

Date: January 16, 2024

Subject: Canadian Gas Association Feedback for Consultation to support the important role for natural gas in Ontario's energy system and economy

1. What principles should the government provide to the OEB to help inform the Board's ongoing development of natural gas connection policies?

The Ontario Energy Board (OEB) should be guided day in and day out by the Bonbright principles of rate making and regulation¹. The role of the regulator must always be in alignment, and in response to, public policy. Regulators should not be incented or rewarded for opining on energy policy. As such, the primary focus of the OEB should be to ensure that rates are just and reasonable, aligning with its core mandate of economic regulation. Clear policy direction from the government is essential to reaffirm these regulatory principles, emphasizing the importance of just and reasonable rates, adherence to regulatory timelines, and solid principles for intervenors. This includes minor changes to section 2 of the OEB Act to clarify the importance of natural gas and the need for the OEB to implement government policy in its regulation of natural gas utilities. Ensuring cost recovery mechanisms for prudent investments will provide regulatory certainty and encourage continued investment.

A recent example of the OEB veering from its core mandate was the decision to require new residential and small commercial customers to bear the full upfront cost of natural gas connections, instead of allowing the cost to be amortized over 40 years. This decision would have significantly increased costs for homebuyers and deterred construction on housing. The provincial government intervened to overturn this decision, resetting the amortization period to 40 years and reaffirming the importance of maintaining affordable housing costs. This incident highlights the need for the OEB to focus on its core mandate of economic regulation and ensure that rates are just and reasonable. Recognizing the growing demand for energy, the OEB should ensure timely connections and rational expansion of the natural gas system to maintain Ontario's economic competitiveness and energy security.

2. What role should natural gas play in supporting energy affordability and customer choice in residential and small commercial applications (e.g., space and water heating)?

Natural gas plays a crucial role in supporting energy affordability and customer choice in residential and small commercial applications. It is an affordable and safe way to heat Ontario's homes, with households using natural gas saving between \$500 and \$2,500 annually compared to alternative fuels. According to Statistics Canada, Ontario has among the lowest rates of energy poverty in Canada, compared to Atlantic provinces that rely mainly on electricity, propane, and oil. Natural gas infrastructure is less affected by weather events, strengthening reliability and resiliency. The underground infrastructure means it is not affected by storms that can disrupt customers, and burying electricity lines can cost up to 10 times more than building overhead

¹ [https://justandreasonable.com/knowledge-base/bonbright-principles/#:~:text=Avoidance%20of%20undue%20discrimination%20in,acceptability%2C%20feasibility%20of%20a%20application\).](https://justandreasonable.com/knowledge-base/bonbright-principles/#:~:text=Avoidance%20of%20undue%20discrimination%20in,acceptability%2C%20feasibility%20of%20a%20application).)

infrastructure. Natural gas delivers four to five times the maximum capacity of the electricity system at a quarter of the cost, making it a reliable and cost-effective energy source for space and water heating.

There are ongoing technological advancements, such as gas heat pumps, that will provide innovative products using gas energy. Consumers will be looking for these new technologies in the future. It isn't just water heaters or furnaces that citizens have on gas, but also lifestyle items such as gas barbecues, fireplaces, and stoves. Stand-by home generators are now becoming commonplace for homeowners ensuring that homes are powered, using natural gas, when the power goes out. Consumers enjoy using these appliances, and preserving customer choice is essential. Citizens should be able to choose their energy sources, especially for those lifestyle items they enjoy using.

The economics of natural gas can change, especially considering the current price of the carbon tax. As of now, the federal carbon charge adds about \$336-\$366 to the annual natural gas bill for the average Ontario household. If there were no federal carbon tax, the price of gas bills would decrease, making natural gas even more affordable and attractive to consumers. The delta between gas and electricity for heating or any other energy use would change, further highlighting the cost-effectiveness of natural gas.

Recognizing the increasing demand for energy, natural gas remains a vital component in maintaining energy affordability and customer choice in Ontario. The government should acknowledge that natural gas is a key part of the energy mix and should not be phased out in favor of less reliable and more expensive alternatives.

