

# Request for Board Intervention in Utility MOP Unregulated Storage Projects Using Regulated Storage Space in Ontario

## Background

For close to fifty years, utilities in Ontario developed nearly 250 Bcf of regulated (ratepayer) storage in approximately 25 Silurian reservoirs in the Lambton County area effectively creating the lucrative Dawn Market Hub. Unregulated storage emerged with the inception of NGEIR around the year 2000. Five new storage pools totaling nearly 10 Bcf of actual new (non-ratepayer) space were developed over the following eleven years to meet the demand for unregulated natural gas storage. Most of these pools have subsequently been purchased by the utility and 100% are now operated by a single utility in Ontario along with the original 250 Bcf of regulated space.

Unregulated storage continued to grow, but not by means of new space. It grew by increasing the capacity of regulated space<sup>1</sup>. An additional 19 Bcf has been added through delta pressuring of regulated storage pools, which were originally funded by ratepayers (not shareholders). The utility shareholders benefited financially from using previously developed ratepayer space for meeting unregulated demand. Several examples of how shareholders benefitted are included below:

- Avoidance of costs associated with purchasing rights of (new) unregulated container space
- Avoidance of 3D seismic acquisition, processing, and interpretation (model development and well location determination)
- Avoidance of costs from the application process to approve containers for use in storing, withdrawing and injecting and designation
- Avoidance of full annual costs for landowner payments related to new space for unregulated storage business
- Only requiring incremental infrastructure builds (connecting to existing gathering facilities, transmission lines, and compression availability)
- Accessing system deliverability (wells in high deliverability “legacy”<sup>2</sup> pools to offset delta pressuring capacity increases in lower deliverability pools)

1 – Refer to EB-2024-0322 Exhibit C Tab 1 Schedule 1 Page 7 of 8 Alternatives paragraph 28.

2 – Legacy (pools) refers to all storage pools developed prior to NGEIR for regulated storage (ratepayer) purposes

## Issues and Concerns

The utility's shareholders profit greatly from these cost-avoidance measures. History demonstrates how an unfair advantage discourages the development of real new storage space in a supposedly unregulated environment. No other company can compete in Ontario as the environment exists today. A well-established storage provider in an adjacent jurisdiction commented the following when approached with a new storage opportunity that could be connected to the Dawn Hub:

***“I don’t believe (company name omitted) is interested in (developing) Ontario/Dawn storage...they (Enbridge) control all the Dawn/Tecumseh assets – would be really hard for a new entrant to develop and compete given Enbridge size.”***

By contrast, the ratepayer and landowners have not been appropriately compensated for the utility benefits gained through exploitation of regulated space.

## Request for Board Consideration

On behalf of ratepayers, landowners, Ontario producers, and any competition who wishes to participate in the unregulated storage industry in Ontario, this is a request for the Board to consider imposing, at a minimum, the following requirements on the utility:

- Firstly, the utility must demonstrate to the satisfaction of external, Board-approved consultants that no new space is available for unregulated storage development.
- Secondly, the utility shall include in MOP (aka Delta Pressure) project economics payment to ratepayers equivalent to the cost of such space, estimated at \$5 million per Bcf (price estimation circa 2010) (not applicable for pools originally developed for unregulated market).
- Thirdly, increase the payment to landowners of delta pressured legacy pools to reflect what a new pool would necessitate (not applicable for pools originally developed for unregulated market).

Implementation of these measures will ensure fairness in the development and utilization of storage resources in Ontario, benefiting ratepayers, landowners (existing and new), producers and future competitive service companies alike.