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VIA EMAIL and RESS

October 22, 2024

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

Dear Nancy Marconi:


**Re: Enbridge Gas Inc. (“Enbridge Gas”)
Ontario Energy Board (“OEB”) File No. EB-2022-0335
Integrated Resource Planning Pilot Project
Reply Argument**

Pursuant to the OEB’s Procedural Order No. 5, enclosed please find the Reply Argument of Enbridge Gas.

If you have any questions, please contact the undersigned.

Sincerely,

Haris Ginis

 Digitally signed by Haris Ginis
Date: 2024.10.22 14:21:06 -04'00'

Haris Ginis
Technical Manager, Regulatory Applications

cc: David Stevens (Aird & Berlis LLP, Enbridge Gas Counsel)
Lawren Murray (OEB Counsel)
Stephanie Cheng (OEB Staff)
Intervenors (EB-2022-0335)

ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act*, 1998,
S.O. 1998, c. 15, Schedule B; and in particular section 36
thereof;

AND IN THE MATTER OF an Application for approval of costs
and the accounting treatment of costs, associated with the
Integrated Resource Planning (IRP) Pilot Project

ENBRIDGE GAS INC.

REPLY ARGUMENT

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A. OVERVIEW

1. On September 23, 2024, Enbridge Gas Inc. (Enbridge Gas, or the Company) filed Argument in Chief setting out why the Ontario Energy Board (OEB) should approve the Southern Lake Huron (SLH) IRP Pilot Project. As explained, the SLH IRP Pilot Project will allow Enbridge Gas to design, implement and monitor a variety of IRPAs, including enhanced targeted energy efficiency (enhanced demand side management offerings, limited electrification measures, and limited advanced technology measures) and demand response.
2. Ten parties¹ filed submissions in response to Enbridge Gas's Argument in Chief. This Reply Argument sets out Enbridge Gas's response. Enbridge Gas will not repeat its Argument in Chief, but continues to rely on the positions and argument already submitted. Given the large number and broad scope of the arguments received from other parties, Enbridge Gas will not attempt to respond to every item noted. However, failure to respond to any particular items should not be interpreted as acceptance or agreement by Enbridge Gas.
3. Almost all parties support approval of the SLH IRP Pilot Project and no party opposes approval. There is general support for the proposed scope of the project, including timing and budget.
4. There are three main areas of comment from stakeholders. Here is the Company's high-level response to each.
 - i. *Project Plan* - OEB staff and others propose that Enbridge Gas should create and maintain a more detailed project plan, including evaluation details and file this plan annually.

Enbridge Gas accepts OEB staff's recommendation to "develop a detailed Pilot project plan (including of Enbridge Gas's marketing, stakeholdering, and EM&V efforts), update this project plan on a rolling basis, and file the project plan as part of the IRP annual report". Furthermore, Enbridge Gas commits to engaging the IRP Technical Working Group (TWG) regarding these items.

- ii. *Electrification and Advanced Technology Measures* - A number of parties argue that Enbridge Gas should reduce or remove the advanced technology measure proposals for simultaneous hybrid heating (SHH), natural gas heat pumps (GHP), and thermal energy storage (TES), potentially with a corresponding increase in electrification measures.

¹ OEB Staff (OEB staff), Association of Power Producers of Ontario (APPRO), Building Owners and Managers Association (BOMA), Consumers Council of Canada (CCC), Environmental Defence (ED), Federation of Rental-housing Providers of Ontario (FRPO), Ontario Greenhouse Vegetable Growers (OGVG), Pollution Probe (PP), School Energy Coalition (SEC), and Vulnerable Energy Consumers Coalition (VECC).

Enbridge Gas does not agree. The proper approach for the SLH IRP Pilot Project is to test and observe a wide range of demand-side IRPAs regarding their impact on reducing natural gas system peak load. The three advanced technology IRPAs are appropriate to include as they can reduce the natural gas system peak load, lower customer energy costs, benefit a large number of customers and are / will soon be commercially available. The goal of IRP is to reduce system peak load and avoid facilities requirements and there is no requirement that IRP excludes the use of natural gas end-use equipment (such as GHPs) to achieve these goals. Furthermore, the proposed SLH IRP Pilot Project includes a participant limit for the advanced technologies and they form a balanced part of the overall IRP Pilot Project plan.

