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Report of the Ontario Energy Board

Framework for the Assessment of Distributor Gas Supply Plans

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1. Introduction

The Ontario Energy Board (OEB) has developed a Framework for the Assessment of Distributor Gas Supply Plans (the Framework). The Framework sets out the OEB's approach for the assessment of the cost consequences of rate-regulated natural gas distributors' (distributors) gas supply plans. The Framework will ensure that there is transparency, accountability and measurability regarding the distributors' gas supply plans to assure they deliver value to consumers. This Report of the Ontario Energy Board (the Report) provides the Framework and rationale behind it. The Report is designed to provide both distributors and customers information about the necessary elements of a gas supply plan and the OEB's approach to the assessment.

Distributors that are rate-regulated by the OEB provide natural gas supply services for the vast majority of their customers. The distributors supply the gas commodity to system gas customers who have chosen to buy gas from the distributor rather than enter into a contract with a gas marketer or producer directly. As well, distributors provide transportation (in some cases) and load balancing services (including storage) to customers who purchase their gas supply directly. These services require the distributors to develop a plan for supply, transportation and storage to meet the forecasted customer demand.

Gas supply costs represent a significant component of the gas bill for all customers – approximately 45 per cent for the average residential customer, for instance. The proportion of the bill that consists of gas supply costs varies as the market price of natural gas changes. The decisions made concerning gas supply and the arrangement of associated transportation and storage can have significant multi-year impacts on natural gas customers' costs.

In keeping with its commitment to protect consumers and hold distributors to account, the OEB has identified three guiding principles that will be used in assessing gas supply plans: cost effectiveness, reliability (which includes security of supply) and support for public policy. The Framework outlines the information that the OEB requires to assess whether the gas supply plans appropriately balance the guiding principles and deliver value to customers. The responsibility for delivering reliable supply to customers in a prudent manner remains with the distributors. Distributors manage and execute their plans and adjust their activities to address changes to demand and supply conditions.

1.1. Consultation to Develop the Framework

On March 16, 2017, the OEB launched the initiative to update the regulatory approach to the gas supply planning process with the objective of injecting greater transparency, accountability and measurement to ensure that consumers are getting value for money. Through this initiative, the OEB determined that it would develop a framework designed to achieve these objectives, and to allow for a consistent approach to the assessment of rate-regulated distributors' gas supply plans. A Technical Working Group, having a balanced and broad representation of relevant interests, was established to provide advice on a number of topics related to the development of the Framework.

The OEB issued the *Draft Report of the Ontario Energy Board: Framework for the Assessment of Distributor Gas Supply Plans* (Draft Framework) on April 12, 2018 for stakeholder comment. The OEB received comments from nine stakeholders, including natural gas utilities, consumer groups representing residential, commercial and industrial natural gas users as well as environmental organizations.

Stakeholders were generally supportive of the Draft Framework and the OEB's initiative to provide guidance on its assessment of gas supply planning with the objective of increasing accountability, transparency and performance measurement. Some comments focused on the principles that would guide the OEB's assessment of the plans, including the inclusion of public policy as a guiding principle. Distributors suggested some changes to the principles, including seeking greater specificity in the set of principles. Stakeholders provided comments regarding the assessment criteria as well as how they should be applied. Some stakeholders questioned whether the length of time between plan reviews was too long to ensure oversight given the changing state of gas markets. A number of stakeholders commented on the assessment process, saying there was a need for increased stakeholder engagement and that the process should follow more of an adjudicative approach rather than the stakeholder model that ends with a report by OEB staff.

The OEB has considered all of the comments and made amendments to the Framework where appropriate. Additional clarity regarding the principles that will guide the OEB's review has been provided. In regard to comments on the plan review process, the information contained in the review and assessment of gas supply plans is intended to inform other related applications and provide a basis of understanding about the plans for the OEB when it is deciding on related applications. As stated earlier, the assessment of the gas supply plans will not result in a decision on the costs or cost recovery. That would be the subject of related applications. Changes have been made to the process for plan review to allow for additional stakeholder engagement, including questions and additional submissions.

