

EB-2005-0551

ONTARIO ENERGY BOARD

IN THE MATTER OF a proceeding initiated by the Ontario Energy Board to determine whether it should order new rates for the provision of natural gas, transmission, distribution and storage services to gas-fired generators (and other qualified customers) and whether the Board should refrain from regulating the rates for storage of gas.

NATURAL GAS AND ELECTRICITY INTERFACE REVIEW

WRITTEN EVIDENCE

OF

TRANSCANADA PIPELINES LIMITED

May 1, 2006

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1 **1.0 INTRODUCTION**

2 **Q1. Why is TransCanada PipeLines Limited (TransCanada or TCPL) participating**
3 **in the Natural Gas and Electricity Interface Review (NGEIR) proceeding?**

4 **A1.** TransCanada is participating in the NGEIR proceeding because the Ontario Energy
5 Board's (OEB or Board) determination of specific issues in the proceeding may
6 impact TransCanada both as a gas transmission service provider to the Ontario market
7 and as a transportation customer of Union Gas Limited (Union).

8 **Q2. Please describe TransCanada's role as a gas transmission service provider to the**
9 **Ontario market and its interests in the NGEIR proceeding in that context.**

10 **A2.** TransCanada plays a significant role in meeting the requirements of the Ontario gas
11 market. It delivered through its mainline natural gas transmission system (Mainline)
12 over 1.3 billion GJ of gas to Ontario in 2005, which equates to an average daily
13 quantity of more than 3.6 million GJ. On this basis, TransCanada is the largest single
14 transporter of gas to the Ontario market.

15 TransCanada serves the Ontario market through connections between the Mainline
16 and downstream transmission service providers, including Union and Enbridge Gas
17 Distribution Inc. (Enbridge), which in turn connect to end-use customers. In this role,
18 TransCanada provides transmission services to end-users, marketers, producers and
19 other parties, including Union and Enbridge.

20 As a transmission service provider, TransCanada has an interest in all matters that
21 may impact the Ontario natural gas market and the services which TransCanada
22 provides to meet market requirements. In the context of this proceeding, it is
23 important to TransCanada that the Board and other parties are aware of and
24 understand TransCanada's ability to meet the service requirements of the Ontario
25 market, and specifically those of new gas-fired power generators, through its existing
26 and proposed new services.

1 **Q3. Please describe TransCanada's role as a customer of Union and its interests in**
2 **the NGEIR proceeding in that context.**

3 **A3.** TransCanada is an ex-franchise service customer of Union and holds significant M12
4 and C1 transportation service on Union's Dawn-Trafalgar system. TransCanada
5 currently holds 1.488 million GJ/d of M12 daily contract demand, which represents
6 38 percent of Union's aggregate M12 daily contracted demand. TransCanada also
7 contracts for 128,316 GJ/d of firm C1 transportation capacity from Parkway to
8 Kirkwall. TransCanada integrates its Union M12 and C1 transportation service
9 entitlements and transportation service entitlements it holds on other pipeline systems
10 with facilities that it owns to provide transportation service on the Mainline to the
11 Ontario market and to other markets in Quebec and the northeast United States.

12 TransCanada has a direct interest in the matters in issue in this proceeding that may
13 affect the rates, or the terms and conditions, of service on Union's system.

14 **Q4. What is the scope of TransCanada's evidence in this proceeding?**

15 **A4.** TransCanada addresses matters related to two of the issues which the OEB
16 established in Procedural Order No. 1.¹ Specifically:

17 Issue I: Rates for gas-fired generators (and other qualified customers); and

18 Issue III: Transportation capacity bidding process and allocation.

19 **Q5. What evidence does TransCanada provide on Issue I?**

20 **A5.** TransCanada describes two new firm services it proposes to establish on its Mainline.
21 These services are intended to meet the evolving requirements of gas-fired power
22 generators and other qualifying parties for greater flexibility of operations and
23 certainty of supply. These services are Firm Transportation Short Notice (FT-SN)

¹ OEB Proceeding EB-2005-0551, Procedural Order No. 1, issued January 24, 2006.

1 service and a companion service, Short Notice Balancing (SNB) service. The FT-SN
2 and SNB services will be offered as complementary or alternative services to Union's
3 and Enbridge's existing and proposed new services for gas-fired power generators
4 and other qualifying parties..

