



**EB-2005-0551**

**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 eligible customers) and whether the Board should refrain from regulating the rates for storage of gas.

**NOTICE OF PROCEEDING  
ON NATURAL GAS ELECTRICITY INTERFACE ISSUES AND  
DETERMINATION TO REFRAIN FROM REGULATING RATES  
CHARGED FOR THE STORAGE OF GAS**

The Ontario Energy Board has commenced a proceeding on its own motion to determine (i) whether it should order new rates for the provision of natural gas, transmission, distribution and storage services to gas-fired generators (and other eligible customers); and (ii) whether to refrain, in whole or part, from exercising its power to regulate the rates charged for the storage of gas in Ontario by considering whether, as a question of fact, the storage of gas in Ontario is subject to competition sufficient to protect the public interest. The Board has given this proceeding File No. EB-2005-0551. The proceeding is commenced pursuant to sections 19, 36 and 29 respectively of the *Ontario Energy Board Act, 1998*.

On March 30, 2005, the Ontario Energy Board issued a report entitled "Natural Gas Regulation in Ontario: A Renewed Policy Framework Report on the Ontario Energy Board Natural Gas Forum". In this report issued under Board File No. RP-2004-0213, the Board set as an "important and immediate priority" the need to ensure that Ontario's natural gas infrastructure could meet the demands created by new gas-fired generators. As a result, the Board initiated a review under Board File No. EB-2005-0306, the Natural Gas Electricity Interface Review (NGEIR), to examine the regulatory treatment of natural gas infrastructure and services.

The NGEIR involved several months of research and meetings with stakeholders. The NGEIR report was released for stakeholder comment on November 21, 2005. The report's key recommendations is that the Board should initiate a generic hearing to review whether the Board should: (1) require gas utilities to provide firm higher deliverability service from storage and greater nomination entitlements; (2) require greater operational flexibility in the provision of distribution services; and (3) forbear from regulating rates for gas storage services.

In general, stakeholders largely agree with the recommendations in the NGEIR report. Consumer groups believe that it is necessary to identify all costs and customer impacts when assessing the new services to gas-fired power generators. Enbridge advised that it is developing services for gas fired generators and plans to review its proposals with stakeholders early in 2006. Union stated that it does not believe a generic hearing is necessary to design new services; instead, these services should be developed through a collaborative process with gas-fired power generators and then presented to the Board by Union. Gas-fired power generators supported the need for a generic hearing to develop and improve the availability of services from Union and Enbridge. They also repeated their request that unbundling be added to the list of issues addressed in the proceeding.

The Board has reviewed stakeholder comments and agrees with the recommendations outlined in the NGEIR report. The Board also believes that this proceeding will not impede Enbridge's and Union's planned processes with their customers. In addition, the Board believes that the issue of offering gas utility storage and distribution as discrete services to gas-fired generators (and other eligible customers) should be included in this proceeding. As a result, the Board will hold a generic hearing 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 eligible customers) that contain the following:

1. More frequent nomination windows for distribution, storage and transportation as a new service to gas-fired generators (and other eligible customers).
2. Firm higher deliverability from storage as a new service to gas-fired generators (and other eligible customers).

3. Greater operational flexibility in the provision of distribution services to gas-fired generators (and other eligible customers). This includes the removal of barriers to the inter-franchise movement of gas; the ability to redirect or acquire gas to a different delivery point on short notice; and the removal of unreasonable restrictions to the title transfer of gas in storage.
4. Gas storage and distribution as discrete new services to gas-fired generators (and other eligible customers).

In addition, the generic hearing will examine Union's Transmission Binding Open Season process as it relates to the rates and contractual terms for allocating transportation capacity. In particular, the issues concerning the M12 rate premiums identified in the Board's decision regarding the Dawn-Trafalgar Pipeline Transmission Expansion (EB-2005-0201) will be addressed.

Furthermore, the Board will determine in this generic hearing whether to refrain, in whole or part, from exercising its power to regulate the rates charged for the storage of gas in Ontario by considering whether, as a question of fact, the storage of gas in Ontario is subject to competition sufficient to protect the public interest.

The Board intends to provide clear direction on all of the issues in the generic proceeding and therefore intends to ensure that it has the appropriate evidentiary basis to make a decision. Accordingly, pursuant to section 21 of the *Ontario Energy Board Act, 1998*, the Board directs Union and Enbridge to file the following evidence:

1. A proposed tariff associated with the provision of the following services:
  - a. More frequent nomination windows for distribution, storage and transportation that correspond with the nominations of upstream pipelines that connect to the Ontario gas system.
  - b. Firm high deliverability service from storage with customer options for 1.2%, 5% and 10% deliverability.
  - c. Gas storage and distribution offered as discrete services.

