

February 1, 2024

VIA EMAIL and RESS

Nancy Marconi
Registrar
Ontario Energy Board
2300 Yonge Street, Suite 2700
Toronto, Ontario, M4P 1E4

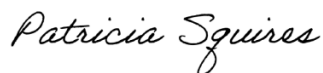
Dear Nancy Marconi:

**Re: Enbridge Gas Inc. (Enbridge Gas or the Company)
Stakeholder Feedback for Draft Phase One Benefit-Cost Analysis Framework
Ontario Energy Board (OEB) File Number: EB-2023-0125**

On December 14, 2023, the OEB communicated to Registered Participants in the Consultation for Benefit-Cost Analysis Framework for Addressing Electricity System Needs that they were inviting stakeholder input on the Draft Phase One Benefit-Cost Analysis Framework. Written feedback on the draft Framework was requested initially by a deadline of January 16, 2024, which was subsequently extended to February 1, 2024.

Accordingly, Enbridge Gas hereby submits the attached feedback as requested.

Yours truly,



Patricia Squires
Manager, Regulatory Applications – Leave to Construct

Introduction

On December 14, 2023 the Ontario Energy Board (“OEB”) issued its first Draft BCA Framework for Addressing Electricity System Needs (“Draft BCA Framework”) as part of an ongoing consultation process. The OEB simultaneously issued a Draft BCA Reporting Template, Draft BCA Framework Examples, and a Worked Out Sample workbook. The OEB invited stakeholder comments on these documents with an original due date of Tuesday, January 16th, 2024 and subsequently extended the deadline to Thursday, February 1st, 2024.

Enbridge Gas is a registered participant in this consultation, as it is interested in how the Draft BCA Framework will support coordinated electricity and natural gas planning in Ontario, and in turn support the energy industry’s shared objective of optimizing existing and new energy system investments. The comments provided herein are based on outcomes and learnings from both the BCA Framework consultation as well as from Enbridge Gas’s Integrated Resource Planning (“IRP”) Framework consultation.

The Draft BCA Framework states that “the OEB considers ‘energy system impacts’ to include impacts on both the natural gas and electricity systems, however, more work is underway on how impacts related to the natural gas system could be incorporated in the future.¹” Enbridge Gas’s comments on the Draft BCA Framework relate to what it perceives as opportunities to improve coordinated energy system planning through transparent and comparable benefit-cost analysis.

After extensive consultation, the OEB determined that the three-phased discounted cash flow-plus (“DCF+”) test is the appropriate economic evaluation test for Enbridge Gas to use as part of its integrated resource planning. Specifically, the OEB determined that the DCF+ should be used to evaluate and compare traditional facility investments and non-pipeline alternatives, including both supply-side and demand-side options.² This DCF+ test has been further extensively consulted on with the IRP Technical Working Group (“TWG”) over the last two years,³ including documented discussions about potential DCF+ test enhancements.⁴ Enbridge Gas notes that the proposed Draft BCA Framework, which is meant to provide a similar mechanism for evaluating alternative investments in the electricity system, does not appear to give due consideration to both this recent evidence-based decision issued in the IRP proceeding

¹ EB-2023-0125, Draft Benefit-Cost Analysis Framework for Addressing Electricity System Needs, page 4, footnote 1.

² EB-2020-0091, Decision and Order.

³ [Natural Gas Integrated Resource Planning \(IRP\) | Engage with Us \(oeb.ca\)](#)

⁴ [Use of the Discounted Cash Flow-Plus Test in Integrated Resource Planning \(IRP\): Report of the IRP Technical Working Group](#), May 30, 2023.

and the enhancements proposed in documented TWG discussions and how the BCA Framework and the DCF+ test can be aligned to support coordinated energy planning.

Enbridge Gas's submission is premised on providing feedback that could support the development of a BCA Framework that enables coordinated energy planning by providing for the evaluation of non-traditional investments to meet energy system needs in a consistent and comparable manner. A uniform approach for evaluating such investments will enable the OEB to efficiently plan for an optimized energy system to the benefit of all ratepayers in Ontario.

Transparency of Perspectives Represented

Enbridge Gas's DCF+ test was designed to provide complete transparency to both the calculations used and the resulting incremental benefits and costs attributed to non-pipe alternatives. The DCF+ test's three-phased approach enables transparency with regards to each unique stakeholder perspective, and it also enables the perspectives to be added together for a total benefit/cost. Specifically, phase 1 measures the degree of subsidization required from existing customers for the project considered, phase 2 measures the net benefits to those participating in the non-pipe alternative, and phase 3 measures the net societal benefits to Ontario.

This level of detail and transparency, with particular consideration to inequities between subsets of stakeholders⁵, is critical for Enbridge Gas and the OEB to optimize rational investments in the natural gas system to serve customers' needs. This approach is also consistent with the transparency provided by historical perspectives represented in the evaluation of utility DSM programs (beyond the TRC), customer connections, expansion, and transmission projects.