3. What role should natural gas play in supporting economic development in Ontario's industrial and agricultural sectors, including those processes that may be difficult to electrify?

Natural gas supports economic development in Ontario's industrial and agricultural sectors by providing a reliable and affordable energy source for processes that may be difficult to electrify. Many industries require access to significant volumes of natural gas to remain economically competitive. For example, companies with energy-intensive manufacturing processes that cannot be practically electrified, like steel and cement, depend on natural gas as an affordable and reliable energy supply. The agricultural industry across Ontario would benefit from enhanced access to the gas system by reducing costs in the industry, specifically those related to greenhouses, grain drying and building heat. Enhanced access to natural gas can bolster economic development in industrial and agricultural sectors. The natural gas industry alone directly employs thousands of Canadians—often in high-skill, well-paid positions—and helps generate billions in export revenue. Natural gas infrastructure remains one of the most reliable energy pathways in the country, particularly when energy demands surge.

One such example in Ontario is Enbridge's Panhandle Regional Expansion project. The project will be a key economic driver for province, providing reliable energy to Southwestern Ontario's world-leading industries like greenhouses and electricity generation sector. In total, the project is estimated to stimulate more than \$4.5 billion in investments.

4. What role should the government play in supporting and expediting the rational expansion of the natural gas system to make home heating more affordable and support economic growth in communities that are seeking natural gas service?

The government should play a proactive role in supporting and expediting the rational expansion of the natural gas system to make home heating more affordable and support economic growth in communities seeking natural gas service. Recognizing the increasing demand for energy, it is essential to

provide clear policy direction and investment support to reduce regulatory uncertainty and encourage investment in natural gas infrastructure. The OEB must ensure timely connections and support the rational expansion of the natural gas system to meet the growing energy needs of Ontarians. Enhanced access to natural gas can bolster economic development in industrial and agricultural sectors, reduce costs, and improve competitiveness. Additionally, the government must ensure that building codes do not limit the use of natural gas for heating, as this would increase the cost of new homes, ultimately worsening housing affordability. Addressing the overall investment climate for energy infrastructure, as seen with the Government of British Columbia's increase in equity thickness for Fortis and Hydro Quebec's efforts to attract capital for priority investments, is also crucial.

The CGA are supportive of current programs such as the second phase of the natural gas expansion program. We recommend that the provincial government of Ontario partner with the federal government to increase funding for natural gas expansion. This funding could flow through regional economic development agencies like FedDev Ontario or FedNor. A focus on enabling gas infrastructure expansion to Indigenous communities would also be encouraged. Indigenous communities are already seeing equity stakes or ownership in major infrastructure projects going through their lands. For example, in September 2022, 23 First Nations and Métis communities secured an 11.57% interest in seven Enbridge pipelines in the Athabasca region. The government should look at how they can enable more of this, as it promotes economic sovereignty and long-term revenue streams for Indigenous communities, empowering them to reinvest in social programs, education, and infrastructure.

5. For natural gas expansion projects receiving government support, should the approvals processes be streamlined to support affordable home heating for Ontarians? In what ways?

The government should streamline the regulatory process for projects in the Natural Gas Expansion Program (NGEP). Given that municipalities themselves express interest in applying for NGEP funding, it is recommended to improve project review timelines, modernize regulatory processes, and streamline permitting approvals for these government-selected projects. These changes would significantly expedite project delivery while reducing costs for households and businesses seeking access to the natural gas system.

Moreover, streamlining the process would support customers who have demonstrated a clear preference for natural gas, ensuring they are not forced to rely on heating options that are less affordable, less reliable, less resilient, and associated with higher greenhouse gas emissions. For example, intervenor motions in Ontario Energy Board (OEB) proceedings related to heat pumps are unnecessarily delaying regulatory hearings for NGEP projects, despite these projects being requested by municipalities and supported by the provincial government. Such motions are redundant, given that alternative energy options are already available, and communities have explicitly expressed their support for natural gas services.

