



Ontario Energy Board

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Compendium
to the
Natural Gas Reporting
and
Record Keeping Requirements (RRR)

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What the Compendium does

The Ontario Energy Board (the Board) is publishing this Compendium along with the Natural Gas Reporting and Record Keeping Requirements (RRRs) for regulated natural gas utilities and licensed natural gas marketers. The Compendium sets out the rationales underlying the RRRs. By releasing this paper, the Board hopes to provide sufficient context to the development and use of the new RRRs.

The Compendium has two major parts:

1. A general discussion of the rationales underlying the development of the RRRs.
2. A table describing the rationales for each of the provisions of the rule and licence requirements that make-up the RRRs.

Why the new RRRs

A desire to consolidate

The previous reporting and record keeping requirements for gas utilities and marketers were not located in one place. To find them, one would have to look to various Board decisions and rules. The new RRRs consolidate disparate requirements into a rule that applies to gas utilities and licence requirements that apply to gas marketers.

A desire to update

The Board also wished to update and tailor the reporting and record keeping requirements to the modern regulatory environment. Among other things, the new RRRs are intended to reflect the issuance of recent Board documents, changes in rate-making methodologies, and recent legislative changes.

A desire for symmetry

The Electricity Reporting and Record Keeping Requirements were issued on October 23, 2002. The Board recognized the need for a measure of symmetry with the reporting and record keeping requirements in the electricity and gas sectors. Recognizing that certain material differences exist in the two sectors, including each sector's structure and regulatory history, the new RRRs attempt to introduce symmetry where feasible and practical, not necessarily symmetry for its own sake.

How the process unfolded

The Board took the following steps in developing the RRRs:

- Staff studied what other regulators are doing.
- Staff met with various working groups to develop draft requirements, which were then screened by staff managers.
- Staff put the draft requirements before a Board panel for review and obtained input from Board technical committees.
- Staff consulted with industry stakeholders and redrafted the requirements to incorporate the input received.
- Staff consulted again with industry stakeholders and redrafted the requirements to incorporate the input received.
- The Board issued the draft guidelines for comment.
- A Board panel reviewed the input received, made revisions, sought comment on the revisions and assessed comments received.

This process resulted in the new RRRs. Some of the previous or previously proposed requirements or practices were clarified, modified or dropped altogether, or new requirements were added. Interested stakeholders were consulted on each phase of developing the new RRRs.

Why the requirements look the way they do

The new RRRs appear in two documents:

1. The Natural Gas Reporting and Record Keeping Rule (for utilities)
2. The Natural Gas Reporting and Record Keeping Licence Requirements (for marketers)

These two documents were necessary to implement the new RRRs because the Board has different powers over utilities and marketers. Gas utilities are subject to the Board's rule-making power and so, in this case, the Board has opted for a rule imposing the RRRs. In contrast, gas marketers are licensed entities. The Board's rule-making power does not extend to licensees, but the Board can make compliance with the RRRs a condition of licensing. The conditions of licensing for marketers are narrower than the rules for utilities.

Light-handed regulation: less time and money and minimal intrusion

The new RRRs are consistent with a move toward more “light-handed” regulation, such as performance-based regulation. Traditional regulation is built around the hearing process, which has been criticized as time-consuming and expensive for all those involved.

The combination of monitoring and auditing under the “light-handed” approach gives the regulator assurance of compliance, while minimizing the resources required from both regulator and regulated.

The information provided for monitoring purposes is high-level information. Board staff would review it, carry out a general analysis (looking at trends, ratios, rates of change, and making comparisons to other entities), and follow-up on any anomalies or inconsistencies. This follow-up could range from a telephone call to a full audit.

This approach balances a number of competing interests. It is effective (actual results are compared to regulatory forecasts), efficient (audit efforts are concentrated around suspected problems), and minimally intrusive. The Board expects this approach will be less expensive and time-consuming.

