO)
- Industrial Gas Users Association (IGUA)
- London Property Management Association (LPMA)
- Ontario Petroleum Institute (OPI)
- Ontario Sustainable Energy Association (OSEA)
- Pollution Probe
- School Energy Coalition (SEC)
- Six Nations Natural Gas Co. (SNNG)
- TransCanada PipeLines Limited (TCPL)
- Vulnerable Energy Consumers Coalition (VECC)

On April 7, 2022, the OEB issued its Decision on Cost Awards Eligibility. The following parties were granted cost eligibility: BOMA[4], CME, CCC, Energy Probe, ED, FRPO, IGUA, LPMA, OSEA, Pollution Probe, SEC and VECC.

On April 14, 2022, twelve stakeholders and OEB staff filed questions to Enbridge Gas regarding the 2022 Annual Update.

A stakeholder conference was convened on May 5 through to May 6, 2022.

[4] BOMA filed its cost eligibility request late and was granted cost eligibility by letter dated April 20, 2022.

Ten stakeholders submitted written comments on May 24, 2022. Enbridge Gas submitted its written reply on June 9, 2022.

All material related to this consultation is available on the OEB's website.

2 SUMMARY OF NATURAL GAS SUPPLY PLAN

Enbridge Gas's Five-Year GSP included an in-depth description of methodologies and related gas supply processes for the period from 2019 to 2024.[5] This is the third annual update to the Five-Year GSP. Enbridge Gas's plan covers the legacy Enbridge Gas Distribution (EGD) and Union Gas rate zones (Union North West, Union North East and Union South).[6] The objective of Enbridge Gas's GSP is to identify an efficient combination of upstream transportation, supply purchases and storage assets to serve sales service and bundled (direct purchase) customers' annual, seasonal and design day natural gas delivery requirements.

As per the Gas Supply Framework, distributors are required to provide an annual GSP update. The update is expected to primarily focus on updates to the Outlook section of the GSP, a description of significant changes from previous updates and a historical comparison of actuals to the Outlook. An in-depth evaluation of the GSP is only expected in the event that the update significantly deviates from the five-year plan.[7]

The 2022 Annual Update discussed the following notable changes:

1. Harmonization efforts
2. Market overview
3. Public Policy initiatives
4. Demand Forecast
5. Energy transition initiatives
6. Contracting changes

2.1 Harmonization efforts

On January 1, 2019, EGD and Union Gas amalgamated to form Enbridge Gas. During the first three years of combining the legacy utility gas supply functions, Enbridge Gas has accomplished many integration enhancements and efficiencies. In support of the amalgamation of the two legacy utilities, one of the key integration requirements impacting gas supply is the integration of the IT systems used for contracting invoice

[5] EB-2019-0137 – For the former Enbridge Gas Distribution rate zone, the first five-year GSP under the Gas Supply Framework is for the period of January 1, 2020 to December 31, 2024, and for the former Union rate zones, it is for the period of November 1, 2019 to October 31, 2024.
[6] Effective January 1, 2019, the former Enbridge Gas Distribution and Union Gas Limited amalgamated to form Enbridge Gas Inc. (Enbridge Gas).
[7] Gas Supply Framework, October 25, 2018, p.14.

management and accounting for gas supply related procurement. As part of the integration efforts, Enbridge Gas implemented and integrated solutions to manage the contracting invoicing and nominations of gas supply purchases as well as the financial processes required for credit risk management and associated regulatory accounting.

Enbridge Gas indicated that integration related accomplishments during 2021 included:

- Training and transitioning of responsibilities
- Coordination of the timeline for development of the GSP for each rate zone, establishing improved communication and increasing overall efficiency of the planning process.
- Applying the use of peaking services to the Union North rate zone.
- Implementation of a project to incorporate the EGD rate zone into the automated gas accounting system.

2.1.1 IT System Integration

In support of the amalgamation of the two legacy utilities, one of the key integration requirements impacting gas supply is the integration of the IT systems used for contracting, invoice management, and accounting for gas supply related procurement. In 2019, Enbridge Gas kicked off a project with the purpose of integrating underlying IT systems that support the gas supply purchasing and accounting functions. This initiative was implemented in February 2022. The initiative includes an integrated solution to manage the contracting, invoicing and nominations of gas supply purchases, as well as the financial processes for credit, risk management and associated regulatory accounting.

2.1.2 Gas Supply Harmonization

Enbridge Gas's GSP harmonization activities in 2021 continued the work that was initiated in 2020. As part of the rebasing application, Enbridge Gas is considering potential changes to weather and design day demand methodologies, as well as changes to annual demand forecasting methodologies. Enbridge Gas is currently evaluating the alignment of the methodology for selecting design weather and estimating design day demand between the legacy utilities. Currently, the Union rate zones use a set temperature approach whereas the EGD rate zones use a probabilistic approach. Harmonizing to one modeling methodology would streamline planning functions within Enbridge Gas and provide consistency for customers across the franchise.

To assist with the review of Enbridge Gas's weather and design day demand methodologies, Enbridge Gas engaged a third party to provide a comparative analysis of common utility practices for design day demand modeling used for gas supply planning. The analysis found that the two commonly used approaches are (1) probabilistic and (2) set temperature. Among similarly situated natural gas utilities, the majority use a set temperature approach similar to that used in the Union rate zones.

Harmonizing the weather and design day demand methodologies would impact the quantity of design day demand required. Assuming no other changes to processes upstream of the GSP, if Enbridge Gas were to align weather and design day demand methodologies to a set temperature approach, Enbridge Gas estimates that additional design day gas supply services would be required in the range of 100-150 TJ per day, or approximately 2.5% to 3.7% for the EGD delivery areas. In order to meet the potential increase in demand in the EGD rate zone, Enbridge Gas would be required to contract for incremental gas supply services.

At the stakeholder conference, Enbridge Gas confirmed that it would not implement the change in the design day methodology at the next annual update. A change in the methodology will be proposed in the rebasing application and Enbridge Gas confirmed that it will not make any changes without OEB approval. Enbridge Gas will provide detailed evidence to justify a change in the design day demand methodology and the rationale for additional capacity in the rebasing application.[8]

2.1.3 Load Balancing

In the Final OEB Staff Report to the OEB for the Enbridge Gas 2021 Annual Update, OEB staff recommended that Enbridge Gas should provide more information on the impact of load balancing costs when evaluating supply options.[9] In the 2022 Annual Update, Enbridge Gas noted that it will file evidence in its rebasing application to consider cost effective market-based alternatives to the purchase of third-party storage. As part of that review, Enbridge Gas has engaged ICF consulting to evaluate storage and other market-based alternatives to meet Enbridge Gas's load balancing needs. In the 2022 Annual Update, Enbridge Gas described how load balancing needs are currently considered within its portfolio.

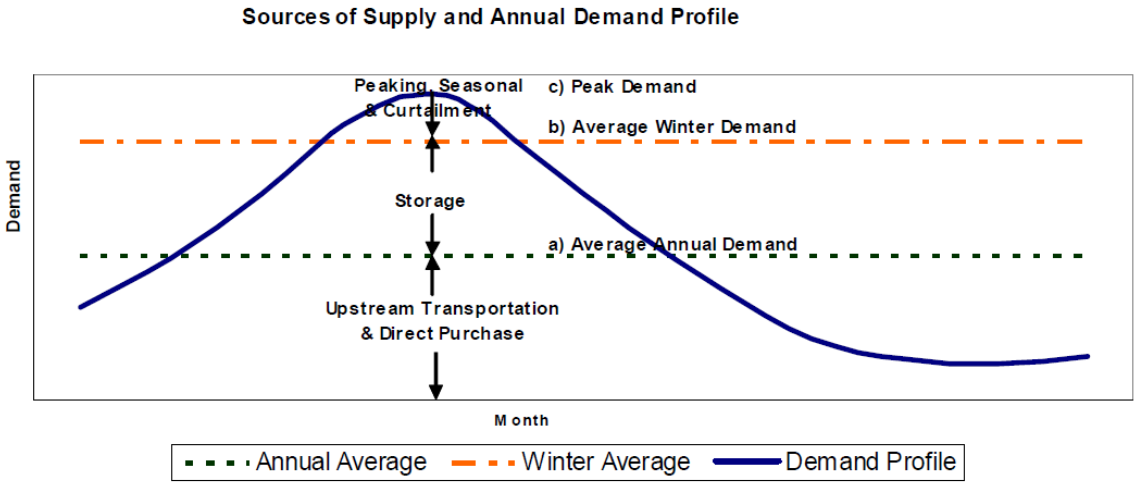
The objective of the gas supply planning process is to balance the demands of system and bundled direct purchase customers on a daily basis. Enbridge Gas's general

[8] Transcript, May 5, 2022, pp. 47-48.
[9] OEB Staff Report to the Ontario Energy Board: Review of 2020 Annual Update to Enbridge Gas Inc. Natural Gas Supply Plan, p. 29.

service market and a portion of contract market customers are heat sensitive and their demand can vary significantly throughout the year. For these customers, an optimal mix of load balancing assets are required. Enbridge Gas considers a variety of tools to meet these requirements including:

- system supply and obligated direct purchase daily pipeline deliveries
- gas in storage and associated delivery
- peaking, seasonal and curtailment supplies

The figure below demonstrates how Enbridge Gas uses load balancing assets to meet customers' demands across the entire demand curve (average annual demand, average winter demand, and peak winter demand)



Currently, each rate zone relies on supply from storage withdrawals, seasonal or peaking services and supply purchases to balance winter load requirements. Approximately, half of Enbridge Gas's design day demands are met with storage services, with the other half met by purchased or obligated supply to be delivered in the winter months.

In addition to storage, a large portion of the GSP's load balancing needs are met using seasonal supplies and peaking services. On a planned basis, Enbridge Gas's supply purchases are heavily weighted within the year to winter purchases. Enbridge Gas purchases 70% of its planned Dawn-based supply during the winter months.

Although storage and supply purchases account for majority of the GSP's load balancing needs over the winter season, peak and near peak days result in the need to source additional requirements. Even after interruptible customers have been curtailed,

some delivery areas may have planned firm design day demand higher than contracted upstream assets. When these planned shortfalls are not large enough to justify a long-term transportation contract, Enbridge Gas has historically met them by procuring short-term third-party services if they are available. For the delivery areas where short-term third-party services are not available, Enbridge Gas has historically procured firm transportation assets for a term of no more than one year, if available.

