



EB-2010-0199- Natural Gas Market Review- Just Energy Ontario L.P. written comments

The Ontario Energy Board (“Board”) convened a stakeholder conference to assess the impact of changing dynamics particularly owing to increased Marcellus & other shale production on the North American Natural Gas Supply market and specifically the Ontario Natural Gas Sector.

The Board also posed a list of four topics to aid the discussion at the stakeholder conference.

Through the presentations made at the stakeholder conference and these final written comments the Board wishes to determine the need, if any, for further regulatory initiatives in response to the impacts identified in the ICF International Report.

The ICF report observes that gas in shale formations make up over 50 percent of the over 3,700 trillion cubic feet of the total North American resource base. ICF states that this shale gas resource is a “game changer” for the North American natural gas market. The report suggests modest natural gas growth in residential, commercial and industrial sectors and increased demand by the power generation sector partially owing to Ontario’s initiative to close the coal-fired plants. With these changes and the introduction of shale gas ICF reports that inter-regional flows on pipelines are also projected to change. Not only will this impact pipeline flows but it will also determine the requirements for the development of new pipeline capacity. The report notes that as the flow from Western Canada declines and Ontario’s demand increases, it will require supply from other sources. ICF declares that there are a number of key uncertainties which could affect its projection, some of these being the environmental concerns, renewable energy resources, environmental impacts of hydraulic fracturing and economic growth in North America.

As we heard from the Council of Canadians during the stakeholder conference Marcellus Shale slow down is possible depending on regulatory outcomes and responses. Marcellus Shale concerns include hydraulic fracturing initiatives that could affect production, water quality and quantity, air quality, soil contamination, chemical exposures, environmental policies and further drilling moratoriums.

The conclusion section of the Council of Canadians presentation states the “Regulatory responses to hydraulic fracturing and shale development have been varied and are still in process.

The outcome of some current proposals could reduce the supply of gas from the Marcellus Shale.”

The ICF report did not assume that the FRAC act would be implemented and if it is this could mean Marcellus and other shale gas supply would not grow as anticipated. As we heard during the conference shale gas production is most successful in the first couple of years and will require sustained drilling to meet the continuing requirements.



Enbridge notes that its direct purchase marketers provide 48% of the Enbridge gas supply portfolio. Enbridge expressed that Ontario is well poised to serve increased gas demand for the power sector but greater flexibility to balance load will be required. Enbridge also agrees that shale gas is a “game-changer” subject to estimation, environmental and regulatory risks. Current reliance on TCPL is dictated by geography and current infrastructure but long-term focus on flexibility, adaptability and lower cost options are necessary. Enbridge also believes that there is an opportunity for greater diversification of supply.

Union states that supply options are available to customers, flow patterns are changing and it believes that the Marcellus shale gas will move into Ontario in greater volumes and sooner than the ICF report predicts. Union indicated that Dawn Hub is and will continue to be an important interconnects between many pipeline and storage facilities. The liquidity at the Dawn hub provides: diversity of supply options, pricing signals and allows for a competitive market. Increased diversity of supply options and sources combined with a large number of potential buyers and sellers and price recognition should contribute to the enhanced liquidity of the market at the Dawn Hub.

Union also indicates that the market is responding to the changing environment by rethinking, repurposing and reversing the flow of some projects. Union notes that expansion of Parkway to Maple is still required. Union continues to working to see if interest exists in various projects through open seasons and construction where required.

We also heard from TransCanada that it is looking at various ways to maximize use of its existing infrastructure and add potential access points to Marcellus, WCSB and Utica shale gas, where appropriate, looking at new services and working to establish decreased tolls, increased toll certainty, stability and flexibility through the TCPL Mainline Competitiveness Initiative.

Other participants in the conference raised the issue of uneconomic expansions, the use of rolled-in rates vs. incremental rates, the possibility that the demand for new transmission capacity is short-lived, restricting consumers/marketers access to less-expensive gas supplies and cross-subsidization issues. The need for re-examination of practices such as at what points delivery obligations are required by the utility and the need for a resource planning requirement was also brought forward.

Additional concerns were raised around long-term policy and regulatory frameworks. These policies and frameworks must provide regulatory certainty which will foster investment in the Ontario energy sector.



Given the varied information above and the uncertainty surrounding the Marcellus shale production Just Energy Ontario L.P. (“Just Energy”) believes that now is not the time for the Board to shift into a new direction. Just Energy believes that the Board should continue to wait and see how the market continues to evolve. Over the next year or two the Board should continue to monitor and reevaluate the market dynamics. At that time more information will be available to make a better informed decision. Below are some suggested initiatives that the Board can undertake at this time.

Just Energy believes that the role of the regulator is to provide for pre-approval of long term supply and/or transportation contracts, facilitate new and existing infrastructure, ensure that the regulatory process is not overly burdensome or lengthy, ensure regulatory certainty exists, and to develop new policies and regulations as required for services, infrastructure and to encourage independent investment in the Province of Ontario. The role of the regulator is also to ensure that all market participants are treated fairly and consistently by establishing policies that continue to contribute to an open competitive energy market without creating artificial barriers.

Just Energy submits the required policies generally exist but could be enhanced in some cases. Just Energy maintains that the existing policies allow access to a wide variety of gas supplies, and infrastructure. The pre-approval process for long-term supply and/or transportation contracts is in place. Just Energy contends that at a minimum all of the following factors must be included and measured in the pre-approval consideration: the potential impacts on existing pipeline facilities, whether or not cross-subsidization would occur, competition, whether demand is growing or declining, conservation initiatives, supply reliability and diversity. Additionally, processes which allow for the approval of new pipeline infrastructure and changes to existing infrastructure currently exist. The Board has established timelines to allow for the timely regulatory approval for new services and facilities which must continue. Finally, policies around Green Initiatives and conservation/Demand Side Management will continue to evolve.

The further actions that the Board should undertake on its own or in conjunction with others are below.

As suggested in the stakeholder conference Just Energy agrees that a utility long-term gas planning process should be implemented by the Board.

The Board should also work in conjunction with the NEB and other regulatory bodies to ensure alignment between the work of the Ontario Energy Board and the other regulatory agencies around these issues. The harmonization of policies related to the dynamics of the market should occur where appropriate.

The Board must ensure consumers/marketers have equal access to new sources of natural gas supply and access to new and existing storage. The Board should direct utilities to review and modify their

tariffs to allow consumers/marketers firm alternative delivery point access and access to excess and new storage capacity.

The need exists to ensure the rules of the game are clear for all participants.

The Board will continue to be required to quickly develop policies and services to adapt to future changes. Long term focus will be on adaptability, diversity and flexibility. Just energy asserts that the Board must continue to allow the market to function and adapt to changes. The Board must maintain its timely development and approval of policies and services to adapt to these changes as they become necessary.

All of which is respectfully submitted.

END