

March 5, 2024

OEB determines Enbridge's 2021 contracting with Vector Pipeline to be prudent

DECISION

On March 5, 2024, the Ontario Energy Board (OEB) issued its [Decision and Order](#) finding that Enbridge Gas Inc.'s (Enbridge) 2021 contracting decision with Vector Pipeline (Vector) was prudent based on the information available to Enbridge at the time that decision was made. The proceeding to consider this matter was commenced by the OEB on its own motion following the review of Enbridge's Annual Update to its five-year gas supply plan under the OEB's [Framework for the Assessment of Distributor Gas Supply Plans](#) (Gas Supply Framework).

The OEB was satisfied that, although the Vector contract option was not the least-cost alternative, Enbridge's contracting decision adequately considered and balanced reliability, flexibility, supply diversity and cost effectiveness consistent with the Guiding Principles set out in the OEB's Gas Supply Framework.

BACKGROUND

Enbridge contracted with Vector in 2021 for new capacity of 40,000 Dth¹/day for a term of November 1, 2021, to October 31, 2026, and also extended an existing 80,000 Dth/day contract from October 31, 2022, to October 31, 2025. Collectively, the new capacity and contract extension constitute the 2021 Vector contracting decision at issue in the OEB's proceeding.

The fixed cost for Vector transportation associated with Enbridge's contracting decision is approximately \$33 million over the term. Enbridge projected that natural gas delivered to the Dawn Hub via Vector would yield a landed cost that was higher than the cost of sourcing the supply at the Dawn Hub.

In keeping with the OEB's Gas Supply Framework, OEB staff led a consultation with interested stakeholders to review Enbridge's fourth Annual Update to its five-year gas supply plan, focused on the 2021 Vector contracting decision. In its October 30, 2023, report, OEB staff maintained its view that the 2021 Vector contracting decision was prudent. However, in response to material prudence issues raised and supported by some stakeholders, OEB staff recommended that the prudence of the 2021 Vector contracting decision be determined by a panel of OEB Commissioners.

INTERVENORS IN THE PROCEEDING

The OEB approved all stakeholders in the 2023 Annual Update consultation as intervenors, of which the first three made submissions in this proceeding:

¹ Dekatherm (Dth) is a unit of energy that is equal to one million British thermal units or ten therms. Dekatherms measure the actual heating value of a specific volume of natural gas.

- Energy Probe
- Federation of Rental-housing Providers of Ontario
- Industrial Gas Users Association
- Canadian Manufacturers & Exporters
- Pollution Probe
- School Energy Coalition
- Six Nations Natural Gas Co.
- TransCanada Pipelines Limited
- Vulnerable Energy Consumers Coalition

OEB FINDINGS

A summary of the OEB’s key findings follows below:

No “Presumption of Prudence” (*Section 4.1, p. 7*)

The OEB did not apply a presumption of prudence approach in this case. That is, it did not start with a presumption that the 2021 Vector contracting decision was prudent. Rather, the OEB examined that decision in light of what Enbridge knew or ought to have known at the time the decision was made.

2021 Vector Contracting Decision – Prudence Review (*Section 4.2, pp. 7-14*)

The Guiding Principles for the assessment of gas supply plans as set out in the Gas Supply Framework include cost effectiveness, reliability and security of supply and public policy:

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.

The OEB found that Enbridge adequately considered and balanced these factors, consistent with the Guiding Principles in the Gas Supply Framework.

About the OEB

The OEB is the independent regulator of Ontario’s electricity and natural gas sectors. It protects the interests of consumers and supports the collective advancement of the people of Ontario. Its goal is to deliver public value through prudent regulation and independent adjudicative decision-making which contributes to Ontario’s economic, social and environmental development.

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Ce document est aussi disponible en français.

This Backgrounder was prepared by OEB staff to inform Ontario’s energy consumers about the OEB’s decision and is not for use in legal or regulatory proceedings. It is not part of the OEB’s reasons for decision; those may be found in the Decision and Order issued March 5, 2024, which is the official OEB document.