- iii. *Cost Allocation* – Several parties argue that because the SLH IRP Pilot Project will not avoid any facilities project, and is aimed at broader understanding of IRP throughout the full franchise area, it is appropriate for the costs to be allocated to all ratepayers rather than to Union South ratepayers.

Enbridge Gas accepts that the allocation of the SLH IRP Pilot Project costs should be to all ratepayers.

5. In this Reply Argument, Enbridge Gas sets out its detailed responses to the main suggestions from parties about conditions or changes that should be included in the approval of the SLH IRP Pilot Project.
6. As noted in Argument in Chief, with OEB approval of the SLH IRP Pilot Project before the end of 2024 Enbridge Gas expects to be able to proceed with detailed planning and implementation in 2025. Results will start to be available by 2026. Enbridge Gas will provide reporting each year in its IRP Annual Report, as well as in a more detailed manner at the end of the term of the SLH IRP Pilot Project.

B. AREAS OF AGREEMENT

7. Before focusing on the areas where other parties make suggestions about conditions or changes that should be included in the approval of the SLH IRP Pilot Project, it's important to emphasize that there is broad support for this Application.
8. All parties support, or do not oppose, approval of the SLH IRP Pilot Project. Parties support proceeding with the SLH IRP Pilot Project even though there is no longer an avoided facility need. See, for example, the following excerpts from intervenor submissions: "OEB staff is generally supportive of the proposed IRP pilot, with ... (minor) changes"²; "FRPO is

² OEB staff Submission, page 3.

supportive of proceeding with the South Lake Huron (SLH) IRP Pilot Project in the application”³; “SEC is generally supportive of the proposed Sarnia pilot project ... Ratepayers will, in our view, get value from the expenditure”.⁴

9. Parties support, or do not oppose, the proposed \$14.2 million budget for the SLH IRP Pilot Project, subject to potential adjustments related to advanced technology IRPAs (discussed below).⁵
10. Parties support most of the elements of the SLH IRP Pilot Project, including the proposed enhanced targeted energy efficiency (ETEE) and demand response (DR) offerings.
11. No strong objection is raised to the fact that Enbridge Gas has not included and applied the enhanced DCF+ evaluation tool, which is still under development.⁶ As explained, this initiative is still in progress, and would not apply cleanly to the proposed SLH IRP Pilot Project, because there is no associated avoided facilities requirement.
12. Parties support the prompt initiation of the SLH IRP Pilot Project following approval.⁷

C. AREAS OF COMMENT

13. While there is broad support for approval of the SLH IRP Pilot Project, parties have included a number of suggestions and proposals about conditions or changes that should be included in the approval of the SLH IRP Pilot Project.
14. In the subsections below, Enbridge Gas has organized the main areas of comments received into six categories. The Company’s responses within each area are set out herein.

(a) Project Design and Evaluation, Measurement & Verification Plan

³ FRPO Submission, page 2.

⁴ SEC Submission, page 1.

⁵ The only party to indicate that the overall cost could be changed is OEB staff, who propose a reduction of \$1 million or less, based on adjustments to Advanced Technologies.

⁶ See, for example, the comments from OEB staff that “OEB staff considers it reasonable that Enbridge Gas did not perform an economic test for the SLH Pilot” and that “... several aspects of the DCF+ test are still being discussed with the IRP TWG and considered by Enbridge Gas in its compilation of the DCF+ supplemental guide. OEB staff encourages Enbridge Gas to finalize and apply for OEB approval of the enhanced DCF+ test as soon as possible.” See OEB staff Submission, pages 27-28.

⁷ See, for example, PP Submission, page 7; BOMA Submission, pages 1-2; and OEB staff Submission, page 9.

