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

Dear Sirs/Mesdames:

EB-2022-0094 (System Access for Ontario-Produced Gas)
Ontario Petroleum Institute – Written Submissions

In accordance with Procedural Order No. 7 in the above-noted proceeding, please find attached the written submissions of the Ontario Petroleum Institute.

Yours very truly,

Richard King

RK:hi

c: All Parties to EB-2022-0094
M. Millar (OEB Counsel)
R. Murray (OEB)

ONTARIO PETROLEUM INSTITUTE – SUBMISSIONS
SYSTEM ACCESS ISSUES

Introduction

1. The Ontario Petroleum Institute ("**OPI**") represents the interests of Ontario-based conventional natural gas producers ("**Producers**"). Through its participation in this proceeding, OPI has sought to explain to the Board the difficulties that Producers face with respect to accessing the gas distribution system of Enbridge Gas Inc. ("**EGI**").

2. As noted in OPI's evidence, these difficulties include those related to gaining access to the EGI system, as well as those related to maintaining access to the EGI system.

3. In terms of gaining access to the EGI system, the difficulties faced by Producers include:

    a. a connection process without clear, prescriptive steps and timelines;

    b. an insufficiently transparent process for determining available market/capacity; and

    c. an inability for Producers to control/mitigate their costs to access the system (i.e., station costs).

4. In terms of maintaining access to the EGI system, the primary difficulty faced by Producers is the unilateral ability of EGI to shut-in local production wells for extended periods of time.

5. Taken together, these difficulties make it very hard for Producers to make any informed investment decisions. In essence, the current situation is that EGI controls when Producers can start selling (connection timelines), how much they can sell (available

market/capacity), whether a Producer can mitigate its cost to sell (connection costs), and when a Producer must stop selling (shut-in practices).

6. What OPI has attempted to demonstrate in this proceeding is that not only have these system access issues hurt Producers (by inhibiting Producer connections and supply), but that these issues also fail to provide benefits to Ontario ratepayers and citizens. Moreover, it is OPI's belief that these system access issues can be remedied without significantly burdening EGI, in a manner that is consistent with OEB regulatory practice and in furtherance of the Board's statutory objectives.

7. What follows below are OPI's submissions on the four main system access issues raised in this proceeding.

Gaining Access – Need for a More Prescriptive Connection Process

8. The first step a Producer must take to gain access to EGI's distribution system is to contact EGI and initiate the connection process.

9. EGI's process for connecting Ontario gas producers to the EGI distribution system is set out at paragraph 20 of its evidence.[1] The first two steps in EGI's connection process (excerpted below) deal with the process from initial connection request through to obtaining a cost estimate. The remaining six steps deal with connection cost responsibility. The system access issues of concern to OPI (and reflected in its evidence) is these first two steps:

[1] See EGI-OPI-1.

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.

10. In its evidence, OPI provided an example (at Appendix A) of a reactivation connection request by a Producer (Lagasco's Station 05D-501) that took 18 months from the time of initial connection request to receipt of a detailed cost estimate. In its evidence, EGI suggested that this connection request was not typical,[2] and in an IR response stated that "Enbridge Gas *attempts to provide* a completed feasibility cost estimate and indication of available demand in the proposed injection location within an average of 6 to 8 weeks of the request"[3] (emphasis added). The six to eight week timeline is, in EGI's own words, aspirational – and does not reflect the actual timelines experienced by Producers. If it did, OPI would not be before the Board raising concerns about the EGI connection process.

11. In OPI's submission, the first two steps in the connection process set out by EGI must be broken down into more granular elements – with specific, mandatory timelines attached.

[2] EGI Evidence, para. 21.

[3] EGI-OPI-1.