2.2 Market Overview

2.2.1 Market Outlook

In 2021, North American energy markets continued to be impacted from the COVID-19 pandemic. Demand was lower during the first half of 2021 due to the pandemic. However, with the economy opening up in the second half of 2021, demand for energy increased pushing energy prices higher. Enbridge Gas has relied on the ICF Q4 2021 Natural Gas Strategic Report to develop its market outlook.

2.2.2 North American Supply

North American natural gas production is expected to grow significantly over the next two years as drilling activities ramp up across North America. Total Canadian and U.S. gas production is expected to increase by 0.8% per year on average from 2021. Increased production is driven by growth in production of shale gas. It is expected that by 2025, shale gas is expected to account for approximately 79% of all U.S. and Canadian gas production.

2.2.3 Natural Gas Demand

North American natural gas demand growth in 2021 mostly reflected economic recovery from the COVID-19 pandemic. The growth in domestic demand is expected to be driven equally by increasing economic activity and gas replacing other more carbon intense fuels such as coal and oil in electricity generation, industry and transport. However, demand for natural gas may not reach 2019 levels until beyond 2022.

Almost half of the increase in worldwide gas demand between 2020 and 2024 is expected to come from the Asia Pacific region which will drive additional natural gas exports from North America. Further increases in North American Liquefied Natural Gas

(LNG) exports to Europe may occur due to the recent geopolitical uncertainty and reduced reliance on natural gas from Russia.[10]

In Ontario, gas use is expected to increase at an annual average growth rate of 1.2% per year from 2021 through 2045. Demand from the residential and commercial sectors will experience annual modest growth of 1.47% and 0.97% respectively over the next two decades. The demand growth is expected to be greatest in the power sector with an annual growth rate of 6.11% between 2022 and 2045.

2.2.4 Natural Gas Price Signals

Geopolitical uncertainty and resumption of economic activity after the pandemic has increased price volatility in natural gas markets worldwide. The futures market is continuing to project increases in the Henry Hub natural gas prices for the 2021/22 winter from historically low levels for the past several years. It is expected that the increase in natural gas prices will be driven by low oil and gas upstream activity for the rest of 2021 and higher storage withdrawals during the coming winter.

ICF forecasts an average price of US$ 3.37/MMBtu during the summer of 2022. Below average natural gas inventories combined with a severe cold snap along with higher demand for natural gas in Europe could result in further price increases.

2.3 Public Policy Updates

Enbridge Gas provided the following updates to remain responsive to public policy-related developments.

2.3.1 Community Expansion

On June 9, 2021, the Government of Ontario announced 28 projects that will receive funding in the second phase of the Natural Gas Expansion Program with 27 of the projects proposed by Enbridge Gas.[11] The number of new customers anticipated to be added to Enbridge Gas's system as part of these community expansion projects is negligible in comparison to its existing customer base and forecasted growth. Consequently, the increased gas demand from these projects will be easily accommodated within the existing GSP.

[10] The war between Russia and Ukraine.
[11] https://www.ontario.ca/page/natural-gas-expansion-program#section-3

2.3.2 Federal Carbon Charge

As of April 1, 2022, the Federal Carbon Charge that Enbridge Gas must remit to the Government of Canada under the *Greenhouse Gas Pollution Pricing Act* (GGPPA) for eligible volumes of natural gas increased from $40 per tonne of carbon dioxide equivalent (tCO_2e) to $50 per tCO_2e.

The demand forecast underpinning the 2022 Annual Update includes this federal carbon charge in the price-related demand driver variables used in its regression equations. As the proposed increase to $170 per tCO_2e has not to date been federally legislated, the update contemplates a 2% per year inflationary factor after 2022.

2.3.3 Federal Clean Fuel Regulation

The federal government is developing a Clean Fuel Regulation (CFR), which will require fossil fuel producers, importers and distributors to reduce the carbon intensity of the fuels used in Canada. In December 2020, the federal government announced that the proposed CFR will not impose a compliance obligation on gaseous or solid fuels. However gaseous fuel producers, importers and distributors may have the ability to participate in the CFR by generating credits for production/import of low carbon fuels such as Renewable Natural Gas (RNG) and hydrogen. As a result, Enbridge Gas anticipates that any RNG or hydrogen procured as part of its supply portfolio may generate CFR credits, effectively lowering the cost of these fuels. As the CFR has not been finalized, impacts of the CFR have not been considered in the 2022 Annual Update.

2.3.4 Integrated Resource Planning (IRP)

The OEB established an IRP Framework for Enbridge Gas effective July 22, 2021.[12]. Enbridge Gas noted that since the 2021 Annual Update, there have been no impacts on the demand forecast or gas supply portfolio from IRPs beyond what is already reflected in DSM impacts.

2.4 Demand Forecast

Enbridge Gas's in-franchise customers are divided into two customer segments: the general service market and the contract market. A majority of Enbridge Gas's customers in the general service market are residential and small commercial customers who primarily use natural gas for space heating. Accordingly, their

[12] EB-2020-0091 Decision and Order, July 22, 2021.

consumption is weather sensitive. The remaining rate classes constitute the contract market which is largely made up of large industrial firms with fairly consistent demand over the year.

Enbridge Gas provides distribution services to all in-franchise customers. Customers have the option to purchase gas from Enbridge Gas as a sales service customer or arrange their own supply through a direct purchase arrangement. Within the general service rate classes, 80% of the customers are sales service while the remaining 20% are direct purchase customers. Conversely, in the contract market, the majority of customers (92%) are on direct purchase. These proportions have remained unchanged from 2021.

2.4.1 Annual Demand

The annual demand forecasts are prepared separately for the EGD and Union rate zones, using OEB-approved methodologies. Overall, the pandemic is not expected to reduce total annual demand for the contract market in 2022. Enbridge Gas expects the pandemic to have a modest impact to general service demand resulting from lower forecasted average use.

Table 1: 2022 Annual Demand Forecast vs 2021 Annual Demand Forecast

Line No.	Particulars (TJ)	2021/22			2022/23			2023/24	
		2022 Update	2021 Update	Variance	2022 Update	2021 Update	Variance	2022 Update	2021 Update
	EGD								
1	General Service	381,835	390,299	(8,464)	383,278	392,361	(9,083)	386,810	395,340
2	Contract	70,000	70,148	(149)	72,767	69,784	2,983	72,643	69,513
3	Total EGD	451,835	460,448	(8,613)	456,045	462,145	(6,100)	459,453	464,853
	Union North West								
4	General Service	14,579	14,470	109	14,621	14,484	137	14,743	14,601
5	Contract	1,441	1,683	(242)	1,436	3,767	(2,331)	1,432	4,803
6	Total Union North West	16,020	16,153	(132)	16,057	18,252	(2,194)	16,175	19,404
	Union North East								
7	General Service	39,107	38,646	461	39,221	38,671	551	39,537	38,961
8	Contract	3,554	3,878	(324)	3,556	3,884	(328)	3,532	3,871
9	Total Union North East	42,660	42,524	137	42,778	42,555	223	43,069	42,832
	Union South								
10	General Service	173,820	175,430	(1,610)	174,324	175,133	(809)	175,562	175,944
11	Contract	55,729	56,738	(1,009)	57,249	57,587	(338)	58,182	55,609
12	Total Union South	229,549	232,168	(2,619)	231,573	232,720	(1,147)	233,745	231,553
13	Total Demand Forecast	740,065	751,292	(11,227)	746,453	755,671	(9,218)	752,443	758,642

As observed from Table 1, the current annual demand forecast is approximately 1% lower than the 2021 Annual Update as a result of updated driver variables, recent actual consumption trends and known and forecasted customer and contracted demand growth. Compared to the previous forecast, general service demands are about 1.4% lower on average, driven by updated average use and customer growth forecast. The contract market demand is 0.8% higher than the previous plan as a result of updated sales information, higher firm contract demand in some markets and planned growth. Enbridge Gas's total annual demand is expected to be almost flat, increasing by an average of 0.6% year over year within the forecast period.

At the stakeholder conference, Enbridge Gas responded to some questions regarding the significant variation between the 2021 Annual Update and 2022 Annual Update with respect to the contract demand forecast for the 2022/23 period in the EGD and Union Northwest rate zones. The increase in the contract demand forecast of 2,983 TJs for the 2022/23 period in the EGD rate zone is primarily attributable to an increase in the number of contract rate customers and demand growth across other existing accounts. For the Union Northwest contract market, the decrease in the 2022 Annual Update of

2,331 TJs is due to the change in the status of a new large volume customer that has moved from system supply to direct purchase.[13]

2.4.2 Design Day Demand

The EGD rate zone design day demand[14] weather conditions are based on a 1 in 5 recurrence interval[15] using a lognormal distribution. The Union rate zones design day demand weather conditions are based on the coldest observed degree day. Table 2 below illustrates the design day demand forecast for each rate zone. Enbridge Gas's design day demand is expected to increase relative to annual demand primarily because DSM and efficiency gains typically reduce annual demand as opposed to design day demand.

Table 2: 2022 Design Day Demand Forecast vs 2021 Design Day Demand Forecast

Line No.	Particulars (TJ/d)	2021/22			2022/23			2023/24	
		2022 Update	2021 Update	Variance	2022 Update	2021 Update	Variance	2022 Update	2021 Update
1	Total EGD	4,044	4,040	4	4,059	4,057	2	4,076	4,074
2	Total Union North West	131	128	3	132	128	4	133	128
3	Total Union North East	419	404	14	419	406	13	420	410
4	Total Union South	3,308	3,269	39	3,343	3,325	18	3,430	3,351

In comparison to the 2021 Annual Update (Table 2), design day demands have slightly increased in the EGD and Union North rate zones. The updated forecast for the Union South rate zone reflects changes in expected Sarnia Industrial Line growth and Panhandle Transmission System for 2023/24 and 2024/25.

2.5 Current Portfolios

2.5.1 Commodity Portfolio

Enbridge Gas procures supply on behalf of its system sales service customers from diverse sources including the Western Canadian Sedimentary Basin, Dawn, Chicago, Niagara, U.S. Midcontinent, and the Appalachian Basin in the U.S. Northeast. These

[13] Transcript, May 5, 2022, pp. 153-154.
[14] Natural gas utilities are expected to provide a firm level of service to customers on an extremely cold weather day called the Design Day.
[15] A recurrence interval is defined as the average frequency, in years, in which an actual weather event or HDD level is expected to exceed that of the design level one time. An alternate statement would be that there is a 20% probability that the specified peak day HDD value would be exceeded in any given year.

supply sources, along with Enbridge Gas's transportation contracts move the supply to both the distribution system and storage assets.

