Enbridge Feedback on the Proposed Amendments to the Electricity Act, 1998, Ontario Energy Board Act, 1998 and the Municipal Franchises Act

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About Enbridge Gas Inc.

Enbridge Gas is Canada's largest natural gas storage, transmission and distribution company based in Ontario, with more than 175 years of service to customers. The distribution business provides safe, affordable, reliable energy to about 3.9 million homes, businesses and industries in Ontario and is supporting the transition to a clean energy future through net-zero emissions targets and investments in innovative low-carbon energy solutions. With the recently announced acquisition of three gas utilities serving customers in five US states, Enbridge owns and operates the largest gas utility franchise in North America. The storage and transmission business offers a variety of storage and transportation services to customers at the Dawn Hub, the largest integrated underground storage facility in Canada and one of the largest in North America. Enbridge Gas is owned by Enbridge Inc., a Canadian-based leader in energy transportation and distribution.

Learn more at www.enbridgegas.com.

Introduction

Enbridge Gas Inc. (Enbridge) commends the Government of Ontario and the Ministry of Energy and Mines (the Ministry) for taking decisive steps to modernize Ontario's energy framework and deliver on the promise of the province's first Integrated Energy Plan (IEP). Enbridge appreciates the opportunity to contribute feedback on the proposed Bill 40 changes to the *Electricity Act, 1998*, *Ontario Energy Board Act, 1998* (*OEB Act*) and *Municipal Franchises Act*. We remain committed to working in partnership with government to ensure Ontario's energy systems remain resilient, investment-ready, and capable of supporting the province's economic growth.

Executive Summary

Ontario is entering a pivotal period of growth driven by rising electricity demand, industrial investment, housing expansion, the development of data centers and critical mineral supply chains. Meeting these ambitions will require timely and efficient energy infrastructure deployment, supported by regulatory clarity, system-wide coordination, and an integrated approach across electricity, natural gas, hydrogen, and emerging technologies.

The proposed legislative and regulatory changes represent a crucial opportunity to help deliver the IEP, ensuring that the province's energy systems remain affordable, reliable, and responsive to the needs of a growing, investment-ready economy.

Enbridge supports the government's intent to align energy planning with economic development, reduce regulatory friction, and create the conditions necessary to accelerate the delivery of critical infrastructure. Achieving these goals will require an integrated, all-of-the-above energy approach, one that recognizes the complementary strengths of Ontario's electricity and natural gas systems and enables both to expand in lockstep with rising demand.

To that end, Enbridge recommends the following targeted actions:

Data Centres

i. Enable behind-the-meter natural gas generation for data centres, with provisions to support future integration with the electricity grid.
ii. Conduct an inventory of behind-the-meter systems already in operation, particularly those used for Global Adjustment management, to unlock load-shifting and grid-support potential.

Deferral and Variance Accounts (DVAs)

iii. If DVAs are adopted to manage procurement-related cost pressures, establish clear rules around scope, evidence, and review processes.
iv. Consider embedding known and recurring cost impacts directly into rates to reduce regulatory burden and improve cost predictability.

Economic Growth Objective

v. Extend the new economic growth objective beyond electricity to also include the natural gas sector under the *OEB Act* ensuring regulatory alignment across energy systems and enabling timely approval of infrastructure that supports housing, industrial development, and clean fuels.

Hydrogen-Related Pilot Projects and Funding Programs

vi. Ensure IESO pilot projects and funding programs under the *Electricity Act* support hydrogen applications across both electricity and gas systems, including storage and

blending in the natural gas grid, fully aligned with the IEP's cross-system hydrogen vision.

OEB Act, Municipal Franchises Act and the Public Utilities Act

vii. Use the OEB CEO's new policy-making authority to (a) accelerate and streamline Leave to Construct (LTC) exemption reviews for infrastructure projects that support Ontario's growth agenda and IEP priorities, and (b) enhance regulatory efficiency in franchise and certificate proceedings by appropriately scoping participants and issues.

viii. Retaining the proposed amendments for franchise and certificate approvals will modernize processes and improve efficiency while maintaining robust public-interest oversight.