12. A standardized, transparent connection process with fixed mandatory timelines would be consistent with how electricity generators are treated by electricity distributors when making connection requests. In a response to an IR from Board Staff,[4] OPI set out the process obligations found in electricity distributors' conditions of service and the OEB's Distributed Energy Resources (DER) Connection Procedures that ensure a fair, timely and transparent process for the connection of generators to the electricity distribution system. OPI noted that the prescriptive measures of most interest to OPI are as follows:

- A fixed time period for distributor review of a connection request/application for completeness, and requirement to notify Producer that: (a) the connection request/application is complete; or (b) it is deficient/missing information (with a clear explanation of deficiency/missing information) (e.g., 14 calendar days).
- A fixed time period for distributor review of any revised connection request/application (e.g., 7 calendar days).
- A fixed time period for notification by distributor to Producer of available capacity (e.g., 5 calendar days).
- If there is available capacity, the time clock for providing a detailed cost estimate would commence (e.g., 30 days to provide agreements for station construction).[5]

13. Replacing EGI's first two steps in its connection process (as set out in paragraphs 20i and 20ii of its evidence in this proceeding) with the above would provide OPI with greater certainty around timely connection.

[4] OPI-Staff-3.

[5] As noted in OPI-Staff-3, OPI formulated these using Figure 2 and section 5.3.1 of the DER Connection Procedures (for connection of a micro-embedded generation facility) and Figure 4 and section 5.6 of the DER Connection Procedures (for connection of a small embedded generation facility) as a guide.

14. EGI's willingness to establish such a process is unclear, based on the record in this proceeding. On the one hand,[6] EGI seems to indicate that it is willing and able to establish such a process:

> Enbridge Gas's rebasing application proposes to harmonize its injection services, whish will be an opportunity for the utility to also align its account management practices with local producers. This alignment may improve customer service with respect to both the connection process (which includes communication of intake pressure requirements) but also in timeliness of communications related producers shut-ins or other events that may impact producers connected to Enbridge Gas' system.
>
> Prior to harmonizing the injection services, **Enbridge Gas can work to standardize and enhance its communications with local producers including more timely responses and updates on the progress of each request.** In addition to providing minimum marked demand in response to connection requests as it does today, Enbridge Gas could include more detailed marked demand and injection pressure requirements for each season. (emphasis added)

15. However, in its original evidence in this proceeding, EGI suggests the establishment of a standardized, transparent connection process is unnecessary:

> 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.[7]

16. OPI submits that EGI should be subject to connection procedure requirements similar to those imposed on electricity distributors. OPI sees no reason why this is not workable, and would eliminate one of the barriers to efficient connection to the EGI system by Producers.

[6] EGI-Staff-1.

[7] EGI Evidence, paragraph 19.

17. There are two further points to make with respect to the need for a more prescriptive connection process. First, the timelines in the connection process have to be subject to a compliance/enforcement mechanism. OPI has not alleged in this proceeding that the lack of timeliness and poor responsiveness in dealing with connection requests is the result of any bad faith on the part of EGI. Rather, the lack of a clear, prescriptive process with mandatory timelines (not "targets" or "goals") has led to an ad hoc approach to Producer connections, characterized by poor responsiveness.

18. Second, Enbridge notes that Producers comprise a small customer class in relation to other customer classes, and that the infrequent, unique connection requests from Producers may not warrant a standardized, prescriptive connection process. OPI's response to this is two-fold: (a) System access should be non-discriminatory among customer classes – just because Producers comprise a small customer class does not warrant inferior service; and (b) As OPI noted in response to an IR from EGI, OPI believes that the reason there have been very few connection requests from Producers in recent years is due in part to the difficulties and costs related to accessing the EGI system.[8] OPI believes that establishing a standardized connection process with mandatory timelines should result in more connection requests.

19. In sum, establishing a transparent, standardized connection process with mandatory timelines would help address one of the four difficulties that Producers currently face in accessing the EGI system. EGI has not done so to date, so OPI is asking the Board to establish such a mandatory connection process.

[8] OPI-Staff-3.

