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OEB Approves Rate for New Gas Transportation Service for Natural Gas Distributors

By Fred D. Cass

On April 9, 2020, the Ontario Energy Board issued its decision in respect of an application by Enbridge Gas Inc. for leave to construct the proposed Owen Sound reinforcement pipeline project. The project is intended to provide additional natural gas transmission capacity to supply EPCOR Southern Bruce Gas Inc. with gas to serve the area of South Bruce and to supply demand growth in Enbridge's Owen Sound system. In the application, Enbridge sought other approvals from the OEB, including approval of a new Rate M17 firm transportation service for natural gas distributors. Enbridge proposed the new service to meet a request by EPCOR Natural Gas Limited Partnership ("ENGLP") for gas transportation to serve the Southern Bruce project. Enbridge also proposed to modify its existing Rate M9 and Rate T3 rate schedules for gas distributors to limit the applicability of these rates to existing gas distributors.

In its decision, the OEB granted leave to Enbridge to construct the Owen Sound reinforcement project and it approved Enbridge's proposal for a contribution in aid of construction towards the capital costs of the project by ENGLP. In this regard, the OEB said that the project would benefit the communities to be served by ENGLP and therefore it was appropriate for a proportionate share of the costs of the project to be paid for through the capital contribution.

With regard to the proposed new gas transportation service, the OEB pointed out that natural gas distributors in Enbridge's Union South rate zone receive service under the existing rate classes for Rate M9 and Rate T3. Customers under these rate classes receive bundled delivery services or a semi-bundled storage and transportation service and customers in both rate classes have access to cost-based storage services. Customers under these rate classes received service prior to the issuance of the Natural Gas Electricity Interface Review ("NGEIR") decision in which the OEB determined that new ex-franchise customers of the former Union Gas Limited would not be eligible for cost-based storage. ENGLP was the first new natural gas distributor to request service from Enbridge after the NGEIR decision. Enbridge therefore proposed a new rate class (Rate M17) for gas distributors requesting gas transmission service after the NGEIR decision.

ENGLP and other parties argued that the proposed Rate M17 would constitute undue discrimination and ENGLP opposed Rate M17 mainly because it would not allow ENGLP to access cost-based load balancing and storage services. However, the OEB agreed with Enbridge that, by requiring ENGLP to obtain market-based storage, Enbridge was not discriminating, but was directly applying the regulatory policy set out in the NGEIR. The OEB noted that Rate M17 provides the same access to competitive storage options that, at the time of the NGEIR decision, was available to legacy Enbridge Gas Distribution, Gaz Métro and Utilities Kingston.

The OEB addressed other arguments about the proposed Rate M17 and approved the new rate subject to certain modifications that are explained in its decision. The OEB also approved Enbridge's proposal to limit the applicability of the Rate M9 and Rate T3 rate schedules to existing gas distributor customers.

The OEB found that, consistent with the NGEIR decision, new natural gas distributors should not have access to cost-based storage. Accordingly, new gas distributors are not eligible for Rate M9 or Rate T3 service. With respect to a proposal by Enbridge to "grandfather" existing customers in accordance with the NGEIR decision, the OEB said that existing customers are not required to switch to the M17 Rate, although they are permitted to do so at their own discretion. However, to avoid the administrative costs of the potential for continuous switching between Rate M17 and their current rate, the OEB ordered that existing customers who choose to switch to Rate M17 will lose their eligibility to re-take service under Rate M9 or Rate T3.

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