



Enbridge Gas Inc.
50 Keil Drive North
Chatham, Ontario, Canada
N7M 5M1

May 31, 2023

Ms. Nancy Marconi
Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Marconi:

**Re: System Access Proceeding
Ontario Energy Board File Number: EB-2022-0094**

Pursuant to Procedural Order No. 6 issued March 13, 2023, attached is Enbridge Gas' evidence in reply to the evidence submitted March 3, 2023 and interrogatory responses submitted April 14, 2023 and April 25, 2023 by the Ontario Petroleum Institute.

Should you have any questions on this submission, please do not hesitate to contact me.

Yours truly,

Patrick McMahon
Technical Manager, Regulatory Research and Records
patrick.mcmahon@enbridge.com
(519) 436-5325

cc (by email): All Parties to EB-2022-0094
Ritchie Murray, OEB
Michael Millar, OEB
David Stevens, Aird & Berlis LLP

Overview

1. In February 2022, the Ontario Energy Board (OEB) initiated a hearing on its own motion, to consider the price paid by rate-regulated gas distributors for natural gas produced in Ontario (now known as the System Access proceeding).
2. In Procedural Order No. 1¹, the OEB invited participants to provide their comments on a draft issues list. After receiving the comments on the draft issues list, the OEB issued Procedural Order No. 2², asking for submissions on two jurisdictional issues that the OEB identified as being engaged by comments from the Ontario Petroleum Institute (OPI). The OEB invited OPI to provide submissions first with other intervenors to respond and OPI to reply.
3. In its Decision and Procedural Order No. 3³, the OEB found that it does not have jurisdiction to directly set the price that Ontario natural gas producers get paid for the gas they produce and provide to Ontario distributors or any other purchaser. Further, the OEB found that in a narrow set of circumstances, a panel of Commissioners can address issues relating to fair and transparent access to the gas distribution system in the context of the terms and conditions associated with OEB approved rates. The OEB provided OPI with an opportunity to file evidence on access and connection constraints in the current M13 rate schedule or in relation to station fees in gas purchase agreements.
4. In its Decision and Procedural Order No. 4⁴, the OEB found that the evidence proposed by OPI to cover the following areas falls within the scope of this System Access proceeding:
 - identification of contractual terms in the M13 rate schedule that, in OPI's experience, have acted as a barrier to fair access for Ontario gas producers;
 - explanation of how each term operates as a barrier, including examples;
 - indication of whether the same term exists in the Gas Purchase Agreement; and
 - identification of terms and conditions that OPI believes should be included in the M13 Contract in order to ensure fair and transparent access for Ontario producers.

¹ Procedural Order No. 1, March 4, 2022

² Procedural Order No. 2, May 3, 2022

³ Decision and Procedural Order No. 3, November 17, 2022

⁴ Decision and Procedural Order No. 4, February 7, 2023

5. Procedural Order No. 6⁵ gave Enbridge Gas the opportunity to file responding evidence. This submission includes Enbridge Gas' evidence to respond to certain claims and allegations in OPI's written evidence and interrogatory responses.
6. Specifically, Enbridge Gas is responding to OPI's submissions regarding the process for connecting local gas producers to the Enbridge Gas distribution system, the need for a more prescriptive connection policy / process, available market / capacity in the Enbridge Gas distribution system, and station design and construction.

Connecting Natural Gas Producers

7. In its evidence⁶, OPI claims that Enbridge Gas' process for connecting Ontario gas producers to the distribution system is not a robust, prescriptive one, but rather a connection process that is ad hoc with no firm timelines or standardized information exchange procedures. OPI claims that this has resulted in OPI members experiencing poor responsiveness on the part of Enbridge Gas to service requests from Ontario producers, resulting in undue delays to projects.
8. OPI states that it suspects that when Enbridge Gas determines how much local supply it would be prepared to accept, locally produced gas is considered by Enbridge Gas to be the "gas of last resort".⁷ OPI believes that greater transparency about available market/capacity in the Enbridge Gas distribution system is needed and that such market/capacity analysis should incorporate the environmental and economic benefits of local production.
9. OPI submits that Ontario producers are frequently "shut-in" (i.e., curtailed) for extended periods of time when Enbridge Gas makes system changes or upgrades.⁸ There is, in OPI's view, insufficient notice provided to producers (the GPA requires only 24 hours' notice), little or no effort to maintain flows from local producer stations, and minimal regard for the hardship these shut-ins cause to the operational and financial well-being of Ontario producers. OPI