Gaining Access – A Transparent Market Availability Methodology and Priority for Ontario-Produced Gas

20. One of the two key determinations made by EGI during the connection assessment process is the market availability determination[9] (i.e., how much gas can a Producer deliver into the EGI system).

21. In making requests about available system capacity from EGI, OPI's members have experienced the following challenges:[10]

- lack of transparency about the methodology used by EGI to calculate available system capacity;
- insufficient options from EGI about where a producer could connect to the EGI distribution system; and,
- almost invariably, EGI determining that substantially less gas can be injected than anticipated, and in some cases proven, by the Producer (as outlined in the Mabees Corners example below).

22. As evidence of these difficulties, OPI provided two examples:

    a. An increase to throughput volume requested by Clearbeach Resources Inc. ("Clearbeach")(through the Mabees Corners Station). Clearbeach was confident that EGI's predecessor had sufficient capacity to take the increased volumes (based on historic injections) but was told only a nominal quantity could be

[9] The other, of course, is the connection cost determination – dealt with in the next section.

[10] OPI Evidence, page 3, lines 6 to 15.

accepted (with virtually nothing in the summer months). Notwithstanding this, Clearbeach moved ahead with its increased volume injections – which has flowed without curtailment into EGI's system for several years now. The disconnect between Union Gas' market availability assessment (of only nominal availability) and the actual volume flows highlights the lack of transparency involved in establishing market availability.

b. At another location (the Paton Pool) where Clearbeach is flaring natural gas (the production site is primarily oil production), Clearbeach was advised that injection could only be accommodated 2 km from the production site (even though the closest connection point is approximately 300 metres away). The additional 1700 metres of pipeline makes the connection uneconomic. What is unclear to Clearbeach is why the connection point change is required, given that both points are on the exact same pipeline. This example, too, highlights the difficulties Producers face in understanding the assumptions that go into EGI's market availability determinations.

23. EGI's IR responses to OPI have failed to clarify, in particular, how EGI calculates available market capacity in the summer. In EGI-OPI-6(a), EGI confirms (for the Paton Pool) that the lowest hour demand (summer) results in a zero available local capacity calculation. In EGI-OPI-6(b), EGI further states that upstream supplies would not impact that available market calculation. In EGI-OPI-8(a), EGI states that two existing Producers are injecting into the distribution system and capturing the market available. OPI believes those two Producer injection points have not been curtailed and producing declining

volumes (typically at 15% of MDV allowable). Based on that, OPI does not understand how there can be zero available market demand. OPI welcomes any clarity that EGI can provide (in its reply submission) with respect to this item.

24. EGI's evidence and IR responses sets out some of the factors that EGI uses to establish market availability, but beyond reference to these factors, OPI cannot discern whether the determination of market availability is entirely discretionary. For instance:[11]

    a. The determination of whether (and how much) a Producer can inject into EGI's distribution system appears to be based, in the first instance, on the most restrictive system conditions – what EGI refers to as the "summer condition". This, according to EGI "[f]or the acceptance of local injection … often becomes the primary design constraint."

    b. However, EGI also states that distribution set points "can be adjusted to help prioritize injection from connecting stations" – but that the ability to make such adjustments is station/location-specific, and subject to overriding system reliability and safety requirements.

    c. This suggests that EGI can make station adjustments to allow more (or less) Producer gas to flow into its system. What is not clear is whether and how often EGI assesses its ability to make such adjustments, and whether it makes such an assessment as part of the connection design process.

[11] EGI-Staff-2.

d. Further, EGI notes that a local producer's injection station is set to deliver at a pressure no higher than the maximum operating pressure ("**MOP**") of the system accepting the injection. So if the local distribution system has a pressure lower than MOP, the Producer station will inject gas. However, where there is little system demand (e.g., in summer), the system pressure "will quickly rise to the MOP causing the injection station to stop flowing."[12] What does seem clear is that in summer (when less supply is needed to maintain system reliability), EGI has chosen to serve this lower seasonal consumption with gas acquired from outside Ontario.

