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February 18, 2025

Ms. Nancy Marconi
Registrar
Ontario Energy Board
P.O. Box 2319
26th Floor
2300 Yonge Street
Toronto, ON
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DELIVERED BY EMAIL

Dear Ms. Marconi,

RE: Board File No. EB-2024-0111, EGI 2024 Cost of Service Application, Phase 2

Please find enclosed the final submissions of the Canadian Biogas Association with respect to the above noted proceeding. We note that our submissions are focused on the following issue only:

Are the specific proposals to amend the Voluntary Renewable Natural Gas (RNG) Program and to procure low-carbon energy as part of the gas supply commodity portfolio, appropriate?

If any further information is required, please do not hesitate to contact the undersigned.

Yours very truly,



Michael R. Buonaguro
Encl.

ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act*,
1998, S.O. 1998, c.15 (Schedule. B);

AND IN THE MATTER OF Phase 2 of an Application
by Enbridge Gas Inc, pursuant to section 36(1) of the
Ontario Energy Board Act, 1998, for an order or
orders approving or fixing just and reasonable rates
and other charges for the sale, distribution,
transmission and storage of gas as of January 1,
2024.

Submissions of the Canadian Biogas Association

February 18, 2025

Introduction

1. These are the submissions of the Canadian Biogas Association (the “CBA”) with respect to the following unsettled issue:

Are the specific proposals to amend the Voluntary Renewable Natural Gas (RNG) Program and to procure low-carbon energy as part of the gas supply commodity portfolio, appropriate?

2. The CBA confirms that it takes no position with respect to the other two outstanding issues.
3. The CBA generally supports Enbridge Gas Inc.’s (“EGI’s”) proposal to establish a low carbon energy program; accordingly, our submissions will be focussed on areas where the CBA believes it can provide incremental submissions in support of EGI’s proposal and where the CBA differs in its opinion as to how the EGI’s procurement of RNG should be managed.

Overview of RNG

4. The CBA believes that EGI has effectively summarized the characteristics of RNG, both in terms of its effectiveness in displacing the use of conventional natural gas (and in doing so the resulting emissions from conventional natural gas) and in terms of its role in both assisting with emission reduction targets and with providing ancillary economic benefits.
5. Within that overview the CBA believes it is important to acknowledge that with respect to the ability to displace conventional natural gas and its associated emissions, RNG will displace the same amount of emissions regardless of feedstock, by replacing all the emissions from conventional natural gas with biogenic emissions.¹ Whether substituting conventional natural gas with, for example, RNG produced from agricultural feedstock or with RNG produced from landfill feedstock, the displacement benefit, which is what the proposed program seeks to capture in the first instance, is identical; in both cases the RNG completely displaces the net-new emissions that would have been emitted as a result of the combustion of conventional natural gas.²
6. That is not to say that the initial, separate benefit associated with capturing biomethane from different feedstocks does not differ. It is generally true, for example, that the initial carbon intensity related to agricultural feedstock is lower than the carbon intensity related to landfill feedstock.³ It is simply to say that the incremental displacement benefit when RNG is used as a replacement for conventional natural gas is identical and complete for all types of RNG. The initial benefit is, as EGI recognizes, separately measured in the

¹ Exhibit I.4.2-STAFF-36 b)

² Hearing Transcript Day 2, page 127.

³ Hearing Transcript Day 2, page 128.

form of the relative carbon intensities of different feedstocks and is an incremental benefit that can be captured to the credit of customers depending on the prevailing regulatory framework around such attributes.⁴

7. The CBA believes this point is important because it demonstrates the value of all RNG for use in the program, regardless of feedstock. Having said that, as will be discussed later in these submissions, that does not mean that the program should be structured to only seek the lowest cost per m³ RNG on the theory that it is all equal. The CBA believes that the evidence from both EGI and Energy Future Group (EFG) shows that they agree, as does the CBA, that it is important to develop all sources of RNG and maintain a diverse portfolio of feedstocks to maximize the ultimate effectiveness of the program as it grows over time.

