

Shelley Spence
Office of the Auditor General of Ontario
Suite 1530
20 Dundas Street West
Toronto, ON M5G 2C2

May 9, 2024

Dear Ms. Spence,

Over the past few months, we have been raising concerns with the Government's decision to overrule Ontario's Independent Energy Regulator, the Ontario Energy Board ("OEB") and preserve a practice that benefits Enbridge Gas while Enbridge's existing customers and the environment bear the risks. Today, we are requesting that your office undertake a value-for-money or environmental audit and assess the financial and environmental impacts of the government's decision to reverse the OEB's ruling.

On February 22, 2024, the Ontario government introduced Bill 165, legislation to overturn the December 21, 2023 decision and order of the Ontario Energy Board *Enbridge Gas Inc. Application for 2024 Rates – Phase 1*, EB-2022-0200 ("the OEB decision"). The OEB is an independent and non-partisan body that acts in the interest of Ontario energy consumers and the public. The OEB decision ended the "revenue horizon model," an upfront subsidy for new gas connections (as seen by housing developers) paid for by Ontario consumers through their gas bills ("the subsidy") over a 40 year period. In response, the government introduced Bill 165. Section 5 of the bill has the effect of overturning the OEB decision and reinstating the subsidy for new connections.

Affordability and Financial Risk

The subsidy allows Enbridge to bill Ontario consumers for the costs of establishing new natural gas connections to homes and businesses as a fee on their gas bills for up to 40 years. This is a cost that would otherwise be borne by the housing developer. As a result, developers automatically include natural gas pipeline connections in nearly all new homes and businesses,^[1] even when it would make no financial sense to do so without the subsidy and even if the eventual homeowner would face higher heating costs compared to using a heat pump system.

As the inevitable and imminent transition away from fossil fuels causes people to stop using natural gas infrastructure, Enbridge, being a regulated utility, still gets to recover its capital costs from remaining gas customers. The OEB identified a serious risk to gas customers posed by this model, where customers would bear the burden of stranded assets.

As Ontario's own Electrification and Clean Energy Transition Panel recently stated: "It is no longer clear that natural gas is the cheapest way to heat buildings, and customers may begin choosing to disconnect from the natural gas distribution system in the mid-term."^[2] If new homeowners

disconnect from the gas distribution system to save money via electrified heating, the remaining gas customers will be saddled with paying the up to 40 year “debt” to Enbridge (to cover the corporation's costs in providing the subsidy). Furthermore, homeowners and small business owners who purchase buildings which include gas furnaces may be trapped into paying expensive retrofit costs.

Environmental Impact

We are also concerned by the impact the Government's decision will have on the environment. As the OEB noted, the subsidy creates a perverse incentive for developers to install natural gas heating, even when a cleaner alternative such as a heat pump or a thermal network would be better for the homeowner. The burning of natural gas in homes is a major contributor to climate change and damages air quality, harming human health.

Recent reports from your office have highlighted concerns with government decision making when the stated goal has been to build housing. For example, your office's *Special Report on Changes to the Greenbelt*, found the removal of sites from the greenbelt could ultimately have increased the value of land for the owners of 15 sites by \$8.3 billion, and that the removal of those sites was not required to meet the government's housing objectives.^[3]

In addition, in your office's December 2023 report *Operation of the Environmental Bill of Rights - 1993*, you found that “the Ontario government failed to meaningfully follow the [Environmental Bill of Rights] Act when it made sweeping legislative and regulatory changes to meet its housing supply goals”.^[4]

Given the strong likelihood of negative financial and environmental impacts, we are requesting your office investigate the environmental impact of the government's decision to reinstate the subsidy for natural gas connections.

Collectively, we are very concerned by the potential for financial and environmental impacts from overturning the OEB's decision. We thank you for reviewing our request and would be happy to meet with you and your team to discuss our request further.

Sincerely,

Lyn Adamson
Co-Chair, Ontario Climate Emergency Campaign
ocec.chair@gmail.com
On behalf of 30 signatory organizations (see below references)

- [1] [EB-2022-0200 Decisions and Order](#), p.34
- [2] [Ontario.ca - Report of the Electrification and Energy Transition Panel](#), p.72
- [3] [Special Report on Changes to the Greenbelt](#) - Office of the Auditor General of Ontario, p.11
- [4] [Operation of the Environmental Bill of Rights, 1993](#) - Office of the Auditor General of Ontario, p.2

Ontario Climate Emergency Campaign ontarioclimateemergency.ca

Clean Air Partnership www.cleanairpartnership.org

Stand.Earth <https://stand.earth>

Seniors for Climate Action Now! <https://seniorsforclimateactionnow.org>

- SCAN Kingston

Harbord Village Residents Association, <https://harbordvillage.com/projects/netzero-carbon-project/>

ClimateFast, www.climatefast.ca

Environmental Defence <https://environmentaldefence.ca>

Canadian Association of Physicians for the Environment (CAPE) <https://cape.ca/>

Toronto Environmental Alliance (TEA) <https://www.torontoenvironment.org/>

Citizens Climate Lobby, <https://canada.citizensclimatelobby.org/>

- National CCL
- West Toronto CCL
- Toronto Yonge St CCL
- Toronto East CCL

Ontario Clean Air Alliance CleanAirAlliance.org

LeadNow <https://www.leadnow.ca/>

Music Declares Emergency <https://www.musicdeclares.net/ca/en/>

Toronto East End Climate Collective (TEECC)

Green 11

Green 13 <http://www.green13toronto.org>

Just Earth <https://justearth.net/>

TERRE Toronto East Residents for Renewable Energy www.terrecoaliton.ca

Climate Action for Lifelong Learners (CALL) www.climatelearners.ca

Northwatch www.northwatch.org

For our Kids <https://www.forourkids.ca/toronto>

GASP (Grandmothers Act to Save the Planet) gasp4change.org

Canadian Health Association for Sustainability and Equity (CHASE) <https://chasecanada.org/>

Parkdale- High Park for Climate Action <https://www.php4climateaction.org>

Toronto 350 <https://www.toronto350.org>

Citizens for Public Justice [tps://cpj.ca/](https://cpj.ca/)

Association for Canadian Educational Resources www.acer-acre.ca

Climate Messengers <https://climatemessengers.ca/>

Re-generation <https://www.re-generation.ca/>



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