

## UNDERTAKING J1.3

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TR 1, p.84

To file the sensitivity analysis from Enbridge's submission in the Stakeholder Consultation on the Report of the Board, EB-2015-0363.

### RESPONSE

The below paragraphs and tables are taken from page 16 and Appendix A respectively of Enbridge's submission in the Stakeholder Consultation on the Report of the Board, EB-2015-0363.

As noted in the discussion paper, settlement prices from recent quarterly auctions, namely 2015, have been stable; however, the currency exchange rate has fluctuated during this period. As per the final Cap and Trade Regulation, the minimum price will be "...the higher of the annual auction reserve prices most recently established, as of the day of the auction, for each of Québec and California." It should be noted that both auctions settle at the same price, as a result of the exchange rate. If an annual calibration period was implemented from the year of 2015, assuming an annual refresh is implemented, approximately \$52M would have been recorded in the cap and trade variance account to be collected from customers – a material amount. This variance would have been composed of: \$9M due to pricing being higher than anticipated and \$43M due to exchange rate fluctuation. This would represent an increase (vs. forecast) in the cap and trade costs of approximately 16%, which is composed of an exchange rate increase of 13% and carbon allowance price increase of 3%.

Carbon allowance prices have not always been stable year-over-year. If an annual rate mechanism was implemented for 2013, a variance account balance of about \$60M would have been realized and needed to be collected from customers. In comparison to 2015, the 2013 variance is primarily attributable to the fluctuation in carbon allowance pricing (+\$48M). The difference in exchange rate further impacts the amount of the variance, although to a lesser degree (+\$12M).

Appendix A contains analysis to fully illustrate the above two scenarios.

Witness: A. Kacicnik

EGD simulated 2015 emission allowance Analysis based on 2015 auction data

Rate	Consumption Volume 103m3	CO2e Emissions tonnes
1	4,997,039.58	9,369,449.21
6	5,006,600.93	9,387,376.75
9	328.28	615.52
100	-	-
110	667,950.07	1,252,406.38
115	512,238.60	960,447.38
125 *	630,978.69	1,183,085.05
135	68,664.95	128,746.78
145	77,495.98	145,304.96
170	394,777.92	740,208.61
200	176,403.19	330,755.97
300 (including Landfill gas) *	35,440.43	66,450.80
	12,567,918.62	23,564,847.42

\* 2017 volume as proxy (2015 volume not available)

Allowance bought	Date	Cdn \$	Cdn Unit Price	US\$ Unit P	FX	Cdn Unit Price at \$1.13	Cdn \$
Nov-15		\$ 89,216,883.47	\$ 17.00	12.73 \$	1.34 \$	14.40 \$	\$ 84,849,858.46
Aug-15		\$ 88,427,089.94	\$ 16.39	12.52 \$	1.31 \$	14.17 \$	\$ 83,450,135.74
May-15		\$ 96,556,962.30	\$ 15.01	12.29 \$	1.22 \$	13.90 \$	\$ 81,917,106.09
Feb-15		\$ 100,140,992.96	\$ 15.14	12.21 \$	1.24 \$	13.81 \$	\$ 81,383,878.39
Budget Allowance		\$ 374,341,928.68					\$ 331,600,978.68

Budget Allowance	Budget Cdn Dollar	Amount captured by variance account (Including Price and FX fluctuation)	Amount captured by variance account (Price fluctuation Only)	Amount captured by variance account (FX fluctuation Only)
	\$ 322,487,293.41	\$ 13.69	12.1 \$	1.13
	\$ 51,854,635.26	16%		
	\$ 9,113,685.26	3%		
	\$ 42,740,950.00	13%		

EGD simulated 2013 emission allowance analysis based on 2013 auction data

Rate	Consumption Volume 103m3	CO2e Emissions tonnes
1	4,785,564.37	8,972,933.18
6	4,739,870.03	8,887,256.31
9	711.29	1,333.68
100	-	-
110	522,326.44	979,362.08
115	568,678.52	1,066,272.23
125 *	630,978.69	1,183,085.05
135	55,455.90	103,979.81
145	166,467.34	312,126.26
170	496,776.04	931,455.08
200	184,331.97	345,622.43
300 (including landfill gas) *	35,440.43	66,450.80
	12,186,601.02	22,849,876.91

\* 2017 volume as proxy (2013 volume not available)

Allowance bought

Date	Cdn Dollar Per 2013 actual auction price	Cdn Unit Price	US\$ Unit Price	FX	Cdn Unit Price	Cdn \$
Nov-13	\$ 68,807,608.12	\$ 12.05	11.48 \$	1.05 \$	11.36 \$	64,895,052.61
Aug-13	\$ 73,200,290.05	\$ 12.81	12.22 \$	1.05 \$	12.09 \$	69,078,183.18
May-13	\$ 81,562,791.34	\$ 14.28	14.00 \$	1.02 \$	13.85 \$	79,140,308.06
Feb-13	\$ 78,569,993.98	\$ 13.75	13.62 \$	1.01 \$	13.48 \$	76,992,213.98
	\$ 302,140,683.49					\$ 290,105,757.83

Budget Allowance

Budget Cdn Dollar	\$ 242,169,342.66	\$ 10.60	10.71 \$	0.99		
Amount captured by variance account (Including Price and FX fluctuation)	\$ 59,971,340.82					
					25%	
Amount captured by variance account (Price fluctuation Only)	\$ 47,936,415.17					
					20%	
Amount captured by variance account (FX fluctuation Only)	\$ 12,034,925.66					
					5%	