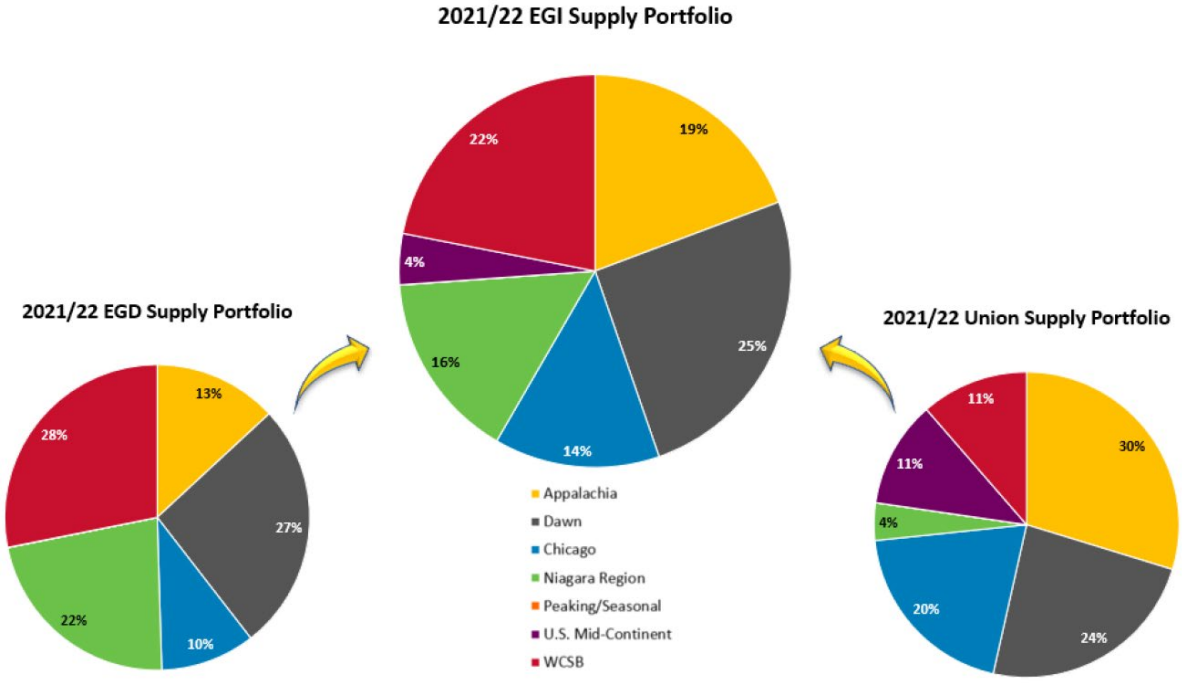


Figure 1: Enbridge Gas Sources of Supply

2.6 Energy Transition Initiatives

2.6.1 Responsibly Sourced Natural Gas

In Enbridge Gas's 2021 Annual Update, it discussed the development of natural gas certifications that it labeled as Sustainable Natural Gas (SNG). As a result of stakeholder feedback, Enbridge Gas agreed that the label SNG could be viewed as misleading and committed to monitoring the market and adopting a different term. Over the past year, Responsibly Sourced Gas (RSG) has emerged as a commonly used term.

The standards for RSG certification measure the production impacts to environmental, social and governance (ESG) attributes including air and water quality, carbon and methane emissions, and relations with Indigenous communities. In the 2021 Annual Update, Enbridge Gas estimated the premium for this certified gas to be in the range of $0.05 per GJ to $0.15 per GJ. In 2022, Enbridge Gas was able to procure RSG within its normal procurement practices and without paying a premium for that supply.

Throughout 2021, several certifications have emerged with respect to RSG. The Equitable Origin EO100, MiQ, and Project Canary's Trustwell certifications are types of certifications used by several producers to label their gas to conform to specific ESG standards. According to S&P Global Platts, approximately 14% of US gas production is anticipated to be RSG by the end of 2022.[16]

Although Enbridge Gas noted that it intended to purchase RSG without increasing costs to customers, its customer engagement survey showed that customers were willing to pay a premium for RSG (61% support).[17] According to Enbridge Gas, procuring RSG provides customers greater transparency into the ESG attributes of the gas they consume.

2.6.2 Renewable Natural Gas

Renewable Natural Gas (RNG) is created by capturing methane emissions from organic waste landfills and wastewater treatment facilities. The market for RNG is in the early days of development in comparison to the market for conventional natural gas. At this time, the supply for RNG is scarce and there is no active RNG product that trades on the Intercontinental Exchange.

Enbridge Gas noted that RNG producers require long-term contract to recoup costs associated with RNG production including costs to connect to a local gas distribution system, while utilities need assurance of cost recovery to make long-term commitments. Enbridge Gas claimed that out-of-province utilities have been "first-movers" in procuring RNG produced in Ontario and since Enbridge Gas does not have certainty of cost recovery for RNG beyond its voluntary program, it is at a disadvantage in terms of procuring RNG compared to other jurisdictions (where cost recovery is more certain). However, Enbridge Gas has not shared any plans for filing future applications that includes cost recovery proposals, with the OEB related to RNG.

2.6.3 Voluntary Renewable Natural Gas Program

The Ontario government released the Made-in-Ontario Environment Plan on November 29, 2018, which outlines a requirement for natural gas utilities to implement a voluntary RNG option for customers.

[16] 2022 Enbridge Gas Annual Update to GSP, EB-2022-0072, p. 31.
[17] Enbridge Gas engaged Innovative Research Group to conduct a survey to meet its customer engagement requirements for its 2024 rebasing application. Data from residential and business customers was collected between the first week of December 2021 and early January 2022.

On September 25, 2020, the OEB granted Enbridge Gas approval of a voluntary RNG program on a pilot basis. The program offers system gas general service customers the option to pay a fixed $2 monthly charge to fund the incremental cost of procuring RNG as part of the overall system gas supply. Enbridge Gas launched the program on April 1, 2021, and as of January 31, 2022, over 1,000 customers have enrolled in the program.[18]

2.6.4 Low Carbon Energy Project

Following OEB approval in the fall of 2020 for a Low Carbon Energy Project (LCEP), construction commenced on hydrogen blending facilities. Construction and commissioning were completed in September 2021, and the plant began blending up to 2% hydrogen by volume on October 1, 2021, for approximately 3,600 customers in Markham, Ontario. Blended gas, due to its hydrogen content, will emit less greenhouse gas emissions than traditional natural gas. The experience gained through implementation of the LCEP will help Enbridge Gas determine whether to expand hydrogen blending to other parts of the distribution system.

2.7 Transportation Contracting Changes

To manage risk, Enbridge Gas holds a diverse portfolio of transportation contracts to meet the design day needs of each delivery area.

2.7.1 Transportation Portfolio Changes

For the period of November 1, 2021, to March 31, 2022, the Union South rate zone has the following portfolio changes:

1. Vector Pipeline

   Effective November 1, 2021, 42,202 GJ/day capacity (21,101 for each the EGD rate zone and Union South rate zone from Chicago to Dawn) for a term of 5 years.

2. TransCanada Pipeline (TCPL)

   a) Effective November 1, 2021, 1,000 GJ/day capacity from Empress to the Union Western Delivery Area (WDA) for a term of 1 year.

[18] Enbridge Gas Compendium, p. 20, May 3, 2022.

b) Effective November 1, 2021, 386 GJ/day capacity from Empress to the Union Northern Delivery Area (NDA) for a term of 1 year.

c) Effective November 1, 2022, 4,000 GJ/day capacity from Empress to the Union Eastern Delivery Area (EDA) for a term of 5 years.

Vector Pipeline

Vector Pipeline held a non-binding open season for a proposed 2023/2024 expansion project and existing capacity starting November 2021. Enbridge Gas bid and contracted for 40,000 Dth/day (or 42,202 GJ/day) from Chicago to Dawn at a toll of $0.16 USD/Dth/day for a term of 5 years. According to Enbridge Gas, the benefits of the capacity include:

- The contract supports Enbridge Gas's objective of structuring a portfolio with a diversity of contract terms and supply basins.
- Landed cost of gas flowing from Chicago along this route is competitively priced and has an end date that aligns with the gas year.
- Provides toll certainty on a portion of Enbridge Gas's upstream transportation portfolio.
- Provides flexibility to access multiple supply sources at Joliet and other points along the path.
- Provides Enbridge Gas with delivery point flexibility within the path including Michigan storage and Sarnia.
- Provides flexibility as the capacity can be segmented and used bi-directionally.

TCPL

TCPL Western Delivery Area Capacity

Enbridge Gas's GSP identified a winter of 2021/2022 design day shortfall of 2,698 GJ/day in the WDA. Enbridge Gas has purchased 1,700 GJ/day peaking services which represents 2% of the peak day requirement with the remaining 1,000 GJ/day fulfilled with firm transportation.

The stated benefits of the capacity include:

- Provides firm transportation capacity to meet the firm design day loads within the Union WDA to cover the design day shortfall.

- The contract is for one year which aligns with the gas year and provides opportunity to recalculate needs in future years

TCPL Union Eastern Delivery Area Capacity

TCPL held an existing capacity open season from February 7 to 9, 2022, for long haul transportation with service dates beginning November 1, 2022. Enbridge Gas submitted a bid and was awarded 4,000 GJ/day of existing capacity for a term of 5 years. Enbridge Gas noted that the 4,000 GJ/day is equal to the forecast peak day shortfall for the winter of 2022/23 and secures Enbridge Gas's ongoing access to the transportation capacity without having to support a build project and commit to a 15-year term.

The benefits of the capacity according to Enbridge Gas include:

- Contract supports Enbridge Gas's objective of structuring a portfolio with a diversity of contract terms and supply basins.
- Contract aligns with the gas year and provides opportunity to recalculate needs in future years.
- Firm transportation purchase is consistent with the gas supply principle of ensuring secure and reliable gas supply at a reasonable cost.
- Provides a fixed-rate toll which provides toll certainty on a portion of Enbridge Gas's upstream transportation portfolio.
- Provides Enbridge Gas with delivery point flexibility within the chosen path.

