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August 25, 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. 7 issued July 11, 2023, attached is Enbridge Gas' reply submission to the Ontario Petroleum Institute's submission dated July 28, 2023.

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

Yours truly,

Patrick McMahon

Digitally signed by Patrick McMahon
Date: 2023.08.25 12:57:11 -04'00'

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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 its Decision and Procedural Order No. 3, the OEB decided two jurisdictional issues and provided the Ontario Petroleum Institute (OPI) with an opportunity to file evidence. This evidence was to focus on how the terms and conditions in the M13 rate schedule and station fees associated with Ontario gas purchase agreements may impair the OPI's members from obtaining fair and transparent access to Ontario's natural gas distribution system.

3. The OPI filed a high-level description of its proposed evidence. Enbridge Gas responded with a letter stating its view that the items proposed to be addressed by the OPI in its evidence were better addressed as part of the proceeding reviewing Enbridge Gas' 2024 rebasing application.[1] The OPI responded with a letter requesting that the OEB deny Enbridge Gas' proposal and instead continue to hear the OPI's issues in the current proceeding.

4. In its Decision and Procedural Order No. 4[2], the OEB determined that certain system access issues identified by the OPI were appropriately addressed in the current proceeding, while others were appropriately addressed in Enbridge Gas' 2024 rebasing proceeding.

5. Specifically, the OPI's concerns about fair and transparent system access were to be heard in this current proceeding and issues related to the terms of service associated with the current M13, 401 and proposed E80 rates were to be heard in the 2024 rebasing proceeding. Enbridge Gas' proposal in the 2024 rebasing proceeding for injection station fees was also to remain in that proceeding.

6. The OEB determined that the OPI's concerns with the transparency of how Enbridge Gas determines how much capacity its system has to receive natural gas from local producers and when, what the OPI describes as "capacity constraints" relating to "shut-in periods and existing capacity", and the options for "mitigating customer connection costs" that the OPI wants to

[1] EB-2022-0200
[2] EB-2022-0094 – Decision and Procedural Order No. 4, February 7, 2023

explore were matters of system access that were to be addressed in this System Access proceeding.

7. In Procedural Order No. 7[3], the OEB gave Enbridge Gas and other parties the opportunity to file reply submissions to the OPI's submission dated July 28, 2023. This submission includes Enbridge Gas' response to the OPI's latest submissions.

8. Specifically, Enbridge Gas is responding to the OPI's submissions regarding the alleged difficulties that local gas producers face with respect to accessing Enbridge Gas' distribution system, the process and timeline for connecting local gas producers to the Enbridge Gas distribution system, the need for a more prescriptive connection policy / process, the challenges of available system capacity, and the OPI's suggestion that the OEB should impose a mandatory regulatory obligation on Enbridge Gas to minimize shut-ins of local producer wells.

9. As noted by the OPI[4], connection requests to Enbridge Gas from the OPI members have been limited to a total of 5 requests since 2014. The infrequency of these requests requires Enbridge Gas to refamiliarize itself with the facilities and contracts related to local production upon every request as they are so infrequent, unique and complicated. The average producer contacts Enbridge Gas approximately once per year or less.

10. Enbridge Gas also notes that Ontario producers provide a very small volume of natural gas compared to Enbridge Gas' total distribution system throughput.[5] As previously noted, natural gas purchased from Ontario producers amounts to approximately 0.8 PJs annually, or an average of 2100 GJ/day. This amounts to a very small fraction of a percentage of Enbridge Gas' total system gas portfolio.

11. With the context of the limited number of local producer connection requests and the small volume involved, Enbridge Gas has the following responses to the OPI's submissions. In general, Enbridge Gas does not believe that prescriptive changes are required to direct or regulate its dealings with local gas producers. Specifically:

[3] EB-2022-0094 - Procedural Order No. 7, July 11, 2023
[4] EB-2022-0094 - OPI's response to Enbridge-11 dated April 14, 2023
[5] EB-2022-0094 - Exhibit EGI-OPI-13

i) Enbridge Gas disagrees with the OPI's claims that the process for connecting Ontario gas producers to the Enbridge Gas distribution system is ad hoc with no firm timelines or standardized information exchange procedures;

ii) Enbridge Gas does not agree with the OPI's suggestion that prescriptive steps and fixed performance parameters are required on producer connections given that other customer connections, performed using the same process, do not require such a standard;

iii) Enbridge Gas does not believe that a mandatory regulatory reporting obligation as suggested by the OPI would provide better and more timely disclosure of information to producers; and

iv) Enbridge Gas is required to safely operate its assets and must shut-in Ontario gas producers from time to time due to gas quality issues, emergencies due to third party damages, and operational integrity inspections. These curtailments and shut-ins are communicated prior to the 24-hour notice period whenever possible.