1.2. Next Steps to Implementing the Framework

In order to implement the Framework, a distributor will submit to the OEB a comprehensive five-year gas supply plan for a detailed review once every five years. In addition, distributors will submit an annual gas supply update that focuses on the changes to the supply and demand conditions and includes a retrospective view of the plan's performance. The OEB has set out the process and approach it intends to take for the review of the five-year gas supply plan and the annual gas supply update. Through a robust review of the plan, including consideration of rate impacts and risks, the OEB will be able to rely on the plans in related applications filed by distributors.

This Report is organized into six sections including this introduction to the initiative.

Section two provides background on the current review of distributors' gas supply plans and the consultations that led to the development of the Framework.

Section three sets out the guiding principles and criteria that the OEB will rely on to assess the cost consequences of the distributor's gas supply plans.

Section four explains the process the OEB intends to follow for the review of distributors' gas supply plans.

Section five describes how the results of the OEB's review may be used in other related applications before the OEB.

Section six sets out the OEB's plan for evaluating the effectiveness of the Framework in meeting the objectives of transparency, accountability and improved performance measurement.

Finally, as part of implementing the Framework, the OEB has identified filing requirements for both the five-year gas supply plan and the annual gas supply update, which are attached as Appendix A to this Report.

2. Background

2.1. Gas Supply Plan Development

The goal of a distributor's gas supply plan is to develop a portfolio of gas supply, transportation and storage assets that provides customers with service that meets demand and is consistent with the province's public policy objectives.

Gas supply planning starts with a demand forecast. The distributor's projected customer requirements will differ between distributors and regions and is based on customer mix and location. Once the demand forecast is developed, distributors identify how they will provide sufficient supply to meet their demand requirements. Distributors will determine the mix of assets (i.e., transportation and storage) that will enable them to achieve this goal. Once the asset mix is developed, distributors will then determine an approach to procuring the commodity that efficiently utilizes the assets. This could entail various pricing tools such as longer term price commitments and shorter term or index pricing approaches.

2.2. Current Gas Supply Planning Review

Distributors currently provide gas supply information to the OEB at various times. The gas supply memoranda that distributors include in their annual rate application provides an overview of a distributor's planning activities. The overview describes the process that the distributor has adopted in developing its supply, transportation and storage strategies to meet its forecasted demand. The primary focus of the rate application is not the pass-through charges related to gas supply. This is done as part of the Quarterly Rate Adjustment Mechanism (QRAM) discussed below.

Through the consultations it has been identified that the memoranda do not provide critical data that would enable the OEB to assess how the plan compared to the distributor's forecast or the customer bill and rate impacts. The review of a distributor's application covers a wide range of topics and provides limited opportunity for the OEB to assess and connect the distributor's gas supply planning process with the cost information in the rate application. Under the Framework, it is expected that distributors' gas supply plans will expand on the information in the memoranda to meet the objectives set out here.

Distributors are reimbursed for supply and transportation on a cost pass-through basis through the QRAM. The QRAM process reflects the result of the distributor's implementation of gas supply planning activities and any near-term actions taken to respond to market conditions. It is intended to be a mechanistic approach to adjust rates based on: (a) variances between the previously set rate and the actual costs incurred;

and (b) the impact of updated future forecasted gas supply prices on the gas supply portfolio. As the QRAM process is mechanistic, it does not provide opportunity for a detailed assessment of the inputs and does not articulate a link between gas supply planning and the QRAM rates.

2.3. Developing the Framework – Prior Policy Initiatives

The winter of 2013/14 was much colder than forecasted, which caused the demand for, and price of, natural gas to increase significantly across a large portion of North America. The two large gas distributors in Ontario, Union Gas Limited and Enbridge Gas Distribution Inc., implemented their respective supply plans but in the end experienced supply costs that were far in excess of what was forecasted. This resulted in significant but different rate impacts in each of the distributor's subsequent applications under the QRAM. To better understand the factors that contributed to this price increase, its impact on customers and the reasons for the distributors' different approaches, the OEB undertook a number of initiatives to review what happened, the adequacy of the existing gas supply planning process and the OEB's regulatory oversight of it.

In December 2014, the OEB hosted a Natural Gas Market Review that included a discussion of pricing influencers in the winter of 2013/2014 and their impact on customers. The resulting OEB [Staff Report to the Board on the 2014 Natural Gas Market Review](#) recommended that the OEB initiate a proceeding to review its policy in relation to gas procurement and the assessment and approval of distributor gas supply plans.