Structure of Procurement Process

8. The CBA generally supports EGI's proposed process for procuring RNG contracts from RNG producers, which is generally based on its existing process for procuring conventional natural gas.
9. The CBA notes that it asked EGI about measures that EGI will take to ensure that affiliates of EGI that bid into the procurement process do not receive preferential treatment in the bid process, and that EGI referred to its existing procurement process.⁵ The CBA is concerned that there are no specific protections against preferential treatment for EGI affiliates in the RNG procurement process, particularly given the relatively small amount of RNG procurement available.
10. Accordingly, the CBA respectfully submits that EGI should provide a more detailed framework to ensure a fair procurement process that does not inappropriately favour EGI affiliates. While the CBA supports the participation of EGI affiliates as suppliers of RNG, the CBA believes that the program can only be successful if it provides a fair opportunity for all interested RNG producers to participate; were the program to devolve into, essentially, a mechanism for EGI affiliates to sell their RNG to EGI without having to compete fairly the CBA would consider the program a failure.

Maximum Annual Rate Impact Limit and Maximum Annual Procurement Limit

11. The CBA supports EGI's proposed procurement limits based on a maximum annual rate impact limit, supplemented by a maximum annual increase in RNG supply.
12. The CBA agrees with EGI's observation that the proposed annual procurement limits and related annual rate impacts associated with incremental procurements are, by any measure, modest. Canada's next two biggest provinces, Quebec and British Columbia, have already implemented much more aggressive RNG programs, facilitating the

⁴ Exhibit I.4.2-STAFF-37

⁵ Exhibit I.4.2-CBA-1

development of local RNG production through targets of 10% and 15% by 2030 respectively, relative to the proposed EGI target of only 2% by 2029.⁶

13. Accordingly, the CBA believes that EGI's original target of 4% by 2029, or even perhaps a target more than 4% by 2029, would have been reasonable. Having said that, recognizing that the proposal is EGI's first material foray into the procurement of RNG based on long-term contracts and that the current proposal seeks approval for only a 4-year period of procurements before further approval will have to be sought, the CBA supports the more modest procurement target of 2% over 4 years as a first step towards decarbonizing one of the largest sources of emissions in Ontario, the system gas portfolio. In the CBA's respectful submission, it would be incompatible with a serious policy of achieving net zero emissions to continue to treat the system gas portfolio, the source of natural gas for the vast majority of EGI's customers, as a way for customers to default to the most environmentally harmful source of natural gas.
14. EFG suggests that it may be appropriate to further reduce the procurement target to 1% over 4 years. To that the CBA notes that the primary limiting factor on EGI's procurement of RNG will not be, based on EGI's experience to date, the procurement limit of 2% over 4 years; the primary limiting factor will almost certainly be the rate impact limit of \$2 per month for typical residential customers per 1% of RNG procured, such that the effective procurement limit will be something lower than 2% in any event.⁷ Accordingly, in addition to the CBA's submission that the current amended proposal is already more than modest, the CBA asserts that there is no need to further reduce the proposed procurement targets given the primary protection imposed by the rate impact threshold.
15. The CBA notes that EGI's proposal to give access to its large general service customers to as much as 100% of the RNG it procures addresses scenarios where the regulatory obligation to avoid emissions are imposed disproportionately on larger, non-residential natural gas customers. Accordingly, the cost of the RNG procured through the program is proposed to, ideally, be funded materially or, potentially, entirely by larger customers that seek to eliminate their emissions.⁸
16. The CBA believes that the proposed access to RNG by large system gas customers is an intelligent innovation by EGI, as it provides the program with the flexibility to serve the RNG needs of the large system gas customers that, as the use of the natural gas system evolves over time through the energy transition, are most likely to maintain an interest in natural gas consumption and therefore are most likely to actively seek to offset their emissions with RNG.

⁶ Exhibit 4, Tab 2, Schedule 7, Attachment 2, Pages 55, 56, 57

⁷ Exhibit I.4.2-ED-50; EFG refers to this price in its report at page 19 as being 14% to 30% higher than the \$25.58 per GJ (CDN) that would have to be achieved or beaten to meet the 2% total procurement threshold.

⁸ Exhibit 4 Tab 2 Schedule 7 pages 10-12.

Pricing

17. The CBA supports EGI's proposal to avoid imposing a cap on the price to be paid per m³ of RNG, instead relying on the market for RNG to dictate the appropriate price and the maximum ratepayer impact threshold to protect against undue rate impacts.
18. The CBA echoes EGI's concern that the proposed price cap in the evidence from EFG bears no relationship to the actual market price, or any market price analysis for that matter, with respect to RNG. Rather, it is simply the price that, in theory, would simultaneously meet both the proposed rate impact threshold and the procurement threshold.⁹
19. The CBA agrees with EGI's assertion that a price cap of any sort could severely curtail EGI's ability to procure RNG were it imposed. In the CBA's view the reason for a price cap is to limit the rate impact of RNG purchases on ratepayers; such protection is already in place, under the EGI proposal, in the form of their rate impact threshold.