2.8 Storage Portfolio

Storage provides a cost-effective, reliable and secure alternative to purchasing commodity when required. Storage provides operational flexibility allowing Enbridge Gas to fill storage during the low consumption months (and when gas supply prices are usually lower) and withdraw during the winter to meet the design day storage withdrawal requirements.

In accordance with the Natural Gas Electricity Interface Review (NGEIR) Decision, the amount of cost-based storage reserved for legacy EGD rate zone customers is 99.4 PJ and 100 PJ for legacy Union Gas customers.[19]

[19] EB-2005-0551, Decision with Reasons, November 7, 2006.

In addition to the cost-based storage available to customers in the EGD rate zone, Enbridge Gas holds 11 service agreements for 26.2 PJ of storage capacity at market-based rates. Every year Enbridge Gas conducts analysis to determine its storage requirements. Based on the results of the analysis, a blind Request for Proposal (RFP) process is undertaken to replace expiring storage service agreements or add incremental storage capacity.

A blind RFP process is used for purchasing storage from the market because Enbridge Gas and its affiliates own and operate a significant amount of non-utility storage facilities in Ontario. For the 2021/22 gas year, 21.6 PJs were purchased from Enbridge Gas (the former Union Gas) or an affiliate of Enbridge.

For storage contracts starting April 1, 2022, Enbridge Gas conducted a blind RFP that closed in December of 2021 to replace storage contracts expiring at the end of March 2022. At the stakeholder conference, Enbridge Gas confirmed that it followed all the process recommendations from ScottMadden's report regarding the blind RFP process and there were no deviations from that process.

2.9 Unutilized Capacity

Enbridge Gas does not plan for any unutilized capacity for the EGD rate zone on its TCPL long-haul transportation. For the Union South rate zone, Enbridge Gas plans for upstream pipeline capacity to flow at 100% utilization each day of the year. During low consumption periods, excess supply is injected into storage at Dawn and when demand is high, gas is withdrawn from storage and transported to Union South in-franchise customers. Consequently, there is also no planned unutilized capacity in Union South.

In the Union North rate zones, the upstream transportation portfolio is sized to meet design day demand. Accordingly, there is planned unutilized capacity in the Union North rate zones. If weather is colder than normal and/or annual consumption is greater than forecast, Enbridge Gas will use this capacity to meet incremental supply requirements.

Table 3 illustrates the total planned unutilized capacity by rate zone.

Table 3: Planned UDC

Line No.	Particulars (PJ)	2021/22	2022/23	2023/24	2024/25	2025/26
1	EGD	-	-	-	-	-
2	North West	13.6	13.0	12.9	12.8	12.8
3	North East	1.8	1.7	1.7	1.8	1.6
4	South	-	-	-	-	-
5	Total Planned UDC	15.5	14.7	14.6	14.7	14.4

The actual excess unutilized capacity identified in Table 3 is the amount of capacity left empty and is not what was injected into storage. The actual unutilized capacity in 2020/21 was higher than planned primarily due to warmer than normal weather.

2.10 Supply Options Analysis

Enbridge Gas evaluates supply options using several criteria. The criteria are based on applicable OEB guiding principles. Enbridge Gas focused on reliability and security of supply, and cost effectiveness.

Factors that impact reliability include supply liquidity, nomination performance, delivery performance, distance of haul, gate station connectivity and the level of third-party services. Enbridge Gas also considered flexibility and diversity of supply to ensure the required level of supply security to customers. Some elements of flexibility that Enbridge Gas considers include contracting lead time, transportation contract term, supply contract term, availability of third-party services, number of nomination windows and renewal rights. When evaluating a supply option's impact on diversity, Enbridge Gas assesses the ability to provide transportation capacity through multiple paths.

Finally, Enbridge Gas's evaluation of the costs of a potential supply option is mainly a quantitative exercise and considers the landed costs ($ per GJ/day). If the option is intended to meet design day needs, annual costs are calculated.

For most delivery areas, there have been no changes in options to serve and no materials differences in the evaluation matrix. Enbridge Gas's preferred strategy is to address any shortfall positions through the procurement of third-party services. For the

NDA, Enbridge Gas will consider third-party services along with Liquefied Natural Gas to address potential shortfalls.

2.11 Gas Supply Plan Execution

Enbridge Gas executes the GSP, balancing reliability, diversity and flexibility, while achieving a cost-effective solution for ratepayers. The execution of the plan is monitored on a regular basis to ensure flexibility is maintained to account for shifts in demand or changing market conditions. Flexibility is achieved through shorter-term purchases to manage changes in demand due to weather, usage patterns or market conditions.

To manage risk, Enbridge Gas procures supply regularly throughout the year from creditworthy counterparties at multiple trading points using a layered approach with consideration to diversity of delivery term and supplier.

2.12 Three-Year Historical Review

The following tables provide variance analysis for the previous three year forecasted relative to actual for heating degree days (HDDs) and commodity purchases.

Table 4: Actual vs Plan Heating Degree Day

Line No.	Particulars (HDD)	2018/19			2019/20			2020/21		
		Actual	Plan	Variance	Actual	Plan	Variance	Actual	Plan	Variance
1	EGD Central	3,841	3,640	6%	3,648	3,621	1%	3,277	3,645	-10%
2	EGD Eastern	4,707	4,325	9%	4,418	4,336	2%	3,917	4,373	-10%
3	EGD Niagara	3,637	3,417	6%	3,424	3,417	0%	3,087	3,429	-10%
4	Union North West	5,460	4,948	10%	5,173	4,941	5%	4,650	4,964	-6%
5	Union North East	5,100	4,948	3%	4,864	4,941	-2%	4,349	4,964	-12%
6	Union South	3,909	3,782	3%	3,726	3,763	-1%	3,399	3,772	-10%

In 2019/20, HDDs were relatively close to budget across most weather zones. As observed from table 4, HDDs were lower than budget across all weather zones in 2020/21 due to warmer than expected temperatures. Consequently, demand was also lower than planned. Unutilized capacity was also therefore higher than planned.

Table 5 provides the actual commodity purchases versus planned in the previous update. Warmer than normal weather in 2020/21 decreased demand and gas supply deliveries.

Table 5: Actual vs Plan Commodity Purchases

Line No.	Particulars (TJ)	2018/19			2019/20			2020/21		
		Actual	2018 GSP	Variance	Actual	Annual Update	Variance	Actual	Annual Update	Variance
	EGD									
1	Appalachia	42,152	43,466	(1,314)	38,500	43,585	(5,085)	40,393	43,117	(2,725)
2	Chicago	24,418	25,233	(815)	20,866	25,192	(4,325)	25,892	25,194	698
-	-	-	-	-	-	19	Local Production	-	-	-
23)	7,722	7,723	(1)	7,316	7,702	(386)	20	Niagara	6,879	7,702	(8
0	-	-	-	-	-	-	21	Ojibway	7,702	7,702	-
05	33,411	42,287	(8,876)	30,282	43,992	(13,710)	22	Ontario/Dawn	54,963	44,158	10,8
(8)	18,232	22,011	(3,779)	21,938	21,950	(12)	23	U.S. Mid-Continent	13,470	13,478	
-	8,821	8,821	0	8,791	8,797	(5)	24	WCSB	1,095	1,095	-
64	133,144	150,348	(17,205)	131,140	151,758	(20,619)	25	Total Union South	152,716	143,452	9,2
84	507,387	516,971	(9,585)	497,960	534,538	(36,578)	26	Total Supply Forecast	563,634	509,250	54,3

[redacted]

2.13 Performance Measurements

Enbridge Gas's performance metrics for 2020/21 can be found in Appendix A with a brief explanation of each measure's intent. As part of this year's update, Enbridge Gas's performance metrics now includes a rolling three-year average of historical levels of each measure where applicable as a benchmark for comparison.

3 STAKEHOLDER COMMENTS AND OEB STAFF ANALYSIS

The consultation provided stakeholders an opportunity to submit written questions to Enbridge Gas. At the stakeholder conference, Enbridge Gas provided written or oral responses to the questions and provided further information about the 2022 Annual Update.

The consultation also provided stakeholders an opportunity to submit written comments. Ten stakeholders[20] submitted written comments. Enbridge Gas was given the opportunity to review stakeholders' written comments and decide whether to: (i) provide written comments in response, and/or (ii) revise its plan and provide a revision statement that outlines any changes, together with the rationale for those changes. Enbridge Gas provided its response to the comments on June 9, 2022, with no changes proposed to its GSP.

Summary of OEB Staff Recommendations

OEB staff is of the view that Enbridge Gas provided the required information necessary to evaluate whether the annual update to the GSP continues to meet the OEB's guiding principles. OEB staff further believes that the matters addressed in this annual update do not warrant further review of the plan (prior to the filing of the next annual update) or require a hearing before the OEB at this time.

With the exception of FRPO, none of the stakeholders raised significant concerns regarding Enbridge Gas's annual update. VECC observed that Enbridge Gas has a robust and prudent gas planning process and resultant gas plan. Energy Probe had no concerns about the Annual Update and noted that Enbridge Gas had appropriately considered the impact of all inputs and that the forecasts were reasonable.

Below is a summary of the key issues raised by stakeholders on Enbridge Gas's 2022 Annual Update and Enbridge Gas's response to these comments. OEB staff's analysis does not appear in a separate section but immediately follows stakeholder comments so as to provide better context to the discussion.

[20] Building Owners and Managers Association, Greater Toronto (BOMA); Environmental Defence (ED); Energy Probe; Federation of Rental-housing Providers of Ontario (FRPO); Industrial Gas Users Association (IGUA); London Property Management Association (LPMA); Ontario Sustainable Energy Association (OSEA); Pollution Probe; School Energy Coalition (SEC) and Vulnerable Energy Consumers Coalition (VECC),

3.1 Timing of Next Five-Year Gas Supply Plan

Enbridge Gas's next five-year GSP would be for the period 2024-2029.[21] Some stakeholders (SEC, LPMA and IGUA) raised concerns about the timing of the next five-year GSP. It is expected that Enbridge Gas will file its next five-year GSP in early 2024. This will not provide Enbridge Gas an opportunity to incorporate the findings of its rebasing application into the five-year GSP. Since critical elements of the GSP such as design day, demand and growth forecasts will be determined in the rebasing application, intervenors submitted that the five-year GSP would need to be updated soon after filing. Accordingly, LPMA submitted that the OEB should consider aligning the next five-year GSP with the rebasing application.