Following the Natural Gas Market Review, the OEB initiated a stakeholder consultation on distributor gas supply planning ([EB 2015-0238](#)) to focus on gas supply and transportation planning strategies and the approach distributors take to developing their plans. The output of the consultation was an OEB [Staff Report to the Ontario Energy Board](#). The Staff Report proposed a structure and content for future gas supply planning memoranda, and recommended that the OEB consider improvements to the current review process for gas supply planning. The recommendations were based on the three foundational objectives, identified through the consultations, of increased accountability, transparency and performance measurement.

- 1) *Increased Accountability - Gas distributors should apply for pre-approval of their Gas Supply Plan on a stand-alone basis (separate from other applications). The application should be submitted at the same time, in the same format (to ensure that they can be easily compared) and reviewed jointly by the same panel.*
- 2) *Increased Transparency - Gas distributors should submit a gas supply memorandum annually on a stand-alone basis. This new memorandum should be in a common format and submitted at the same time. The content should be consistent with the information already included in gas supply*

- memoranda and include the side-by-side comparison document developed in this consultation.*
- 3) *Performance Measurement – To increase the OEB’s ability to measure the performance of the distributors’ gas supply plans, the new memoranda should include a report card on the performance of the plan over the previous 3 years along with a forecast of the forward looking 3 years. The report card should be in a common format that enables a side-by-side comparison.*

The OEB endorsed the recommendations from the Staff Report and initiated the development of this Framework.

3. The Framework

The OEB expects that the implementation of the Framework will introduce greater transparency, accountability and performance measurement to the review of gas supply plans to ensure that customers are receiving value from the distributors' gas supply activities. The Framework builds on prior consultations and the OEB's experience in reviewing distributors' gas supply plans.

The approach set out in the Framework ensures transparency by requiring distributors to publicly file a comprehensive five-year gas supply plan once every five years and annual updates. The assessment process will provide customers and other stakeholders the opportunity to file comments with respect to the gas supply plans. In addition, clearly defined principles are established that the OEB will apply in the assessment of the gas supply plans, which ensures that both customers and the distributors understand how the gas supply plans will be considered.

Distributors maintain responsibility to develop and execute their gas supply plans and are accountable for the outcome. To this end, performance metrics will assist the OEB in assessing whether the gas supply plans are achieving the Framework's guiding principles. The Framework places a greater emphasis on the customer impact of the gas supply decisions that are made on their behalf. This will include an assessment of costs, risks and volatility of the plan.

3.1. Guiding Principles for the Assessment of Gas Supply Plans

The OEB is of the view that a principle-based approach to gas supply planning is an effective means of guiding the distributors' approach to developing a gas supply plan that is consistent with the outcomes customers' desire. In assessing a gas supply plan, the OEB will focus on determining whether or not a distributor has successfully balanced all of the guiding principles. Guiding principles also help provide consistency, clarity and predictability in the OEB's assessment of the plans.

The OEB has defined guiding principles that are consistent with its legislated mandate to protect the interests of customers with respect to price and the reliability of gas service. The guiding principles for a distributor's gas supply plan are to deliver gas supply that is cost-effective, reliable (secure) and achieves public policy objectives.

- 1) Cost-effectiveness – The gas supply plans will be cost-effective. Cost-effectiveness is achieved by appropriately balancing the principles and in executing the supply plan in an economically efficient manner.
- 2) Reliability and security of supply – The gas supply plans will ensure the reliable and secure supply of gas. Reliability and security of supply is achieved by ensuring gas supply to various receipt points to meet planned peak day and seasonal gas delivery requirements.

- 3) Public policy – The gas supply plan will be developed to ensure that it supports and is aligned with public policy where appropriate.

For clarity, cost-effectiveness does not necessarily mean the “lowest cost,” reliability does not mean “reliable at any cost” and support for public policy does not mean “support at any cost” or “any level of reliability.” Rather, the intent is to strike a balanced approach to the benefit of customers. Distributors are required to demonstrate that their gas supply plans balance the principles in a way that is prudent and appropriate for customers. It is expected that distributors will employ strategies that clearly describe their approach, customer impacts and risks associated with both the options considered and chosen to deliver value to customers.