15. In Argument in Chief, Enbridge Gas summarized its plan for the SLH IRP Pilot Project including evaluation, measurement and verification (EM&V).⁸
16. OEB staff generally support the SLH IRP Pilot Project proposal, but premise that support on the suggestion that Enbridge Gas should be expected to develop a detailed project plan, inclusive of marketing, stakeholdering, and EM&V, and update it on a rolling basis and file this plan in the Company's annual IRP reports.⁹ Other parties agree that more work should be completed on the evaluation plan for the SLH IRP Pilot Project, but none suggest this should impact project approval.¹⁰
17. Although several parties comment on the lack of detail in Enbridge Gas's proposal regarding project design and EM&V plan information, Enbridge Gas submits that it would have been inappropriate for the Company to develop detailed information due to the uncertainty related to an OEB decision (for example, certain components of the IRP Pilot Project could be removed, added or changed via an OEB Decision).
18. Enbridge Gas submits that it would be inappropriate for the OEB to determine at this stage what level of project design and EM&V plan information should be developed by Enbridge Gas. That is something that will evolve as the project plan is enhanced.
19. Once an OEB Decision is issued, Enbridge Gas commits to developing more detailed project design and EM&V plan information based on the Decision. These items will continue to be updated, as necessary, as the SLH IRP Pilot Project is implemented and evaluated. Furthermore, Enbridge Gas commits to engaging the IRP TWG for input and review of the SLH IRP Pilot Project design and EM&V plan information.
20. The Company is prepared to include the SLH IRP Pilot Project plan within its IRP Annual Reports filed with the OEB. This commitment fits within what Enbridge Gas has already represented in its prefiled evidence: "Enbridge will file Pilot Project updates and key learnings to the OEB and stakeholders through the IRP Annual Report that the Company files as part

⁸ Argument in Chief, pages 6-12 and 17-18.

⁹ OEB staff Submission, pages 3, 8, 11-12, 19, 23, 24, 31 and 32.

¹⁰ See, for example, SEC Submission, page 2.

of its annual Non-Commodity Deferral Account Clearance and Earnings Sharing Mechanism application”.¹¹

21. PP goes further than OEB staff, and proposes that Enbridge Gas should file final SLH IRP Pilot Project design with the OEB by February 15, 2025, and that this should include collaboration with IESO and provision of an updated report from the Company’s consultant (Posterity).¹²
22. Mandating that Enbridge Gas work with IESO on the SLH IRP Pilot Project plan is not necessary or appropriate. No specific rationale is provided by PP as to why this is an imperative for the SLH IRP Pilot Project. Enbridge Gas has previously stated that it will engage with the IESO where it will provide value for the SLH IRP Pilot Project and will leverage the IESO’s EM&V protocols where appropriate.¹³ That commitment should be sufficient.
23. Similarly, the requirement to file the updated SLH IRP Pilot Project plan with the OEB by February 15, 2025 is unnecessary. Enbridge Gas will file the updated project plan along with the IRP Annual Report in around June 2025. In the interim, Enbridge Gas will be engaging with the IRP TWG, which includes both OEB staff and ratepayer representatives. The IRP TWG was established to support this type of IRP planning and enables ongoing communication/feedback between the Company and stakeholders.

(b) Electrification and Advanced Technology Measures

24. For the most part, parties support the range and scope of IRPAs that Enbridge Gas plans to implement and test through the SLH IRP Pilot Project.
25. The area where some parties raise questions is in the mix of electrification and advanced technology proposals. As noted above, the advanced technology IRPAs that Enbridge Gas proposes to test are simultaneous hybrid heating (SHH), natural gas heat pumps (GHP), and thermal energy storage (TES).

¹¹ August 27, 2024 Technical Conference Transcript, pages 63, 68 and 69.

¹² PP Submission, pages 7 and 9. PP gives no strong reason why it would be important to update Posterity’s report. Enbridge Gas asserts that this would serve no practical benefit, is not something required by the IRP TWG, and would add to the costs of the Project.

¹³ Exhibit D, Tab 1, Schedule 3, paragraph 30.