25. In its evidence and IR responses, OPI has demonstrated that Ontario-produced gas displaces gas produced outside (and transported to) Ontario. EGI confirms this in an IR response to Board Staff.[13]

26. As outlined in OPI's evidence and certain IR responses to Board Staff and IGUA, Ontario-produced gas has important environmental and economic benefits for Ontario ratepayers and citizens. Specifically:

a. Proximity of gas supply to consumers and short transportation distances results in a smaller carbon footprint, as Ontario production avoids upstream and EGI compressors;[14]

[12] EGI-Staff-2(c).

[13] EGI-Staff-5.

[14] OPI-Staff-6 and OPI-IGUA-1. OPI has attempted to quantify this in EGI's rebasing proceeding in a response to an IR from Board Staff (see EB-2022-0200, M7.Staff-3).

b. Ontario's oil and natural gas production industry employs a significant number of people both directly and indirectly (through suppliers of products and services), and pays substantial royalties and other fees to Ontario landowners (including the Province of Ontario for gas produced from Lake Erie wells);[15]

c. Producers are paid less for supplying natural gas commodity to the EGI system than end use customers pay for the same commodity, resulting in a material benefit to in-franchise system gas customers; and,

d. Sufficient local production at the lower pressure regions of the EGI system can eliminate or delay costly system upgrades.

27. These environmental and economic benefits may not always be precisely quantifiable. On this point, IGUA asks how OPI would suggest such benefits be incorporated into the market availability analysis. In its response, OPI notes that some benefits may be quantifiable (e.g., determining avoided upstream compressor usage could allow for a calculation of avoided fuel gas and carbon emissions benefits to locally produced gas). That said, the fact that some benefits may be qualitative (or perhaps, not precisely quantifiable) should not negate their consideration. If upstream gas and locally produced gas are of the same quality, then the simplest way to recognize the additional benefits provided by local production is to give it priority over non-Ontario natural gas – i.e., to place an obligation on EGI to operate its system in a way that maximizes local production.

[15] OPI-Staff-6.

28. OPI believes that greater transparency about available market/capacity in the EGI distribution system is needed, and that such market/capacity analysis should incorporate the environmental and economic benefits of local production.

29. In terms of greater transparency, OPI submits that EGI's response to a Producer connection request should include the available market (in each season) using the minimum station pressure settings required to ensure secure supply to customers. This would assist potential Producers better understand the potential for seasonal deliveries into the system.

30. OPI notes that electricity distributors are required to provide generator connection applicants with its knowledge of available capacity at a connection point at the initial planning phase of a project (i.e., in its Preliminary Consultation Report):

> 4. Preliminary Consultation
>
> 4.1 Description
>
> During the initial planning phase of a project, an applicant needs to know if there are any limitations that would prevent connecting a project at a specific location on a distributor's distribution system. The DERCP provides template forms in Appendix C that a distributor must make available to an applicant pursuant to section 6.2.9 of the [Distribution System Code]. The applicant completes and submits a Preliminary Consultation Information Request for to the distributor. The distributor in turn response with a Preliminary Consultation Report. …
>
> 4.4 Preliminary Consultation Report
>
> The Preliminary Consultation Report (PCR) is provided by the distributor to the applicant and identifies the feasibility of a connection based on the information provided in the [Preliminary Consultation Information Request] and the distributor's knowledge of available capacity at the proposed point of connection. … The distributor must

respond to a PCIR within 15 days of a PCIR as per Section 6.2.9.1 of the DSC.[16]

31. Thus, OPI submits that its request for greater, more timely transparency in respect of market availability is reasonable – as demonstrated by analogous requirements imposed by the OEB on electricity distributors. Enhanced transparency would greatly assist Producers in being able to make determinations about capital investments with respect to new production.