⁵ Procedural Order No. 6, March 13, 2023

⁶ OPI Evidence – System Access Issues, March 3, 2023, page 2

⁷ OPI Evidence – System Access Issues, March 3, 2023, page 5

⁸ OPI Evidence – System Access Issues, March 3, 2023, page 12

believes that more notice should be given to Ontario producers, and shut-in periods should be much shorter in duration.

10. Enbridge Gas disagrees with OPI claims that Enbridge Gas' process for connecting Ontario gas producers to the distribution system is ad hoc with no firm timelines or standardized information exchange procedures.
11. Enbridge Gas' ability to accept the injection of locally produced gas is highly dependent on the specific configuration, types of demand, and location of the injection. Design hour demand, used for distribution system planning, is the highest expected hourly firm demand for natural gas within a day. Design hour demand is assumed to occur on the design day.
12. The detailed process for determining design hour demand (the highest expected firm demand in an hour for natural gas within a day) is contained within evidence submitted as part of Enbridge Gas' 2024 rebasing application.⁹ The assessment of local injection into the distribution system is done using the same process, however, consideration must be given to both the highest design hour demand experienced in winter along with the lowest hour demand. The lowest hour demand typically occurs during the summer months on weekends and is where demand for natural gas on the system is the lowest due to lack of space and water heating, and limited process demands. For the acceptance of local injection, the summer condition (i.e., not requiring additional gas in the system) often becomes the primary design constraint due to insufficient demands on the system.
13. If the local gas system does not have capacity to meet the injection volume requested, other options are considered:
 - Distribution Station Set Points: Adjusting station outlet pressure set points on one or more distribution system stations to allow for injection through the customer injection station into the local system. These adjustments can help prioritize injection from customer station but is highly dependent of specific system configurations and locations of demands. Overall system safety and reliability must be considered and will supersede adjustments.

⁹ EB-2022-0200 at Exhibit 4, Tab 2, Schedule 3; [Enbridge Gas Inc. – 2024-2028 Natural Gas Distribution Rates | Ontario Energy Board \(oeb.ca\)](#);

- Reinforcement: New facilities¹⁰ to allow for injection to reach another network and or pressure system to expand the demand. Access to more system demand can sometimes be achieved through new facilities to interconnect systems and or gain access to more significant pipelines not in the immediate area of the customer facility. Reinforcements are subject to a project profitability index (PI) calculation and may result in a required contribution in aid of construction (CIAC).

Gas Purchase Agreements and Rate M13

14. OPI submits that Available Market / Capacity is a condition precedent to contracting under the M13 or the Gas Purchase Agreement and that when Enbridge Gas determines Available Market/Capacity, the Producer is given a summer and winter delivery number.¹¹
15. To clarify, when Enbridge Gas establishes a maximum daily volume in a Gas Purchase Agreement, this volume is determined by the capabilities of the injection station to accept gas and often exceeds what the producer is able to provide or what the local market is able to accept.
16. The Gas Purchase Agreement allows for full variability up to the maximum daily volume whereas the M13 contract has a Maximum Daily Quantity (MDQ) and a firm daily variability amount. The MDQ is based on the producer's estimated production amount and is set for the duration of the contract and there is no winter/summer difference. A Firm Daily Variability (FDVD) amount is calculated based on the producer's actual production volumes (if they are established) or estimated production (if they are new). The calculation compares the average daily production for the year less the average daily production for the lowest month during the year. The producer can opt for a higher FDVD if they choose to and want to pay for it.
17. The FDVD is a demand charge and uses the Annual Firm Injection / Withdrawal Rights as per the T1 Rate Schedule since the FDVD allows the producer to sell a set amount of gas every day even if their production varies. The difference between what they sell and what they produce goes into or comes from their FDVD.