5 TransCanada filed an application on May 1, 2006 with its regulator, the National
6 Energy Board (NEB), seeking approval to implement the proposed FT-SN and SNB
7 services.

8 **Q6. Why has TransCanada provided this evidence in this proceeding?**

9 **A6.** TransCanada has provided evidence on Issue I in response to the Board's invitation to
10 service providers other than Union and Enbridge to file evidence on how they may
11 provide new services to gas-fired power generators as either a complement or an
12 alternative to any services proposed by Union and Enbridge.

13 TransCanada is not regulated by the Board and is not seeking any relief from the
14 Board in this proceeding relating to TransCanada's proposed new services. However,
15 the Board and other stakeholders, including TransCanada, have invested significant
16 time and resources in investigating and evaluating the natural gas infrastructure
17 requirements in Ontario in relation to proposed new gas-fired generation facilities.
18 These efforts were in part reflected in the Board's issuance of a report entitled
19 *Natural Gas Regulation in Ontario: A Renewed Policy Framework Report on the*
20 *Ontario Energy Board Natural Gas Forum*, in which the Board determined that
21 "ensuring the adequacy of natural gas infrastructure to meet the demands of natural
22 gas-fired power generation is an important and immediate priority".² TransCanada
23 acknowledges the Board's priority and is also cognizant of the need for transmission
24 service providers, including it, to develop new services to meet the evolving
25 requirements of new gas-fired generators. Ontario is an important market and

² Ontario Energy Board, "Natural Gas Regulation in Ontario: A Renewed Policy Framework. Report on the Ontario Energy Board Natural Gas Forum", March 30, 2005, p. 54.

1 TransCanada recognizes that responsiveness to evolving market requirements is a
2 critical element of the pursuit of economic efficiency that is a goal of regulation.

3 Accordingly, TransCanada has provided evidence on its proposed FT-SN and SNB
4 services to assist the Board and other parties in this proceeding to better understand
5 all of the service choices that may be available to participants in the Ontario gas
6 market and how those services might be used in combination with, or as alternatives
7 to, services which may be offered by Union, Enbridge, or other service providers.

8 **Q7. What evidence does TransCanada provide on Issue III?**

9 **A7.** TransCanada has in the past expressed concerns with Union's open season practices
10 in relation to its acceptance of bid premiums as a method for allocating ex-franchise,
11 transportation capacity.³ TransCanada in its evidence further discusses these concerns
12 and establishes the need for Union to modify its practices by:

- 13 • establishing and obtaining Board approval of a clear and transparent allocation
14 procedure for consistent application in future open seasons;
- 15 • clearly identifying and communicating through its open season process any
16 constraints on expansion capacity; and
- 17 • eliminating its use of bid premiums as a criterion to allocate capacity when
18 insufficient capacity is available to meet all qualified service requests.

19 **Q8. Does TransCanada provide any other evidence in this proceeding on**
20 **Issue III?**

21 **A8.** Yes. TransCanada retained Dr. J. Stephen Gaske of Zinder Companies, Inc. to
22 provide expert testimony in relation to Issue III. Dr. Gaske concludes that Union's

³ EB-2005-0201 Transcript, Volume 2, June 28, 2005, Page 57, Line 8 to Page 62, Line 5.

1 use of bid premiums is not an appropriate method for allocating expansion capacity in
2 an open season.

3 **Q9. How has TransCanada organized the balance of its evidence?**

4 **A9.** In its evidence on Issue I, TransCanada provides its understanding of the needs of
5 new gas-fired power generators and describes TransCanada's proposed new FT-SN
6 and SNB services. TransCanada also provides in Appendix IA, background
7 information about its existing services on the Mainline and how these services are
8 used to meet the requirements of the Ontario gas market. TransCanada suggests that
9 this information is helpful to understand, and provides context for, TransCanada's
10 proposed new services. For the Board's information, TransCanada is also enclosing
11 as Appendix IB its application to the NEB for approval of the FT-SN and SNB
12 services.

13 TransCanada's evidence on Issue III addresses matters related to Union's open season
14 process for transmission expansion capacity and its use of bid premiums. In addition,
15 TransCanada provides Dr. Gaske's testimony as Appendix IIIA.