Future Clean Electricity Fund

ix. Use proceeds from Ontario's Clean Electricity Credit program to fund a Future Clean Electricity Fund (FCEF), but do not divert funds from the Emissions Performance Standards (EPS) program, which should remain dedicated to supporting EPS participants.

x. Expand eligible project types under the Emissions Performance Program (EPP), currently limited to capital and study-based projects and excluding electricity generators, to include the utilization and procurement of third-party produced low-carbon fuels such as hydrogen and renewable natural gas.

These recommendations are designed to help the government realize the full intent of the proposed reforms, supporting economic growth, enhancing system flexibility, and delivering critical infrastructure at the pace and scale Ontario's future demands.

Recommendations

The following recommendations outline targeted actions to strengthen Ontario's energy planning and approvals framework, ensuring it enables the timely delivery of critical infrastructure, drives economic growth, and secures an affordable, reliable, and resilient energy system.

Section 1: Data Centres

Enbridge supports the government's proactive approach to managing electricity system impacts associated with the rapid growth of Ontario's data centre sector. With demand from this sector projected to account for 13% of new electricity load by 2035, there is a clear opportunity to balance economic growth and system reliability through a more integrated, all-of-the-above energy approach, combining traditional grid connections, behind-the-meter natural gas generation, and enhanced electricity system capacity supported by expanded natural gas-fired generation.

This integrated path forward would help balance the needs of all parties. It would protect the electricity system from becoming overburdened, while still ensuring that data centre proponents can access the energy required to support their operations. At the same time, it enables the natural gas system to expand rationally in tandem with electricity infrastructure, consistent with the IEP, which identifies natural gas as a critical contributor to meeting growing energy demand across the province.

Strong, efficient policies that enable the optimal use of both the natural gas and electricity grids will help ensure that Ontario remains a competitive destination for investment. The gas grid,

which consistently demonstrates reliability at levels above 99%, offers a resilient energy backbone that can complement and relieve pressure on the electricity system. Behind-the-meter natural gas systems can often be deployed more quickly than large-scale grid connections and can be designed to interface with the electricity grid in future phases, enabling high-efficiency, hybrid energy solutions that support both affordability and sustainability objectives. There is also a compelling opportunity to displace traditional diesel backup systems currently used in many data centres. Natural gas-based behind-the-meter solutions provide a cleaner, more reliable alternative that delivers short- and medium-term energy security for developers while also creating pathways to long-term, non-islanded system integration.

To that end, Enbridge recommends that the government enable the use of behind-the-meter natural gas generation for data centres, with provisions to support future integration with the electricity grid. This dual-track approach would enhance system-wide flexibility, accelerate project timelines, and ensure that Ontario remains a jurisdiction of choice for global data centre investment.

Enbridge also recommends that the government undertake an inventory and assessment of behind-the-meter systems already in operation across Ontario, particularly those deployed for Global Adjustment management. With proper coordination, these assets could be leveraged to provide load-shifting services and system support during peak periods.

As the regulatory framework for data centre connections is developed, we encourage the Ministry to continue engaging with natural gas utilities to ensure that the province's energy systems are optimized in concert, not in isolation. Doing so will help Ontario grow its digital economy without compromising reliability, affordability, or broader decarbonization goals.

Section 2: Establishment of Deferral and Variance Accounts to Record Higher Costs from Procurements

Enbridge supports the government's proposal to allow rate-regulated entities to establish Deferral or Variance Accounts (DVAs) to track increased costs stemming from procurement restrictions. In principle, a mechanism to record and recover such incremental costs, where those costs are demonstrably outside what is currently reflected in approved rates, would provide important protection and regulatory fairness for utilities operating under externally imposed constraints.

However, Enbridge remains concerned about the broader implications of procurement restrictions. Any framework that increases baseline input costs must be carefully evaluated to ensure it does not undermine energy affordability for consumers.

From an implementation standpoint, calculating and isolating the incremental cost attributable solely to procurement restrictions, as distinct from costs already embedded in rates, will be complex and evidentiary in nature. The onus will fall on utilities to quantify and substantiate these amounts on a recurring basis, which introduces both regulatory risk and operational burden.

