

January 16, 2015

**VIA RESS AND COURIER**

Ms. Kirsten Walli  
**ONTARIO ENERGY BOARD**  
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Dear Ms. Walli:

**Re: EB-2014-0289: 2014 Natural Gas Market Review**

### **Industrial Gas Users Association (IGUA) Written Comments**

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IGUA wishes to start these final comments on the Board's 2014 Gas Market Review process by endorsing the value of this initiative. In IGUA's view, even if no specific regulatory change or proceeding arises from this review, there was significant value in convening knowledgeable and engaged stakeholders, Board staff and Board Members to share information and perspectives on the state of Ontario's gas market. IGUA applauds this effort, and fully endorses the Board's stated intent to repeat it annually.

IGUA wishes to particularly note with appreciation the consistent Board Member presence at the two day Stakeholder Conference. This process is made more valuable when the Board decision makers participate in, and gain perspective from, the discussions. The continued presence of Board Members at the Stakeholder Conference reflects the Board's strong endorsement of the value of this sort of dialogue and information sharing, which IGUA appreciates.

IGUA also wishes to commend Board Staff for its organization – substantively and logistically – of this review and, in particular, for the thought which went into orchestration of the Stakeholder Conference. The framing and ordering of the topics covered at the Stakeholder Conference facilitated an efficient and substantively valuable review of the major issues and dynamics impacting the Ontario gas market. The stakeholder input provided and the resulting discussion was well focussed and properly informed, rendering the time and effort of all participants well spent.

IGUA offers the following comments on the issues listed in the attachment to the Board's December 23<sup>rd</sup> letter to participants:

1. *How can the Board's assessment of distributor natural gas supply plans be enhanced to ensure a better understanding of the various elements of the plan, the potential risks associated with those elements, and the applicants' proposed methods of managing those risks?*

In respect of assessment of distributors' gas supply plans, IGUA does not endorse standardization. Ontario's two major gas distributors have notably different customer mixes and gas supply requirements and opportunities. IGUA is of the view that the Board should limit itself to considering principles that it views as appropriate to guide the distributors in their gas supply planning and management. For example, the Board could consider guidance on the appropriate principles for balancing risk and cost. Once such guidance is provided, the Board should defer to the distributors to design and justify their own gas supply plans.

2. *How can the Board better ensure that its assessment of natural gas applications is informed by up to date information on relevant developments in the broader North American natural gas sector?*

In respect of informing itself in order to better discharge its mandate for determining natural gas applications, this Gas Market Review is one significant way in which the Board can, and has, ensured cognizance of up to date information on relevant developments in the broader North American natural gas sector. Allowing stakeholders to participate in this information gathering and review process along with the Board enhances transparency, understandability and ultimately acceptability of the Board's future deliberations and determinations.

The next time that the Board reviews the gas market, IGUA suggests a focussed look into the secondary market. The secondary market is a major aspect of IGUA's members' gas supply activities, and is directly impacted by utility infrastructure development and management plans and tolling rates and practices.

As related in its presentation to the Stakeholder Conference, through its members' experiences this past winter IGUA has observed increasing costs and decreasing service offerings in the secondary market. TransCanada's discretionary pricing behaviours, observations on the pricing at key supply points (for example, AECO pricing being higher than Dawn pricing and gas flowing west from Dawn, observations reflected in the Navigant materials) and a deficiency in storage fill all directly impacted Ontario supply options and costs this past winter. A better understanding of the dynamics at work is warranted, and can inform consideration of future infrastructure and supply plans.

IGUA appreciates that information regarding the secondary market is not as readily accessible as information on utility infrastructure and services. The Board should consider commissioning a study to determine what information and indices would provide the best view into the secondary market, and to provide such analysis as that information permits. IGUA would be pleased to offer its input into scoping of such a study, and expects that other stakeholders would be interested in contributing as well.

3. *What is the appropriate role of the Board in relation to the efficient operation of the natural gas market in the public interest, for example, regarding the sufficiency of Ontario access to northeastern U.S. gas supplies?*

It is appropriate for the Board to articulate a policy view in relation to the efficient operation and development of the natural gas market in the public interest. Applications brought before the Board can be considered in light of this policy view.

The recent dramatic changes in gas supply circumstances present an opportunity for Ontario for investment, jobs and quality of life. Within 5 years North America has gone from “short” on gas to having a “surplus” of gas. Ontario is situated close to the Marcellus and Utica basins, and Dawn storage is a major asset for Ontario. Expeditious and co-ordinated development of our natural gas infrastructure can reduce the landed cost of gas and electricity in Ontario, enhancing the competitiveness of Ontario industry, attracting new investment and revitalizing Ontario’s economy.