SEC suggested that Enbridge Gas should be permitted to file an additional annual update to the current five-year GSP and defer the filing of the next plan to 2025, assuming the OEB renders a decision on the rebasing application in early 2024. IGUA made a similar recommendation.

At the stakeholder conference, Enbridge Gas raised the possibility of adding one more year to the current five-year GSP. In its reply, Enbridge Gas reiterated its proposal to file an additional annual update in 2024, rather than a five-year GSP. However, it noted that determinations about the timing of the next five-year plan are not required as part of this update. Enbridge Gas proposed that it would provide additional details regarding the timing of the next five-year GSP as part of its 2023 Annual Update (which is currently set as the fourth and final Annual Update related to the five-year GSP). Enbridge Gas added that by that time, it will have filed its rebasing application and it would have better information regarding the rebasing application timelines.

OEB Staff Recommendations

OEB staff acknowledges that filing a five-year GSP without the critical updated determinants from the rebasing application will not serve its intended purpose. OEB staff agrees with Enbridge Gas that a determination to extend the current five-year GSP by an additional year does not need to be considered in this review. The next annual update will be filed after the rebasing application has been filed and that will be the appropriate time to consider any extension regarding the filing of the next five-year GSP.

[21] The next five-year GSP is expected to be from November 1, 2024 through October 31, 2029 (filed in early 2024).

3.2 Harmonization of GSP

Enbridge Gas continues to work on the harmonization of the GSP with respect to integrating the gas supply operations and inputs of the GSP for the two legacy utilities (EGD and Union Gas). Enbridge Gas noted that certain revised inputs (design day, demand forecast methodologies, etc.) requiring OEB approval will be included in the rebasing application.

Stakeholders supported the harmonization efforts of Enbridge Gas. Energy Probe sought clarity from Enbridge Gas on whether the objective of harmonization was to have one gas supply group of employees for Enbridge Gas or two harmonized supply groups, one for legacy EGD and one for legacy Union Gas.

In reply, Enbridge Gas confirmed that through 2019 and 2020, it has integrated its gas supply planning and execution teams that perform gas supply functions for the amalgamated utility.

OEB Staff Recommendations

OEB staff supports the harmonization efforts of Enbridge Gas and believes that appropriate harmonization of gas supply operations of the two legacy utilities will be more effective, to the benefit of ratepayers in the long-term. As noted by Enbridge Gas, a proposal for harmonization of some gas supply planning elements will be filed in the rebasing application.

3.3 Energy Transition (RSG, RNG and Hydrogen Blending)

In its 2022 Annual Update, Enbridge Gas provided information and updates about the voluntary RNG program, hydrogen blending and the emergence of RSG in the natural gas industry. At the stakeholder conference, Enbridge Gas provided further information and clarification on these topics.

SEC submitted that there was insufficient information to accurately assess the CO_2 reduction potential of RSG supply. At the stakeholder conference, Enbridge Gas noted that for every 0.8% reduction of methane intensity in the production of natural gas, there is a reduction of 3 kg/GJ in CO_2 emissions.[22] SEC argued that such information was not helpful as it was not clear what the estimated reductions are being compared against. Moreover, the comparison does not allow for a full assessment of the CO_2 emissions per unit of RSG in comparison to Enbridge Gas's overall natural gas supply portfolio.

[22] Transcript, May 5, 2022, pp. 82-83.

Accordingly, SEC requested Enbridge Gas to provide at its next annual update, a comparison between CO_2 emissions of the RSG supply and that of its overall gas supply portfolio.

Enbridge Gas responded that there was no baseline information about specific carbon intensity of the overall gas supply portfolio, and it was not clear what information will be available from RSG suppliers. However, Enbridge Gas noted that the market is rapidly evolving and disclosure of this type of information may become more common in the future. If relevant and useful information is available, Enbridge Gas agreed to share such information in the 2023 Annual Update.

LPMA noted that Enbridge Gas is expected to provide more information on its future plans with respect to energy transition (RSG, RNG and hydrogen blending) in its upcoming rebasing application. LPMA submitted that the information should also include a review of what other jurisdictions are doing in this regard.

IGUA submitted that in future gas RFPs, Enbridge Gas should require respondents to indicate whether the gas is certified and if so, pursuant to what certification criteria. Enbridge Gas noted that it preferred to not require such disclosure in an RFP since it might discourage participants from responding to RFPs. This would then make it challenging to get the lowest commodity cost for ratepayers. If Enbridge Gas were to mitigate this by clearly stating that the company would not consider RSG certification in the RFP process, then it might discourage certified respondents and would not be accurate as Enbridge Gas could consider certification under certain circumstances (price tie, diversity, lower cost, etc.).

VECC did not support the purchase of RSG noting that it only provided “feel good” value to consumers without any direct economic benefits. However, it did note that currently there are no incremental gas supply costs for purchasing RSG and therefore it did not have any concerns.

VECC further submitted that Enbridge Gas was unable to maximize the opportunity to acquire RNG due to regulatory impediments. VECC agreed with Enbridge Gas’s view that it was at a disadvantage compared to utilities in other jurisdictions as it was unable to enter into long-term purchase contracts for RNG due to uncertainty regarding cost recovery. VECC suggested that the OEB may wish to review its policies with respect to long-term contracting for the purchase of natural gas.

OSEA submitted that greenhouse gas (GHG) emissions should be an important factor in Enbridge Gas’s procurement decisions, and that it is necessary to increase transparency around GHG emissions associated with RSG and RNG. OSEA

recommended that Enbridge Gas increase the visibility of RSG and RNG emissions by exploring processes to verify or confirm the carbon intensity of such fuels by hiring a third-party to verify or requiring suppliers to provide audited confirmations.

In reply, Enbridge Gas noted that there is no available baseline for methane intensity in natural gas production as it varies widely between basin and supplier. Enbridge Gas therefore does not have a baseline against which to compare the life cycle emissions of its current gas supply portfolio. Although the company could calculate emission reductions of RNG for end users versus conventional gas supply, it was not clear according to Enbridge Gas how information about different lifecycle carbon emissions from RSG would be used because it would not be known what gas supply is being replaced. Enbridge Gas therefore did not support adding process and cost by having a third-party confirm carbon intensity of RSG and/or RNG acquired for the existing voluntary program.

OSEA also recommended that Enbridge Gas develop value assignments for RSG and RNG purchases for the 2023 Annual Update to be used in future gas supply decision-making processes. The value assignments would be based on broader ratepayer values and alignment with regulatory and government policy. Enbridge Gas argued that this issue was not addressed at the Stakeholder Conference, and it was not prepared to take any step in this regard without OEB direction.

Environmental Defence suggested that Enbridge Gas should not undertake marketing of its RSG purchases as this would likely mislead customers because the term, “Responsibly Sourced Gas” sounds better and more meaningful than is actually the case. Environmental Defence pointed to the following flaws in RSG certification:

- RSG certifications do not require suppliers to invest additional time or funds into improving their processes with respect to the environmental impact. The certification simply reflects pre-existing differences in extraction practices.
- RSG certifications do not include stringent criteria particularly when it comes to the environment.
- The only responsibly sourced gas according to Environmental Defence is gas that is sourced from biowaste (renewable natural gas) or electrolysis (green hydrogen). Environmental Defence claimed that fossil gas is never responsibly sourced because it remains a fossil fuel with a high carbon footprint when burned.
- Enbridge Gas plans to purchase RSG for no incremental cost. In Environmental Defence’s view Enbridge Gas would be getting what it pays for, which is nothing.

However, Environmental Defence agreed that RSG does provide some transparency into the carbon intensity of extraction and other factors. But Environmental Defence cautioned that RSG could backfire by misleading customers into thinking that their gas supply is cleaner than it truly is. If even some customers think that gas is "responsible", then they will be less inclined according to Environmental Defence to invest in energy efficiency or electrification to reduce their consumption. In order to reduce such negative consequences, Environmental Defence submitted that Enbridge Gas should refrain from producing marketing materials promoting their RSG purchases.

Enbridge Gas noted that it recognizes its obligation to be accurate in customer communications and marketing materials. Enbridge Gas argued that consumers are interested in understanding the evolution of their gas supply and that it would not commit to Environmental Defence's request of not publicizing its RSG purchases.

OEB Staff Recommendations

OEB staff agrees with LPMA that Enbridge Gas should provide information on what other jurisdictions are doing in regard to the procurement of RSG, RNG and hydrogen blending initiatives in order to gauge the broader adoption of such energy sources and to understand how other utilities are considering these energy sources as part of their gas supply portfolio. OEB staff recommends that this jurisdictional review be filed by Enbridge Gas in a future application.

A majority of the stakeholder comments focused on Enbridge Gas's proposed purchase of RSG. While some stakeholders supported the acquisition of RSG without any incremental cost to ratepayers, Environmental Defence did not support the marketing of RSG purchases. OEB staff is of the view that RSG purchases that do not add incremental costs is a step in the right direction and could lead to carbon reduction in the extraction process. If utilities show a preference for RSG, producers are more likely to review their extraction practices and make efforts to reduce carbon intensity. Environmental Defence in its comments recognizes this benefit and notes that if companies like Enbridge Gas prefer gas with better certification, this will incentivize producers to improve their practices. In addition, OEB staff does not oppose Enbridge Gas's potential plan to publicize its purchases of RSG as long as the messaging is accurate.

OSEA recommended third party verification to confirm the carbon intensity of RSG and RNG. OEB staff notes that the RSG and RNG market is still evolving and currently constitutes a very small portion of the overall gas supply portfolio. OEB staff believes that it is too early to require any third-party verification of carbon intensity and any added process could increase costs for ratepayers.

VECC agreed with Enbridge Gas that it was at a disadvantage compared to utilities in other jurisdictions as it could not enter into long-term purchase contracts for RNG due to uncertainty regarding cost recovery. VECC recommended that the OEB's policy should be reviewed. The OEB has no specific policy with respect to the purchase of RNG.[23] Other than a proceeding in 2012 related to the purchase of biomethane that was withdrawn[24], Enbridge Gas has not filed an application regarding the purchase of RNG. Should Enbridge Gas wish to submit a proposal for the purchase of RNG including parameters such as long-term contracting and a potential premium, it could file an appropriate application before the OEB. OEB staff believes that details of the cost/benefit analysis should be clearer than they were ten years ago.