Prioritizing Ontario Based Supply

20. The CBA notes that while EGI supports its proposal, in part, through the fact that "RNG can be produced and consumed in Ontario to contribute to increasing energy security and a diversified energy portfolio"¹⁰, EGI does not support EFG's suggestion that the program "heavily prioritize" Ontario-based RNG.¹¹
21. The CBA believes that the difference between EGI and EFG on the issue of Ontario-based RNG may be a matter of semantics, to which the CBA believes there is an appropriate compromise.
22. The CBA supports the prioritization of Ontario based RNG supply in its portfolio but does not support requiring that all or a certain specified portion of the supply be Ontario based. The CBA believes that in any instance where EGI seeks to procure non-Ontario supply it should have the opportunity to make out the case for doing so, particularly if it means turning down Ontario based offers of supply.
23. The CBA notes that Ontario based supply should, in any event, have a material advantage in that there is little or no need to transport Ontario based supply to the franchise area, instead injecting Ontario based RNG supply directly into EGI's distribution system, avoiding both the cost and emissions associated with transmission.¹²
24. The CBA notes, for example, that in circumstances where the demand from large customers for RNG exceeds the rate impact targets under the proposed program, EGI

⁹ Hearing Transcript, Day 2, pages 132 to 134.

¹⁰ EGI AIC, page 12, paragraph 44.

¹¹ EGI AIC, page 24 paragraph 71.

¹² Exhibit I.4.2-CBA-1 c).

would likely require the ability to obtain RNG on the spot market to meet that demand.¹³ In the CBA's view it is likely that EGI would need the flexibility to obtain RNG from outside Ontario to make such spot market purchases. At the same time, EGI's interest in maintaining the viability of the natural gas system in Ontario, included the cited benefit of energy security through the development of locally available RNG, should motivate EGI to focus on Ontario based supply when feasible.

25. In the CBA's view EGI's success in developing and supporting Ontario based RNG supply is a matter that could be reviewed in a future proceeding where EGI seeks to expand its RNG procurement; to the extent there appears to be a need to more specifically direct EGI to procure Ontario based supply the OEB could do so at that time.

Prioritizing New Production

26. EGI rejects EFG's proposal that all RNG be procured from new production.
27. The CBA supports the prioritization of new RNG production but does not support requiring that all or a certain specified portion of procured RNG supply be new production. The CBA believes that in any instance where EGI seeks to procure from existing supply it should have the opportunity to make out the case for doing so, particularly if it means turning down opportunities to develop new supply, especially in Ontario.
28. The CBA notes, for example, that there may be circumstances where existing Ontario based RNG supply that is currently being transported outside Ontario may become available for procurement by EGI. The CBA believes that EGI should be at liberty to procure such existing supply to secure the advantages associated with procuring RNG from within Ontario, including the avoided cost of transporting RNG from outside the province, an example that EFG agreed with as a reasonable instance where EGI should procure existing supply.¹⁴

Prioritizing a Diversified Portfolio

29. The CBA supports the prioritization of the procurement of RNG from the full spectrum of RNG feedstocks, rather than relying solely on the lowest cost source of RNG. In the CBA's view the long-term success of RNG as a replacement for conventional natural gas includes developing all the different sources of RNG, not just the least expensive ones currently in the market.

¹³Under such circumstances EGI could meet the voluntary demand from large customers in excess of the RNG EGI procures through long term contracts by obtaining RNG on the spot market under short term contracts without transgressing the rate impact and procurement thresholds associated with the program at large.

¹⁴ Hearing Transcript Day 3, pages 79 to 80.