3.2. Framework Criteria

The information requirements set out below will be used by the OEB to evaluate a distributor’s plan to assess whether it meets the principles and delivers value to consumers. Gas distributor’s plans must meet specific criteria established by the OEB and the gas supply plan should include a description of how the criteria have been met.

3.1.1. Demand Forecast Analysis

The development of demand forecasts is the starting point for gas supply planning. Distributors prepare demand forecasts so that they can determine the appropriate portfolio of transportation and storage assets required to meet customer demand. Distributors will use these forecasts to inform the development of their plans and also for the purposes of cost allocation and rate-setting. Distributors already prepare volume forecasts and the OEB expects the distributors to use its OEB-approved methodology when preparing a gas supply plan.

As part of the review of a gas supply plan, the OEB will assess whether the distributor has demonstrated they have considered the appropriate factors that could impact the demand forecasts. In presenting their demand forecasts, distributors should describe the process they undertake to develop the forecast and describe the associated risks with their approach. For example, distributors should describe factors such as historical demand, customer demographic trends, changing weather patterns and how they impact the forecast. In its assessment of the gas supply plan, the OEB will consider whether the distributors have appropriately supported their decision and incorporated an understanding of current and future trends. A detailed description of this along with a rationale that supports their approach will assist the OEB in understanding how distributors undertake this task and the potential customer impact.

3.1.2. Supply Option Analysis

The OEB will assess whether the distributor has demonstrated that their gas supply plan balances cost with the other outcomes described in the guiding principles. The gas supply plan will describe the options that were considered and how the selected option was determined. The description will need to include an analysis of the landed cost and bill impact(s) of the options examined, identify the risk associated with each option and how the options align with the guiding principles. This approach will be applied to the development of the distributor's transportation, storage and supply strategies within the gas supply plan.

To effectively demonstrate that the plans have considered a variety of options, best- and worst-case scenarios and their impact on customers, distributors will provide information that supports their planning decisions. This will include, but not be limited to, the following:

- A description of a forecast that outlines the current market conditions in Ontario and North America (Market Outlook) at the outset of gas supply planning to provide context for the decisions that distributors make.
- A description of the costs associated with the various options considered and how the final option(s) was/were selected.
- Analysis of the bill impact of options considered and how these compare to the selected option(s), including a description of the considerations used to determine the final plan.
- A description of how the options considered the impact of price volatility as a result of various supply/demand scenarios and how the distributor determined what level of volatility was deemed acceptable for customers.
- A description of the various options considered to deliver reliable supply to customers and why the final option(s) was/were chosen.
- Analysis of the cost and bill impact of options considered and how these reliability options compare to the selected option(s), including a description of the considerations used to determine the final plan.
- A description of the distributor's approach to balancing reliability and flexibility (including planned discretionary supply) within its plan and the cost and risk trade-offs associated with their approach.
- A description of how the distributor built supply and transportation route diversity into the plan and the cost implications and risks associated with their approach.

An expected outcome for the gas supply plan is that it provide the flexibility to respond to changing market conditions while balancing cost-effectiveness and maintaining reliability of supply. One of the ways distributors have historically done this is to procure less supply than they have contracted pipeline capacity to ship. This provides the distributor with an opportunity to sell capacity or procure supply to meet demand and changes in requirements. The gas supply plan must describe how the distributor has determined these quantities and identify the risks associated with their approach along with the impact on customers, including the costs associated with unutilized assets.

The analysis of supply options will also provide the distributor with the opportunity to identify new sources of supply through renewable natural gas (RNG). Building this new supply into its plan may require the distributor to expand on areas such as supply development, flexibility and value to customers.

3.1.3. Risk Mitigation Analysis

Distributors develop a gas supply plan that supports the needs of its customers as identified through the demand forecast, and in doing so also manages both the cost and reliability-related risks on behalf of their customers. Increased reliability typically costs more and distributors are expected to determine the appropriate balance. Distributors will articulate their approach by including a suite of scenarios that describe the envelope of plan forecasts based on worst, best and most likely cases, in addition to their selected option(s). This accompanied by commensurate price forecasts for customers can describe the range of realistic outcomes. By describing the potential causal events that would lead to those outcomes, the OEB will be in a better position to understand the implications of the plan, its flexibility and impacts.

