

ONTARIO ENERGY ASSOCIATION

Future of Natural Gas Expansion and Home Heating Affordability

OEA Response to ERO 019-7506

Submission Date: December 13, 2023

To shape our energy future for a stronger Ontario.



Ontario Energy Association

ABOUT

The Ontario Energy Association (OEA) is the credible and trusted voice of the energy sector. We earn our reputation by being an integral and influential part of energy policy development and decision making in Ontario. We represent Ontario's energy leaders that span the full diversity of the energy industry.

OEA takes a grassroots approach to policy development by combining thorough evidence based research with executive interviews and member polling. This unique approach ensures our policies are not only grounded in rigorous research, but represent the views of the majority of our members. This sound policy foundation allows us to advocate directly with government decision makers to tackle issues of strategic importance to our members.

Together, we are working to build a stronger energy future for Ontario.

The recommendations and positions contained in OEA submissions represent the advice of the OEA as an organization. They are not meant to represent the positions or opinions of individual OEA members, OEA Board members, or their organizations. The OEA has a broad range of members, and there may not always be a 100 percent consensus on all positions and recommendations. Accordingly, the positions and opinions of individual members and their organizations may not be reflected in this document.

The Ontario Energy Association (OEA) is pleased to have this opportunity to provide our comments on the future of natural gas expansion and home heating affordability as published in the Ontario Environmental Registry (ERO) 019-7506 on August 17, 2023.

The OEA believes that support for the Natural Gas Expansion Program (NGEP) offers critical funding to communities for access to affordable, lower-emitting, natural gas and supports the continued delivery of Ontario's NGEP and all the benefits it provides, including:

- Increasing affordability,
- Allowing homeowners and businesses to benefit from the increased reliability and resiliency of the natural gas system, which is 99.99% reliable, through its extensive and resilient underground energy infrastructure that ensures uninterrupted access to energy even in the most extreme events, including weather-related and cybersecurity threats,
- Reducing emissions through fuel-switching,
- Supporting further adoption of RNG and hydrogen production to provide customers even more opportunities to reduce emissions in the long-term by connecting RNG production facilities to the grid while dually supporting economic development and continued decarbonization initiatives,
- Offering more household and businesses consumer choice to make informed decisions that will increase affordability and reduce emissions through opportunities like hybrid heating,
- Growing industrial competitiveness, and
- Allowing rural, northern, and Indigenous communities to actively participate in the path to a net-zero future in Ontario by providing homes and businesses within the NGEP communities the first step to decrease their emissions through natural gas usage. This will equip them with the opportunity to be ready for transition to even lower carbon fuels, such as RNG and hydrogen in the future.

In addition to the above noted benefits, OEA recommends the Government of Ontario consider the following recommendations as it supports for the NGEP, including:

- **Aligning the Leave to Construct (LTC) with government policy:** by aligning LTC with Government policy, specifically the Access to Natural Gas Act, 2018, to grow awareness and prioritize public interest in extending natural gas access to underserved communities that would benefit significantly from access to the more affordable, lower emitting, fuel source.
- **Streamlining regulatory processes and timelines:** while modernizing regulatory processes, to expedite project timelines and decrease expenses, for households and businesses seeking access to lower cost alternatives via the natural gas system.
- **Expanding and updating programs within NGEP communities:** such as hybrid heating, to further incentivize decision making and offer even more savings and emissions reductions.

- **Encouraging development and support of RNG production:** to leverage natural gas expansion and connect RNG production facilities to the grid as a way of dually encouraging economic development and decarbonization initiatives.
- **Adaptability in the funding allocation framework:** designed to accommodate project modifications and cost fluctuations within predefined limits, thereby improving operational efficiency. This adaptability can be extended on a utility portfolio, ensuring an overarching funding ceiling.
- **Diversified funding approaches:** beyond relying solely on ratepayer contributions, including government subsidies funded through taxes, similar to electrical subsidies. This method would incur only a fraction of the annual electrical subsidies, promoting fair access to the affordability, reliability, and resiliency advantages provided by the gas system.

OEA understand that there are four identified themes and questions as part of the stakeholder consultation. Below are OEA's responses to some of those questions.

Theme 1 – Performance of NGEP to date

1. **What are your perspectives on the operations of NGEP to date, including the application and project intake process for Phase 2 NGEP in 2020?**

N/A

2. **What, in your opinion, are the most important aspect(s) and successes of natural gas expansion as supported through this program?**

As noted above, OEA believes that NGEP is linked directly to many benefits, including:

- Increased affordability,
- Increased reliability,
- Emissions-reductions,
- Increased consumer choice and access to actively participation in the energy transition,
- Access to programs that homeowners/businesses benefit from in other parts of Ontario,
- RNG expansion,
- Increased economic development through job growth, and
- Increased industrial cost savings and industrial competitiveness.