12. As previously noted in this proceeding,[6] Enbridge Gas is continuously working to improve how it communicates with its customers. Enbridge Gas' 2024 rebasing application proposes to harmonize its injection services, which will be an opportunity for Enbridge Gas 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 to producer shut-ins or other events that may impact producers connected to Enbridge Gas' system.

13. 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 market demand in response to connection requests as it does today, Enbridge Gas could include more detailed market demand and injection pressure requirements for each season.

[6] EB-2022-0094 - Exhibit EGI-Staff-1

Connecting Natural Gas Producers

14. In its submissions[7], the OPI states that the difficulties that local gas producers have gaining access to Enbridge Gas' distribution system include:
    - a connection process without clear, prescriptive steps and timelines;
    - an insufficiently transparent process for determining available market / capacity; and
    - an inability for producers to control / mitigate their costs to access the system (i.e., station costs).

15. In the OPI's view[8], the first two steps in Enbridge Gas' connection process[9] must be broken down into more granular elements – with specific, mandatory timelines attached:
    - 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
    - EGI's willingness to establish such a process is unclear, based on the record in this proceeding

16. The OPI submits[10] that Enbridge Gas should be subject to connection procedure requirements similar to those imposed on electricity distributors. The 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.[11]

17. To suggest that Enbridge Gas should be subject to connection procedure requirements similar to those imposed on electricity distributors does not make practical sense. The types of equipment and facilities as well as governing regulatory codes for electricity distribution and natural gas distribution are substantially different. Enbridge Gas is not an electricity distributor so it would be expected that there would be an inconsistency between the rules, or at least the application of such rules, for electricity and natural gas.

[7] EB-2022-0094 - OPI Submissions, July 28, 2023, paragraph 3
[8] EB-2022-0094 - OPI Submissions, July 28, 2023, paragraphs 9 - 19
[9] EB-2022-0094 - Enbridge Gas' evidence submitted May 31, 2023, paragraph 20
[10] EB-2022-0094 - OPI Submissions, July 28, 2023, paragraph 16
[11] EB-2022-0094 - OPI Submissions, July 28, 2023, paragraph 37

18. The OPI noted[12] that the prescriptive measures of most interest to them 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); and
    - 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).

19. Enbridge Gas does not agree with the OPI's suggestion that prescriptive steps and fixed performance parameters are required for producer connections given that other customer connections, performed using the same process, do not require such a standard.

20. Furthermore, Enbridge Gas disagrees with the OPI's 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.[13]

21. Enbridge Gas handles Ontario producer connection requests in a similar manner to requests for distribution customer connections.[14] The producer requests to connect to the Enbridge Gas system, Enbridge Gas' engineering group assesses the request to determine the facilities required to connect and the ability to accept volumes under winter and summer conditions, the design of the facilities is completed, and a cost estimate is prepared and submitted to the Ontario producer. Construction only begins after the Ontario producer agrees to pay 100% of the costs, signs a Rate M13 contract, and the first prepayment is received.

[12] EB-2022-0094 - OPI Submissions, July 28, 2023, paragraph 12
[13] EB-2022-0094 - OPI Submissions, July 28, 2023, paragraph 17
[14] EB-2022-0094 – EGI Submissions, May 31, 2023, paragraph 20

22. The assessment by Enbridge Gas' engineering group of local injection into the distribution system is done using the same process as is used to determine design hour demand for the whole system with consideration given to both the highest design hour demand experienced in winter along with the lowest hour demand.

23. Enbridge Gas' ability to accept the injection of locally produced gas is highly dependent on the specific system configuration, types of demand, and location of the injection. The local gas distribution system along with the amount and type of customers it serves determines the capacity for injection. Due to the different customer types and numbers, the capacity can vary significantly from location to location. Additionally, the distribution system is a complex and interconnected system with cascading pressures and subsystems. Injection on one subsystem does not allow for access to other subsystems or systems upstream, thus limiting the ability to accept injection. Each injection request must be evaluated individually for its specific requirements and the needs of the local system.

24. Requests made by Ontario producers are often more complex than other connections because they involve injections, and must take into account system constraints, proximity to the closet pipeline, and the impact of injection into the local pipeline during both the winter and summer conditions. In addition to the engineering assessment, consideration must also be given to permitting requirements from regulated authorities, railways, foreign pipelines, etc. All these can impact the timing of a response to requests from Ontario producers and make it unreasonable to suggest that mandatory timelines are required.

