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Clean Air Council Submission on the Proposed Amendments to the Ontario Energy Board Act, 1998 to provide the government with the authority to ensure fair and informed decision-making at the OEB to foster affordable communities. (ERO number 019-8307)

The Clean Air Council (CAC) is a network of 41 municipalities from across Greater Toronto, Hamilton, Eastern and Southern Ontario that work collaboratively on the development and implementation of clean air and climate change mitigation and adaptation actions. The CAC network represents over 10 million Ontarians. Clean Air Partnership (CAP) is a charitable environmental organization that supports the ambition and implementation of municipal climate action. CAP serves as the facilitator for the Clean Air Council network. The below highlights the consensus-based input from the CAC municipal network.

Most CAC member municipalities have passed climate emergencies, committed to science-based greenhouse gas (GHG) reduction targets, and are in the process of implementing their Climate Action Plans. Ontario municipalities all recognize the critically important role that Ontario's energy system plays in meeting the energy needs of Ontarians and the challenges of managing and planning for Ontario's energy system. CAC member municipalities are very keen to work with the Ministry of Energy and its partners to ensure that Ontario progresses towards increased affordability, efficiency and decarbonization in Ontario's energy system.

CAC recommends that the Ministry uphold the Ontario Energy Board's decision to reduce the revenue horizon which gas utilities use to calculate the upfront cost of new connections for small volume customers from forty years to zero, effective January 1, 2025.

In December of 2023, the Ontario Energy Board (OEB) publicly issued a comprehensive decision on an application by Enbridge Gas Inc. (EGI) for approval of Ontario gas distribution rates commencing January 1, 2024. The decision is the result of a thorough public hearing process, which involved more than a year of review, thousands of pages of company and expert evidence, a comprehensive oral hearing and a thorough process for submissions by EGI, OEB staff, several informed, expert customer and public interest intervenors and other stakeholders. Effective from January 1, 2025, the OEB decision ended a subsidy of approximately \$4,412 (weighted average of new construction and existing homes in the "Enbridge Gas Distribution" rate zone) per home for the cost of bringing fossil fuel pipelines into new residential developments due to its negative cost implications for both current gas consumers and prospective homebuyers.

This OEB decision reflected that the existing 40-year revenue horizon period does not adequately account for the risk that the ongoing energy transition may result in natural gas assets being replaced over a shorter period by heat pumps or other technology, which could leave future ratepayers burdened with the residual cost of any “stranded” assets. Restoring the 40-year revenue horizon provides natural gas with an up-front cost advantage against alternative options like heat pumps – derailing plans to achieve municipal and federal net zero greenhouse gas commitments and Ontario’s ability to meet its own GHG targets and move towards decarbonization: 30 percent below 2005 levels by 2030 and any future targets.

Moreover, this subsidy negatively impacts existing gas customers as they bear the burden of its costs through elevated energy bills, resulting in a substantial yearly capital expense exceeding \$250 million or roughly \$600 per customer¹. This subsidy is also detrimental to new homebuyers as it provides an incentive for developers to incorporate gas equipment, which incurs significantly higher operational expenses for building occupants and owners over the lifetime of that equipment. Residents will have to bear the financial burden of upgrading to non-fossil fuel heating and cooking systems in the future rather than starting with the right equipment. The subsidy might serve as a deterrent for developers to build energy efficient homes (e.g., use natural gas instead of heat pumps for heating needs), thereby affecting their ability to meet respective Municipal Green Development Standards, Thermal Energy Demand Intensity targets and GHG targets for new construction. The subsidy leads to increased energy costs for both ratepayers and new homebuyers while also promoting the use of fossil fuels and exacerbating the impacts of climate change. Discontinuing the 40-year revenue horizon period will alleviate the cost burden on existing gas customers and provide a fair choice to new customers to adopt lower carbon technologies while contributing to the reduction of carbon emissions.

Electric heating offers greater economic benefits to our communities and the province as compared to gas heating. Money spent on gas exits the province, detracting from our local economy. Conversely, investing in electricity contributes to the expansion of electricity generation, local distribution, and transmission within Ontario, fostering local job creation, economic development, and increased government revenue.

Moreover, the Financial Accountability Office of Ontario’s [CIPI: Summary Report - Estimating the budgetary impacts of changing climate hazards on public infrastructure in Ontario](#) estimates that the changing climate will add \$4.1 billion per year to public infrastructure costs on an average in a medium emissions scenario if the governments don’t adapt. This fossil fuel subsidy will hinder Ontario’s climate change mitigation efforts and result in increased infrastructure related costs.

CAC recommends that the OEB continues to retain the authority to determine and set the delivery rates for proposed and future projects. The OEB’s decision to end the gas pipeline subsidy in December 2023 was made based on detailed evidence and a thorough process which involved broader stakeholder consultation. Overriding OEB’s decision would trample on the independence of the energy regulator, whose mandate is to protect the interests of consumers.

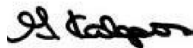
¹ OEB Decision and Order in EB-2022-0200, December 21, 2023, p. 48 Link <https://www.rds.oeb.ca/CMWebDrawer/Record/827754/File/document>

Funding provincial economic development initiatives has traditionally been a government responsibility, while setting rates for energy delivery to recover from customers the costs to serve them has traditionally been the purview of our expert independent energy regulator, who works in the best interest to match customer costs to customer benefit. These legislative amendments would result in governmental authority to direct that gas delivery rates be set to subsidize the government's economic development and/or other priorities. This would result in the natural gas rate base bearing the costs of stranded natural gas assets in future, should the homeowners in the new developments served by natural gas infrastructure decide to switch to heat pumps.

An independent and expert energy regulator is critical to thoughtfully executing the details of overall energy policy within the regulator's areas of responsibility. The transparent, inclusive, fact-based processes that OEB engages in to do its work result in robust outcomes and public acceptability of those outcomes. Ontario's energy sector is going through a complex transition presently, and an independent regulator such as the OEB is valuable in guiding the sector through complex transition. The importance is underscored not only by the quality of the detailed regulatory determinations that the OEB makes to execute government policy choices but also for facilitating public confidence in and acceptability of those determinations and their outcomes. Undermining OEB's authority would negatively impact the decisions that are in the best interest of Ontarians.

The CAC is available to schedule a follow-up meeting with the Ministry to advance our collective energy planning discussions and decisions and ensure that we are preparing Ontario's energy system for the low carbon energy transition while also ensuring reliability and affordability for meeting Ontario's energy needs. For more information on the submission or to engage with the CAC, please contact Gabriella Kalapos at gkalapos@cleanairpartnership.org.

Sincerely,



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