One of the underlying themes of the consultation on distributor gas supply planning was the topic of risk and the cost to mitigate it. Currently in Ontario, distributors manage the gas supply portfolio by balancing cost and reliability. During prior consultations, stakeholders had difficulty understanding how the distributor's objectives for the plan were linked to some of the decisions that distributors make. For example, distributors assess the risk/cost trade-off between procuring landed supply or procuring closer to the production source but the inputs to the final decision and a description of the alternative options were not articulated in a meaningful way in the gas supply memoranda.

Under the Framework, the gas supply plans will have to provide a clear description of the risk management process (identification and mitigation) and an assessment of the risk/cost trade-off implications for customers that are associated with options examined. This will include, but not be limited to, a description of the how the distributors' plans will address demand forecast variability and price volatility. Gas supply planning strategies should be flexible so that they can adapt to changing market conditions and customer demand in both the short-term and long-term. Gas supply planning should also minimize risk by diversifying contract terms, supply basins and upstream pipelines, and other strategies designed to maintain a viable gas industry in Ontario. This information will assist the OEB in assessing the differences in risk profiles for the various options as well as for the respective distributors. The OEB will assess the distributor's approach to managing risk to determine if the approach is reasonable and in line with customer expectations.

3.1.4. Achieving Public Policy Objectives

The distributor is to identify and demonstrate the public policy that their gas supply plan is supporting and how they've balanced achieving this with the other guiding principles in this Framework. They should be public policy initiatives that are in effect rather than proposed public policy initiatives.

3.1.5. Procurement Process and Policy Analysis

Once the transportation and storage strategies have been established, the execution of the gas supply plan is based on the distributors' respective gas procurement policies. The gas supply plan will include an overview of these policies along with a description of how the distributor monitors the market and what resources are applied to ensure that it meets demand.

In addition, the distributors should describe the "triggers" and other considerations that require it to take action (e.g., sell/procure more gas, sell/procure transportation, curtailment or storage), the options available and the risks associated with their approach, along with the impact on customers. The distributors should be mindful that a description of triggering events does not impact the markets and therefore negatively impact customers.

Distributors will need to provide a robust description of the internal processes and level of expertise associated with developing, reviewing, approving and executing the gas supply plan. For example, distributors in the past have used consultants to provide market forecasts and analysis that were used to inform their plans. Distributors should provide a description of the work completed by third parties and how their work is considered when developing the gas supply plan.

3.1.6. Performance Measurement

It is expected that a distributor will develop performance metrics that reflect the criteria the OEB has established to demonstrate how the principles have been achieved. The measures should demonstrate the value proposition for customers and how it balanced the Framework's guiding principles. Effective metrics will allow the OEB to focus its assessment on results that deliver value for customers and not a line-by-line review of expenditures.

Distributor performance metrics should link directly to one or more of the gas supply plan criteria and be chosen to illustrate the benefits expected from the gas supply planning decisions the distributor has made. Performance metrics are generally quantitative measures that will be used to assess whether the principles have been

achieved. However, qualitative measures, such as increased reliability, may also be considered. Performance metrics ensure that the outcomes are measurable in keeping with one of the objectives of the Framework.

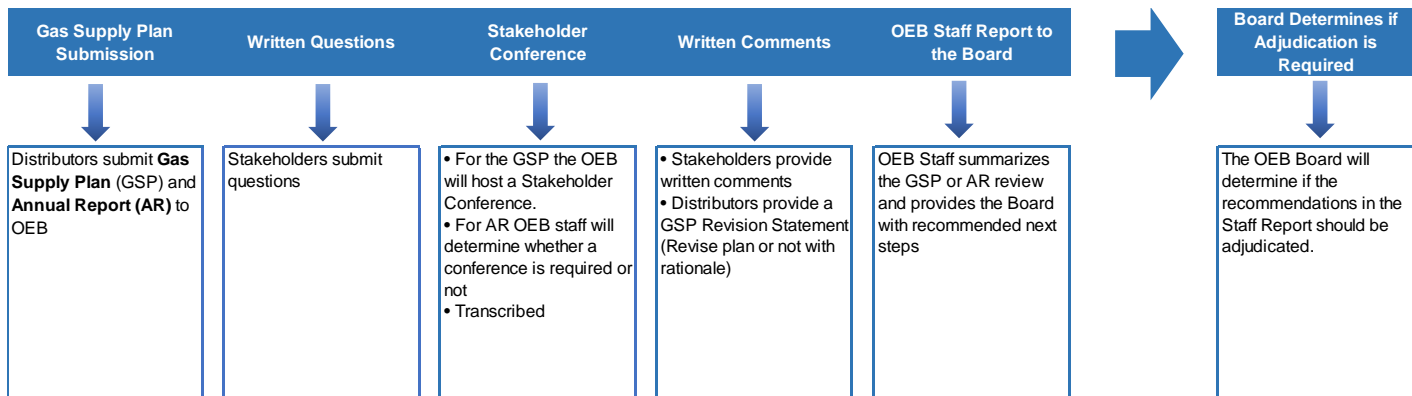
In reviewing distributors' performance metrics, the OEB's considerations are:

