

1 storage. Market-based rates do provide such flexibility by allowing storage operators to match
2 rates and services to market demand.

3 As more fully described in the CEA Evidence, the United States government has recently
4 provided direction to spur the development of critically needed market-area storage by
5 exploring greater access to market-based pricing for gas storage developers. In a similar vein,
6 MHP Canada urges the Board to encourage storage development by granting market-based rate
7 authority to storage service providers regardless of their relationship to existing storage or
8 utility providers.

9 In that regard, MHP Canada notes that the Board appears to have concluded that market-
10 based rates for a large portion of the storage market are sufficient to protect the public interest
11 since it has approved their use for: (i) ex-Ontario customers; (ii) Ontario customers (including
12 LDCs and gas marketers as well as end-use consumers for demand exceeding allocated
13 capacity); (iii) transactional services such as park and loans, which act as substitutes for storage
14 services; (iv) services requiring daily deliverability beyond 1.2% of the storage capacity; and (v)
15 services provided by independent storage developers (i.e. storage operators that are not
16 affiliated with distributors and transmitters).

17 MHP Canada supports the “Proposed OEB Findings and Policy Recommendations” outlined
18 in the CEA Evidence. A fully competitive market where all customers are subject to market-
19 based pricing will send clear market signals providing the efficient development and utilization
20 of storage services. MHP Canada recognizes that the elimination of the bifurcated market may
21 require a transition and encourages the Board to adopt this as a policy direction.

22 The Ontario gas storage market is workably competitive today. Since this market is
23 competitive to protect the public interest in Ontario, the Board can refrain from regulating rates
24 and services for this market ("Forbearance"). MHP Canada agrees with CEA that relatively
25 small market participants such as MHP Canada lack the ability to exercise market power and
26 influence storage pricing by withholding capacity. Adding MHP Canada’s proposed storage
27 capacity to that for which market-based rates have already been authorized, as noted above,
28 only increases customer choice, providing further protection to the public against the potential
29 for market abuse. As discussed later in more detail, there would be no reason to deny MHP