3.4 Demand Forecast

The discussion on demand covered peak day and annual demand forecasts for each rate zone for the next five years, along with the committed supply assets to meet the forecast demand and any forecast excess/shortfall. Enbridge Gas also compared the forecast to the information provided in previous annual updates. The discussion included expected impacts on demand arising from changes in price and weather. To add further clarity, Enbridge Gas provided a "waterfall graph" at the stakeholder conference, which sets out the current contracted assets to meet annual demand, and the timeframe during which each asset is contracted/committed.

LPMA and Energy Probe found the updated demand forecast to be reasonable. However, LPMA observed that the outlook for demand and supply had changed significantly (due to high price volatility, pandemic recovery, geopolitical uncertainty etc.) since the forecast had been developed, and the forecast could therefore be outdated. But LPMA noted that the GSP is sufficiently flexible to adapt to changes in demand and supply. LPMA suggested that Enbridge Gas should provide for scenario analyses that captures the increasing volatility in demand (due to weather, prices, conservation and economic activity) and supply (production, LNG exports and geopolitical events) to ensure that it maintains adequate flexibility to respond to changes in both the short and long-term without exposing ratepayers to additional risks and costs. BOMA also

[23] In September 2020, the OEB approved an application by Enbridge Gas (EB-2020-0066) that granted approval of a voluntary RNG program on a pilot basis. The program provided system gas general service customers an option to pay a fixed $2 monthly charge to fund the incremental cost of procuring RNG. To-date, over 1,000 customers have participated in the voluntary RNG purchase program.
[24] EB-2012-0242/0283 - On September 7, 2012 Enbridge Gas filed a letter withdrawing its application without prejudice to future applications that it may bring forward regarding Renewable Natural Gas.

considered the GSP to be flexible enough to accommodate possible lower commercial sector volumes due to increased DSM and electrification.

Environmental Defence submitted that Enbridge Gas's short-term and long-term demand forecasting are inconsistent with legislated carbon targets which target a 22% emission reduction associated with buildings by 2026 relative to 2019 levels. Environmental Defence did consider the "waterfall graph" to be useful but requested Enbridge Gas to provide additional details including adjusting the waterfall figure to fully explain how peak design day demand is met.

In reply, Enbridge Gas noted that it plans to expand its illustration of future gas supply commitments in the 2023 Annual Update to show the assets and commitments in place to meet both annual and design day supply requirements. The presentation would also include the term associated with such assets and commitments. Enbridge Gas believed that this approach would be useful in demonstrating how the plan can respond in future years if there are significant changes in demand or supply.

VECC referred to the inconsistency in the assumption of impacts from interruptible customers in the EGD and Union rate zones to calculate design day demand. While the Union rate zones assume 100% of interruptible customers to be off the system, the EGD rate zone assumes that 75% of interruptible customer demand is removed. VECC submitted that assuming anything other than 100% curtailment for the purpose of system gas supply planning results in higher costs for ratepayers. VECC suggested that Enbridge Gas provide further information on cost implications of the treatment of interruptible load in the next annual update. Enbridge Gas stated that it intends to present a unified approach as part of the rebasing application as other elements of demand forecasting will also be updated in that application.

OEB Staff Recommendations

Apart from Environmental Defence that raised a concern regarding the consideration of carbon reduction targets in the demand forecast, none of the other stakeholders raised significant concerns. Some stakeholders requested better presentation and additional information for the next annual update, while some stakeholders expressed concerns regarding outdated or inconsistent inputs used in producing the demand forecast. OEB staff notes that Enbridge Gas has responded adequately to these concerns and OEB staff has no additional recommendations.

3.5 Storage & Load Balancing

Blind RFP Process

Enbridge Gas uses a blind RFP process to acquire storage services to ensure that its own non-utility storage facilities are not given preference over third-party storage providers. In the 2021 Annual Update, Enbridge Gas confirmed that it had incorporated all of ScottMadden's recommendations into its blind RFP process in 2021. At the stakeholder conference, Enbridge Gas confirmed that the blind RFP process for storage services starting April 1, 2022 was in line with ScottMadden's process recommendations and there were no deviations from that process.[25] Stakeholders did not express concerns with respect to the blind RFP process.

Repeating its submission from the 2021 Annual Update consultation, OSEA recommended that Enbridge Gas consider suggested changes to the Blind RFP process to normalize the cost of carbon emissions with Ontario's prevailing carbon pricing regime. OSEA noted that the carbon border price adjustment would ensure that proposals from lower carbon priced jurisdictions do not have an advantage in Enbridge Gas's RFP process.

Enbridge Gas noted that the RFP process is competitive and providers of storage determine the charges; they may or may not choose to absorb any carbon pricing that they must pay. Absent specific policy direction from the government, Enbridge Gas argued that it was not reasonable or in the interest of Ontario ratepayers to require that bids from other jurisdictions reflect Ontario carbon pricing that does not actually apply or require to be paid.

Load Balancing

In the 2022 Annual Update, Enbridge Gas included evidence describing its current approach to load balancing. At the stakeholder conference, Enbridge Gas provided an overview of its load balancing activities. Stakeholders did not raise any specific concerns regarding the load balancing information provided in the 2022 Annual Update.

OEB Staff Recommendations

OEB staff does not support OSEA's position on normalizing the cost of carbon emissions in Enbridge Gas's RFP process. As noted in the Final OEB Staff Report to the 2021 Annual Update, OEB staff understands that there is no regulatory or provincial

[25] Transcript, Volume 2, p. 62.

requirement to normalize storage contract bids from other jurisdictions to incorporate a consistent carbon pricing regime. Normalizing bids to reflect Ontario's carbon costs would create an artificial pricing structure that does not reflect the actual costs paid by the utility.

In the Final OEB Staff Report to the OEB regarding the 2021 Annual Update, OEB staff recommended the filing of additional information on the impact of load balancing costs when evaluating supply options. Enbridge Gas provided additional information as part of the current update and noted that it will file evidence in its rebasing application to consider opportunities to use market-based alternatives in place of third-party storage. OEB staff is satisfied that Enbridge Gas has responded adequately to the recommendations made in the Final OEB Staff Report to the OEB for the 2021 Annual Update.

3.6 Market Outlook

In its Annual Update, Enbridge Gas provided an overview of the outlook for natural gas prices in North America, including information on natural gas supply and demand. The outlook also included information on transportation that had a direct impact on Enbridge Gas's GSP and related supply options.

Energy Probe was satisfied with the information provided on natural gas price signals, transportation markets and TCPL tolls. Energy Probe further submitted that Enbridge Gas appropriately considered the impacts of public policy initiatives including Ontario's Natural Gas Expansion Program, increase in the Federal Carbon Charge, the Federal Clean Fuel Regulation and IRP.

VECC expressed concerns with increasing natural gas prices and high price volatility likely to occur in the short-term and possibly long-term. The current events in Europe and policies to reduce reliance on carbon-based fuels is likely to increase the trend (high and volatile prices). VECC questioned whether the existing OEB decisions[26] that prohibit Enbridge Gas from engaging in gas price hedging should be revisited in the context of current market pressures and uncertainty. VECC submitted that the OEB may at some point wish to consider whether the existing decisions continue to best serve ratepayers.

[26] EB-2006-0034 and EB-2007-0606/0615

Enbridge Gas in reply stated that VECC's suggestion was beyond the scope of this review and the company had no intention to request the OEB to reconsider whether gas price hedging should be permitted.

Pollution Probe submitted that Enbridge Gas extensively referenced the ICF Natural Gas Report (ICF Report) in its 2022 Annual Update and some stakeholders considered it to be contrary to other publicly available information. Pollution Probe complained that Enbridge Gas was not willing to make the full ICF Report publicly available as a result of which it was not possible to test the underlying information.

Enbridge Gas in reply argued that it was not necessary or relevant to produce the full ICF Report from which the demand forecast graphs were reproduced. Enbridge Gas emphasized that the information presented in the ICF Report does not influence the demand forecast that underpins the GSP. Accordingly, contrary to Pollution Probe's suggestion, Enbridge Gas submitted that there was no need to test the information for "reasonableness". Enbridge Gas further stated that it had permission from ICF to reproduce only a small number of graphs from the paid subscription report and not the entire report.

OEB Staff Recommendations

OEB staff believes that a discussion on gas price hedging is not part of the current consultation as it was not part of Enbridge Gas's evidence or a recommendation from previous reviews of the GSP. Enbridge Gas in its reply emphasized that it had no intention of presenting any proposals regarding gas price hedging to the OEB. According to Enbridge Gas, gas price hedging was beyond the scope of this review. To the extent that Enbridge Gas wants to address this in the next five-year GSP review, parties can explore the concept of gas price hedging at that time.

With respect to Pollution Probe's suggestion that the entire ICF Report should be made publicly available, OEB staff notes that the information presented in the ICF Report is not an input in the development of the demand forecast that underpins the GSP. Therefore, OEB staff does not believe that the ICF Report should be filed in its entirety. However, OEB staff is of the view that Enbridge Gas should make an attempt to reconcile the information presented in the ICF Report with publicly available information from other sources in future annual updates.

Considering the recent price volatility and uncertainty in natural gas prices, OEB staff suggests that in future annual updates, Enbridge Gas should provide better analysis of the impact of global demand and international events on natural gas prices in North America and for Ontario consumers. The portions of the ICF Report that were included

in the 2022 Annual Update did not provide a comprehensive analysis of the impact of global demand and geopolitical events on natural gas prices in North America.

3.7 Portfolio and Transportation Contracting Changes

In its 2022 Annual Update, Enbridge Gas provided information on its transportation contracts including pipeline renewals and new transportation capacity acquired to meet the design day needs of each delivery area. Enbridge Gas contracted for additional capacity on the Vector pipeline, which was an area of concern for some stakeholders.

BOMA in its submission recognized the conflict emerging from Enbridge Gas's affiliate relationships (Vector and Enbridge Inc.) but relied on good governance and OEB oversight to protect ratepayers' interests. VECC submitted that it found no evidence of Enbridge Gas's current contracting practices being detrimental to the interest of ratepayers. VECC encouraged Enbridge Gas to continue its practice of providing detailed information on contracting practices that have the potential of providing undue benefits to related companies. In reply, Enbridge Gas confirmed that it had treated contracting with Vector in compliance with the OEB's Affiliate Relationship Code and had provided appropriate and timely disclosure of the arrangements within this consultation.

