



ICF Answers to Questions from Stakeholders

ICF received two sets of questions from stakeholders following the workshop meetings held between September 27 and October 5. Below we show the questions and our answers.

The following questions were received from Mr. Jim Gruenbauer, City of Kitchener.

Storage

Reference: Pages 11 (first paragraph) and 12

- 1. If the existing coal-fired peaking plants of Ontario Power Generation were converted to natural gas, please estimate the potential increase in daily gas demand, assuming the plants ran “on peak” from 7 AM to 11 PM. If possible, please express the gas demand increase in BCF per day per 1,000 MW of generating capacity.*
- 2. Of the 50 BCF of new storage to be developed in Eastern Canada by 2025 (according to the recent National Petroleum Council report), how much of this new potential exists in Ontario and is the deliverability from this new storage expected to be high or typical of the average deliverability from existing storage in Ontario (roughly 1.4% to 1.6%)?*
- 3. If possible, please estimate the price (or price range) in either Canadian \$ per GJ or US \$ per MMBTU at which the new storage potential in Ontario could be economically developed?*

ICF Answer:

We received your three questions. They are outside the scope of our assignment and thus we have not performed the studies that would have the information you request.

The following Questions were received from Mr. Peter Scully of the Federation of Northern Ontario Municipalities. (They are numbered the way we received them.)

Q. 4 Increased Ontario natural gas electric power generation is a theme that runs throughout the discussion papers. At p. 5 of the System paper you state: “The two principal developments in the market include.....the continued growth of gas demand in the power generation sector, particularly in Canada where the government’s commitment to the Kyoto Protocol will lead to the increased use of gas to replace coal- fired generation.”

*The government action referred to is a **federal** action that doesn’t translate directly into Ontario gas electric generation. Do you have some base for the use of the verb “will”? Are there clear indications from the Ontario government, which support your conclusion?*

ICF Answer:

Q4. Our statement and use of the verb “will” is a conclusion drawn by us that Canada’s acceptance of the Kyoto targets will lead to a reduction of coal use in power generation with gas being the substitute (because coal emits more carbon dioxide than gas, substituting gas for coal in power generation will reduce greenhouse gas emissions). We are not representing a government position.

Q.5 At p. 10 of “System” paper you recite the current market share of system gas as one third of gas volume and approximately 60 % of customers. Did you check what the high-water mark for customers on direct purchase was in the period from 85 to the present? Could you let us know what it was with the split by utility for that mark together with the 60% split by utility?

ICF Answer:

Q5. We did not collect the historical information on the split between system gas and direct purchase, so we cannot answer this question.

Q.6 p. 10 “System” You state “Although stakeholder sentiment indicates a continued role for system gas”. We would like to know which stakeholders you consulted. We were not contacted and we wonder about the how many of the direct sellers/consultants—particularly those dealing with the industrial/commercial market were contacted.

ICF Answer:

Q6. Attached is a list of the stakeholder groups we spoke with.

Q.7 p.18 “System” To your knowledge are there any significant current problems in Georgia stemming from the elimination of the system supply function?

ICF Answer:

Q7. We are not aware of any ongoing problems in Georgia. Early on there were problems with the performance of some smaller marketers. These issues appear to have been resolved.

Q.8 p.29 “System” You recommend that the QRAM process become “more formulaic”. What gaps do you see and what formula elements do you recommend being introduced?

ICF Answer:

Q8. We did not develop a formula; our observation is that any formula that is transparent, consistently applied by both utilities, easy to calculate, timely, and that accurately reflects the cost of gas would be an improvement.

Q.9 p.32 “System” We do not understand the sentence “Since the QRAM process does not reflect daily prices but annual prices, this restriction on risk management is not entirely appropriate.”

ICF Answer:

Q9. This addresses the argument of Energy Probe that LDCs should only buy and pass through spot gas prices. Another way of stating this sentence is that since QRAM is a quarterly adjustment to an annual forward price, LDCs ought to be allowed to buy futures contracts to fix the forward price and hedge the price volatility risk.

Q.10 p.35 “System” We do not understand the paragraph beginning “More flexibility...” In particular we want to know what you mean when you use the word “profiling”.

ICF Answer:

Q10. “Profiling” is a reference to the amount of system gas that the LDCs purchase and send out based on the demand profile of their customers for each month. The suggestion here is that some additional contingency gas be built into the demand profile for each winter month. The contingency amount would lead the LDCs to inject a little more gas into storage than they would do otherwise. With this contingency amount in storage at the beginning of the winter, there would be less risk of running short of storage gas in March should an end of winter or early spring cold spell hit Ontario.

Stakeholder Interviews (total = 23)

Wednesday July 14

1. Group
 - Energy Probe
 - Ontario Clean Air Alliance/Pollution Probe
 - Vulnerable Energy Consumers Coalition/Econalysis Consulting Services
 - Green Energy Coalition
2. Ontario Power Generation

Thursday July 15

3. Group
 - Association of Power Producers of Ontario
 - Ontario Energy Association
 - Association of Major Power Consumers
 - School Energy Coalition
 - Six Nations Natural Gas
 - London Property Management Association/Wholesale Gas Service Purchaser's Group

Monday July 19

4. Enbridge Gas (Interview 1)
5. TransCanada Pipelines Ltd.

Tuesday July 20

6. Group
 - Tribute Resources
 - Northern Cross Energy
 - Market Hub Partners
 - Cargill/EnCana
7. Direct Energy

Wednesday July 21

8. Group
 - Coral
 - Northland Power
 - Calpine
 - TransAlta
 - Sithe
9. Canada Manufacturers & Export (Malcolm Rowan)

Thursday July 22

10. Competition Bureau
11. Ontario Energy Savings Corporation

Friday July 23

12. Ministry of Energy

13. Vector Pipeline

Monday July 26

14. Enbridge Gas (Interview 2)

15. Group 6

- Utilities Kingston
- Natural Resource Gas (NRG)

Tuesday July 27

16. Union Gas

17. Industrial Gas Users Association

Wednesday July 28

18. Canadian Gas Association

19. DTE Pipelines and Storage

20. Consumers Council of Canada

Thursday July 28

21. Group

- Aegent Energy Inc.
- ECNG
- E2 Energy
- TEAM Ltd.
- Mx Energy
- Sempra Energy Trading
- Superior Energy
- Coral Energy

22. Kitchener Utilities

Tuesday August 3

23. Suncor