

# Overview of Enbridge Gas's Energy Transition Plan

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# Enbridge Gas's Energy Transition Evidence

- Enbridge Gas recognizes that changes are rapidly occurring in the energy sector with respect to climate change and energy transition, and that the Company has an important role to play.
- Enbridge Gas has proactively taken crucial first steps to begin integrating energy transition into its business, ahead of the government or the OEB providing direction.
- This is a first step of what will be an ongoing and evolving process of considering energy transition, including market trends, stakeholder insights and policies resulting from the government's own pathways study and the Electrification and Energy Transition Panel's recommendations.

# Energy Transition Studies

- The **Energy Transition Scenario Analysis (ETSA)** study was undertaken in 2020 to understand how energy transition could impact Enbridge Gas's system.
  - The ETSA assumptions and outputs were used as inputs to the P2NZ study
- The **Pathways to Net Zero Emissions for Ontario (P2NZ)** study was undertaken in 2021 to understand if, and how, net-zero could be achieved in Ontario's energy system via two different pathways, and the impacts on costs, reliability and resiliency.
  - Enbridge Gas's intention in filing the P2NZ in the rebasing application is to demonstrate that the gas system can support the path to net-zero.
  - There are many different permutations of how a diversified path could unfold in Ontario. These scenarios were chosen as two plausible approaches to achieve net-zero.

# Energy Transition Studies

- Enbridge Gas used the insights gained in the ETSA study
  - As one of the inputs into the development of the energy transition adjustments for the Company's forecasts.
- Enbridge Gas used the insights gained in the P2NZ study
  - As one of the inputs into the development of the Company's vision of Ontario's energy sector and the Energy Transition Plan, including the Safe Bets and related proposals, as provided at Exhibit 1, Tab 10, Schedule 6.
  - To inform decisions on approaches for depreciation, equity thickness, capital expenditure and rate making.
- In the context of the rebasing proposals, the studies should be considered along with other key information sources such as current status of federal, provincial and municipal policy, insights from customer engagement, and an understanding of the actions being taken in the electricity sector.

# Integrating Energy Transition into the Business

Energy transition has been incorporated in the following ways:

- *Forecasting* – ET assumptions included in forecasts where there is reasonable certainty based on policy signals, market trends and stakeholder feedback.
- *Planning* – Asset Management Plan (AMP) and Gas Supply Plan (GSP) are based on ET-adjusted forecasts, Integrated Resource Planning (IRP) has been incorporated into the asset management process.
- *Equity Thickness* – proposal to increase equity thickness to address increased risk due to energy transition.
- *Depreciation* – risk of stranded assets was considered; however, Enbridge Gas determined an Economic Planning Horizon was not appropriate at this time.

# Energy Transition Vision and Plan

- Enbridge Gas has developed an Energy Transition Plan (ETP) that ensures access to safe and reliable energy and progress towards Ontario’s 2030 GHG emissions reduction targets and a net-zero future, despite current uncertainty on the pathway the province will take.
- Objectives of Enbridge Gas’s ETP are to:
  - Support an orderly transition in Ontario
  - Provide access to cost-effective, secure, reliable and resilient energy for customers during the transition to a low-carbon economy and once net-zero is achieved
  - Maintain alignment with Ontario’s energy objectives and with provincial and federal energy transition and climate change targets and policies.
- Enbridge Gas’s vision for Ontario’s energy system is a diversified pathway to net-zero; however, the ETP recognizes the pathway to net-zero is not yet fully defined and is, therefore, based on actions that are considered “safe bets”.

# Safe Bet Framework

- Enbridge considers an action to be a safe bet if it:
  - Supports Ontario’s near term GHG reductions
  - Is required, regardless of the pathway that unfolds in Ontario
  - Maintains consumer choice, a safe and reliable gas system in a manner that considers pathway uncertainty, and/or pathway optionality until there is pathway certainty.
- Enbridge Gas’s safe bet proposals, if approved, will drive continued GHG emissions reductions over the rebasing period, without over investing in a particular pathway prior to the Ontario government defining its future energy transition plans.
- Safe bet actions include energy efficiency, renewable natural gas (RNG), reducing emissions in the industrial and transportation sectors, coordinated gas and electric system planning and supporting consumer choices and the energy transition journey.

# Recommendations to Ontario's E&ET Panel

- Enbridge Gas's vision and plan align with the Company's submission to the Electrification & Energy Transition (E&ET Panel)<sup>1</sup> - Key recommendations include:
  - Establish an energy planning framework, which facilitates and fosters coordination between gas and electric system planners.
  - Role of the OEB aligns with public policies, while maximizing the use of existing energy infrastructure to ensure lower emissions, affordability, reliability, resiliency and innovation.
  - Factor long-term economic competitiveness into climate policy; industry is afforded low gas rates today due to the benefit of sharing infrastructure costs with 3.9 million households.
  - Ensure policies encourage all measures that reduce emissions, to provide consumer choice
  - Define binding medium and long term low-carbon blending targets for RNG and hydrogen while investigating market measures that bolster low-carbon fuel adoption
  - Expand regulatory oversight of the OEB to include hydrogen
  - Work with industry on developing a streamlined regulatory framework for CCUS investments

<sup>1</sup> Enbridge Gas's submission to the Electrification and Energy Transition Panel has been provided separately.

# Energy Transition Areas of Interest

- OEB has identified the following as matters of particular interest in the hearing:

Matters of Particular Interest	Panel
1. The risks that have been identified in relation to the energy transition, including the risk that assets may be stranded, and the regulatory options to mitigate those risks in relation to system access and system renewal investments	Panel 1 – Energy Transition, Hydrogen/Low Carbon Energy, Guidehouse Report
2. Whether Enbridge Gas’s application of the revenue horizon parameter established in E.B.O. 188 continues to be appropriate in light of energy transition	Panel 5 – Customer Attachment Policies, Miscellaneous Service Charges (Extra Length Charge)
3. Regulatory options for managing revenue related to site restoration costs	Panel 9 – Depreciation Expense, Site Restoration Costs