



The Natural Gas Electricity Interface Review

**Stakeholder Meeting
September 19, 2005**

Outline

- Natural Gas Forum (NGF) and Updated Timeline
- Overview of Natural Gas Electricity Interface Review (NGEIR)
- Objectives of Stakeholder Meeting
- Review results from Phase I
- Key Issues
- Next Steps

Natural Gas Forum

- Report was released March 30, 2005
- Focuses on three areas:
 - Rate Regulation
 - Storage and Transportation
 - Regulated Gas Supply
- Gas Electricity issues emerged as major concern
 - Board committed to a Review of these issues

Natural Gas Forum Updated Timeline

| | 2005 | | | | 2006 | | | | 2007 | | | | 2008 | | | |
|--|------|----|----|----|------|----|----|----|------|----|----|----|------|----|----|----|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Infrastructure Issues: | | | | | | | | | | | | | | | | |
| Review: Gas Electricity Interface (Research Phase) | | | | | | | | | | | | | | | | |
| Two Phased Hearing: Gas Electricity Interface and Storage Allocation | | | | | | | | | | | | | | | | |
| Rate Setting Issues: | | | | | | | | | | | | | | | | |
| Consultation: IR Data Filing Guidelines Base Year Filing Guidelines | | | | | | | | | | | | | | | | |
| Gas RRRs/Consultation: Financial Reporting | | | | | | | | | | | | | | | | |
| Consultation: Service Quality Monitoring Reporting | | | | | | | | | | | | | | | | |
| Utility-Specific Hearing: Setting Base Rates | | | | | | | | | | | | | | | | |
| Generic Hearing: Annual Adjustment Mechanism and Plan Term | | | | | | | | | | | | | | | | |
| Gas Supply and Transportation Issues: | | | | | | | | | | | | | | | | |
| Consultation: Standardize QRAM Methodology | | | | | | | | | | | | | | | | |
| Consultation: Prior Review Process for Long-Term Contracts (as required) | | | | | | | | | | | | | | | | |
| Miscellaneous: | | | | | | | | | | | | | | | | |
| Practice Direction on Alternative Dispute Resolution | | | | | | | | | | | | | | | | |
| Consultation: New Independent Storage Filing Guidelines (as required) | | | | | | | | | | | | | | | | |
| Generic Hearing: Cost Allocation of Customer Care | | | | | | | | | | | | | | | | |

Gas Electric Interface

Natural Gas Electricity Interface Review (NGEIR)

- What new infrastructure is needed?
 - Distribution, Storage and Transmission (increased deliverability Dawn Parkway)
 - What new services are needed?
 - Generators load profile may require new balancing services or buying/selling gas on short (or no-) notice
 - Who and how will new more flexible services be provided?
 - Who pays for the new infrastructure and/or services?
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- Gas-electric coordination
 - Led by industry with OEB observer “monitoring and facilitating progress”

NGEIR (“in gear”)

- NGEIR will provide advice to the Board on:
 - Scope of the infrastructure and/or services development needed.
 - Experience from other jurisdictions.
 - Identify the areas requiring Board direction, specifically around how infrastructure/services should be costed and provided.
The Board will provide any necessary direction in a subsequent process to start after report is released.
- It will not provide:
 - A definitive estimate of infrastructure/service costs or a recommendation on who should pay those costs.

NGEIR Process

- Two-phase process
 - **Phase 1:** Information gathering from industry to develop scenarios and identify needs
 - Develop a set of scenarios out to the year 2012 that cover a range of requirements for natural gas power generation and the impact on peak demand for natural gas.
 - Assess the availability of existing assets and services in Ontario to meet these requirements and identify any additional needs in gas infrastructure and services.
 - Identify options to provide additional infrastructure and services.

NGEIR Process (cont'd)

- **Phase 2: Cost recovery for incremental infrastructure and services**
 - Identify issues associated with different options for recovering the costs of additional infrastructure and services.
- **Phase 1 now complete:**
 - Hired consultant, Fred Hassan
 - Meetings with industry experts
 - Research on other jurisdictions
 - Working with modellers in Union, Enbridge and TCPL
 - Summary released August 31. Updated Sept. 13.

Objectives of Stakeholder Meeting

- Brief participants on:
 - Results from Phase 1
 - Next Steps
- Further develop and refine key areas for decision:
 - Initial draft list of areas circulated by staff
 - Highlight submissions received from stakeholders
 - Breakout sessions
 - Identify other issues that might be missing
 - Prioritize issues



Results from Phase I

**Fred Hassan of Elenchus Research
Associates**



Key Issues

Peter Fraser, Special Advisor

Key Issues

- Board released draft key issues on August 31, 2005
- Two categories of issues – Facilities and Rates and Services
- Facility Issue:
 - Method of cost recovery for additional facilities from gas customers (e.g., incremental basis, rolled-in basis or some combination)

Key Issues (cont'd)

- Rates and Services Issues:
 - Costs of providing services
 - What is needed to encourage provision of services (by utilities and/or third parties)
 - Access to services across Ontario

Stakeholder Submissions

- Received 11 submissions on September 12, 2005:

Aegent Energy Advisors Inc.

Calpine Corporation

Enbridge Gas Distribution Inc.

Low-Income Energy Network

London Property Management Association

Ontario Power Generation Inc.

School Energy Coalition

TransCanada Energy

TransCanada Pipelines Limited

Vulnerable Energy Consumers Coalition

Wholesale Gas Service Purchasers Group

Highlights of Submissions

- Costs caused or incurred by generators must be fully paid by these customers and not borne by other classes of gas ratepayers
- Apply cost allocation principles – costs and benefits need to be examined and then allocated appropriately
- Potential stranded assets and who is responsible

Submissions (cont'd)

- Expand scope of Review:
 - Supply/demand scenarios to include type and size of generator, and distributed generation
 - Gas price scenarios
 - Surrounding jurisdictions re storage and transmission
 - Dispatch issues re frequent reverse direction
- Need integrated solutions re gas and electricity infrastructure
- Remove barriers to competition, such as:
 - Unbundle services
 - Option to bypass
 - Seamless operation and flexibility

Submissions (cont'd)

- Postage stamp rates:
 - Need to be maintained
 - Need rates to reflect customer location
- Optimum / efficient use of existing facilities
- New services:
 - Cannot degrade existing service level
 - Available to all users
- Guidelines for contract terms and conditions
- Need level playing field for existing and new generators



Next Steps

George Vegh, Board Counsel

Next Steps

- Board staff report will cover:
 - Information developed in Phase 1
 - Summaries of submissions received
 - Summary of today's session
 - Board staff analysis and recommendations on priorities

Next Steps (cont'd)

- Expect two step proceeding to commence after report is completed
- Step 1: Determination of issues identified in NGEIR
- Step 2 : Generic review of storage regulation
 - Whether, or to what extent, the Board should refrain from regulating the rates for gas storage
 - Nature and appropriateness of storage services provided by utilities, particularly comparing load balancing provided to regulated gas supply and direct purchase customers

Conclusion

- OEB aims to remain in front of the changes taking place in the Ontario gas market
- Generic processes such as NGF/NGEIR help us do that
- Result should be greater regulatory certainty and to ensure right regulatory tools for the future