

## **COMMENTS OF THE CONSUMERS COUNCIL OF CANADA**

### **2010 NATURAL GAS MARKET REVIEW - EB-2010-0199**

On July 13, 2010, the Ontario Energy Board ("Board") initiated a consultation process to examine recent developments in the North American natural gas supply markets and to consider any potential implications for the Ontario natural gas market. The overall objective of the 2010 Natural Gas Market Review (the "Review") is to assess how natural gas markets in Ontario are responding or adapting to changing market conditions. The Board indicated its intent to assess the impact, on the Ontario energy sector, of changing market dynamics in North American natural gas supply markets, particularly given the increased shale gas production. In addition, the Board indicated its intent to determine the need for regulatory changes in response to the potential impacts identified.

The Board commissioned a report by ICF Consulting Canada Inc. and made ICF available to parties for questions on September 29, 2010. On October 7 and 8 the Board held a stakeholder conference for presentations and a discussion of the issues.

The Consumers Council of Canada ("Council") participated in the Review. The Council was part of a stakeholder group that retained Mr. John Rosenkranz to prepare a report for the consultation process. Mr. Rosenkranz appeared at the stakeholder conference and prepared a brief supplemental report providing further detailed responses to two of the discussion questions raised by the Board. The Corporation of the City of Kitchener has appended that supplemental report to its submissions.

ICF discussed the emergence of shale gas and how it is changing the dynamics of the market. The most fundamental change for Ontario would be an increase in gas sourced from the U.S. and a corresponding decline in the levels sourced from the Western Canadian Sedimentary Basin ("WCSB"). How this will ultimately impact Ontario natural gas consumers is not at all clear. Although there may well be an increase in supply as a result of shale gas development, it will not necessarily mean that Ontario landed gas costs will be lower.

Mr. Rosenkranz, in his supplemental report, made a number of observations and recommendations which the Board should reflect in any report:

- As the Ontario market becomes more closely tied to the U.S. gas supplies, there will be greater potential for large shifts in the natural gas flow into and through the Province. These changes will affect the utilization of existing gas infrastructure, and may require the construction of new gas transmission capacity by Ontario LDCs;
- To protect consumers, the Board should reassess its policies for approving gas facility expansions and for the pricing of ex-franchise transportation services;

- A more complex and variable gas supply environment creates more choice, but increases the risk that poor decision-making will lead to the construction of new facilities or commitments to long term contracts that result in unnecessary costs for Ontario consumers. An integrated resources planning process for Ontario gas utilities would help ensure that all reasonable alternatives are reviewed in a thorough and consistent manner before utilities make these commitments;
- Ontario consumers and regulators will have a greater stake in the regulatory activities of other jurisdictions. The Board may need to become more active outside Ontario to protect the interests of Ontario consumers;
- To create a level playing field for all transportation and storage service providers, the Board should encourage coordination among service providers (as illustrated by the example of Union coordinating transportation open season service offering with TransCanada and others) and ensure that Ontario gas utilities deal with all transporters and storage suppliers on a non-discriminatory basis;
- The Board should consider how the interests of Ontario consumers can be best represented at the National Energy Board given the fact that TransCanada tolls are becoming an increasing burden for Ontario consumers.

There remains a great deal of uncertainty regarding the impact on Ontario of the Marcellus shale gas development and other changes to the North American natural gas market. The Council submits that the Board must consider how, in light of these developments, the interests of Ontario are best protected. In the short term, the Board will need to monitor those developments and the way in which Ontario utilities are responding. In the longer term, the Board should look towards developing an integrated resources planning process. Such a process will ensure, to the extent possible, the most economic decisions are being made by Ontario LDCs in order to best serve their customers.