Jay Shepherd
Professional Corporation
2200 Yonge Street
Suite 1302
Toronto, ON M4S 2C6

BY EMAIL and RESS

February 8, 2016
Our File: EB2015237

Ontario Energy Board
2300 Yonge Street
27th Floor
Toronto, Ontario
M4P 1E4

Attn: Kirsten Walli, Board Secretary

Dear Ms. Walli:

Re: EB-2015-0237 – Natural Gas Market Review – SEC Comments

We are counsel to the School Energy Coalition ("SEC"). Pursuant to the Board's November 25th, 2015 letter to interested parties, these are SEC's comments regarding issues raised at the Natural Gas Market Review Forum held on January 21, 2016 (the "Forum"). SEC is only providing brief comments on the issue of transmission facilities expansion, since many of the issues raised during the Forum, such as the impact of cap and trade and Community Expansion, will be dealt more thoroughly in upcoming proceedings.

Transmission Facilities Expansion

SEC believes the Board should initiate a review and consultation on the criteria used to approve natural gas transmission system facilities expansion. As the Board is aware, numerous large transmission system expansions have recently been approved, with potential for more applications over the next few years.[1] SEC is concerned that while Union's recent Dawn-Parkway system expansion projects and supported by 15-year ex-franchise transportation contracts, they all had a Profitability Index significantly below 1.0. In each case, the projects met requirements under E.B.O 134, by relying on steps 2 and 3 of the economic feasibility analysis. By not reaching a P.I. of 1.0, there is significant future risk that falling long-term demand will lead to significant adverse impacts on ratepayers.

Since E.B.O. 134 was developed 29 years ago in the context of a very different natural gas market than today, the Board should conduct a full review to ensure that the more relevant factors are being considered in determining the economic feasibility of transportation facilities expansion.[2] SEC notes

[1] Union Gas presentation, slide 11
[2] While the Board did issue *Filing Guidelines on the Economic Tests for Transmission Pipeline Applications* (EB-2012-0092) in February of 2013, it made no changes to the feasibility framework set out in E.B.O. 134

T. (416) 483-3300 F. (416) 483-3305
mark.rubenstein@canadianenergylawyers.com
www.canadianenergylawyers.com

that the Settlement Proposal filed in the most recent Union Dawn-Parkway expansion application included a statement to this effect:

> *Considering:*
>
> *i) the passage of time since E.B.O. 134;*
> *ii) the fact that the Feasibility Guidelines clarified filing requirements but did not review, reconsider or clarify the E.B.O. 134 principles or tests themselves;*
> *iii) the rapid evolution of both the market and gas infrastructure; and*
> *iv) the recent context of projects a principal purpose of which is to allow ex-franchise shippers to shift gas supply to eastern North American resources,*
>
> *a number of the parties believe that a different approach to addressing feasibility and impact on existing ratepayers may be appropriate in future, and that review and clarification by the Board of "feasibility" parameters for future similar expansion projects would be timely. A number of parties further believe that given the accelerating pace of change in the market, future expansion applications should include evidence reflecting consideration and evaluation, including through consultation with the market, open season or by way of RFP, as, when and if appropriate, of the risks and benefits of permanent or interim non-facility alternatives to facility investment. These parties further suggest that, to start with, the topic could be usefully included in the Board's next Energy Sector Forum (as contemplated in the Board's March 31, 2015 Letter to interested parties at the conclusion of the EB-2014-0289 Natural Gas Market Review).*[3]

The need to undertake such a review is even more important now because of the impact of cap and trade regulations to be announced in the spring. In Enbridge's presentation to the Forum, it estimated that natural gas consumption will need to decline by 40% by 2030 to meet the Ontario's greenhouse gas reduction targets.[4] This is a dramatic reduction in natural gas use, and the Board needs to ensure that the economic feasibility analysis takes into consideration a demand horizon longer than 15 years, which is the length of the contracts that underpin these transportation expansions. If not, in-franchise ratepayers will be required to pay for underutilized transportation infrastructure when the initial long-term contracts expire and demand will have significantly declined due to the impact of a cap and trade program.

All of which is respectfully submitted.

Jay Shepherd P.C.

Original signed by

Mark Rubenstein

cc: Wayne McNally, SEC (by email)
All parties (by email)

---

[3] EB-2015-0200, Settlement Proposal, November 13 2015, p.14-15
[4] EGD presentation, slide 14