More and better information

The reporting and record keeping requirements will ensure the Board has more and better information readily available so it can effectively monitor and regulate the industry. Through the creation of a comprehensive data base, the Board will augment its research and analysis capabilities of the sector towards the monitoring and assessment of the ongoing financial viability and performance of gas utilities, informing and protecting consumers, and the development of regulatory policy for the sector.

More certainty and consistency for industry and more confidence for consumers

Gas utilities and marketers will have their reporting and record keeping requirements clearly spelled out for them in one place. Codifying the new RRRs means that the requirements will be applied consistently across the industry. Consumers will feel more confident in being protected with respect to prices and the reliability and quality of gas service.

Exemptions and flexibility

The Board may grant exemptions to the requirements in the RRRs under the exemption provision in the RRRs. Industry stakeholders who believe they would be unduly prejudiced by a requirement or who believe a requirement should not apply to them for other reasons may

address utility-specific issues in an exemption application. This process will allow the Board to tailor its requirements to individual stakeholders as appropriate.

Rate regulation methodology has moved from cost-of-service regulation to performance-based regulation. The new RRRs are flexible enough to accommodate either form of regulation. The RRRs are not cast in stone. They will be a living document that can change as needed in response to new regulatory approaches.

RULE	
SECTION and NATURE OF REQUIREMENT	PURPOSE
<p>2.1.1 To provide a detailed economic evaluation of the rolling distribution system expansion project portfolio.</p>	<p>Current requirement: EBO 188, Appendix B, section 3.1. Information previously sent to the Board as a single page letter including NPV and PI for the 12 month rolling project portfolio as a whole, concluded at the end of a quarter.</p> <p>This information is used by the Board to monitor portfolio performance.</p>
<p>2.1.2 To provide information on non-gas supply deferral accounts and gas supply information filed quarterly with the Board in connection with a quarterly rate application process in quarters when such a filing is not made.</p>	<p>This information will allow the Board to: determine whether variance/ deferral account amounts are insignificant enough to demonstrate that the methodologies employed and initial estimates factored into the approved rates were realistic, and action to reduce the amounts may be deferred; review and follow up on unusual items or anomalies; track the status / monitor changes in account balances at least once every twelve months as required by legislation for non-commodity deferral and variance accounts; follow-up on account balance aberrations (i.e. changes greater than ‘x’ percent or other criteria) not a result of a previous Board order (i.e. ordered disposition of an account balance) and to allow the Board in making an order to determine whether and how amounts recorded in utility-specific accounts shall be reflected in rates (eg disposition earlier than 12 months done in conjunction with quarterly gas supply commodity deferral account disposition); confirm that the quarterly rate application filing was not necessary.</p>
<p>2.1.3 To provide information on system customers</p>	<p>This information will provide the Board with the customer profile information to permit monitoring and trend analysis of total customer base and mix.</p>
<p>2.1.4 To provide projected and comparative financial performance</p> <p>FORECAST PORTION WILL BE TREATED AS CONFIDENTIAL</p>	<p>This information will allow the Board to: monitor and review financial performance in periods the utility is not before the Board (PBR); monitor for potential off ramp under PBR ; monitor and review financial performance in periods the utility advises of no main rates application.</p>

RULE	
SECTION and NATURE OF REQUIREMENT	PURPOSE
<p>2.1.5 To provide information necessary to effect any earnings sharing provision and any other formula-based pass throughs</p>	<p>This information will allow the Board to effect and add transparency and accountability with respect to any applicable earnings sharing mechanism and other formula-based pass throughs.</p>
<p>2.1.6 To provide audited financial statements for the corporate entity regulated by the Board</p>	<p>This information will allow the Board to: obtain independent information on the financial condition and performance of the utility; determine the financial integrity and reliability of the utility’s regulatory accounting system (USoA) including trial balance information (noted below) because of the level of assurance provided by the independent auditor’s opinion on the statements; identify unusual practices and assess notes to the financial statements for major contingencies; determine compliance with generally accepted accounting principles (GAAP).</p> <p>This requirement creates symmetry with electricity RRR section 2.1.6.</p>
<p>2.1.7 To provide a trial balance</p> <p>CONFIDENTIAL</p>	<p>This information will allow the Board to: obtain a more detailed breakdown of the numbers in the audited financial statements which often permits a more focussed and meaningful review of accounting policies and procedures; serve as a check on information contained on other utility reports.</p> <p>This requirement creates symmetry with electricity RRR section 2.1.7</p>