In addition, these accounts are typically reviewed and cleared on an annual basis, requiring utilities to quantify and justify incremental costs repeatedly through formal OEB proceedings. This could lead to a cycle of regulatory relitigation, placing a recurring burden on the OEB and stakeholders, and creating unpredictable outcomes for both utilities and ratepayers.

Enbridge recommends that if DVAs are used as the preferred mechanism for managing procurement-related cost impacts, the government and OEB should work closely with regulated utilities to develop clear guidance on scope, evidentiary standards, and streamlined review processes. Where possible, consideration should also be given to

embedding known and recurring cost impacts directly into rates to reduce long-term regulatory friction and ensure continued predictability for both utilities and ratepayers.

Section 3: Adding Economic Growth and Consistency with Government Policy to the OEB Act Objectives

Bill 40 proposes to revise the OEB's objectives for electricity by adding that the Board shall "regulate the electricity sector in a manner that supports economic growth, consistent with the policies of the Government of Ontario." It also expands the public interest standard with respect to electricity LTC applications by adding the companion revision to section 96(2) that the public interest in approving an electricity transmission line includes "[s]upporting economic growth in a manner consistent with the policies of the Government of Ontario."

This marks a significant and welcome recognition by the government that regulatory frameworks must enable, rather than impede, economic development. However, the policy changes introduced in Bill 40 are currently limited to the electricity sector, despite the critical and growing role of natural gas in powering Ontario's economy.

Natural gas currently supplies nearly half of Ontario's total energy demand, delivering twice the energy output of electricity at approximately one-quarter of the cost. For energy-intensive sectors, natural gas is not just a preferred option, it is often the only viable, scalable, and affordable energy source capable of supporting continuous 24/7 operations. As such, the availability of robust natural gas infrastructure is frequently a decisive factor in major industrial investment decisions.

The importance of natural gas is reinforced throughout the IEP, which notes:

- Over 3.8 million customers in Ontario (75% of the population) rely on natural gas, which accounts for approximately 40% of the province's total energy use. *(IEP, p. 95)*
- Customer choice has led many industrial, commercial, institutional, agricultural, and residential users to choose natural gas as the affordable option that best meets their needs. *(IEP, p. 95)*
- Natural gas provides a powerful combination of low cost and high energy density that cannot currently be matched by other energy sources. *(IEP, p. 95)*
- Ontario's gas and electricity systems work in tandem to meet energy needs affordably, securely, and reliably. Peak natural gas demand can reach up to 121 GW, compared to 24 GW for electricity. *(IEP, p. 95)*
- As a flexible and dispatchable resource, natural gas generation accounts for 28% of transmission-connected electricity capacity. It plays a crucial role in maintaining system reliability, especially during peak periods in summer and winter. *(IEP, p. 95)*
- It is indispensable for high-temperature industrial processes that are difficult to electrify, including cement and parts of steel production. *(IEP, p. 26)*
- To meet rising demand in key regions, the Province is continuing to support the rational expansion of the natural gas network. *(IEP, p. 26)*
- An economically viable gas network is essential to attract investment, drive economic growth, maintain customer choice, and ensure energy system resiliency and affordability. *(IEP, p. 95)*

These province-wide benefits are already being realized through projects currently underway. For example, in 2024, Enbridge began construction on the $358 million Panhandle Regional Expansion Project to expand the natural gas network in southwestern Ontario. This investment

will support approximately 7,000 jobs, enable an estimated $4.5 billion in new economic activity, and provide reliable and affordable fuel to power agriculture, industry, homes, businesses, and electricity generation in the region.

Looking ahead, Ontario now faces a dual imperative: to advance a successful energy evolution while remaining economically competitive amid shifting global trade dynamics and the weakening of established trade norms. Meeting both objectives requires the ability to rapidly deploy critical energy infrastructure across key sectors such as housing, industry, manufacturing, agri-food, and clean fuel development.

A clear example of what's at stake is the Asahi Kasei lithium-ion battery separator facility in Port Colborne: a $1.7 billion investment expected to create more than 1,000 new jobs. This facility, for which Enbridge will be filing an LTC exemption application with the OEB, represents a cornerstone of Ontario's emerging electric vehicle and battery supply chain. However, without timely regulatory approval for the natural gas infrastructure required to support the project, high-impact investments like this, aligned with both energy evolution and economic development goals, risk being delayed or lost.