26. In terms of electrification, parties support the inclusion of these planned IRPAs on a limited basis, notwithstanding the OEB's previous indication in the IRP Framework Decision that electrification IRPAs should not be pursued at that time.¹⁴
27. There are two positions advanced by those parties who take issue with the inclusion and scope of advanced technology IRPAs within the SLH IRP Pilot Project.
- i. Some parties argue that these advanced technology measures should not be included at all.¹⁵
 - ii. Other parties argue that the mix of electrification and advanced technology measures should be adjusted, with relatively more focus on electrification or with an overall reduction of the total Pilot Project costs.¹⁶
28. The general premise for why parties object to the inclusion, or level of inclusion, of advanced technology IRPAs within the SLH IRP Pilot Project is the allegation that these would add emissions, are not mature technologies and are less cost-effective than electrification.¹⁷
29. Enbridge Gas strongly believes that it is important to retain the proposed advanced technology IRPAs within the SLH IRP Pilot Project.
30. The goal of the SLH IRP Pilot Project is to test a variety of demand-side IRPAs (within an environment where there is ample customer metering available) regarding their impact on reducing natural gas system peak load. It makes eminent sense to use this opportunity to observe and learn from as many potential demand-side IRPAs as possible. Making threshold decisions about which demand-side IRPAs are best is premature and is at odds with the premise of a pilot project.
31. More specifically, the primary objectives of the IRP Pilot are to develop an understanding of how IRPAs impact peak hour flow/demand and how to design, deploy, and evaluate IRPA

¹⁴ See, for example, OEB staff Submission, page 20.

¹⁵ PP Submission, page 8; and SEC Submission, page 2. It is curious that PP argues against hybrid heating as something that is a redundant extra cost not needed with cold climate heat pumps, at the same time as PP has a current research paper on its website advocating the benefits of hybrid heating in locations with cold weather and potential electricity system constraints - [Heating-Public-report_Apr12-.pdf \(pollutionprobe.org\)](#) – page 7.

¹⁶ ED Submission, pages 2-4; and OEB staff Submission, pages 3, 21, 26-27.

¹⁷ See, for example, OEB staff Submission, pages 5 and 21-22; ED Submission, pages 2-4; PP Submission, pages 7-8; and SEC Submission, page 2.

programs.¹⁸ Understanding the three advanced technology IRPAs in the context of these objectives is valuable information for the OEB, Enbridge Gas and stakeholders as it supports informed IRP assessment.

32. As explained in evidence¹⁹, Enbridge Gas evaluated the three proposed advanced technology IRPAs against the following criteria, and each satisfied the criteria:

- i. Can reduce system peak load
- ii. Can lower energy costs for customers
- iii. Can benefit a large number of customers
- iv. Are already or will be commercially available in Ontario before 2025 heating season
- v. Offer additional benefits such as resiliency and customer choice.

33. There is no OEB requirement that IRPAs do not include natural gas end-use equipment (such as GHPs). Whether natural gas end-use equipment should be an approved part of future IRP Plans (for a specific project or as an overarching OEB policy) is not an issue in this proceeding. The question for this proceeding is whether testing of these advanced technology IRPAs (with limited participant counts) should occur to better understand their impact on reducing system peak load. Enbridge Gas submits that it is not appropriate at this stage and within the scope of this proceeding to conclude that natural gas end-use equipment cannot be used to defer or avoid natural gas facility projects.

34. Should the OEB later decide that it wishes to consider whether natural gas end-use equipment should be allowable as an IRPA, it will be valuable to have the information being sought through the inclusion of the advanced technology measures in the SLH IRP Pilot Project. Enbridge Gas submits that it is not appropriate to deny the gathering of information that could be an important input in determining that potential future policy issue.

35. Importantly, the proposed SLH IRP Pilot Project includes participant limits for the three advanced technology measures. The value of the learnings that are expected to be achieved

¹⁸ Exhibit B, Tab 1, Schedule 1, paragraph 8.

¹⁹ Exhibit D, Tab 1, Schedule 2, paragraph 44.

from the small amount of advanced technology installations in the SLH IRP Pilot Project outweighs the alternative of denying their inclusion in the project.