RULE	
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<p>2.1.8 To provide information on affiliate arrangements and transactions</p>	<p>This information will allow the Board to: understand the nature and extent of outsourcing; understand which affiliate transactions should be at arms length; review and follow up on unusual items or anomalies; assess the overall magnitude of transactions between distributors and their affiliates and period to period deviations; assess high-risk utilities for audit or review; determine whether there is direct correlation between affiliate transactions and consumer complaints; assess any limits the Board may establish on outsourcing; and focus its examination during the rate setting process.</p> <p>This requirement creates symmetry with electricity RRR section 2.1.10.</p>
<p>2.1.9 To provide Service Quality Indicators of performance (SQIs)</p>	<p>This information allows the Board to: observe whether the utility has met the service quality standards set by the Board; review and follow up unusual items or anomalies; provide information to consumers and stakeholders; obtain data to support policy development considerations; and make better informed selections of utilities for service quality audits.</p> <p>This requirement creates symmetry with electricity RRR section 2.1.4</p>
<p>2.1.10 To provide exceptions to the gas purchase policy</p>	<p>This information allows the Board to: determine whether exceptions to the approved gas purchase policy affected gas customers adversely; observe whether practice is in line with policy; review and follow up unusual items or anomalies; understand the nature of the gas pass-through process and have a context in which to review utility gas purchase practices regarding pass-through costs.</p>

RULE	
SECTION and NATURE OF REQUIREMENT	PURPOSE
<p>2.1.11 To provide customer additions to the rolling distribution system expansion project portfolio</p>	<p>Current requirement: EBO 188, Appendix B, section 3.2A. Applies to gas distribution pipelines and facilities. The annual report shows, for each project - cost, forecast customer attachments, project Profitability Index & rolling PI (for the expansion project portfolio). In comparison to 2.1.1 (which looks at the rolling portfolio as a whole) this is reporting on selected projects within the rolling portfolio. The reporting is on cumulative customer attachments, actual costs and revenues vs forecast attachments, costs and revenues for individual selected projects within the rolling portfolio.</p> <p>This information will allow the Board to monitor the performance of utilities in meeting the regulatory financial requirements of their distribution system expansion project portfolios.</p>
<p>2.1.12 To provide an audited report of actual demand side management results.</p>	<p>Current requirement: EBRO 499. The audited report compares actual results to the Board approved demand side management plan and explains the variances.</p> <p>This information will allow the Board to: monitor demand side management (DSM) program performance (utility compliance with policies and agreements) and financial results; review and follow up unusual items or anomalies; obtain independent information; and allocate resources to higher risk areas by reducing the need for the Board to conduct financial reviews.</p>
<p>2.1.13 To provide an environmental monitoring report on completed natural gas system expansion projects</p>	<p>Current requirement: EBO 188, Appendix B, section 3.2B. Applies to gas distribution pipelines and facilities not subject to leave to construct under OEB Act s91, non-certificate of convenience and necessity, and non-franchise agreement projects. The report is due on specific projects as determined by Board staff.</p> <p>This information will allow the Board to monitor the performance of utilities in meeting the regulatory environmental requirements of their distribution system expansion project portfolios.</p>