To address the regulatory uncertainty in OEB processes caused by frequent procedural delays and review motions from intervenors, the broad scope and application of intervenor participation, as well as the extended timelines and increased costs of these processes borne by ratepayers, several general recommendations are proposed to improve project delivery. Firstly, consider adding all NGEP projects to be eligible for an LTC exemption application under Section 95(2) of the OEB Act to streamline regulatory processes. Once the government has decided to support a project and given clear direction on natural

gas expansion, there should be no unnecessary regulatory delays, and interventions challenging project need should not be entertained by the OEB in any manner.

Additionally, it is important to limit interventions to matters directly within the OEB statutory mandate—such as land use and value for ratepayers—to reduce timelines and minimize costs passed on to ratepayers. Costs paid for such interventions should be carefully scrutinized to ensure ratepayer interests are protected. Furthermore, refining the definition of “substantial interest” to ensure participation is limited to directly affected stakeholders that represent landowners, customers, or residents and do not allow policy and special interest-oriented interventions whose mandates conflict with government policy is crucial.

Preventing duplicative interventions by consolidating overlapping submissions from organizations with similar positions, streamlining proceedings, and reassessing the intervenor compensation model would also be beneficial. Finally, restricting the number and scope of interrogatories to prevent excessive delays and considering implementing a budget cap on intervenor costs or a requirement that intervenors self-fund to further safeguard ratepayer interests would help ensure a more efficient regulatory process.

6. What role should natural gas play in supporting power system security and resiliency?

Natural gas plays a vital role in supporting power system security and resiliency by providing a reliable and flexible energy source that can meet peak demand and ensure stability during extreme weather events. Recognizing the increasing demand for energy, natural gas infrastructure remains one of the most reliable energy pathways in the country. During the severe cold snap in Alberta in January 2024, the gas system delivered more than 110,000 MW of heat energy at its peak—nearly ten times the province's record electricity load of about 12,384 MW. This underscores how pivotal gas infrastructure is for meeting urgent heating requirements, ensuring families and businesses stay warm during extreme weather. Natural gas infrastructure is less affected by climate events, strengthening reliability and resiliency. The underground infrastructure means it is not affected by storms that can disrupt customers, and burying electricity lines can cost up to 10 times more than building overhead infrastructure. When comparing the reliability of gas and electric distribution systems across five provinces, the gas utility is about 200 times more reliable when compared to the electricity utility. Expressed in another way, while the average electric customer would expect 2.5 outages per year, the average gas customer would expect to experience one gas outage every 68 years.

Natural gas also plays a crucial role in peak shaving, which involves leveling out peaks in electricity use to avoid overloading the power grid during high demand periods. The Dawn Hub, located in southwestern Ontario, is one of the largest integrated natural gas storage facilities in North America. It provides shippers with direct access to North America's major supply basins and plays a foundational role in balancing the peak winter energy needs of Ontario. By storing natural gas during the summer months and withdrawing it during winter, the Dawn Hub ensures a reliable supply of natural gas, buffering against seasonal variations and providing market stability and flexibility. This stored natural gas can also be used to meet increased demand for electricity generation, providing extra reliability for the electricity system and ensuring that any spikes in demand can be easily managed.

An incentive program for gas or propane stand by generators should be considered for individual homes. This would increase the robustness of the energy system in Ontario, especially during power outages. Homes equipped with gas or propane generators could continue to have power, reducing the demand on the grid and ensuring that essential services remain operational. The gas infrastructure, being buried underground, is less susceptible to outages during inclement weather and storms, making it a reliable backup energy source.

7. What role should natural gas play in offsetting higher GHG-emitting fuel sources?

Nationally, transportation is the largest source of greenhouse gas (GHG) emissions, and this is likely the case in Ontario as well. The transportation sector includes some of the most challenging areas to reduce emissions, such as maritime traffic on the Great Lakes, which significantly impacts Ontario's GHG profile. Additionally, there are substantial off-road and farming, mining, and construction operations, although Ontario's off-road use is lower than that of Alberta and British Columbia due to their extensive mining activities.

Rail transport presents an opportunity to reduce emissions through the use of natural gas systems or hydrogen. Hydrogen, in particular, can be beneficial for lowering emissions in commuter rail. Metrolinx, for example, is the third-largest rail emitter after the Class 1 railways and VIA Rail.