Energy Probe noted that the Vector pipeline was an affiliate of Enbridge Gas and this could have influenced its decision to contract with Vector in place of other competitors. Energy Probe submitted that Enbridge Gas should explain how the OEB can have confidence in its Vector capacity contracting decisions.

FRPO argued that Enbridge Gas's decision to contract for Vector capacity was not in the best interest of ratepayers. The Vector pipeline was built to move gas from the Chicago area through Michigan to Dawn, which is the storage and trading hub of Enbridge Gas. With the emergence of shale gas from Appalachia (Pennsylvania, West Virginia and Ohio), many North American pipelines including Vector became bi-directional. In other words, gas could flow in either direction between Chicago and Dawn. FRPO submitted that if Enbridge Gas believed that the best place to source additional gas was Chicago, then it could have entered into market-based exchanges that could be priced closer to the limited differential in price between the two hubs (Chicago and Dawn).

FRPO noted that based on the data from the ICF forecast, which was relied upon by Enbridge Gas in its transportation contracting analysis, the Chicago price differential to Dawn is US$0.10/MMBtu over three to five years. FRPO questioned Enbridge Gas's decision to commit to three-to-five-year contracts costing $0.16 to $0.20 / MMBtu when

fuel is included, in order to save a forecasted US$0.10/MMBtu. FRPO requested that Enbridge Gas provide supporting rationale for its decision related to acquiring capacity on the Vector pipeline.

LPMA referenced the growing reliance on Dawn purchases. While total supply is expected to grow by 2.7% from 2021/22 to 2025/26, Dawn purchases are expected to grow by over 10%. Although LPMA recognized that a greater reliance on Dawn purchases allows Enbridge Gas to reduce reliance on upstream transportation contracts thereby reducing unabsorbed demand charges, it recommended that Enbridge Gas and the OEB should monitor the level of reliance on Dawn purchases in the future relative to other supply options.

In reply, Enbridge Gas recognized that over-reliance on purchases at any one location would add risk to the GSP. Enbridge Gas further agreed that it is important to monitor the level of reliance on Dawn supply, and to maintain a gas supply portfolio that balances cost-effectiveness, security of supply, flexibility, diversity and reliability. Enbridge Gas emphasized that it will maintain a balanced portfolio of gas supply sources so that reliability and security of supply can be maintained at a reasonable cost.

Responding to FRPO's argument to increase reliance on purchases at Dawn, Enbridge Gas noted that increasing Dawn purchases beyond a level that (as LPMA noted) is already high enough that it merits ongoing monitoring, is not an appropriate approach in its view.

With respect to contracting on Vector, Enbridge Gas submitted that this was the first time that Vector's capacity was available in a number of years, which allowed Enbridge Gas to purchase the capacity without supporting a facilities build and the long-term capacity commitment associated with that build. Enbridge Gas noted that it had negotiated a $0.16/Dth toll, which is $0.0718/Dth below the maximum tariff on Vector and is the same toll that legacy EGD contracted for capacity from Milford Junction (the interconnect with NEXUS) to Dawn. The toll reduction is valued at approximately US$1.3 million over the three-year term, and the reduction will apply to all further term extensions.

Enbridge Gas further added that purchasing incremental Vector capacity has increased the amount of Chicago supply in Enbridge Gas's portfolio, from 11% to 14%, which aligns with the strategy of having a diversified gas portfolio. While Enbridge Gas agreed that options such as Dawn purchases may be slightly less expensive, that must be balanced against the benefits of diversity. Enbridge Gas holds a significant position at Dawn (25% in 2022), and it maintained that it is always looking at options to diversify to other points in order to maintain balance in the supply portfolio.

Enbridge Gas noted that the Vector capacity provides access to supply from three different pipelines at Chicago and within the path from Rover and NEXUS pipelines, Michcon and Michigan storage facilities. Enbridge Gas maintained that Vector capacity offers more flexible supply options than any other pipeline in the Enbridge Gas portfolio. Apart from supply diversity, an additional advantage that the capacity offers is the ability to deliver gas at points along its path; Vector capacity is integral to supplying the Sarnia Industrial Line.

Responding to FRPO's suggestion to contract for exchanges in place of adding transportation capacity, Enbridge Gas argued that contracting for exchanges of gas between Chicago and Dawn is not an appropriate replacement for Vector capacity. Exchanges do not provide the same security of supply, and it does not allow Enbridge Gas with access to multiple supply points or multiple delivery points. According to Enbridge Gas, unlike exchanges, contracting for new Vector capacity gives it assured access to the transportation path.

Enbridge Gas acknowledged that recent gas price information that shows the forecast price differential between Dawn and Chicago to be minimal. However, Enbridge Gas explained that the newer price information from ICF was not available at the time of the contracting decision. The 2021 Q1 price forecast information from ICF used by Enbridge Gas to analyze and make the Vector contracting decision indicated that Chicago supply costs will be lower than at Dawn over the five-year period.

In its submission, FRPO included information about forward strip natural gas prices for Chicago and Dawn, from October 2021. Enbridge Gas reiterated its statements from the stakeholder conference that Enbridge gas does not rely upon forward market settlement data when it does long-term landed cost analysis and makes contracting decisions for longer term contracts such as the Vector contract. The reason for this is that forward looking data either does not exist or is highly unreliable for five-year terms as it is based on averages or extrapolations of very few actual forward transactions occurring on the day of settlement.

FRPO further expressed concerns that Enbridge Gas had assigned some of its vector capacity to third party marketers and this raised the question of why Enbridge Gas did not simply arrange for exchanges. Enbridge Gas explained that assignments of capacity are not something that is forecast or contemplated in the GSP or the transportation contracting decision process but occurs when the plan is operationalized to meet actual market and demand conditions. Enbridge Gas agreed with FRPO that questions about how the company optimized transportation assets including the Vector capacity are best addressed in the 2021 deferral account clearance proceed. The optimization activities performed each gas year based on short-term market conditions and the resulting

revenues are captured in the Transactional Services Deferral Account (EGD) and Upstream Transportation Optimization Account (Union Gas).

Lastly, Enbridge Gas disagreed with FPRO's suggestion that OEB staff provide a summary of FRPO's concerns about the Vector contracting decisions to the OEB for consideration, including potential further procedural steps. Enbridge Gas maintained that this was not necessary, and the company had provided detailed explanation and support for the Vector contracting decisions. In addition, Enbridge Gas highlighted that this was not an area of concern for most stakeholders.

OEB Staff Recommendations

OEB staff is of the view that FRPO has made some valid observations. FRPO claims that ratepayers will pay a premium for gas delivered on the Vector pipeline relative to purchasing gas at Dawn based on the information available at the time that the contracting decision was made. To a certain extent, Enbridge Gas appears to agree with this statement. However, Enbridge Gas references the importance of diversity of supply, which is an element of the Gas Supply Framework.

The Gas Supply Framework directs distributors to provide information that supports their planning decisions. The list of information required includes a description of how the distributor has built supply and transportation route diversity into the plan. In addition, a description of the cost implications and risks of the proposed approach is also necessary.[27] In its reply comments, Enbridge Gas outlined the advantages of the Vector pipeline and the diversity of supply that it offers.

OEB staff agrees with LPMA's observation that there is an increasing reliance on Dawn purchases. To further increase purchases from Dawn as suggested by FRPO, may not be the most appropriate option. While it may reduce costs, it may not be in line with the other objectives set out in the Gas Supply Framework (reliability, flexibility and diversity) and therefore might expose the supply portfolio to increased risk.

OEB staff notes that FRPO also raised concerns with the Vector pipeline contracting decision based on a more recent price forecast for Dawn and Chicago supply. OEB staff acknowledges that forecasts change over time, but Enbridge Gas had to rely on information that was available at the time that the contracting decision was made.

[27] Framework for the Assessment of Distributor Gas Supply Plans, EB-2017-0129, October 25, 2018, p. 9.

Overall, OEB staff is the view that the Vector pipeline contracting decision may result in higher costs relative to purchases at Dawn. However, the Vector pipeline contracting decision results in incremental supply diversity relative to Dawn purchased gas. The Gas Supply Framework is clear that there are multiple objectives that a GSP must balance and purchasing more gas at Dawn will impact diversity of supply.

OEB staff does not believe that additional procedural steps are required in the current review. Most stakeholders did not raise concerns regarding the Vector pipeline capacity. VECC, for example, did not find Enbridge Gas's contracting decisions to be detrimental to the interests of ratepayers. OEB staff is of the view that the concerns raised by FRPO do not merit further procedural steps such as a hearing in the review of the 2022 Annual Update.

While OEB staff does not believe that further procedural steps are required as part of the 2022 Annual Update review process, OEB staff suggests that Enbridge Gas could provide additional information to establish reasonableness of the Vector pipeline contracting decision in the 2023 Annual Update. OEB staff recommends that Enbridge Gas provide a calculation of the net premium that it expected to pay, in each year over the term of Vector pipeline contracts at issue in this consultation, relative to purchasing gas at Dawn using the information that it had available when it was making its contracting decision. This will provide information with respect to the expected cost premium paid for supply diversity. In addition, while not central to the review of the reasonableness of the contracting decision, it would be useful if Enbridge Gas would provide the actual cost premium paid for Vector contracted capacity relative to Dawn purchased gas for the 2021-2022 period. This information will provide a sense of the actual materiality of the contracting decision.

With respect to the assignment of capacity to third-party marketers, Enbridge Gas and FRPO agree that optimization of transportation assets is best addressed in the 2021 Deferral Account Clearance Proceeding.

3.8 Performance Metrics

The Gas Supply Framework requires a distributor to develop performance metrics that reflect the criteria the OEB has established to demonstrate how the principles have been achieved and the value proposition for customers.[28] As part of the 2022 Annual Update, Enbridge Gas provided the performance metrics for the first three years of the five-year GSP. Most stakeholders did not raise concerns or make specific suggestions

[28] *ibid*, p.11

regarding the performance metrics results. Pollution Probe made some general observations and suggestions regarding the metrics.