RULE	
SECTION and NATURE OF REQUIREMENT	PURPOSE
<p>2.2.1 To provide a certification on director independence</p>	<p>This acknowledgement of direct accountability by senior management increases the assurance of the Board that utilities are in compliance with regulatory requirements.</p> <p>This requirement creates symmetry with electricity RRR section 2.2.1</p>
<p>2.2.2 To provide a certification on sharing of information services</p>	<p>This acknowledgement of direct accountability by senior management increases the assurance of the Board that utilities are in compliance with regulatory requirements.</p> <p>This requirement creates symmetry with electricity RRR section 2.2.2</p>
<p>2.2.3 To provide a certification on compliance with the Affiliate Relationships Code</p>	<p>This acknowledgement of direct accountability by senior management increases the assurance of the Board that utilities are in compliance with regulatory requirements.</p> <p>This requirement creates symmetry with electricity RRR section 2.2.3</p>
<p>2.2.4 To provide a certification on compliance with the Affiliate Relationships Code</p>	<p>This acknowledgement of direct accountability of senior management increases the assurance of the Board that utilities are in compliance with regulatory requirements.</p>
<p>2.2.5 To provide a certification on compliance with the Affiliate Relationships Code</p>	<p>This acknowledgement of direct accountability of senior management increases the assurance of the Board that utilities are in compliance with regulatory requirements.</p>
<p>2.3.1 To retain written complaints and responses</p>	<p>Maintenance of records of written complaints and the utilities' response are a standard component of customer relationship management.</p>
<p>CONFIDENTIAL</p>	<p>The retention of documentary evidence strengthens the ability of a utility to substantiate its actions should the Board follow up a complaint.</p>

RULE	
SECTION and NATURE OF REQUIREMENT	PURPOSE
<p>2.3.2 To provide a customer complaint handling policy</p>	<p>A standardized documented complaint handling policy is good business practice. If there is a customer complaint handling policy, the text would be available and in use.</p> <p>The retention of documentary evidence strengthens the ability of a utility to substantiate the reasonableness of its approach in handling complaints.</p>
<p>2.3.3 To provide uniform system of accounts balances mapped and reconciled to the audited financial statements</p> <p>CONFIDENTIAL</p>	<p>Records of account balances mapped and reconciled to the audited financial statements are a standard component of a utility's accounting records and the USoA requires (in the 'Records' section) cross referencing between the USoA and the utility's account numbering system if different (USoA deemed to be a rule of the Board by section 130 of the <i>Ontario Energy Board Act, 1998, C. 15, Schedule B</i>).</p> <p>The retention of documentary evidence strengthens the ability of a utility to substantiate the accuracy of information filed under reporting requirement Rule 2.1.7. Firstly, the account balances filed agree to those in the accounting records. Secondly, the account balances in the accounting records agree to the numbers in the audited financial statements.</p>
<p>2.3.4 To provide a purchasing and acquisition policy including policies respecting acquisitions from affiliates</p>	<p>A standardized documented purchasing and acquisition policy is good business practice. If there is a purchasing and acquisition policy, the text would be available and in use.</p> <p>The retention of documentary evidence strengthens the ability of a utility to substantiate the economy with which it makes purchases and that affiliates are granted terms and conditions no more favourable than others</p>
<p>2.3.5 To provide information to support entries to the gas supply commodity deferral account</p> <p>Section (a) confidential.</p>	<p>The retained documentation will support monthly gas supply commodity deferral account entries sufficient to determine the amount associated with specific commodity purchases and transportation and storage obligations occurring in that month and details of all risk management transactions which would be required to support the authorization/ approval process for transactions recorded in the financial system.</p>