- d. Inter-franchise movement of gas (i.e., the ability to access services across Ontario, whether to a customer's own account or as a sale to a third party).
- e. Redirection of gas to a different delivery point on short notice (i.e., the ability to redirect or acquire gas on short notice to a different delivery point).
- f. The ability to transfer the title of gas in storage (i.e., the title transfer in gas storage is treated as an administrative matter instead of a physical withdrawal or injection of gas).

The proposed tariff will include the eligibility criteria, terms and conditions of service, as well as the rates associated with each new service.

In addition, the rates for the firm high deliverability service from storage will need to reflect the following three scenarios: (1) Current pricing (i.e., the customer has access to cost-based storage in accordance with current allocation methodology, and market-based storage above that); (2) All storage is priced at cost; and (3) All storage is priced at market prices.

2. For each of the new services, evidence addressing the following questions should be provided:
  - a. What are the operational implications / barriers (if any) of providing these new services? How could these barriers be eliminated?
  - b. What are the costs and revenues associated with providing these new services?
  - c. What are the rate implications (if any) on other customer groups?
  - d. What is the expected timing regarding the implementation of the new services?

The Board also invites other service providers such as TransCanada PipeLines Limited and Vector Pipelines Limited to file evidence on how they may provide the services listed in s. 1 above either as a complement or as an alternative to the services provided by Union and Enbridge.

**The evidence outlined above shall be filed on or before 4:30 p.m. March 1, 2006** to the Board Secretary at the OEB's mailing address and/or by email. Ten (10) paper copies of the evidence with an electronic copy in Microsoft Word and searchable Adobe PDF should be provided.

The Board will also receive other evidence on all relevant matters from parties to the proceeding. A time table for the treatment of this evidence will be provided shortly.

The Board may issue further Procedural Orders from time to time.

### **Participation**

You may participate in this proceeding in one of three ways:

1. You may send the Board a letter of comment which must be received by the Board no later than 30 days from the date of this notice.
2. You may request observer status in order to receive documents issued by the Board in the proceeding. Your request must be made by letter received by the Board no later than 30 days from the date of this notice.
3. You may request intervenor status if you wish to actively participate in the proceeding. Your request must be made by letter of intervention received no later than 30 days from the date of this notice. Your letter of intervention must include a description of how you are, or may be, affected by the proceeding; and if you represent a group, a description of the group and its membership. The Board may order costs in this proceeding. You must indicate in your letter of intervention whether you expect to seek costs from Enbridge and Union and the grounds for your eligibility for costs. Requests for cost awards will be addressed in accordance with the Board's *Practice Direction on Cost Awards*. You must provide a copy of your letter of intervention to the Board with copies to both Enbridge and Union at the following addresses:

Patrick Hoey  
Director, Regulatory Affairs  
Enbridge Gas Distribution Inc.  
P.O. Box 650  
Scarborough, ON M1K 5E3  
Email: [patrick.hoey@enbridge.com](mailto:patrick.hoey@enbridge.com)

Mike Packer,  
Director, Regulatory Affairs  
Union Gas Limited  
50 Keil Street North  
Chatham, ON N7M 5M1  
Email: [mpacker@uniongas.com](mailto:mpacker@uniongas.com)

### **Need more information?**

Further information on how to participate may be obtained by visiting the Board's Web site at [www.oeb.gov.on.ca](http://www.oeb.gov.on.ca) or by calling our Consumer Relations Centre at 1-877-632-2727.

### **How to contact us?**

In responding to this notice please reference Board file number EB-2005-0551. It is also important that you provide your name and postal address and, if available, an e-mail address. All communications should be directed to the attention of the Board Secretary at the address below, and be received no later than 4:30 p.m. on the required date.

### **Ontario Energy Board**

P.O. Box 2319, 27th Floor  
2300 Yonge Street  
Toronto, ON M4P 1E4  
Attn: Mr. John Zych, Board Secretary  
Tel: 1-888-632-6273 (Toll free)  
Fax: 416- 440-7656  
Email: [Boardsec@oeb.gov.on.ca](mailto:Boardsec@oeb.gov.on.ca)

ISSUED at Toronto, December 29, 2005

### **ONTARIO ENERGY BOARD**

*Original signed by*

John Zych  
Board Secretary