¹⁰ New facilities may include new pipelines and stations.

¹¹ OPI Response to OPI-Staff-2, April 14, 2023

Prescriptive Measures

18. OPI stated that, in its view, establishing a prescriptive connection policy/process would be helpful to Ontario producers and helpful to Enbridge Gas in meeting its obligations under section 42 of the *Ontario Energy Board Act, 1998* and provided prescriptive measures that OPI believes would provide local producers with greater certainty around timely connection.¹²
19. Enbridge Gas does not agree that fixed performance parameters are required on producer connections when customer connections, performed using the same process, do not require such a standard.
20. Enbridge Gas treats an Ontario Producer request similar to other requests that it receives from customers. This process is outlined as follows:
- i. The Producer requests to connect to the Enbridge Gas system providing the location and estimated volumes of production. The request is assigned to an Account Manager and forwarded to engineering to assess the request and determine the facilities required to connect to Enbridge's system. This includes:
 - (a) The ability to accept volumes under winter and summer conditions,
 - (b) Piping requirements to connect the injection station to the pipeline. Depending upon market availability, a pipeline may need to be installed to access the market.
 - (c) Design of the injection station.
 - ii. Once the design is completed, Enbridge Gas prepares a cost estimate that includes materials, company labour, construction costs (fabrication/installation of injection station/pipeline), third party costs (fence, painting, electrical, etc.) and any other costs required to install the facilities.
 - iii. The Ontario Producer pays 100% of the costs.

¹² OPI Response to OPI-Staff-3, April 14, 2023

- iv. Construction costs are higher in winter. As a result, a winter premium is included for facilities that need to be constructed during the winter.
 - v. It is standard practice for Enbridge Gas to provide a range (e.g., +40% / -25%) in its estimates so requestors can understand there can be variability in actuals costs.
 - vi. The Account Manager works with the Producer to sign the applicable contract and agree to the costs. As identified in the M13 contract's general terms and conditions, once the producer has agreed to the CIAC payment, the first prepayment is required at the time of execution of the agreement. The second prepayment is required prior to installation of the meter station. These prepayments are based on the estimate and there is a true-up process that happens after commissioning of the station.
 - vii. When the contract is signed and the first prepayment is received, Enbridge Gas begins the process to procure materials and fabricate the injection station. After the second prepayment is made, Enbridge Gas installs the injection station (and pipeline if required) to meet the Producer's in-service date.
 - viii. Once construction is completed, Enbridge Gas works with the Producer to activate the injection station. All project costs are reviewed, and a final invoice is provided to the Producer to true-up costs as identified above.
21. In its evidence, OPI explored a specific example of a "re-activation" request related to Station 5D-101 in attempt to demonstrate what OPI refers to as poor responsiveness and undue delays to projects on the part of Enbridge Gas.¹³ In Enbridge Gas' view, this situation is not representative of the process for a typical producer injection station request.
22. In October 2014, a request was made by the prior owner of this station to cease injections and to discontinue all related activities that would result in continued station charges being levied. Typically, this would result in complete decommissioning of the station and removal of any Enbridge Gas equipment, however, the owner of the station requested, and Enbridge Gas agreed, to not decommission or remove any of the station equipment. Enbridge Gas had no obligations to continue maintenance of the station and it was made clear to the producer

¹³ OPI Evidence, page 2, lines 12-16 and OPI Response to OPI-EGI-3, April 14, 2023

that should the station ever be re-activated that work may be required to bring the station back to acceptable working condition per relevant safety, environmental, and compliance standards. Neither the prior owner of the station or Lagasco paid Enbridge Gas any station charges associated with this station after it was brought offline in November 2014. This arrangement is not typical and was done upon request of the producer.

23. Seven years later, when Lagasco requested re-activation of this station, extensive review and assessment was required to determine if any of the equipment left unmaintained could be used to limit the costs that would be borne by Lagasco to re-activate the station. As this is a very rare situation, it is clearly beyond the scope of a typical producer injection request and therefore can be expected to take longer. It is important to note that several of the process delays were related to the time in which Lagasco took to “consider their options”, as noted in the OPI evidence. Enbridge Gas is committed to continue to respond to all customer requests on a timely basis.

