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Consultation to Review Enbridge Gas Inc. 2024 Annual Update To the Five Year Natural Gas Supply Plan

EB-2024-0067

Submission of the
Vulnerable Energy Consumers Coalition
(VECC)

JULY 17, 2024

Vulnerable Energy Consumers Coalition

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Submissions

Overview

1. Consistent with past submissions we conclude that overall EGI has presented a robust and prudent gas planning process and resultant gas plan. Issues with respect to the current gas plan are somewhat constrained by related events on the harmonization of the former utilities. This puts out of scope some significant issues related to the plan.

2. Our submissions are with respect to five issues: (1) Vector Pipeline contracting; (2) the development of the demand forecast, (3) the evolution (or lack thereof) of natural gas delivery strategies which might harmonize the Enbridge CDA and Union EDA; (4) the continued pursuance of natural gas tagged as “responsibly sourced”; and, (5) renewable natural gas (RNG) programs

3. Our submissions are in the tone of observations on the current state of gas planning. None rise to the level of fatal flaws in the plan. However, we believe they are issues worth noting as EGI continues to evolve its gas planning for a unified utility and under the policy pressures for Green House Gas (GHG) emission reductions.

Vector Pipeline

4. We note that in this plan update EGI filed a study regarding price anomalies as between Chicago and Dawn delivered gas (ICF – Appendix G). This information helps to further understand the rationale for past activity on the Vector pipeline and is responsive the Board’s decision to review Vector contracting (i.e.,EB-2023-0326). EGI Continues to contract on Vector and may continue to pay a premium for this service. While we are not making the submission that it is imprudent to do so. We do think that EGI should continue in its annual reviews to report of the pricing differentials as between Chicago and Dawn and to justify any renewals on this path.

Demand Forecast

5. EGI holds that “*the demand forecast is an input into the gas supply plan and not part of the plan itself*.”[1] The annual demand forecast that underpins the gas supply plan is based on pre-2024 OEB-approved methodologies. EGI notes that methodologies have not changed since last filed the 5-year gas supply plan. While the demand forecast methodologies are not at issue in the Supply Plan Review the forecast(s) clearly remain an integral part of gas supply planning. This is even more the case now that EGI operates a unified Province wide utility where certain transportation delivery points of the former utilities either overlap or substantially overlap.

[1] EB-2024-0067 TC Transcript July 2, 2024 (TCT), page 14

6. In this update we note a divergence in the direction of demand as between former Union south rate zone and those of the former Enbridge Gas. EGI's demand forecast continue to be reported on the basis of former utilities which, in the case of Union Gas, are somewhat aligned with different gas delivery points. However, the former Enbridge franchises is still reported on a single combined basis (e.g. combining Toronto and Ottawa as one demand area). The result is that one is not able to distinguish the demand forecast similarities or differences as between Union North East and the similar and closer geographical area of Ottawa.

7. In our view EGI should be encouraged to revise its demand gas forecast to more closely match transportation delivery points and geographical areas rather than be based on that used by the legacy utilities.

<u>Gas Planning and Transportation Delivery</u>

8. In conjunction with rationalizing demand forecast by geographical area (rather than by legacy rate zone) we think it worth considering how EGI's amalgamation might alter delivery zones on the TransCanada system. EGI briefly spoke to this at the Technical Conference[2]:

   "*Now, if we are talking about combining the demands of Enbridge EDA with the demands of Union EDA, this is a little bit different. But it would result in the same total demands, and the need for TransCanada to change the delivery areas and rate structures on their system and tolling structure.*

   At this time, Enbridge's transportation and STS capacity contracts are optimized to provide deliveries to the specific existing delivery areas, and they are used to serve the needs of that specific delivery area.

   Combining delivery areas is likely more beneficial from the perspective of the ease of operating, and this is something we expect to evaluate and discuss as part of TC Energy's upcoming toll-setting process."

9. The TransCanada mainline delivery points are based on the historical three major Ontario utilities (Centra Gas, Union Gas and Enbridge /Consumers Gas). The Province now has only one major gas utility. In our view the Board should understand the implications of amalgamation on the future of upstream tolling on the TransCanada mainline. EGI might consider reporting on its progress with respect to toll-setting on the TC system and how it might impact Ontario ratepayers.