These opportunities are time sensitive. Once infrastructure is developed it is in place for some time. A coordinated and considered, but reasonably expeditious, approach is required to maximize the value of this market transition for Ontario.

The Board could facilitate such an approach by articulating a policy on market developments that would be of benefit to the Ontario public interest. Such policy could include:

- (a) Facilitating supply diversity.
- (b) Identifying and facilitating timely removal of bottlenecks (e.g. from Dawn to markets).
- (c) Providing direction on how evolution of, and the tolling regime for, the TransCanada mainline should be considered in determining the appropriate degree of reliance on this infrastructure to service Ontario’s gas consumers.
- (d) Avoiding price shocks and/or service deterioration through advance planning.

- (e) Facilitating a vibrant secondary market, such as through expanded physical and financial liquidity at Dawn.
- (f) “Right sizing” pipeline systems, which in Ontario might indicate building with an eye to future capacity requirements.
- (g) Expressly considering the flexibility afforded by future infrastructure or longer term supply plan components (in this dynamic and quickly changing market the Board should challenge assumptions regarding particular futures and singularly focussed responses).

In order to avoid lost opportunities and/or unnecessary costs, it would be best for the Board to consider any specific gas infrastructure or planning application in the context of how the proposal fits into, and facilitates, the larger transition process underway. Initiatives like this review can inform such a broader policy framework.

4. *In what ways, if any, do the Board's public interest mandate and/or views in relation to the overarching outcome(s) for Ontario's natural gas market require clarification?*

No comment at this time.

5. *What are the merits and disadvantages of replacing the Empress (AECO – C) price with the Dawn Hub price as the reference price for the commodity used for regulatory purposes?*

It seems to IGUA that Dawn prices are increasingly relevant to, and reflective of, prices paid by Ontario gas consumers. Given the shift in the distributor's gas supply portfolios from Empress to Dawn and other eastern delivery points, it is not apparent to IGUA why Ontario would continue to use a Western Canadian reference price. IGUA is interested in the views of the gas distributors in the merits of moving from an Empress to a Dawn reference price for commodity for regulatory purposes.

6. *Are there mechanisms for enhanced inter-regulatory agency communication and agenda coordination that would facilitate the consideration of the potential broader impacts of specific regulatory applications?*

IGUA believes that Canada's gas industry regulators (including from Ontario's perspective in particular the OEB, Quebec's Régie de l'énergie and the National Energy Board) could each benefit from enhanced inter-agency communication and, perhaps, regulatory agenda co-ordination. Continuing dialogue at both the member and the staff levels would seem appropriate. IGUA expects that each of these regulators consider the business plans and future looking regulatory

agendas of the others. Discussion amongst the regulators of these planning tools, if it does not already occur, might assist.

7. *Regarding regulatory aspects of the natural gas and electricity markets interface, what process should the Board use to:*
- *keep abreast of developments affecting both markets (e.g. role and regulation of natural gas storage); and*
  - *facilitate better cross-sector communication and coordination (e.g. the impact of GDAR on potential information sharing between electricity and natural gas stakeholders)?*

The premise of the Board's question regarding the interplay between gas and electricity markets is that such interplay exists and continues. IGUA agrees with this premise. It thus seems appropriate to IGUA that this be a topic for consideration in, or subject to a secondary process as an adjunct to, future gas market reviews.

8. *In what ways should access to information on Ontario primary and secondary natural gas markets be made more transparent for buyers and sellers?*

The Board should consider ways in which to facilitate better information in the Ontario gas market place. Examples of such mechanisms include natural gas deliverability reports, periodic "state of the market" updates, and "bulletin boards". Additional or alternative information services and approaches should be considered as part of the secondary market topic in the next gas market review.

9. *What, if any, are the merits of a stakeholder discussion on how to facilitate broad energy sector optimization (e.g. storage; multi-source district heating/cooling; combined heat and power; CDM/DSM) and if so, in what context should such a discussion take place?*

IGUA sees merit in stakeholder discussion of broad energy sector optimization, such as that implied in the Board's 9<sup>th</sup> question on the *Issues List*. This would seem to IGUA to be a topic for review unto itself, perhaps meriting its own process (such as that conducted in this review).

Related to this topic is the topic of innovation. IGUA suggests that the question of how the Board should consider and facilitate energy (including gas) services innovation be included in a future review.

IGUA appreciates the opportunity to participate in this review, and looks forward to more such opportunities in the future.

Yours truly,

A handwritten signature in blue ink, appearing to read "Ian A. Mondrow", written in a cursive style.

Ian A. Mondrow

c. Dr. Shahrzad Rahbar (IGUA)  
Stephen Cain (OEB Staff)

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