30. The CBA notes, for example, that while certain feedstocks of RNG are more expensive than others (i.e. agricultural RNG is typically more expensive than landfill RNG):
- a) the sources of less expensive RNG are, like all sources of RNG, limited, such that the total availability of RNG to displace conventional natural gas can only be maximized by accessing all varieties of RNG feedstock¹⁵, and
 - b) the more expensive to produce sources of RNG also tend to produce higher levels of recognized avoided methane emissions, which in turn can be used to offset the emissions associated with persistent use of conventional natural gas.¹⁶
31. However, in the context of the proposed 4-year approval, the CBA does not believe it is necessary to dictate a specific blend of RNG feedstock sources. What the CBA would suggest is that on seeking approval for procurement beyond 2029 that EGI provide an analysis of the diversity of its procured RNG supply in terms of feedstock and explain the drivers underpinning their achieved mix.
32. It appears to the CBA that both EGI and EFG agree that a diversified portfolio is a suitable goal for the program. EGI specifically agreed that if it did not have a suitably diversified portfolio by the end of the 4-year program that the program would be considered a failure.¹⁷ Similarly, the CBA believes that EFG's recommendations as they related to emissions-based pricing stem in large part from a concern that EGI may focus their procurement efforts entirely on the lowest cost RNG, which would currently mean focussing on landfill gas to the exclusion of other feedstock, like agricultural, despite the fact that more expensive feedstock may provide incremental emission reduction benefits¹⁸
33. Accordingly the CBA believes that, for the purposes of the requested 4-year approval, it is sufficient to impose on EGI the expectation that the procurement of RNG will represent a suitably diversified portfolio based on feedstock, with EGI coming forward through the annual gas supply planning process and ultimately in the context of any future application for approval to increase its RNG procurement activity to explain the drivers behind the diversity (or lack thereof) in its portfolio. To the extent there appears to be insufficient diversity of supply on review, the OEB could then take steps to ensure diversification going forward as part of any future approval.

Accounting for Transportation to the Enbridge Franchise Area

34. The CBA agrees with EFG that in pricing potential sources of RNG that EGI should account for the full cost of transporting procured RNG to the EGI franchise area.¹⁹ As

¹⁵ Hearing Transcript Day 2, pages 130 to 131.

¹⁶ Hearing Transcript Day 3, pages

¹⁷ Hearing Transcript Day 2, page 131.

¹⁸ Hearing Transcript Day 3, page 69.

¹⁹ EGF Report, page 20.

noted above such accounting should provide a natural pricing advantage for Ontario based supply that can be injected directly into the EGI distribution system, avoiding the cost of transporting the RNG to Ontario as well as avoiding any emissions associated with transportation. Given that the proposal is primarily based on the benefit of displacing its own conventional natural gas use with RNG, the CBA believes it makes sense to require EGI's procurement activities to consider the full impact of moving RNG from its source to EGI's customers.

Indigenous Participation

EGI, in conjunction with the intervenor Three Fires/Minogi, has proposed that a target of 5% of the total RNG portfolio be procured from supplies that include a minimum level of indigenous ownership, with an associated 10% price advantage provided to qualifying indigenous supply bids in connection with procurement that falls within that 5% target.²⁰ The CBA does not oppose EGI's proposal with respect to facilitating indigenous participation in the supply of RNG to EGI.

²⁰ EGI AIC, pages 22 and 23, paragraphs 81 and 82.

Summary of the CBA's Submissions

- The CBA generally supports EGI's proposal. The proposal represents a first, albeit modest, step towards reducing the emissions from one of the largest sources of emissions in Ontario, the EGI system gas portfolio.
- The CBA notes that all RNG, regardless of feedstock, generates identical displacement benefits when replacing conventional natural gas, notwithstanding the fact that the underlying carbon intensity varies by feedstock.
- The CBA supports EGI's proposed procurement process for RNG contracts, but emphasizes the need for measures to ensure no preferential treatment for EGI affiliates and asks that EGI be required to provide a detailed framework to ensure no such preferential treatment occurs.
- The CBA supports EGI's proposed procurement limits based on a maximum annual rate impact limit and annual increase in RNG supply, noting that the primary limiting factor will likely be the rate impact limit.
- The CBA supports EGI's framework for allowing its large system gas customers to purchase specific volumes of RNG through the program.
- The CBA agrees with EGI's proposal to avoid imposing a cap on the price per m³ of RNG, relying instead on the market and ratepayer impact thresholds to determine appropriate pricing.
- The CBA supports prioritizing Ontario-based RNG supply but does not support requiring all supply to be Ontario-based, suggesting a review of EGI's success in developing local supply in future proceedings.
- The CBA supports prioritizing new RNG production but believes EGI should have the flexibility to procure existing supply when advantageous, especially if it avoids transportation costs through the procurement of existing Ontario RNG.
- The CBA supports a diversified RNG portfolio from various feedstocks and suggests reviewing EGI's procurement diversity in future applications.
- The CBA supports EGI's proposed Indigenous participation framework.

ALL OF WHICH IS RESPECTFULLY SUBMITTED THIS 18th DAY OF FEBRUARY, 2025