[2] Ibid, page 35

Responsibly Sourced Natural Gas

10. EGI continues to explore acquisition of "tagged" gas under the ambit of "sustainable natural gas" or "responsibly sourced gas". We have previously noted our discomfort with programs which only provide "feel good" value to consumers. As far as we can understand the programs that EGI is exploring are self-regulated, that is they are not part of a government sponsored or legislated scheme. This means that there is no agreed upon universal standard and whatever standards are established are unique to the association joined. The association also oversees and monitor standard adherence. This type of "private regulation" lacks impartiality since the standard the certifying association is reliant upon the voluntary membership fees those it monitors.

11. In our view such virtue signalling initiatives are not only of limited value they are confusing and conflate in customer's minds the distinction with GHG reducing natural gas alternatives. However, we reiterate past submission so long as the Utility is not imposing ratepayer costs how it wishes to market itself (and the gas it delivers) may not be a matter within the Board's mandate to consider.

Renewable Natural Gas (RNG)

12. In contrast to socially tagged natural gas, renewable natural gas has clear benefits to consumers not just in GHG emission reduction but also in potential monetary credits to offset carbon taxes. We have expressed in past submissions that EGI may not be maximising its opportunity to acquire RNG. In this proceeding EGI is proposing to adjust the RNG program by the establishment of Low Carbon Voluntary Program (LCVP) in replacement of the residential focused Voluntary Natural Gas program (VRNG).

13. The reason for abandoning the residential program is the lack of enrollment in the program. While this is unfortunate the redirection of the program toward larger customers seems a logical alternative. Our main concern is not so much with the sale of RNG to specific customers or customer classes as it is with maximizing the acquisition of RNG and any associated credits. EGI explained at the technical conference[3]:

"*Although Enbridge Gas does not have contact details for all Ontario producers, to our knowledge, there is more Ontario RNG injected into the gas distribution system than declared by direct-purchase customers as being consumed. This leads us to the belief that that RNG is being transported or claimed by other jurisdictions.*

Enbridge Gas conducted an RNG potential assessment, which was filed quite a while ago, in EB-2011-0283, and that was Exhibit B, tab 1, Appendix 1. But we do not believe that the results of that study have changed materially since the assessment was completed. Enbridge Gas recognizes the potential value of CFR credits that may be created from RNG under the clean fuel regulations or 22 CFR."

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[3] Ibid, page 175

14. As we understand it one of the impediments to accessing Ontario based RNG is the regulatory prohibition against long-term gas supply contracting. We are also concerned that little effort has been made to understand the potential for Ontario sourced RNG. In EB-2022-0200 the Board adopted a relatively a simple position on “Energy Transition” which focuses on the ultimate elimination of natural gas as an energy source. As noted by EGI in that proceeding the reality is that energy transition is likely to be complicated and include many initiatives including those that aim to reduce the carbon related damage of using carbon based fuels. RNG certainly fits into this latter concept. We would encourage the Board to consider what is required to induce EGI to better understand the RNG potential in Ontario. As a start this should include updating studies of RNG potential (source and sales). It might also include examining how premiums associated with the purchase of RNG might be recovered from ratepayers.

<u>Consultation Framework</u>

15. On July 10, 2024 EGI submitted a letter indicating its overall satisfaction with the consultative process with respect to natural gas supply plans. In general VECC concurs that the process is constructive and works reasonably well. Our only observation is that at the finalization of the amalgamation process (i.e., the completion of the cost of service and rate harmonization that began with EB-2022-022) there may be a need to revisit the process.

<u>Summary</u>

16. In VECC’s submission EGI continues to provide and open and transparent natural gas and transportation planning system. The results are a reasonable natural gas supply plan.

17. VECC submits that it has acted responsibly and efficiently during the course of this proceeding and requests that it be allowed to recover 100% of its reasonably incurred costs.

ALL OF WHICH IS RESPECTFULLY SUBMITTED

July 17, 2024