36. Enbridge Gas does not agree that it is necessary to reallocate or reduce the budget for the SLH IRP Pilot Project. Overall, the budget reflects Enbridge Gas's best estimate to ensure sufficient uptake and learnings for the IRPAs. If the OEB believes a change is necessary, it should be kept in mind that any large budget reallocation risks resulting in too few advanced technology IRPA measure participants for there to be sufficient uptake and learnings.
37. For context, the following more detailed facts should be taken into account when evaluating the relative budgets for electrification and advanced technology measures in the SLH IRP Pilot Project:
- i. The incentives per measure are generally consistent for the electrification measures and the advanced technology measures.
 - ii. The reason the total incentive budget for advanced technology measures is larger than electrification measures is because there are more advanced technology measure participants planned (105) than electrification measure participants (30).²⁰ It is reasonable to have more advanced technology measure participants than electrification measure participants because: (i) the cap on electrification measures reflects Enbridge Gas's comfort that they would not negatively impact the electrical grid;²¹ and (ii) until now, the OEB has not expressed support for using electrification as an IRPA.
 - iii. The reason why promotion, delivery, and administration costs for the advanced technology measures are higher than electrification measure costs is similar to above. Specifically, there are 3 advanced technology measures compared to 2 electrification measures, with more participants for the advanced technology measures, and the advanced technology measures are less mature and require additional promotion and delivery compared to the electrification measures.

(c) Timing

38. Enbridge Gas included its overall timeline plan for the SLH IRP Pilot Project in evidence, and summarized the proposed approach in Argument in Chief.²²

²⁰ Exhibit D, Tab 1, Schedule 1, paragraphs 41 and 45.

²¹ See Exhibit JT1.24: "Unlike ETEE Electrification Measures, ETEE Advanced Technologies measures (natural gas heat pumps and thermal energy storage, specifically) can achieve natural gas peak load reductions without adding significant electricity peak load to the electricity grid."

²² See Argument in Chief, paragraphs 30-31, and associated evidence references.

39. PP is the only party with specific comments on this topic. PP submits that the SLH IRP Pilot Project should be finalized and implemented by July 1, 2025 with interim reporting in 2026, and completion of the project by June 2027 with final reporting by the end of 2027.²³
40. Enbridge Gas disputes that the specific direction requested by PP is necessary or appropriate. While the Company will make strong efforts to meet the timelines that it has established, the OEB should not order Enbridge Gas to strictly meet any set timelines. The Company submits that PP's position ignores the realities of administering several IRPA programs, executing stakeholder engagement with the IRP TWG, and the potential for unforeseen challenges.

(d) Reporting

41. Enbridge Gas set out its plans for reporting about the SLH IRP Pilot Project in evidence and Argument in Chief. As explained, reporting will be included in the IRP Annual Report filed each year, with more frequent reporting to the IRP TWG. Enbridge Gas will also prepare and file a final report at the end of the project.²⁴
42. This topic did not receive a lot of attention from stakeholders.
43. VECC requests that the final report include learnings specific to low-income customers.²⁵
44. Enbridge Gas agrees that if there are observations and learnings from the SLH IRP Pilot Project specific to low-income customers, then that will be explained in the reporting.
45. PP asserts that the OEB should require interim reporting in 2026 and a final report by end of 2027.²⁶ This fits with the Company's planned timing. Should that timing be impaired, Enbridge Gas would explain the reasons why within its IRP Annual Report. No separate OEB direction is warranted or required.

²³ PP Submission, page 7.

²⁴ Argument in Chief, pages 18-19, and associated evidence references.

²⁵ VECC Submission, page 3.

²⁶ PP Submission, page 7.

(e) Requirement for Enbridge Gas to Undertake a Second IRP Pilot Project

46. In Argument in Chief, Enbridge Gas requested that the OEB confirm that the SLH IRP Pilot Project scope and objectives, which includes testing of a variety of IRPAs, satisfies the direction in the IRP Framework to bring forward two IRP pilot projects.²⁷

47. In response, OEB staff agreed that a second pilot project is not required at this time, but proposed that Enbridge Gas should report back to the OEB within two years (for example, as part of the 2025 IRP Annual Report) about whether a second pilot project is necessary.²⁸ Among other things, this would involve consideration of whether there are additional IRPAs or aspects of IRP that Enbridge Gas believes would be useful to test through a second pilot project, taking into account initial learnings from the SLH IRP Pilot Project.