However, the most challenging area to abate is on-road and heavy-duty on-road transportation. The use of natural gas has grown substantially in the waste industry, and with the introduction of the new X15-N engine, we anticipate significant growth in Class 8 and some vocational applications. Although these vehicles represent a small number, they account for substantial emissions. An average Class 8 truck generates emissions equivalent to 34 light-duty vehicles operating in Ontario.

Ontario's natural gas infrastructure is already well-developed to support refuse and Class 8 vehicles, with Enbridge and its partners investing in three significant commercial refueling stations and supporting the build-out of private stations connected to Enbridge's system across the province. LNG bunkering has also occurred in Hamilton Harbour, and Enbridge has assets that could support bunkering in Sault Ste. Marie or Hamilton in the future.

In the United States, the adoption of natural gas vehicles has rapidly pivoted to support the use and development of renewable natural gas (RNG). California leads this effort, with more than 95% of natural gas vehicles operating on RNG, and 74% of natural gas vehicles in the U.S. using RNG. In Ontario, however, progress in developing RNG and marketing it to the domestic market has been limited. Enbridge plays a significant role in projects like the Bluewater Water Project and the Hamilton Street Rail Project.

Currently, the use of RNG in Ontario for transportation is almost negligible. However, given the price parity between diesel and RNG when provided as transportation fuel, RNG is the most cost-effective application. Fleets have the ability to absorb the higher cost of RNG, and the efficiency of the Enbridge system allows for cost-effective delivery and use by vehicles. This makes RNG a compelling option for fleets seeking low-cost per ton emissions reductions. Significantly more investment will be required to unlock the potential of RNG, but the transport industry is poised to accept and utilize it.

8. What are the challenges and opportunities for enhanced energy efficiency, adoption of clean fuels (e.g., RNG, Hydrogen) and emission reduction methods (e.g., carbon capture and storage) to lower emissions in the natural gas system?

The challenges and opportunities for enhanced energy efficiency, adoption of clean fuels (e.g., RNG, Hydrogen), and emission reduction methods (e.g., carbon capture and storage) in the natural gas system are significant. One of the primary challenges is the need for continued investment in innovation and supportive policies to drive the adoption of clean fuels and emission reduction technologies. The natural gas sector has already made significant progress in reducing emissions and can further contribute to a low-carbon future through advanced technologies.

A key opportunity lies in the adoption of Renewable Natural Gas (RNG) and hydrogen blending. RNG is produced from organic waste and can reduce greenhouse gas emissions by up to 90% compared to conventional natural gas. Hydrogen blending, on the other hand, can help reduce the carbon intensity of the natural gas supply by mixing hydrogen with natural gas. For example, Enbridge began delivering blended natural gas with 2% hydrogen to 3600 residential and commercial customers in Markham, Ontario, in January 2022. However, the adoption of hydrogen blending has faced challenges, such as the CSA's notice in November 2022, which stated that there are no accepted standards in Canada or the US for fuel-burning products that use mixtures of hydrogen and natural gas. This notice has raised concerns within the industry, and efforts are underway to expedite the hydrogen codes and standards process to ensure safe and reliable hydrogen blending.

Another challenge with respect to the adoption of renewable fuels is the incremental cost. Currently, Ontario does not have a mechanism that allows utilities to recover the higher cost of RNG or hydrogen. Where we've seen success in adopting higher blends of renewable energy are in jurisdictions where legislation has been introduced. Both the governments in British Columbia and Quebec have introduced policy that mandate a minimum renewable gas blend of 15% and 10% respectively by 2030.

Certainty in building codes is also crucial for the adoption of clean fuels. The provincial government should provide clear policy direction and support the development of standards for hydrogen blending and RNG use. This includes addressing the CSA challenge and ensuring that standards development keeps pace with industry innovation. Additionally, the provincial government should commit to a certain amount of RNG for use in their buildings. For example, a 5% RNG blend in provincial office buildings could significantly reduce greenhouse gas emissions and demonstrate the government's commitment to clean fuels.

Sincerely,



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