

Ontario Energy Board
2014 Natural Gas Market Review
EB-2014-0289

RESPONSE BY NATURAL RESOURCE GAS LIMITED TO PROPOSED ISSUES LIST

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 applicant's proposals for methods of managing those risks?

Answer: There is much value in independent action of each distributor developing and executing its own supply plans. In the ordinary course, these supply plans should be reviewed from time to time as rate applications are brought to the Board. As the North American natural gas supply sources and pipeline capacity become more diverse, the potential risks associated with gas supply will diminish. At this time, NRG proposes no change in the methods of managing supply and pipeline capacity risks.

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?

Answer: The existing Board policy of holding formal reviews of natural gas price and pipeline capacity from time-to-time is highly successful and provides important up-to-date information on recent developments in the broader North American natural gas sector. This information can be used to assess natural gas applications as they are brought to the Board by individual utilities. There is no present need for the Board to adopt new policies in this area.

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?

Answer: The Board has, through its periodic market reviews, assumed an important role in making information available concerning northeastern U.S. natural gas supplies. Pipeline capacity from the northeastern U.S. Ontario markets is a complex matter in that it entails due consideration be given to existing pipelines and Canadian supplies which presently service the Ontario market. Any advocacy role in encouraging new pipeline capacity from the northeastern U.S. gas supplies will require technical information regarding natural gas supplies and markets throughout North America, competing interests analysis, preservation of existing formal and informal Ontario and national commitments and a balancing of complex information, economic efficiency and vested interest considerations. The main role of the Board is to provide a forum for the exchange of information and discussion.

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?

Answer: The Board has, as one of its important mandates, the obligation to fix just and reasonable rates in the public interest. The natural gas distribution in the Province of Ontario is dominated by a few large companies. Union Gas Limited has a unique asset with its gas storage. In addition, Union Gas Limited and Enbridge Gas Distribution Inc. have large market influence on price and gas availability because of their size alone. The Board can and should oversee gas purchasing plans and supply availability during periods of high volatility. In the public interest, the Board should exercise its mandate to avoid windfall gains for one utility and its customers as against a second utility and its customers. The Board should be pro-active whenever price and supply volatility becomes apparent or when customers raise concerns with the Board. After any event causing high price volatility or pipeline restrictions, the Board should take regulatory steps to ensure the lowest overall cost of natural gas and transmission for Ontario's resident, commercial and industrial customers.

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?

Answer: NRG has no comment.

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?

Answer: NRG encourages the Board to provide information and, if necessary, direct utility conduct in order to ensure coordinated action to deal with price and supply volatility. The Board should invite market participants to raise concerns about market volatility as soon as the issue becomes apparent to assist in early market intervention by the Board as may be necessary.

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)?

Answer: NRG has no comment.

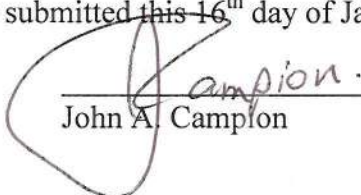
8. In what ways should access to information on Ontario primary and secondary natural gas markets be made more transparent for buyers and sellers?

Answer: NRG has no comments on this issue.

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?

Answer: NRG has made comment in paragraphs 4 and 6 above encouraging Board and Stakeholder discussions when natural gas price volatility and pipeline capacity restrictions become apparent. The timeliness of these discussions and any Board intervention may decrease the overall price that consumers pay in the province by providing public interest solutions that might not otherwise occur in the marketplace.

ALL OF WHICH is respectfully submitted this 16th day of January, 2015.



John A. Campion

FASKEN MARTINEAU DuMOULIN LLP
333 Bay Street, Suite 2400
Bay Adelaide Centre, Box 20
Toronto, Ontario M5H 2T6

John A. Campion
Tel: 416.865.4357
Fax: 416.364.7813

e-mail: jcampion@fasken.com