48. Enbridge Gas agrees with this OEB staff proposal.

49. Some other parties argue that Enbridge Gas should immediately design and implement a second IRP pilot project. Importantly, these parties do not agree on the scope or focus of such additional projects. FRPO argues that the focus should be on supply-side IRPAs²⁹, while BOMA and ED suggest that the focus should be on IRPAs aimed at large customers.³⁰ PP simply states that a second IRP pilot project should be filed by June 2025 without indicating what specific gaps need to be addressed.³¹

50. Enbridge Gas disagrees that a prescriptive approach to requiring another IRP pilot project is warranted. As explained, the Company has met the intent of the OEB's direction from the IRP Framework in the multi-faceted SLH IRP Pilot Project presented for approval. The Company continues to evaluate other IRP opportunities and will report as to whether further pilot projects are appropriate.

²⁷ Argument in Chief, pages 19 and 21.

²⁸ OEB staff Submission, pages 4 and 14-15.

²⁹ FRPO Submission, page 3.

³⁰ BOMA Submission, page 2; ED Submission, page 4.

³¹ PP Submission, page 10.

(f) Cost Allocation

51. A common proposal from stakeholders is that the costs of the SLH IRP Pilot Project should be allocated to all rate zones, not solely to the Union South rate zone.³² The basis for this position is that the SLH IRP Pilot Project is no longer designed to avoid any facilities project and is aimed at broader understanding of IRP throughout the full franchise area, meaning that it benefits all ratepayers.
52. Enbridge Gas accepts that the allocation of the SLH IRP Pilot Project costs should be to all ratepayers, rather than solely Union South ratepayers. The Company provided an explanation about how such an allocation could work, in response to an undertaking from the Technical Conference.³³
53. In its submission, APPrO argues that no costs for the SLH IRP Pilot Project should be allocated to large volume customers, since those customers are not eligible to participate in the pilot.³⁴ This ignores the fact that large volume customers can benefit from IRP pilot project learnings. For example, large volume customers can benefit (the same way that other ratepayers benefit) from Enbridge Gas improving its understanding of how to cost-effectively reduce or defer facility projects (even if that is accomplished through residential and commercial-targeted IRPAs). In any event, it is premature to make that determination. The question of whether large volume customers should be allocated costs is better determined at the time when recovery of actual amounts incurred is requested and more details are known about participation and costs from the SLH IRP Pilot Project. There is no need for the OEB to make any determination now.³⁵

³² See OEB staff Submission, pages 3, 10 and 29; CCC Submission, page 3; FRPO Submission, page 3; OGVG Submission, page 2; and VECC Submission, page 3.

³³ Exhibit JT1.20.

³⁴ APPrO Submission, pages 3 and 6.

³⁵ Note that SEC agrees with this position – see SEC Submission, page 3.

D. RELIEF REQUESTED

54. Enbridge Gas respectfully requests that the OEB approve the SLH IRP Pilot Project as proposed.

55. To be clear, the specific items for which Enbridge Gas requests approval are the following:

- i. The scope and contents of the SLH IRP Pilot Project
- ii. The cost consequences of the SLH IRP Pilot Project;
- iii. The proposed accounting treatment to record costs of the SLH IRP Pilot Project in the IRP costs deferral accounts for later disposition and recovery, subject to the change noted herein where the costs will be recovered from ratepayers in all rate zones;
- iv. A determination that the SLH IRP Pilot Project scope and objectives, which includes testing of a variety of IRPAs, satisfies the direction in the IRP Framework to bring forward two IRP pilot projects.

All of which is respectfully submitted this 22nd day of October 2024.



David Stevens, Aird & Berlis LLP
Counsel to Enbridge Gas