Enbridge Gas believes that a similar approach to the BCA Framework would be beneficial in evaluating specific perspectives and would bring transparency to stakeholder impacts. Furthermore, to ensure all perspectives are evaluated consistently with each non-wires solution (NWS), all test components should be required, with no optional elements as is currently proposed for the EST.

Measures of Benefits

The DCF+ test currently approved for use by Enbridge Gas evaluates both benefits and costs at each of its phases. Although some of these costs and benefits may cancel out (for example, by recognizing a cost in one phase as a benefit in another phase, or by a benefit/cost being equal for two alternatives being evaluated), the calculations are included in the test to provide a complete picture of the net economic benefits accruing to the stakeholders defined for each perspective.

⁵ EB-2020-0091, Decision and Order, page 56: "The OEB concludes that the DCF+ test, including its focus on rate impacts (as identified in phase 1 of the DCF+ test), should be the economic evaluation test used in the IRP Framework."

The Draft BCA Framework has described the required quantification of costs, specifically in the form of revenue requirement calculation (or the difference in revenue requirements in the case of a deferred investment) without expressly identifying potential benefits that would serve to offset at least a portion of these costs, depending on the NWS being evaluated. Although avoided distribution capacity is listed as a benefit, the absence of other types of impacts, such as incremental revenue to support the project costs, customer energy impacts, non-energy benefits, taxes, and economic benefits, calls into question the completeness of the measures being evaluated and the degree of confidence in the test results if there is a perception of over- or under-valuation in the DST and EST. Transparency would aid in comparability with natural gas IRP investments as well as other NWS comparisons.

Reference Case Definition

Generally, the system needs to be evaluated by Enbridge Gas under the IRP Framework are considered to be non-discretionary. The DCF+ methodology proposes to evaluate both traditional pipeline and IRP alternative investments separately relative to a static do-nothing scenario. This approach allows the test results for facility investments and IRP alternatives to be examined separately, resulting in more detailed and transparent test results that can be compared.

The DST and EST tests described in the Draft BCA Framework propose two methods for determining the reference scenario. For solutions addressing discretionary system needs, the reference scenario is the static do-nothing case as considered in the DCF+ test. For solutions addressing non-discretionary system needs, the reference scenario is the traditional poles-and-wires solution, with NWS alternatives measured incrementally against this reference case. The Draft BCA Framework notes certain conditions for which this reference scenario may change for non-discretionary needs. Multiple and potentially shifting reference case definitions create added complexity and further compromises comparability of results, especially when trying to compare solutions in a coordinated energy planning environment.

Qualitative Measures

Enbridge Gas's DCF+ methodology recognizes the challenges of risk and benefit quantification in the areas of resiliency, reliability, etc., as well as non-energy benefits including specific multiplier effects for the economy. While they are noted in the methodology, additional work needs to be carried out to characterize these impacts and how they can be evaluated in the context of non-pipe solutions.

The Draft BCA similarly identifies qualitative impacts of risk, reliability, resilience among others, in both the DST and EST.

As the gas and electricity sectors work towards comparability and transparency in their frameworks for evaluation and coordinated planning, an aligned system-wide view on

energy systems will be required to address reliability and resiliency impacts as well as economic impacts in Ontario.

Conclusion

Enbridge Gas supports coordinated planning between the electricity and natural gas systems and believes that standardized assumptions and inputs representing a variety of perspectives in both the BCA and DCF+ analysis are beneficial to evaluating system needs on a comparable, transparent, and coordinated basis.

Coordinated planning can ensure that the energy systems are optimized, and the benefits of each system are maximized to the benefit of ratepayers. For coordinated planning to be effective, it will depend on the development of an efficient and effective process between the gas and electric systems, and a consistent framework that allows for comparison of energy solutions will enable this. Recently, the Government of Ontario released a Report from the Electrification and Energy Transition Panel with recommendations for the energy sector to help Ontario's economy prepare for electrification and the energy transition, and to identify strategic opportunities and planning reforms to support emerging electricity and fuels planning needs. The Panel issued a series of recommendations with Recommendation 16 stating that "The Ministry of Energy, working with the OEB, IESO, LDCs, municipalities and gas utilities, should develop a formal and transparent co-ordination framework that sets out the scope and objectives for enhanced planning and co-ordination at the bulk, regional and distribution levels."⁶ An aligned economic test for both gas and electric utility planning would best support and promote this goal of coordinated planning, as well as optimal energy system design and operation to serve ratepayers in the most reliable, resilient, and cost-effective manner.

⁶ <https://www.ontario.ca/document/ontarios-clean-energy-opportunity-report-electrification-and-energy-transition-panel>