Producer Volumes Component of Gas Supply Plan

24. OPI stated that greater transparency about available market / capacity in the Enbridge Gas distribution system is needed, and that such market / capacity analysis should incorporate the environmental and economic benefits of local production. OPI’s view is that environmental and economic benefits are appropriate considerations when determining which gas should take priority.¹⁴
25. OPI states that it believes that Enbridge Gas’ premise of sufficient gas supply seems to suggest its reliance on its traditional gas supply sources to the preclusion of local production.¹⁵
26. Enbridge Gas does not design the operation of its system around non-firm supply sources. The local producer’s ability to access local markets is dependent on their ability to meet specific system pressure needs such that their supply feeds the Enbridge Gas system and not supplies from other sources (other producers or transmission stations).
27. Natural gas purchased from Ontario producers amounts to approximately 0.8 PJs annually, or an average of 2100 GJ/day. This amounts to less than 1% of Enbridge Gas’ system gas

¹⁴ OPI Response to OPI-Staff-6, April 14, 2023

¹⁵ OPI Response to OPI-EGI-8, April 14, 2023

portfolio. OPI's assertion that locally produced gas is displacing gas that is purchased upstream of Dawn in areas such as Western Canada is not valid. Should Ontario production be removed from Enbridge Gas' portfolio, that production would be replaced with purchases at Dawn. While Enbridge Gas acknowledges that since Dawn is not a production basin the supply located at Dawn is imported from various production basins across North America, it is not reasonable to suggest that all or even a majority of Ontario production results in avoidance of transportation fuel at rates applicable to long-haul transportation from across the continent.

Distribution System Code

28. Beyond the challenges faced by Ontario producers in obtaining timely cost estimates for customer stations, OPI claims that its members' experience indicates that Enbridge Gas' construction costs are very high. OPI sees no reason why stations cannot be constructed by producers (at the producer's cost) and transferred to Enbridge Gas for "nominal consideration".¹⁶
29. In its evidence, OPI notes its understanding that one way that electricity generators (and load customers) are able to mitigate the cost of connecting to the electricity distribution system is via a contestability procedure that enables the generator or load customer to construct connection assets to applicable legal standards and then transfer those assets to the electric utility. OPI further understands that all connection work can be undertaken in this manner by a connecting customer other than: (a) preliminary planning, design and engineering specifications for the connection; and (b) construction work on the incumbent utility's existing facilities and equipment.¹⁷
30. OPI states that connecting electricity generators and load customers often choose to proceed with this approach because the customer believes it can carry out the work at a lower cost. OPI believes that the same process should be available to connecting Ontario natural gas producers, and that it would mitigate the costs of connection – leading to a more financially viable gas production industry, and regulatory equivalency between Ontario's gas and electricity sectors. OPI explained that the principles set out in section 3.2.15A of the

¹⁶ OPI Evidence, page 11

¹⁷ OPI Evidence, page 11

Distribution System Code ("Work that requires physical contact with the distributor's existing distribution system is not eligible for alternative bid unless the distributor decides in any given case to allow such work to be eligible for alternative bid") would only apply to the final tie-in to Enbridge Gas' pipeline.¹⁸

31. For clarification, OPI members construct their facilities with a final above ground flange to which Enbridge Gas installs an isolation valve and then the station which connects to Enbridge Gas' underground pipeline. Enbridge Gas' station includes several components including: measurement, pressure control, gas quality, and odorization. As part of its procedures, Enbridge Gas must ensure that each of the components have material traceability and that its approved installation contractors have welders approved to Enbridge Gas' standards, traceability of fabrication, and quality control records.
32. To ensure safe and reliable assets, Enbridge Gas does not permit customers to construct their own stations. As outlined above, Enbridge Gas considers the final connection much broader than just the final tie-in connection to an underground pipeline.

¹⁸ OPI Response to OPI-EGI-5, April 14, 2023