To ensure consistent and effective regulatory outcomes, future energy policy and regulatory reform must treat both electricity and natural gas as strategic pillars. Currently, the OEB has a gas-related objective to "promote energy conservation and energy efficiency in accordance with the policies of the Government of Ontario." However, there is no corresponding statutory objective to enable the expansion of the natural gas transmission and distribution system or to ensure access to natural gas in support of provincial economic priorities. Given the government's recognition, through Bill 40, of the importance of aligning electricity regulation with economic growth, it is inconsistent and incomplete to exclude natural gas from the same treatment.

Enbridge recommends that the economic growth objective proposed for the electricity sector under Bill 40 also be formally extended to the regulation of the natural gas sector under the OEB Act. Providing parallel objectives for the natural gas sector would ensure that regulatory and policy frameworks are aligned and mutually reinforcing. Without this, the OEB's scope of review for gas infrastructure may remain too narrow, which means that projects offering significant economic and strategic value to Ontario could be delayed or rejected simply because they fall outside the current mandate.

Section 4: Expanding the Purposes of the *Electricity Act* to Include Hydrogen-Related Pilot Projects and Funding Programs

Enbridge supports the government's proposal to expand the purposes of the *Electricity Act* to include facilitating the development of a hydrogen market and economy. This amendment sends a clear signal that Ontario recognizes the cross-sector potential of low-carbon hydrogen and is committed to enabling its uptake across transportation, industrial fuel-switching, and other non-electricity applications. We also see this as a clear pathway for both the gas and electricity grids to work more closely towards a common goal of delivering value to ratepayers while further reducing carbon.

Clarifying the legal authority for the IESO to fund and undertake hydrogen-related pilot projects, including those outside the traditional electricity system, is a necessary and timely step. Hydrogen is an inherently cross-cutting energy carrier. Its ability to be produced, stored, and used across electricity, gas, and industrial systems makes it a strong fit for integrated decarbonization strategies.

In this context, it is particularly important that the proposed amendment enable the IESO to support pilot projects involving hydrogen storage in the natural gas grid. Leveraging Ontario's existing gas infrastructure to support hydrogen blending and storage can accelerate early hydrogen deployment, reduce system-wide decarbonization costs, and enhance grid flexibility. We also advocate for a rate recovery mechanism that will drive the industry forward providing value to both the electrical and gas rate payers. This approach aligns with the IEP and builds on the complementary strengths of the gas and electricity systems.

Enbridge encourages the government to ensure that implementation frameworks under the *Electricity Act* explicitly support cross-system pilot projects and funding programs that reflect the full range of hydrogen's potential applications. Additionally, Enbridge encourages a mechanism to enable rate recovery in support of the proposition.

Section 5: Effective Policymaking by the OEB Chief Executive Officer regarding aspects of the OEB's Adjudicative Process

Enbridge supports efforts to improve consistency, transparency, and timeliness in the OEB's adjudicative processes. Providing the OEB's CEO with authority to issue policies aimed at regulatory efficiency has the potential to drive meaningful improvements at a time when the volume and urgency of energy infrastructure projects are rapidly increasing across the province.

The government has set out bold ambitions to become a global destination for investment, to develop critical mineral value chains, to expand the digital economy, and to unlock major housing and industrial development. Delivering on these priorities depends on the timely and efficient buildout of enabling infrastructure, especially natural gas, to power new developments and ensure economic competitiveness.

In this context, reducing regulatory red tape is not just a matter of process improvement; it is foundational to achieving the government's economic goals. A key example is the treatment of LTC exemption applications. While exemptions are by definition designed to offer an expedited pathway for lower-risk, sub-$10 million projects (such as asset relocations triggered by housing or transportation development), in practice they have often taken as long as, or longer than, full LTC applications. This undermines the purpose of the exemption process and introduces cost, delay, and uncertainty into projects that are often time-sensitive and directly aligned with provincial priorities.

Enbridge recommends that the new policy-making authority be used to ensure proportionate and efficient treatment of LTC exemption applications. The OEB CEO should be empowered and encouraged to issue guidance that accelerates the review of exemption filings, particularly for priority infrastructure that supports the government's pro-growth agenda.