RULE	
SECTION and NATURE OF REQUIREMENT	PURPOSE
<p>2.3.6.1/2 To provide corporate relationships including the corporate organization chart and details of affiliates and related business practices</p>	<p>Records on corporate relationships are required by the Affiliate Relationships Code for Gas Utilities subsection 2.8.2.</p> <p>This information will allow the Board to gain background knowledge needed when auditing activity with affiliates to determine compliance with regulatory requirements.</p>
<p>2.3.7.1/2 To provide transactions with a particular affiliate exceeding \$100,000 annually as required by the Affiliate Relationships Code for Gas Utilities.</p> <p>Section 2.3.7.2 (a), (c) to e) confidential.</p>	<p>Records of transactions with a particular affiliate exceeding \$100,000 annually are required by the Affiliate Relationships Code for Gas Utilities (ARC) subsections 2.3.5 to 2.3.7, 2.2.5, 2.3.10, 2.3.11, and 2.8.3.</p> <p>This information will allow the Board to obtain details of significant transactions, needed when the Board audits activity with utility affiliates to determine compliance with regulatory requirements.</p>
<p>2.3.8 To provide records substantiating the review(s) complying with the provisions of section 5900 of the CICA Handbook to ensure compliance with the access protocols and the services agreement</p> <p>CONFIDENTIAL</p>	<p>Records substantiating the review(s) complying with the provisions of section 5900 of the CICA Handbook to ensure compliance with the access protocols and the services agreement are required by the Affiliate Relationships Code for Gas Utilities subsection 2.8.1.</p> <p>The retention of documentary evidence strengthens the ability of a utility to substantiate the accuracy of the certification (rule 2.2.2) filed with the Board.</p>

RULE	
SECTION and NATURE OF REQUIREMENT	PURPOSE
<p>2.3.9 To provide records substantiating the self-certification statement confirming compliance with the Affiliate Relationships Code for Gas Utilities subsection 2.7.1</p> <p>CONFIDENTIAL</p>	<p>Records substantiating the self-certification statement confirming compliance with the Affiliate Relationships Code for Gas Utilities subsection 2.7.1 are required by the Affiliate Relationships Code for Gas Utilities subsection 2.8.1.</p> <p>The retention of documentary evidence strengthens the ability of a utility to substantiate the accuracy of the certification (rule 2.2.3) filed with the Board.</p>
<p>2.3.10 To provide records of the any service agreement as required by the Affiliate Relationship Code for Gas Utilities.</p> <p>CONFIDENTIAL</p>	<p>Records on any service agreement entered in between utility and affiliate are required by the Affiliate Relationship Code for Gas Utilities subsection 2.2.1.</p> <p>This information will allow the Board to obtain details, terms and conditions of various service agreements used when the Board audits activity with utility affiliates to determine compliance with regulatory requirements.</p>
<p>2.3.11 To provide records of the business case analysis undertaken before contracting with an affiliate as required by the Affiliate Relationship Code for Gas Utilities.</p>	<p>Records on business case analysis are required by the Affiliate Relationship Code for Gas Utilities subsection 2.3.2.</p> <p>This information will allow the Board to obtain details of the business case analysis when the Board audits activity with utility affiliates to determine compliance with regulatory requirements.</p>
<p>2.3.12 To provide records of any independent assessment of the market price in a sale or purchase a utility asset to an affiliate as required by the Affiliate Relationship Code for Gas Utilities.</p>	<p>Records of an independent fair market value assessment and of the purchase and sales of assets between the utility and its affiliates are required by the Affiliate Relationship Code for Gas Utilities subsections 2.3.14 and 2.3.16.</p> <p>This information will allow the Board to obtain details of the purchase or sale of assets when the Board audits activity with utility affiliates to determine compliance with regulatory requirements.</p>

