

October 31, 2023

Ahmet Erdem
Senior Advisor, Distribution and Consumer Assistance Policy Branch
Ministry of Energy
77 Grenville Street, 6th Floor
Toronto, Ontario, M7A2C1

Sent via email to ahmet.erdem@ontario.ca
and submitted online through the Environmental Registry of Ontario

Dear Ahmet Erdem,

Re: ERO-019-7507 Consultation On The Future Of Natural Gas Expansion And Home Heating Affordability

The Ontario Federation of Agriculture (OFA) proudly represents more than 38,000 farm family members across the province, supporting our members and the agri-food industry on issues, legislation and regulations administered by all levels of government. OFA is passionate and dedicated to ensuring that the agri-food sector and rural communities are considered and consulted with for any new or changing legislation that would impact the sustainability and growth of our farm businesses.

We are pleased to provide comments on future of the Natural Gas Expansion Program (NGEP) from an agricultural and rural perspective. Since 2018, OFA has championed natural gas access for rural and farm communities. **OFA has seven recommendations for consideration:**

1. Improve project rate of connection by allocating some NGEP funds towards connection costs that otherwise discourage potential customers from connecting to existing or new expansions due to their distance from the distributor pipeline.
2. Establish Ontario targets for RNG and hydrogen injection into natural gas pipelines.
3. Consider metrics beyond connections per \$ of NGEP support. Consider projects that bring other communities closer to the pipeline grid; increasing project Profitability Index (PI) and bringing these other communities closer to financial viability for future expansion access.
4. Consider the contribution of business customer volumes towards project viability, and the benefits that access provides to local community and small business economic development.
5. Increase awareness about available government/industry subsidies and the ease of accessing incentives for converting a home to natural gas heating from other fuel types.
6. Continue to support further public investment in natural gas infrastructure. The government has a key role in identifying potential natural gas expansion projects to receive public funding, based on advice from the Ontario Energy Board (OEB), project proponents, and the public.
7. OFA views natural gas as an appropriate fit with federal, provincial and municipal sustainability objectives. Infrastructure expansion has numerous benefits including the development of RNG and low-carbon hydrogen for pipeline injection.

Customers wanting a gas connection where the Profitability Index (PI) is below 0.8, such as in many rural, northern and Indigenous communities, must pay an often prohibitively expensive upfront Aid To Construction to raise the PI to 0.8. While NGEF contributes to community expansion construction costs of a project, new customers pay a System Expansion Surcharge (SES) of \$0.23/cubic metre for a term of up to 40 years.

New customers also pay often prohibitively expensive connection costs due to their distance from the distributor pipeline. Allocating some NGEF funds towards connection costs that otherwise discourage potential customers from connecting to existing or new expansions would increase the customer connection rate (currently 60-70% in rural areas), potentially shortening the time needed to apply the SES.

Renewable natural gas (RNG) and low-carbon hydrogen injected directly into the natural gas pipeline system are future options to decarbonize our energy mix. Although current production levels are low, natural gas distributors across North America are looking at increasing RNG supplies. For example, British Columbia has a 2030 target of 15% of gas supply being renewable or low carbon, and Quebec has set a 2030 target of 10% RNG in their system.

Renewable natural gas and low-carbon hydrogen options using natural gas distribution networks avoid the capital cost associated with widespread electrification and may prove cost competitive.

The measure of success for the NGEF is larger than simply the number of connections per dollar invested. Supporting strategic natural gas expansion sustains economic development, job creation, and an affordable cost of living for rural Ontario. When available, natural gas is often the cleanest and most economical fuel option for many rural communities. Pipeline injection of renewable natural gas and hydrogen will further reduce the carbon footprint of natural gas.

Rural communities need a clear and continual commitment from government to support fair and equitable pipeline installations throughout Ontario over the next 20 years.

Natural gas is available to 3.6 million homes and 160,000 businesses in urban and southern Ontario, yet only 20% of rural Ontario is serviced. Energy is a large expense for rural homes, farms and small businesses. Making natural gas available across the province would free-up \$1 billion in annual energy spending for over 400,000 residents, farms and business owners.

According to the Financial Accountability Office of Ontario (FAO), annual rural household energy expenses are about \$1,200 higher than they are in urban centres. To ensure the success of future NGEF investments, businesses and households need to be better aware of the benefits of, and the incentives available for, equipment conversion.

To achieve efficient use of NGEF investments, distributors, municipalities and communities, and businesses need assurance that Ontario will continue to support further public investment in natural gas infrastructure. A long-term vision allows strategic planning for balancing pipeline systems, adding pressure stations, and increased capacity for distributors, and allows municipalities and businesses the time to prepare for potential capital investments.

The amount of residual farm and forest biomass in Ontario and across Canada available for biogas production far outweighs feedstock available from municipal organic waste. Agriculture is an innovative sector. If pipelines are nearby, farm-based anaerobic digestors can produce and refine biogas into pipeline ready RNG. Biogas can also be used to produce net-zero electricity to power heat pumps or to make green hydrogen. Strategic pipeline expansion to agricultural communities will enable farmers, farm commodity groups and food processors to help Ontario achieve our electrification and decarbonization goals.

OFA appreciates the opportunity to provide our feedback and agricultural perspectives on the future of the Natural Gas Expansion Program. We look forward to working with the provincial government, energy regulators, and natural gas distributors, to help sustain our farm and rural communities, and deliver strategic natural gas expansion over the long term.

Sincerely,



Peggy Brekveld
President

cc: Hon. Todd Smith, Ontario Minister of Energy
Hon. Lisa Thompson, Ontario Minister of Agriculture, Food and Rural Affairs
OFA Board of Directors