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February 9, 2016

VIA E-MAIL

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge St.
Toronto, ON
M4P 1E4

Dear Ms. Walli:

Re: EB-2015-0237 Natural Gas Market Review
Comments of Vulnerable Energy Consumers Coalition (VECC)

As requested we have enclosed the written comments of the Vulnerable Energy Consumers Coalition with respect to the above-noted proceeding.

Yours truly,

Michael Janigan
Counsel for VECC

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EB-2015-0237

2015 Natural Gas Market Review

Comments of the Vulnerable Energy Consumers Coalition

1. The Vulnerable Energy Consumers Coalition (VECC) submits that the Ontario Energy Board's 2015 Natural Gas Market Review provides the Board and all stakeholders with the opportunity to assess the current state of the natural gas industry in Ontario and the potential future shape of the market. With the advent of changing patterns of natural gas production and supply, this Review has become an important information window, particularly for ratepayer interests, who may only obtain partial views of the market in various proceedings which touch upon the issues discussed herein.

2. VECC has reviewed the Summary Report prepared for the Board by Navigant Consulting and notes some important observations and analysis contained therein. They include:
   (i) The Ontario natural gas market is very much influenced by and reflective of the North American natural gas market as prices at Dawn prices have tracked Henry Hub prices (with the exception of the Polar Vortex) over the last several years.
   (ii) The expansion of the production of shale gas in North America has continued apace increasing from 41Bcfd in 2014 to 46Bcfd currently. This has led to growth in the Ontario access to shale gas from U.S. Appalachian Basin now projected to go from .4Bcfd to 2Bcfd by 2021. In turn, this growth means that 71 per cent of Ontario gas supplies will come from that region contrasted with a projection of only 26 per cent from Western Canadian Sedimentary Basin as of that date.
   (iii) The decline in natural gas prices is expected to continue. Dawn prices in 2015 are 38 per cent lower than that projected in 2014 with forecast Dawn prices in 2020 expected to be some 35 per cent lower than projections made a year ago.
   (iv) New pipeline facilities are increasing capacity for increased US supplies including the new Rover pipeline in service in June 2017 and the proposed Nexus pipeline in service in November 2017.
   (v) Forecast demand for 2020 has decreased by about 1,4% since last year. Part of this arises from assumed growth in renewables and the institution of a carbon market in Ontario.

3. VECC's constituents have received the consumer price benefits with the decline in natural gas prices associated with the expansion of shale gas production. In turn, this positive development has created risks of its own, primarily as a result of increased reliance on this form of supply, and the planning and construction of new facilities to provide adequate transportation for the same.

4. As well, as the VECC/PIAC presentation and bibliography shows, there are increasing worldwide concerns about the practice of hydraulic fracturing that have provoked rather well-supported public efforts to encourage government action for more research and monitoring at a minimum, and, in many jurisdictions, an outright moratorium. There are no signs that these efforts are diminishing and, in VECC's view, there exists a risk that production, supply and ultimately price may be affected until consensus-based social license is obtained. With an expansion of facilities predicated on gas flows enabled by access to abundant shale gas, there is the risk that these investments may be stranded or not viable for a period of time depending on the governmental response to public pressure.

5. While the Navigant study foresees a growth in natural gas demand associated with gas-fired electric generation starting in 2020, the projection is based on the rather shaky supports of on-going nuclear refurbishments and an assumed slowdown in the increase in renewable generation. Once again, will ratepayers provided the insulation to cushion the industry from the effects of lower demand arising from more stringent conservation and demand lessening practices?

6. VECC supports the concept of diversification of supply expressed by TCPL which includes the inclusion of access to conventional gas supplies to provide a buffer against risks associated with loss of access to unconventional gas production and supply (or to possible diminishment of supply as a result of foreign markets for LNG).

7. VECC also urges the adoption of a risk management strategy as part of this yearly ongoing process to prevent potential impacts of loss of supply or stranded assets from being visited solely on the energy bills of Ontario ratepayers.

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