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APPrO
ASSOCIATION OF POWER PRODUCERS OF ONTARIO

8 February 2016

Board Secretary
Ontario Energy Board
2300 Yonge St.
Toronto, ON, M4P 1E4

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Re: EB-2015-0237 NGMR – Submissions of APPrO

Dear Ms. Walli,

APPrO appreciates the opportunity to participate in the 2015 annual Natural Gas Market Review (EB-2015-0237). APPrO believes that the rate of change in the natural gas industry is increasing and it is important for all stakeholders and the Board to be proactive and stay abreast of these changes. The breadth, depth and high quality of the presentations are reflective of these changes. APPrO wishes to make comment on one of the issues.

It is evident from the major transmission system expansions of Enbridge, TransCanada and Union that demand for transportation capacity easterly from Dawn has increased substantially. This has been a prevalent theme in the facility applications in front of the Ontario Energy Board as well as the National Energy Board over the last several years. Underlying these expansions is the goal to access supplies at Dawn, primarily driven by increasing shale supplies, the desire for diversity of supply path and supply basin, and landed costs. An additional driver for this shift away from the historical Western Canadian Sedimentary Basin (WCSB) supplies was declining production and the competition internal to Alberta for these declining supplies.

This shift has materially affected the throughput on the TransCanada Mainline which has helped to precipitate a proposal to repurpose of a portion of the Mainline into oil service. Even with this repurposing, the Mainline will continue to have significant excess firm capacity into Ontario.

TransCanada, in its presentation[1] indicates that while WCSB production had declined from its peak, it has been steadily rising over the last two years. WCSB technically recoverable reserves have also increased by a factor of 5 between 2008 and 2014[2]. The initial concerns on supply availability may not have materialized to the degree anticipated. Moreover TransCanada expressed concern that Ontario markets may have over-diversified their supplies and transportation path to the point where a disproportionate share of supplies now are source at or via the Dawn Hub[3] which may alter the optimum supply risk balance.

Enbridge provided a brief overview of the Province's new Emissions and Cap and Trade Policy. The Province has established aggressive emission limits to be met by 2030 and 2050[4]. While the details surrounding the implementation of the Province's policy have yet to be finalized, it is anticipated that the natural gas sector will need to make significant reductions in emissions to meet these Provincial targets. This has the potential to lead to a decline in total and peak day throughput in Ontario.

Union, in its presentation, highlighted the ongoing desire by markets to increase supply reliance at or via the Dawn Hub, which may drive further downstream infrastructure builds. Union noted that it is conducting open seasons for new easterly capacity for 2018 and 2019 for a total of up to 950,000 GJ/d[5]. Growth in this path will no doubt also increase facility requirements downstream of Parkway.

On one hand we have an increasing demand for gas at Dawn which is driving ever increasingly more expensive infrastructure builds. On the other hand, the Provincial policy on emissions could have the long run effect of not only curbing growth for natural gas but also reversing annual and peak day demand. This raises the question as to right balance in the growth of infrastructure requirements in light of the need for deep decarbonization of the provincial economy if Ontario is to meet its CO_2 reduction targets. Enbridge in its presentation[6] referred to the need for it to "re-imagine (its) infrastructure and business model." At the same time the Mainline continues to have surplus capacity into Ontario, with ongoing access to WCSB supplies.

[1] TransCanada Slide 4
[2] TransCanada Slide 8
[3] TransCanada Slide 11
[4] Enbridge Slide 7
[5] Union Slide 11
[6] Enbridge Slide 14

Current rate making and contracting practices employed by the utilities result in new transmission shippers committing to pay for only a fraction of the long costs incurred by utilities to meet the increase in peak day load. If peak day demand declines in the long run, an underutilized asset issue could occur. If the remaining natural gas consumers are required to pay for these underutilized facilities, this will further add to the financial burden of meeting the Province's emission policy.

As the Board considers the implementation of the Province's Cap and Trade Program in the natural gas industry, the Board may want to also consider how this may impact all sectors of the industry to help ensure that growth continues on a measured and sustainable basis.

APPrO appreciates the opportunity to provide comments.

Sincerely,

David Butters
President & CEO