25. Enbridge Gas acknowledges the challenges faced by small natural gas producers operating in a market characterized by increasingly and persistently low commodity prices. However, to the degree that local producers are experiencing challenges in remaining viable, Enbridge Gas does not believe that this is the result of customer or producer policies of Enbridge Gas.

26. The OPI submits that it sees no reason why the contestable work / alternative bid process can be made workable with respect to electricity distribution but not natural gas distribution.[15] Enbridge Gas is a natural gas distributor and not an electricity distributor. Enbridge Gas' assets are generally installed underground whereas electricity distribution assets tend to be a mixture of overhead and underground infrastructure. Enbridge Gas does not understand the

[15] EB-2022-0094 - OPI Submissions, July 28, 2023, paragraph 37

complexity of electricity distribution design and should not be mandated to follow requirements established for electricity distributors.

27. Enbridge Gas is obligated by the Technical Standards and Safety Authority (TSSA), and other provincial and federal regulatory standards, for the safe and reliable operation of its assets and cannot delegate this authority. Enbridge Gas must ensure the competency of work performed by its employees and contractors. Enbridge Gas must also ensure that all records are maintained for the life of the asset. The OPI has not demonstrated that its members have practices and procedures in place that meet Enbridge Gas' requirements.[16]

28. To ensure safe and reliable assets, Enbridge Gas does not permit customers to construct their own stations because, contrary to the OPI's assertions, these cannot be minimized as simply small, single customer stations.[17]

29. Enbridge Gas is accountable for the safe operation of its assets and must provide reliable delivery of natural gas to its customers.[18] To ensure safe and reliable operation of its system, the following is what Enbridge Gas has established for pressure reducing stations:[19]

    i) Enbridge Gas' station includes several components including measurement, pressure control, gas quality, and odorization. As part of its standards and procedures, Enbridge Gas must ensure that many of these components has material traceability from the supplier through to installer, as well as ensure that all components conform with Enbridge Gas' purchase specifications, have been approved for use at Enbridge Gas, and that its employees are appropriately trained to maintain the components.

    ii) Pressure reducing stations need to be pressure tested and non-destructively examined (NDE) according to Enbridge Gas' standards. These pressure test and NDE records are reviewed and approved by Enbridge Gas and are maintained for the life of the asset.

[16] EB-2022-0094 - OPI's response to Enbridge-6 (b) and Enbridge-7
[17] EB-2022-0094 - OPI Submissions, July 28, 2023, paragraph 38
[18] EB-2022-0094 - Exhibit EGI-Staff-7
[19] EB-2022-0094 - Exhibit EGI-Staff-7

iii) Enbridge Gas employs management programs across all aspects of an assets' life to ensure the safe and reliable operation of its facilities, and this includes the design, fabrication, installation, and maintenance of the asset.

iv) Enbridge Gas' employees and contractors are trained, qualified, and certified to construct and install pressure reducing stations between the producer's facilities and Enbridge Gas' underground pipelines. All company and contractor employees (welders, pipeline fitters, inspectors) are tested and certified annually to demonstrate competency and to ensure all work is completed to Enbridge Gas' standards and meets all code requirements (e.g., Z662, Measurement Canada Requirements for meters, etc.). Enbridge Gas approves all contractor welders to ensure its standards are followed and ensures that there is traceability of fabrication and quality control of records. Enbridge Gas also requires its contractors to test their employees' competency (Operator Qualifications - OQ) annually, or more frequently as required, to perform tasks, and to conform to Enbridge construction specifications. Enbridge Gas completes periodic audits of their contractor's OQ programs and field activities.

30. For the reasons outlined above, and to meet its obligation for the safe and reliable operation of its system, Enbridge Gas considers the final connection much broader than just the final tie-in connection to an underground pipeline.[20] Enbridge Gas' view is that the entire connecting station constitutes the final tie-in to Enbridge Gas' pipeline system. The connecting stations are Enbridge Gas assets and must be fabricated and installed to Enbridge Gas' standards and procedures. Enbridge Gas would not permit Ontario producers, or other customers, to fabricate and install the connecting station.

Transparency of Available System Capacity

31. In its submissions[21], the OPI states that in making requests about available system capacity from Enbridge Gas, the OPI's members have experienced the following challenges:
    - lack of transparency about the methodology used by Enbridge Gas to calculate available system capacity;

[20] EB-2022-0094 – EGI Submissions, May 31, 2023, paragraph 32
[21] EB-2022-0094 - OPI Submissions, July 28, 2023, paragraph 21

- insufficient options from Enbridge Gas about where a producer could connect to the Enbridge Gas distribution system; and
- Enbridge Gas determining that substantially less gas can be injected than anticipated, and in some cases proven, by the Producer.

