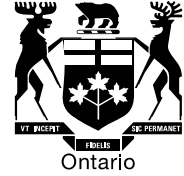


Ontario Energy Board
P.O. Box 2319
27th. Floor
2300 Yonge Street
Toronto ON M4P 1E4
Telephone: 416- 481-1967
Facsimile: 416- 440-7656
Toll free: 1-888-632-6273

Commission de l'énergie de l'Ontario
C.P. 2319
27e étage
2300, rue Yonge
Toronto ON M4P 1E4
Téléphone; 416-481-1967
Télécopieur: 416-440-7656
Numéro sans frais: 1-888-632-6273



BY E-MAIL AND WEB POSTING

March 5, 2008

**To: Enbridge Gas Distribution Inc.
Union Gas Limited
All Other Interested Parties**

**Re: Rules of Conduct and Reporting related to Storage – Storage and
Transportation Access Rule (“STAR”)
Board File No.: EB- 2008-0052**

The Board held a generic hearing in 2005 and 2006 to determine whether it should refrain, in whole or in part, from regulating the rates charged for natural gas storage in Ontario. This proceeding was known as the Natural Gas Electricity Interface Review EB-2005-0551 (“NGEIR”). The Board’s decision in NGEIR was released on November 7, 2006. The Board concluded that it will not regulate the prices charged for the following storage services:

- all storage services offered by Enbridge Gas Distribution Inc. (“Enbridge”) and Union Gas Limited (“Union”) to customers outside their franchise areas (with a transition period for Union’s services provided to Enbridge);
- new storage services offered by Union and Enbridge to their in-franchise customers (i.e., distribution customers); and
- all storage services offered by other storage operators, including storage operators affiliated with Union or Enbridge.

The Board also concluded that it was necessary to ensure consumer protection within the competitive storage market and ensure non-discriminatory access to transportation services for storage operators and customers. The Board stated it would initiate a process to develop rules of conduct and reporting related to storage and noted that there was merit to the development of a Storage and Transportation Access Rule (“STAR”).

The Board's Approach

The purpose of this letter is to describe the process that the Board intends to use in the development of STAR and to invite interested parties to participate in the process.

The Board intends that STAR will deal with the following:

- operating requirements to ensure that Union and Enbridge cannot discriminate in favour of their own storage operations or those of their affiliates and cannot discriminate to the detriment of third-party storage providers;
- reporting requirements for all storage providers, although the requirements may vary as between utility and non-utility storage providers, and which may include: terms and conditions, system operating data, and customer information; and
- a complaint mechanism for customers (or other market participants).

The development of STAR will be conducted in two phases. In the first phase, Board staff will be conducting stakeholder meetings with interested stakeholders. This process will lead to the development of a Staff Discussion Paper. The Staff Discussion Paper could include the following:

- relevant findings in other jurisdictions;
- an assessment of the different options that the Board could implement to ensure that Union and Enbridge cannot discriminate in favour of their own storage operations or those of their affiliates and cannot discriminate to the detriment of third-party storage providers;
- a complaint process to resolve market participant complaints regarding alleged anti-competitive behaviour in the natural gas storage market; and
- reporting and record keeping requirements.

The Staff Discussion Paper will also be informed by the expert advice of a consultant. Interested parties will be invited to comment in writing on the Staff Discussion Paper.

In the second phase, the Board will initiate a process to make STAR into a Rule as per section 44(1)(d) of the *Ontario Energy Board Act, 1988*. At that time, a Notice of Proposed Rule will be issued and all interested parties will have an opportunity to comment on the proposal.

Timelines

Staff will start its stakeholder meetings at the OEB with interested parties by early April 2008. Interested parties will be contacted directly by Board staff regarding upcoming stakeholder meetings. Staff's Discussion Paper is scheduled to be released by Spring 2008.

Invitation to Participate and Cost Awards

The Board encourages participation in Phase I (stakeholder meetings leading to a Staff Discussion Paper) by interested parties. Those interested in participating should indicate their interest in writing by letter addressed to the Board Secretary at the Board's mailing address set out above by **March 21, 2008**.

Cost awards will be available to eligible persons under section 30 of the *Ontario Energy Board Act, 1998*. The costs to be awarded will be recovered from Enbridge and Union. Appendix A contains further details regarding cost awards for this project. Any person intending to request an award of costs must file with the Board a written submission to that effect by **March 21, 2008**. The submission must be addressed to the Board Secretary at the Board's mailing address set out above. Also, the person applying for cost awards must satisfy the Board that he/she has a substantial interest and intends to participate actively and responsibly in Phase I of this process. Enbridge and Union will be provided with an opportunity to object to any of the requests for cost award eligibility within fifteen days. Following this process, the Board will make a determination on the cost eligibility of the parties requesting an award of costs.

All filings to the Board in relation to this consultation must quote file number **EB-2008-0052** and include your name, postal address, telephone number and, where available, an e-mail address and fax number. Three paper copies of each filing must be provided. The Board requests that interested parties make every effort to provide electronic copies of their filings in searchable/unrestricted Adobe Acrobat (PDF) format, and to submit their filings through the Board's web portal at www.errr.oeb.gov.on.ca. A user ID is required to submit documents through the Board's web portal. If you do not have a user ID, please visit the "e-filings services" webpage on the Board's website at www.oeb.gov.on.ca, and fill out a user ID password request. Additionally, interested parties are requested to follow the document naming conventions and document submission standards outlined in the document entitled "RESS Document Preparation – A Quick Guide" also found on the e-filing services webpage. If the Board's web portal is not available, electronic copies of filings may be filed by e-mail at boardsec@oeb.gov.on.ca.

This letter and all filings received by the Board in response will be available for public inspection on the Board's website at www.oeb.gov.on.ca and at the Board's office during normal business hours.

Any questions regarding the rules of conduct and reporting related to storage (STAR) should be directed to Laurie Klein at (416) 440-7661 or by e-mail at laurie.klein@oeb.gov.on.ca. The Board's toll free number is 1-888-632-6273.

Yours truly,

Original signed by

Kirsten Walli
Board Secretary

Attachment: Appendix A – Cost Awards

Appendix A – Cost Award Information (EB-2008-0052)

Eligibility

The Board will determine eligibility for costs in accordance with its *Practice Direction on Cost Awards*. Any person intending to request an award of costs must file with the Board a written submission to that effect, identifying the nature of the person's interest in this process and the grounds on which the person believes that it is eligible for an award of costs, addressing the Board's cost eligibility criteria as set out in section 3 of the *Board's Practice Direction on Cost Awards*. An explanation of any other funding to which the person has access must also be provided, as should the name and credentials of any lawyer, analyst or consultant that the person intends to retain, if known.

Activities Eligible for Cost Awards

Stakeholder Meetings with Board Staff

Cost awards will be available in relation to stakeholder meetings with Board staff prior to the issuance of staff's Discussion Paper. Specifically, costs per eligible party will be available for attendance at meetings with Board staff. For example, if the meeting was three hours then the eligible party can claim three hours only regardless of the number of people from the eligible party attend the meeting. Preparation time will be limited to 100% of attendance time.

Written Comments

Cost awards will be available in relation to written comments on the Staff Discussion Paper, up to a maximum of 20 hours per eligible party.

Cost Awards

When determining the amount of the cost awards, the Board will apply the principles set out in section 5 of its *Practice Direction on Cost Awards*. The maximum hourly rates set out in the Board's Cost Awards Tariff will also be applied. The Board expects that groups representing the same interests or class of persons will make every effort to communicate and co-ordinate their participation in this process.