



May 31, 2018

Véronique Dubois  
**Régie de l'énergie**  
800 Place Victoria, 2nd Floor, Suite 2.55  
Montréal, Québec H4Z 1A2

**Subject:** Énergir – Application regarding the implementation of measures concerning the purchase and sale of renewable natural gas (R-4008-2017)

---

Dear Madam:

In accordance with the directives stated by the Régie in its decision D-2018-052, Union des consommateurs (UC) presents its thoughts on the Distributor's proposal of an RNG tariff.

Under the 2017–2020 action plan arising from *The 2030 Energy Policy*, the government plans to adopt a regulation establishing the minimum proportion of RNG that Québec natural gas distributors must inject into their distribution network for Québec customers by 2020.

In response to this potential regulation, the Distributor proposes the RNG tariff, whose objective is to support production of RNG in Québec by facilitating its voluntary purchase by customers. UC feels it is important not to lose sight that RNG is an emerging market and the business parameters to be defined in this file (FIT, RNG, conditions of service) may have to evolve relatively quickly, for example according to the objective set by the government for RNG injected into the system or the capacity of the proposed RNG tariff to actually support supply and stimulate demand for RNG.

### **Proposed RNG tariff**

In our opinion, the RNG tariff proposed by the Distributor, combined with the supply service, would facilitate the sale of in-franchise produced RNG and would respond to the needs of the Distributor's residential customers who wish to support RNG production on a voluntary basis.

#### *La force d'un réseau*

##### **Our associate members**

ACEF Appalaches – Beauce – Etchemins  
ACEF de l'Est de Montréal  
ACEF de Laval  
ACEF du Grand-Portage

ACEF du Nord de Montréal  
ACEF du Sud-Ouest de Montréal  
ACEF Estrie  
ACEF Lanaudière

ACEF Montérégie-Est  
ACEF Rive-Sud de Québec  
ACQC  
Centre EBO d'Ottawa  
CIBES de la Mauricie

7000 Du Parc Avenue, Suite 201, Montréal, Québec H3N 1X1

T: 514 521-6820 | Toll-free: 1 888 521-6820 | F: 514 521-0736

[info@uniondesconsommateurs.ca](mailto:info@uniondesconsommateurs.ca) | [www.uniondesconsommateurs.ca](http://www.uniondesconsommateurs.ca)

A priori, and based on the data we consulted,<sup>1</sup> few customers, i.e. roughly 2%, are ready to opt for a “green pricing system”. We believe that a range of tariff options for which residential customers might be eligible could complicate the choice and their decision to support RNG production.

On the other hand, it will be important for customers to be clearly informed that they will not necessarily be consuming RNG. Customers must also be informed of the impact on their annual bill of their choice to consume RNG, for example via a bill simulation that includes a set volume or percentage of RNG. This could prevent an initial rush followed by gradual disengagement, as was seen in British Columbia.

### **Compliance with the Act**

In UC’s opinion, since the RNG tariff is a tariff option that would make it possible to support RNG production and be aimed at customers who want to consume costly RNG with full knowledge of the reason, it would comply with the Act. First, it ensures the satisfaction of energy needs in a manner consistent with the government’s energy policy objectives and in keeping with the principles of sustainable development and individual and collective equity (section 5). Next, billing of RNG at the acquisition price would comply with sections 31 and 52, since it is a fair tariff that would reflect, in the current context, the actual cost of acquisition. This tariff would also be fair, since it would reflect the value customers are prepared to pay to support RNG production. In other words, since participation would be voluntary, the price would reflect the perceived value of RNG.

### **Costs taken into account in the price of RNG**

To avoid any cross-subsidization between customers who sign up for the RNG tariff and the Distributor’s other customers, we believe that the RNG supply price should include the acquisition price of RNG, as described in section 5.1 of GM-1, doc 1, and the cost of expired RNG units in inventory. Although these may be marginal amounts, we are concerned about cost recovery in commercialization of the tariff.

---

<sup>1</sup>FortisBC. (2013). Biomethane Pilot Program – Post Implementation Summary Report, page 51 [Online]  
[https://www.fortisbc.com/About/RegulatoryAffairs/GasUtility/NatGasBCUCSubmissions/Documents/121219\\_FEI\\_Biomethane\\_PIRandApplicationforContinuationofBiomethaneProgram.pdf](https://www.fortisbc.com/About/RegulatoryAffairs/GasUtility/NatGasBCUCSubmissions/Documents/121219_FEI_Biomethane_PIRandApplicationforContinuationofBiomethaneProgram.pdf)

## Eligibility for the tariff

Customers who want to sign up for the proposed RNG tariff will have to determine a percentage of RNG that they will be billed as a share of their total consumption. At the same time, the Distributor indicates that it does not want to lock customers into predetermined percentages as per benchmarking, but that a single minimum threshold of 5% would be required to sign up for the tariff. To our knowledge, this percentage is not documented. We do not know if this is optimal in terms of the tariff sign-up rate versus commercialization costs. In fact, we assume that the minimum percentage set by the Distributor exists to limit customer service operating costs, since there are no actual deliveries of RNG to customers. However, imposing a percentage of RNG (minimum or not), entails an additional risk for residential customers, i.e. that of supporting, in case of a harsh winter, a much bigger increase in their bill than they would have seen under the regular tariff.

Without being able to support our recommendation with survey data, we hypothesize that the risks (actual and perceived) of residential customers suffering a rate shock (severe winter or not) would be mitigated if the minimum threshold consumption of RNG were not set in a relative manner (%), but as an absolute ( $m^3$ ). In this way, by signing up for the RNG tariff, a customer could agree to pay for a set number of  $m^3$  of RNG per period (year, season, month). They could then know exactly how much their participation would cost them and would not get a nasty surprise in the event of a harsh winter. We believe this route to be one worth exploring.

We trust everything is to your satisfaction. Sincerely,

[signed]  
France Latreille  
Director