- A focus on strategy and results, not activities.
- Demonstration that distributors consider opportunities for continuous improvement in their planning.
- Demonstration of value to customers.
- Performance metrics that will accurately measure whether the plans are cost-effective and reliable and support public policy.

The performance metrics of the gas supply plans should reflect the Market Outlook and the critical elements of the plan that the distributor intends to use to meet its demand requirements. At a minimum, distributors should use the Market Outlook section of their gas supply plans as the basis for developing performance metrics. The Framework's filing requirements provide more information about what is to be included in the outlook.

4. Gas Supply Plan Assessment

The Framework outlines a robust process for the review of distributors' gas supply plans, in particular to achieve the transparency that has been endorsed by the OEB. Given the importance of gas supply-related costs to natural gas customers, the process must ensure adequate participation and engagement. Gas supply plans play an important role in a number of different OEB processes, discussed further below. Therefore, it is important to consider how the process for the review of the plans can contribute to these other proceedings to deliver greater value to customers.



4.1. Gas Supply Plan Submission

The OEB requires the distributors to submit a five-year gas supply plan for review every five years. The OEB believes that five years is an appropriate period for a robust review of the gas supply plans because it allows for an efficient use of resources for all stakeholders. This review will provide the main OEB assessment of the cost consequences using the criteria set out in the Framework.

During the years between the gas supply plan reviews, an annual supply plan update will be submitted to provide the OEB and stakeholders with an opportunity to examine changes in the demand forecast and the market, reflecting on the previous year's actual comparison to their plan. The depth of review of the update will be contingent on the level of divergence from the five-year gas supply plan.

The filing requirements attached as an Appendix to this Framework provide an overview of the type of information that is expected to be contained in the distributor's gas supply plan submissions. These filing requirements have taken into consideration the type of information identified in prior consultations. The filing requirements will provide the OEB with the information necessary for the review and assessment of a distributor's plan for alignment with the principles set out in the Framework.

4.2. Stakeholder Engagement

Distributors will submit their gas supply plan to the OEB in accordance with the timing to be established by the OEB. The OEB will provide stakeholders with the opportunity to submit written questions about the plan prior to the stakeholder conference and final written comments after the conference. The stakeholder conference will be transcribed and will provide an opportunity for the distributor to present its plan and address questions from stakeholders about the manner in which the guiding principles are achieved. All material will be posted on the OEB's website.

Distributors, based on feedback received from the stakeholders and OEB staff, may choose to provide written comments or revise their plans after the stakeholder conference. Distributors will provide a gas supply plan revision statement that describes the plan revisions with supporting rationale underpinning their decision.

4.3. Staff Report to the OEB

OEB staff will prepare a report to the OEB providing its assessment of the plan. The OEB staff report will be informed by the stakeholder conference and written submissions. Following consideration of the OEB staff report, the OEB may determine that a proceeding is required to address specific issues highlighted by the staff report. Unless the OEB decides to hold a proceeding to consider the distributor's plan, the five-year review process would end with the OEB staff report.

4.4. Annual Gas Supply Plan Updates

Distributors are required to provide an annual gas supply plan update. The annual gas supply plan update is an important tool for distributors to identify significant events that result in a change to the gas supply plans. They will primarily focus on updates to the Outlook section of the gas supply plan, a description of significant changes from previous updates and a historical comparison of actuals to the Outlook. The content and format of the updates can be found in the Filing Requirements.