Section 6: Municipal Franchises, *Municipal Franchises Act* and *Public Utilities Act*

Enbridge is proud to be a trusted utility partner and energy provider of choice for over 4 million Ontario homes and businesses. Our safe and reliable natural gas network serves every facet of our province's economy. To facilitate this, we are party to over 340 Municipal Franchise Agreements with the towns, townships, cities, counties, municipalities and regional municipalities that comprise our diverse province.

Enbridge supports the government's proposed updates to the *Municipal Franchises Act* and the consequential amendment to the *Public Utilities Act.* The proposed amendments will modernize processes and improve efficiency while maintaining robust public interest oversight.

Removing elector assent. Eliminating the requirement for municipal electors' assent aligns the statutes with established OEB practice, recognizes council accountability to constituents, and removes an unnecessary step that has the potential to add time and cost to the regulatory process.

Modernizing section 10(1). Replacing the language "to operate works" with "to construct, operate, extend or add to works" aligns the *Municipal Franchises Act* with OEB approved certificates of public convenience and necessity, clarifying how franchise rights are exercised in practice.

Consequential amendment to the *Public Utilities Act*, s.58(1). To ensure consistency, Enbridge supports updating s.58(1) to remove the cross reference to elector assent, aligning the *Public Utilities Act* with the proposed changes to the *Municipal Franchises Act*.

Supporting future enhancements to the franchise approval process. Under the current framework, a municipality typically passes a resolution supporting a draft by-law authorizing the proposed franchise (in nearly all cases based on the terms and conditions of the Model agreement) before an OEB application is filed.

This municipal step provides the appropriate public forum for council to assess a franchise agreement renewal, hear delegations, and resolve issues with the utility prior to OEB consideration under sections 8 (certificate amendments), 9 (renewals on consent), or 10 (contested renewals). Keeping downstream OEB steps proportionate to the franchise renewal standardized scope improves efficiency without diminishing public input.

Enbridge values the Environmental Registry of Ontario (ERO) process as an effective mechanism for proposing supportive measures to the regulatory approval process under the *Municipal Franchises Act* and related legislation, and to ensure the Model Franchise Agreement remains an enduring and equitable framework for the contracted parties involved, as well as to identify efficiencies to support OEB-administered processes.

Section 7: Future Clean Electricity Fund (FCEF)

Enbridge supports using proceeds derived from Ontario's Clean Electricity Credit program to fund the FCEF. However, it strongly opposes the use of proceeds from the Emissions Performance Standards (EPS) program for this purpose, as doing so may reduce funding available to EPS participants.

Enbridge recommends expanding the eligible project types under the current EPP (Emissions Performance Program) for EPS participants, including electricity generators, to cover the utilization and procurement of low-carbon fuels such as hydrogen and Renewable Natural Gas produced within Ontario. At present, EPP eligible project types are limited to capital and study-based projects and exclude electricity generators.

The use of lower-carbon fuels presents an important emissions reduction opportunity for difficult-to-electrify facilities and can further reduce emissions in Ontario's electricity sector. However, high-cost premiums and limited opportunities for self-production have discouraged widespread adoption. By broadening EPP funding eligibility to include the utilization and procurement of third-party produced lower-carbon fuels, the government could better support its IEP objectives to develop hydrogen and renewable fuel sectors. This approach would also complement the project work undertaken through the Hydrogen Innovation Fund.

Conclusion

Ontario's ability to meet its growing energy needs while attracting investment, supporting industrial development, and delivering on climate commitments will depend on strong,

integrated, and forward-looking regulatory frameworks.

The proposed legislative amendments represent a critical step toward modernizing Ontario's energy policy architecture. By supporting efficient data centre connection frameworks, enabling the expansion of natural gas and hydrogen infrastructure, improving cost-recovery mechanisms, and streamlining adjudicative processes, the government can accelerate the delivery of vital energy infrastructure and ensure that regulatory processes keep pace with economic growth.

Enbridge appreciates the opportunity to provide this submission and supports the Ministry in its efforts to deliver on the objectives of the IEP. We look forward to continued engagement and collaboration as Ontario builds the energy foundation for long-term prosperity and competitiveness.

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