Pollution Probe noted that most of Enbridge Gas's performance metrics are retrospective. Although retrospective information can provide some general value, Pollution Probe argued that without an understanding of what performance means, it is difficult to gauge whether outcomes represent poor or excellent performance. According to Pollution Probe, without a target outcome, it is difficult to determine whether the OEB principles have been achieved or if the results present value for customers. Pollution Probe suggested that there are significant opportunities to enhance the scorecard, add metrics, provide greater context on the desired range of results for each metric, and quantifying the tangible benefits related to the outcomes achieved. In reply, Enbridge Gas indicated that for the 2023 Annual Update, it will consider the possibility of adding target results for some of the performance metrics.

One area where Pollution Probe made a specific recommendation was in the area of public policy. Pollution Probe claimed that the public policy area of the scorecard is under-represented and less developed than the other two guiding principles ("Cost Effectiveness" and "Reliability and Security of Supply"). Pollution Probe recommended adding additional metrics that can provide greater clarity on whether the public outcomes are being met. Pollution Probe suggested four new metrics and Enbridge Gas responded as follows:

- Specific municipal access to RNG – Enbridge Gas submitted that the number of municipalities that have access to RNG is not part of the GSP, which is aimed at securing system supply for Enbridge Gas customers.
- GHG emissions reductions due to RNG procurement – Enbridge Gas agreed to consider adding this item to the Performance Metrics. Enbridge Gas will provide the difference between emissions from conventional gas supply and RNG where available, as part of the 2023 Annual Update.
- Number of infrastructure projects deferred or avoided due to supply side IRP alternatives – Enbridge Gas noted that such information is not part of the GSP and reporting on infrastructure projects impacts from IRP is better addressed through IRP reporting under the OEB's IRP Framework. Enbridge Gas added that it could consider reporting on new supply side IRPAs implemented in a given year.
- Annual and cumulative lifecycle GHG emissions reductions supported through gas supply procurement, including contracting of RSG – Enbridge Gas reiterated

its earlier views that it would not be able to quantify emissions reductions from RSG in a manner than can be reported (see section 3.3 of this report).

OEB Staff Recommendations

Pollution Probe was the only stakeholder that provided comments on Performance Metrics. OEB staff is of the view that Enbridge Gas has appropriately responded to the comments of Pollution Probe and no further action beyond what Enbridge Gas has agreed to in its reply, is required. OEB staff agrees that for the 2023 Annual Update, it would be appropriate to consider adding target results for some of the performance metrics, and whether additional performance metrics are appropriate.

3.9 Comments on Process

Pollution Probe submitted that it is not clear whether the review and consultation process for the 2022 Annual Update is meeting the outcomes set by the OEB. Pollution Probe recommended that the OEB should consider steps to ensure a more thorough and complete process. Pollution Probe noted that during the 2022 stakeholder conference, Enbridge Gas indicated that it would not provide additional information through undertakings.[29] Pollution Probe submitted that Enbridge Gas may have interpreted that the OEB did not support an undertaking process because it was not provided for specifically in the OEB kick-off letter dated March 11, 2022. Pollution Probe argued that the current review process limits the ability to ensure that appropriate information is provided on the public record for assessment of the GSP.

Enbridge Gas rejected Pollution Probe's assertion that there are gaps in the information provided by the company and that the process should be more thorough. Enbridge Gas submitted that it provided a full evidentiary record in the proceeding; parties had the opportunity to submit written questions which were answered at the stakeholder conference. Enbridge Gas noted that at the stakeholder conference, it provided a presentation, responded to the written questions and further oral questions that were asked at the stakeholder conference. Enbridge Gas further maintained that the annual review is not an adjudicative process, and it is reasonable to accept some limitations on the extent of the review. Enbridge Gas believed that it was reasonable to decline to provide undertakings that required further responses after the stakeholder conference.

[29] Pollution Probe cited information related to the emission intensity of RNG and in another part of its submission, Enbridge Gas's refusal to provide the entire ICF Report (which OEB staff addressed in section 3.6 of this report).

Pollution Probe further argued that Enbridge Gas had not made any changes to the GSP based on recommendations raised through the OEB annual review process. Pollution Probe submitted that the OEB should consider whether the process is meeting its intended purpose or if more structure is required to enable GSP enhancements based on the feedback through the annual review. Enbridge Gas rejected the views of Pollution Probe and noted the several changes and improvements that have been implemented in the 2022 Annual Update including the discussion on load balancing, addition of tables showing changes in annual and design day forecast, addition of an RNG metric and a three-year average in the scorecard measures.

OEB Staff Recommendations

Pollution Probe has proposed a more thorough review process similar to an adjudicative review. None of the other stakeholders raised an issue regarding the process.[30] In fact, VECC noted that Enbridge Gas continues to provide an open and transparent process to explain its GSPs. SEC found that the stakeholder conference was helpful in terms of providing participants a better understanding of the 2022 Annual Update as well as further insight into the gas supply planning process.

OEB staff notes that the current process is a consultative and not an adjudicative process. OEB staff believes that the current review process reflects a balanced approach to review an update to the GSP. The current process allows for exploration of the update to the GSP, dialogue between the applicant and stakeholders through the stakeholder conference and lastly a process for stakeholders to file comments and the applicant to file a reply.

[30] FRPO did suggest that OEB staff in its Report provide a summary of its concerns about the Vector contracting decisions and propose potential further procedural steps.

APPENDIX A: PERFORMANCE SCORECARD

2020/21 PERFORMANCE METRICS Enbridge Gas Inc.

OEB Guiding Principle	Performance Categories	Intent of Measures	Measures		2018/19 Results	2019/20 Results	2020/21 Results (to update)	3-Year Average[1]
COST EFFECTIVENESS								
The gas supply plans will be cost-effective. Cost-effectiveness is achieved by appropriately balancing the principles and in executing the supply plan in an economically efficient manner.	Policies and Procedures	Demonstrates EGI's consideration of timely pricing information and the utility's ability to transact according to internal policies for managing counterparty risk	Procurement plan reviewed and approved as outlined in the policy		C	C	C	n/a
			Transacting counterparties have met appropriate credit requirements		C	C	C	n/a
	Weather Variance[2]	Illustrates weather risk in EGI's Plan correlated with price variances (e.g. Positive HDD variances tends to lead to higher prices)	HDD Variance - EGD CDA		6%	1%	-10%	-1%
			HDD Variance - EGD EDA		9%	2%	-10%	0%
			HDD Variance - EGD Niagara		6%	0%	-10%	-1%
			HDD Variance - Union North West		10%	5%	-6%	3%
			HDD Variance - Union North East		3%	-2%	-12%	-4%
			HDD Variance - Union South		3%	-1%	-10%	-3%
	Price Effectiveness	Demonstrates the diversity of supply terms within EGI's procurement plan through a layered approach to contracting	Distribution of procurement supply terms:					
			Less than one month		14%	3%	2%	6%
			Monthly		28%	27%	24%	26%
			Seasonal		25%	36%	37%	33%
			Annual or longer		32%	34%	37%	34%
		Illustrates price stability and consistency in EGI's Plan	Reference Price[3]		PLease see EB-2022-0072, Appendix I, page 3.	PLease see EB-2022-0072, Appendix I, page 4.	PLease see EB-2022-0072, Appendix I, page 5.	N/A
RELIABILITY AND SECURITY OF SUPPLY								
The gas supply plans will ensure the reliable and secure supply of gas. Reliability and security of supply is achieved by ensuring gas supply to various receipt points to meet planned peak day and seasonal gas delivery requirements.	Design Day	Demonstrates the extent to which EGI is able to procure assets required to meet design day demand, indicating the reliability of the plan	Acquired assets to meet design day requirements, as identified by the plan		100%	100%	100%	100%
	Storage	Demonstrates EGI's execution of its storage inventory strategy	Percentage of actual storage target at November 1 compared to the plan		98%	98%	96%	97%
			Percentage of actual storage target at February 28 compared to the plan		100%	100%	83%	94%
			Percentage of actual storage target at March 31 compared to the plan		95%	100%	100%	98%
	Communication	Ensure ongoing communication and understanding between planning and operations teams	Meet once a month at a minimum to discuss inventory position relative to targets and what action is required		C	C	C	C
			Instances when QRAM expected bill impacts exceed +/- 25%		0	2	3	2
			Communicated to ratepayers when bill impacts exceed +25%		C	C	C	C
	Diversity		Supply basin diversity[4] (TO BE Changed back into table format	Ontario/Dawn	36%	33%	29%	33%
				WCSB	19%	23%	25%	22%
				Appalachia	18%	15%	17%	17%
				Niagara Region	14%	16%	16%	15%
				Chicago	10%	9%	9%	9%
				U.S. Mid-Continent	2%	4%	4%	3%
				Ojibway	1%	0%	0%	0%
			Percentage of contracts with remaining terms of:					
			1-5 years		23%	15%	43%	27%
			6-10 years		33%	44%	32%	37%
			> 10 years		44%	40%	25%	36%
			Total number of unique counterparties		56	58	56	57
			Total number of receipt points		27	29	29	28
			Number of days of force majeure on upstream pipelines that reduced capacity		0	0	0	0
			Number of days of force majeure on upstream pipelines impacting customers' security of supply		0	0	0	0

2020/21 PERFORMANCE METRICS Enbridge Gas Inc.

OEB Guiding Principle	Performance Categories	Intent of Measures	Measures	2018/19 Results	2019/20 Results	2020/21 Results (to update)	3-Year Average[1]
	Reliability	Reports EGI's experience with pipeline and supply disruptions demonstrating the reliability of the portfolio	Number of days of failed delivery of supply	61	74	82	72
			Number of days of failed delivery of supply impacting customers security of supply	0	0	0	0
			Number of days of forced majeures on storage assets	0	0	0	0
PUBLIC POLICY							
The gas supply plan will be developed to ensure that it supports and is aligned with public policy where appropriate.	Supporting Policy	Reports public policy considered in EGI's Plan	Community expansion addressed in the plan	C	C	C	n/a
			DSM savings addressed in the plan	C	C	C	n/a
			Federal Carbon Pricing Program addressed in the plan	C	C	C	n/a
			Volume of RNG in portfolio	0%	0%	0%	0%

Footnotes:
C - Compliant, NI - Needs Improvement
1 - 3-year rolling average for benchmarking purposes
2 - Positive variance indicates colder than planned weather. Negative variance indicates warmer than planned weather.
3 - As filed in QRAM proceeding
4 - For data see Section 5.3