Gaining Access – Allowing Producers to Mitigate Station/Connection Costs

32. Connection costs represent a significant threshold cost for Producers that can determine whether a potential project is viable or not. Any ability for Producers to mitigate such costs would greatly enhance Producer access to the Ontario gas distribution system.

33. Moreover, connecting customers on the electricity system enjoy this ability to mitigate connection costs through the contestability/alternative bid rules established by the Board.

34. EGI admits that it uses trained, qualified, and certified contractors to construct station assets. In a response to an IR from Board Staff, EGI provides more specific information about EGI's practices and requirements required for such work, including:

    a. annual testing and certification of contract welders;

    b. contract welding done in accordance with EGI drawings (with deviations pre-approved and memorialized via marked-up drawings);

[16] Ontario Energy Board, DER Connection Procedures, section 4.

c. welding record-keeping for traceability purposes;

d. pressure testing of stations upon completion (with associated record-keeping);

e. inspections to provide contractor oversight during field installation activities; and

f. standards for materials used in construction (including a mill test report).

35. It is unclear why this work, performed by contractors, cannot be arranged by Producers. Yet EGI is definitive on this point, stating: "[N]atural gas producers cannot hire the same contractors that Enbridge uses and provide an equivalent product."

36. OPI flat out refutes this suggestion. On the electricity side, OPI understands that significant connection assets can be constructed at the direction/arrangement of connecting customers, and the electric utilities' concerns about technical competency are addressed through regulatory controls requiring such work to conform to the distributor's specifications and standards.

37. Like the natural gas distribution sector, the work must comply with technical requirements and the incumbent utility is ultimately responsible for the safety and reliability of the system. OPI sees no reason why the contestable work/alternative bid process can be made workable with respect to electricity distribution but not natural gas distribution.

38. Further, these stations are typically small, single customer stations (i.e., a station connecting a single Producer to the EGI system). This is to be contrasted with the electricity distribution or transmission system where the contestability/alternative bid process covers assets used to serve large numbers of customers.

39. OPI's members have no interest in constructing facilities (upon which they whould be wholly reliant) to less than industry standard. Moreover, in its response to interrogatories from Board Staff, OPI confirms that:

    a. OPI's members are not seeking to perform the preliminary planning, design and engineering specifications for customer stations;

    b. OPI's members are not seeking to perform the final tie-in of the customer stations to EGI's system nor the energization and commissioning work;

    c. OPI's members are only seeking to construct customer stations according to EGI's design and engineering specifications; and

    d. OPI's members are interested in procuring materials for the customer stations (e.g., pipe, fittings, controls, instrumentation, etc.).

40. Producers are in the natural gas business, and have the ability to procure materials, retain contractors and work with technical regulators in the sector. They should be given the opportunity to mitigate their connection costs in a manner similar to connecting customers on the electricity system. OPI believes that allowing for this work to be done by Producers will lead to a more financially viable gas production industry, and advance regulatory equivalency between Ontario's gas and electricity sectors.

Maintaining Access – Restricting/Limiting EGI's Shut-In Practices

41. A local gas Producer's business can be seriously impaired by being "shut-in" for extended periods of time (in response to EGI making system changes or upgrades). OPI's

evidence noted a Clearbeach station that was shut-in on November 23, 2022 and remains shut-in today (eight months of non-injection, and therefore no revenues).[17]

42. While advance notice of shut-ins is important (in the same way that notification of planned outages on the electricity system is important), the greater concern of Producers is the duration of shut-ins, and the absence of any regulatory requirement on EGI to minimize shut-in durations and the impacts on Producers.

43. OPI submits that the Board should impose a mandatory regulatory obligation on EGI to minimize shut-ins of Producer wells, and report regularly to the Board on the specifics of any existing shut-ins (including location, start date, reason for shut-in, estimated return to service, mitigation efforts to allow Producer supply).

[17] See OPI Evidence, p.12 of 20, lines 11 to 17.