32. In terms of greater transparency, the OPI submits that Enbridge Gas' 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.[22]

33. The OPI makes a comparative reference to the OEB's Distributed Energy Resources (DER) Connection Procedures (Section 4.1 and part of Section 4.4) which indicates that electricity distributors are required to provide generator connection applicants with the distributor's knowledge of available capacity at a connection point in its Preliminary Consultation Report based on the information provided by the generator connection applicant.[23]

34. As previously submitted, Enbridge Gas' ability to accept the injection of locally produced gas is highly dependent on the specific system 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.

35. 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.[24] 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. During the assessment of the

[22] EB-2022-0094 - OPI Submissions, July 28, 2023, paragraph 29
[23] EB-2022-0094 - OPI Submissions, July 28, 2023, paragraph 30
[24] EB-2022-0200 at Exhibit 4, Tab 2, Schedule 3; Enbridge Gas Inc. – 2024-2028 Natural Gas Distribution Rates | Ontario Energy Board (oeb.ca);

capacity to accept local injection should the low flow scenario be insufficient to accept the entire injection request, more details will be provided on the seasonal capacity.

36. 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.
    - Reinforcement: New facilities[25] 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).

37. 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).

38. As far as the provision of information in response to connection requests, Enbridge Gas is already providing more information (including seasonal capacity) in response to connection requests than in the past, but since the OPI's members have not requested a new connection in some time,[26] they do not have any experience with the current process.

[25] New facilities may include new pipelines and stations.
[26] EB-2022-0094 - OPI's response to Enbridge-3 and Enbridge-11

Minimizing Shut-ins of Local Producer Wells

39. As Enbridge Gas has already noted, there are several reasons a producer may be shut-in or curtailed, many of which are beyond the control of Enbridge Gas, including:

    a) emergency situations which could include third party damage to the distribution system near an injection station, such that the distribution system needs to be isolated;

    b) operational issues on Enbridge Gas' distribution system (e.g., pipeline isolation or re-routing gas to perform integrity activities);

    c) producer's gas quality does not meet Enbridge Gas specifications per the requirements outlined in the Gas Purchase Agreement (GPA) and Rate M13 contract and may impact safe operation of downstream customer equipment;

    d) pipeline system integrity activities; and

    e) construction related activities to ensure the safe operation of Enbridge Gas' system.

40. The OPI submits[27] that the OEB should impose a mandatory regulatory obligation on Enbridge Gas to minimize shut-ins of producer wells, and report regularly to the OEB 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).

41. A mandatory regulatory reporting obligation as suggested by the OPI is redundant and serves no practical purpose. Section XIV of the GPA contract already outlines Enbridge Gas' obligations with regard to communication of curtailments and shut-ins:[28]

    "Verbal Notice: Excepting instances of emergency, Seller and Enbridge agree to give at least twenty-four (24) hours notice before a planned curtailment of receipt or delivery, shut-down or startup."

42. Enbridge Gas must safely and reliably operate its assets and from time to time must shut-in Ontario gas producers. As noted above, these shut-ins tend to be due to gas quality issues,

[27] EB-2022-0094 - OPI Submissions, July 28, 2023, paragraphs 41-43
[28] EB-2022-0094 - Exhibit EGI-OPI-1

emergencies due to third party damages and operational integrity inspections. Due to the safety nature of these shut-ins, it would serve no useful purpose to notify the OEB of such instances.

43. Enbridge Gas communicates curtailments and shut-ins prior to the 24-hour notice period whenever possible and the company tries to return curtailed operations to service as soon as is practical based on the requirement to continually operate to ensure the entire system's operations are optimized. As was previously communicated[29], Enbridge Gas does not have searchable or consolidated records of producer injection station shut-ins or curtailments.

Conclusion

44. Any determination of procedural changes to address the requests of local producers for access to Enbridge Gas' system should be made in the context of the limited number of local producer connection requests and the small volume involved. Enbridge Gas will continue to work constructively with local producers to address their future connection requests.

45. To suggest that Enbridge Gas should be subject to connection procedure requirements similar to those imposed on electricity distributors does not make practical sense.

46. Enbridge Gas does not agree with the OPI's suggestion that prescriptive steps and fixed performance parameters are required for producer connections given that other customer connections, performed using the same process, do not require such a standard.

47. Enbridge Gas disagrees with the OPI's 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.

48. 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).

[29] EB-2022-0094 - Exhibit EGI-OPI-1

49. Enbridge Gas must safely and reliably operate its assets and from time to time must shut-in Ontario gas producers. These shut-ins tend to be due to gas quality issues, emergencies due to third party damages and operational integrity inspections. Due to the safety nature of these shut-ins, it would serve no useful purpose to notify the OEB of such instances.