The review and assessment of the Update will be carried out in a manner similar to the five-year gas supply plan. The OEB will determine if the update submitted has significantly diverged from the five-year plan, and would benefit from holding a more in-depth evaluation. OEB staff will prepare a report to the OEB providing its assessment of the update. The timing of the update and review may be co-ordinated with other related applications from the distributor.

5. Links to other Applications

It is expected that information provided in the gas supply plan will be used to inform other gas supply-related applications submitted to the OEB. The gas supply plan assessment under the Framework is expected to provide for greater efficiency in these other related application processes. Distributors will retain the responsibility to support their gas supply plans in these other applications in a manner that promotes regulatory efficiency and avoids duplication and overlap.

5.1. QRAM

The gas supply plan describes the most likely outcome and cost envelope (best/worst case) of the distributor's planning activities over a five-year forecast period. In addition, the annual updates will include any adjustment to the forecast and a comparison of actuals with what was forecast for the previous 3 years. With the annual update filings, distributors can demonstrate how changes to the gas supply plan compare to their forecasts in QRAM. This provides a baseline for assessing actual costs compared to forecasted costs and the impact on the customers' rates.

5.2. Leave to Construct

In some cases, leave to construct applications are centred on improving cost effectiveness/reliability for customers. The gas supply plan provides distributors with a consistent mechanism to demonstrate how some specific types of projects will deliver value to customers and can be used to measure the impact over time to determine if the distributor's assessment of benefit was accurate. In addition, the gas supply plan can highlight the need for additional facilities to support demand and provides a link to the distributor's Utility System Plan.

5.3. Long-Term Contracts

Applications for pre-approval of long-term contracts often focus on the value to customers in terms of cost, reliability and public policy. The gas supply plan will provide a mechanism for the distributor to demonstrate the value to customers of the proposed long-term contract (e.g., NEXUS) and the ability to measure the outcome over time.

5.4. Rate Applications

As discussed earlier, distributors' rate applications have or may have an impact on gas supply, transportation and storage rates. The gas supply plan offers a consistent basis to demonstrate how the distributor's gas supply plans and decisions may affect rate applications, including capital plans for new facilities.

6. Monitoring the Framework in meeting the OEB's Objectives

The OEB expects that over time, experience and lessons learned will provide insight into aspects of the Framework that can be further enhanced and strengthened. After the first five-year plan has been completed and implemented, the OEB will assess the Framework and the review process against the following outcomes:

- The regulatory expectations in relation to gas supply planning inputs are understood by the gas utilities and all gas supply stakeholders.
- The regulatory approach to assessing gas supply plans is clear and consistent.
- The application of OEB performance metrics on the outcomes of gas supply planning result in positive outcomes for customers.

The OEB will monitor, evaluate and report on whether the expected policy outcomes for the Framework are being met over time.

Appendix

Filing Requirements – Distributor Gas Supply Plans

These Filing Requirements are intended to assist distributors in preparing their gas supply plans in order to align with the OEB's Framework. The guidelines outline the minimum information necessary to be filed by gas distributors in order for the OEB to review their gas supply plans and gas supply plan updates.

These requirements provide direction to the distributors on the content of their plans. The requirements should be read in conjunction with the Framework to fully understand the intention behind the requirements.

1. General Gas Supply Plan Requirements

The plans and updates are to be submitted to the OEB by deadlines established by the OEB. The basic information that distributors must include with their gas supply plans are outlined in this section.

1.1. Administrative Information

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- Introduction – The introduction should include a summary of the objectives of the plan and, at a high level, how the plan achieves the Framework's guiding principles.

- Significant Changes – To facilitate a more efficient review of the plans, distributors will describe the significant changes to the plan from the previously submitted plan and the resulting customer impact.

- Process, Resources and Governance – Distributors will provide a description of the internal processes and level of expertise associated with developing, reviewing, approving and executing the gas supply plan. For example, distributors in the past have used consultants to provide market forecasts and analysis that were used to inform their plans. Distributors should provide a description of the work completed by third parties and how their work is considered when developing the gas supply plan.