Theme 2 – Conversion to Natural Conversion to Natural gas for Home Heating

1. **Do you have any relevant information related to your experience with the cost of residential heating system conversion to natural gas from other fuels (such as propane, fuel-oil, wood, and electric baseboard heating)? If available, please include a breakdown or estimate of all one-time cost incurred in this process (e.g., equipment cost for natural gas furnace, costs of retrofitting a home, upfront cost of connecting a home to the nearby main natural gas line).**

The natural gas system delivers approximately 30% of the energy in Ontario annually.¹ Ontario's energy system reality is that natural gas remains a cost-effective energy option for Ontarians. With respect to individual homeowners, natural gas offers a more cost-effective energy solution compared to the existing alternatives being used such as electric resistance heating, propane, or oil.²

- 2. We are looking to gather information from customers who have converted their homes to natural gas heating in the recent years. For example, do you have information on the ease of finding qualified and experienced technicians/contractors to complete the work, timeliness of upgrades and/or connections?**

N/A

- 3. What is your awareness about available government/industry subsidies and the ease of accessing incentives when converting a home to natural gas heating from other fuel types?**

Natural gas customers benefit from the DSM programming, which provides numerous programs to enhance building efficiency, reduce energy consumption, and lower utility bills. Furthermore, consumers have access to various government programs targeting different sectors, aiming to decrease energy usage and greenhouse gas emissions.

We believe it is a net-benefit to help communities transition to natural gas from higher emitting energy sources. Any existing or additional programs and rebates run through government, and the gas distribution utility itself, are not only helpful for homeowners and businesses but they also send the right signal.

- 4. Do you have any information on monthly or annual energy costs difference between natural gas, and other fuel types/home heating systems? Please note any savings for households from using natural gas, based on your own experiences and/or estimates and forecasts, if available. Please note your assumptions and all relevant context to the extent possible.**

N/A

¹ Canadian Energy Regulator. Provincial and Territorial Energy Profiles – Ontario. <https://www.cer-rec.gc.ca>

² Please note that regarding the cost of conversion for customers, it depends on numerous factors that would require careful consideration in order to develop a consumer conversion cost comparison.

Theme 3 – Natural Gas Expansion and Indigenous Communities

- 1. Are there any additional or unique concerns and priorities that you and your community experience have identified regarding heating options, costs, and affordability?**
NA
- 2. Are there any specific environmental concerns that you or your community feel should be considered or priorities in current and future natural gas planning?**
N/A
- 3. Are there any specific concerns or priorities that you or your community or organization associate with future natural gas planning (e.g., community involvement in the planning of natural gas infrastructure expansions, relevant economic opportunities, and partnerships)?**
N/A

Theme 4 – Future of Natural Gas Expansion

- 1. What applications (such as residential, industrial, commercial, or agricultural) should natural gas expansion focus on in the future? Where do you think further public investment in natural gas infrastructure makes sense, and why?**
Access to affordable low-emitting energy is a key indicator of success for families, businesses, and communities in general, and should be thought of as a tool to help homes and businesses transition from higher-emitting fuels while also saving money. The gas distribution system can also be used as a policy lever to deliver further carbon reductions in the future through RNG and hydrogen.

- 2. Alternatively, what other energy technologies could be considered instead of gas expansion?**

The OEA would like to reiterate that certain unabated emitting generation technologies are able to reach lower-emitting profiles by burning clean fuels, such as RNG or hydrogen. The OEA supports the co-firing of conventional natural gas with RNG and/or hydrogen as a pathway to displacing fossil fuel usage and avoiding GHG emissions.

OEA believes in the potential of RNG and hydrogen to provide opportunities for further emissions reduction and strategic use of the already expansive and 99.9% reliable natural gas infrastructure across Ontario. Further to this, OEA believes that there may also be opportunities to develop distributed energy resources (DERs) such as solar, wind, and biogas together with possible battery solutions, that may also further reduce fossil fuel dependence in some of Ontario's rural, northern, and Indigenous communities.

And more broadly speaking, OEA supports a diversified and integrated approach to the energy mix, which includes (e.g., nuclear, wind, solar, storage, low-carbon fuels, natural gas and CCS) and enables the achievement of climate objectives with a lower cost per tCO₂ reduced, while keeping affordability, grid reliability, and economic development at the forefront of its policy goals.

3. What other alternative government initiatives do you think could be in place to support cost-effective home heating in Ontario?

The Clean Home Heating Initiative for example, provides rebates for homeowners to install heat pumps with a smart control that switches automatically between the heat pump and natural gas furnace depending on energy price at the hour and outside temperature to ensure affordability, efficiency, and lower GHG emissions. Expansion of this program into more municipalities would ensure more homeowners are given the tools to best manage their energy consumption costs and GHG emissions.

4. Do you think the government should have a larger role in identifying potential natural gas expansion projects to receive public funding, based on advice from the OEB and the project proponents?

N/A

5. How does natural gas expansion fit with provincial, municipal, or community level sustainability objectives as well as ongoing electrification trends? What are the potential risks and benefits?

The province of Ontario and the municipalities and communities that make up the province are quite broadly in a position of strength, with a largely clean electricity mix that we are working hard to improve, but to achieve our common goals we must take a measured approach.

In doing so, the Ontario gas system is instrumental to keeping the electricity system balanced as we transition and utilize more zero-emitting fuels like wind and solar which are intermittent in nature. The gas system plays a significant supporting role as we transition and continue to deliver affordable heat to homes and businesses on the coldest days of the year, or air conditioning on the hottest. Allowing new customers on the gas distribution system through expansion, only reduces further emissions, as these customers are fuel-switching from higher emitting fuels and immediately realizing GHG emissions reductions for Ontario. The emissions reductions realized from fuel-switching are only the first step, we believe additional reductions can be made as we utilize the energy from renewable natural gas and hydrogen.

As policy makers, regulators, businesses and even households, we must look at the energy system as an integrated whole. The economic wellbeing and success of our province hinges on the availability of reliable and affordable energy that further supports jobs and economic growth.

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