1.2. Gas Supply Plan Criteria

A description of the following gas supply plan criteria:

- 1) Demand forecast analysis
- 2) Supply option analysis
- 3) Performance metrics
- 4) Risk mitigation analysis
- 5) Achieving public policy
- 6) Procurement process and policy

The plans should focus on both the risk and impact to the customers. To effectively demonstrate that the plans have considered a variety of options and their impact on customers, distributors will provide information that supports their planning decisions. This will include, but not be limited to, the following:

- A detailed description of the process they undertake to develop the demand forecast and describe the associated risks with their approach.
- A detailed description of the rationale that supports their approach to developing their demand forecast, the options considered and their impacts on customers.
- A description of the costs associated with the various options considered and how the final option(s) was/were chosen.
- Analysis of the bill impact of options considered and how these compare to the chosen option(s), including a description of the considerations used to determining the final solution.
- A description of how the options considered (and chosen) impact price volatility and predictability and how the distributor determined what level of volatility was deemed acceptable for customers.
- A description of the various options considered to deliver reliable supply to customers and why the final option(s) was/were chosen.
- Analysis of the cost and bill impact of options considered and how these reliability options compare to the chosen option(s), including a description of the considerations used to determining the final solution.
- A description of the distributor's approach to balancing reliability and flexibility within a plan and what the cost and risk trade-offs are associated with their approach.
- A description of how the distributor built supply and transportation route diversity into the plan and what the cost implications and risks are associated with their approach.

1.3. Gas Supply Plan Outlook

The performance metrics of the gas supply plans should provide a quantitative forecast, or Outlook, of the following outputs of the plan that the distributor plans to use to meet its demand requirements. The performance metrics should describe how the plan is performing versus the forecast and should be meaningful to customers. At minimum, the Outlook section of the gas supply plan should include the following:

- Forecasted demand
- Commodity and other market-based solutions portfolio
- Renewable natural gas portfolio
- Transportation portfolio
- Storage portfolio
- Unutilized capacity
- Long-term contracts
- Other solutions that the distributor determines will be used to meet its demand requirements

1.4. Gas Supply Plan Execution

The gas supply plan should include an overview of the natural gas procurement policies used by the distributors and a description of the triggers that signal that action is required. This section will also include a description of the flexibility built into the plan, how these quantities were arrived at and what the impacts are for customers.

1.5. Description of Continuous Improvement Strategies

Continuous improvement to the gas supply planning task undertaken by the distributors is an important element of the transparency objective of the Framework. Distributors are expected to include areas of improvement in their plans.

1.6. Link to Other Applications

Distributors should describe how their plans link to other applications submitted to the OEB and highlight the bill and rate impacts of applications on the gas supply plan. If at a later date the distributor submits an application that appears to have an impact on the gas supply plan, the distributor will be required to describe why the gas supply plan impact was not included.

1.7. Three-Year Historical Review

The gas supply plan should include a review of the prior three years comparing the

Outlook included in the gas supply plan to actual data.

2. Annual Gas Supply Plan Update General Requirements

Distributors will submit an annual gas supply plan update (Update) to the OEB for review. The Update will include a three-year analysis of actual data that the OEB can compare to the data the distributor included in the Outlook section of the gas supply plan.

The following sections describe the minimum information that distributors are to include in their Update.

2.1. Significant Changes to the Gas Supply Plan

The Update should describe the significant changes to the plan from the previously submitted Update and the resulting customer impact.

2.2. Updated Gas Supply Plan Outlook

The Update should include updated data for the five-year Outlook.

2.3. Three-Year Historical Review

Distributors will include a three-year historical comparison of actuals to the Outlook similar to the comparison that would be included in the gas supply plan.

3. Submission Schedule

3.1. Gas Supply Plans

January 1, 2019 – Initial five-year gas supply plan for the following implementation year is due. For example, if the distributor’s planning period is January to December, the initial five-year plan will be for the period January 1, 2020, to December 31, 2024. Similarly, if the gas supply planning period is from November to October, the initial five-year plan will be for the period November 1, 2019, to October 31, 2024.

January 1, 2024 – Second five-year gas supply plan for the following implementation year is due.

3.2. Annual Updates

May 1, 2019 – Initial annual update for the prior three years and the following three years. Annual updates are required to be submitted to the OEB every year following the implementation of this Framework.