RULE	
SECTION and NATURE OF REQUIREMENT	PURPOSE
<p>2.3.13 To provide records of any sale to an affiliate of a depreciable asset with net book value of \$10,000 or more as required by the Affiliate Relationship Code for Gas Utilities.</p>	<p>Records of the report of sale of a depreciable asset with net book value of \$10,000 or more are required by the Affiliate Relationship Code for Gas Utilities.</p> <p>This information will allow the Board to obtain details of the sale of assets when the Board audits activity with utility affiliates to determine compliance with regulatory requirements.</p>
<p>2.3.14 To provide distributor service agreements with retailers as referenced in the Gas Distribution Access Rule subsection 3.2.4</p> <p>CONFIDENTIAL</p>	<p>Records of distributor service agreements with retailers are currently required under the Gas Distribution Access Rule subsection (GDAR) 3.2.4. This balances the flexibility provided by GDAR section 3.2.3 (own terms).</p> <p>The retention of documentary evidence strengthens the ability of a utility to substantiate compliance with GDAR section 3.1.1 - that it is conducting all relations with gas vendors in a non-discriminatory manner (and no monopoly power has been exercised).</p>
<p>2.3.15 To provide records created by the utility in accordance with the requirements of the Gas Distribution Access Rule subsection 2.3.1, documenting the system configuration, operating limitations and compliance with the Rule</p>	<p>Records created by the utility documenting the system configuration, operating limitations and compliance with the Rule are currently required under the Gas Distribution Access Rule subsection 2.3.1. GDAR deals with access matters, so the Board will be able to know if the system (infrastructure) is capable of providing incremental service. The reporting requirement deals with system configuration (to understand all possible supply paths) and operating limitations (to understand whether excess capacity exists and if it can meet a customer's needs).</p> <p>The retention of documentary evidence strengthens the ability of a utility to substantiate compliance with GDAR, which compliance may be affected by operating limitations of the system configuration.</p>

RULE	
SECTION and NATURE OF REQUIREMENT	PURPOSE
<p>2.3.16 To provide a policy on financial security arrangements with gas vendors as referenced in the Gas Distribution Access Rule subsection 3.4.2.1</p>	<p>The policy on financial security arrangements with gas vendors is currently required under the Gas Distribution Access Rule subsection 3.4.2.1.</p> <p>The retention of documentary evidence strengthens the ability of a utility to substantiate that the security arrangements are reasonable and that the agreement includes the required details - no misrepresentation by a gas vendor.</p>
<p>2.3.17 To provide information on all consumers who are provided gas distribution services by the gas distributor, as referenced in the Gas Distribution Access Rule subsection 5.1 and 5.4.1.</p> <p>CONFIDENTIAL</p>	<p>Records on all consumers who are provided gas distribution services by the gas distributor are currently required under the Gas Distribution Access Rule subsection 5.1 and 5.4.1.</p> <p>This information creates symmetry with the electricity Retail Settlement Code. An entity that both markets gas and retails electricity should have comparable information retained by the regulated service provider (eg the gas distributor).</p> <p>This is the information which, at a minimum, the Board considers necessary for identification, billing and payment purposes, and includes 24 months of consumption data to permit review of trends.</p>

LICENCE REQUIREMENT	
SECTION and REQUIREMENT	PURPOSE
<p>2.1.1 To provide summarized new contracts with low volume customers</p> <p>CONFIDENTIAL</p>	<p>This information will allow the Board to: measure complaint volumes against overall market activity (the ratio will help determine seriousness and extent of the complaints, and be a factor in assessing further compliance action and administrative penalties); provide information to consumers and stakeholders; observe retail activity and the operation of the market which, in turn, support policy development.</p> <p>This requirement creates symmetry with electricity RRR section 4.1.1.</p>
<p>2.2.1 To provide written complaints and responses</p> <p>CONFIDENTIAL</p>	<p>Maintenance of records of written complaints and the utilities' response are a standard component of customer relationship management.</p> <p>The retention of documentary evidence strengthens the ability of a marketer to substantiate its actions should the Board follow up a complaint.</p>
<p>2.2.2 To provide records of sales personnel and customer information are required by the Code of Conduct for Gas Marketers subsection 2.3</p> <p>CONFIDENTIAL</p>	<p>Records of sales personnel and customer information are required by the Code of Conduct for Gas Marketers subsection 2.3.</p> <p>The retention of documentary evidence strengthens the ability of a marketer to substantiate that it has a valid contract with each customer.</p> <p>This information will assist the Board in following up a complaint on a particular salesperson.</p>
<p>2.2.3 To provide records of staff training material</p> <p>CONFIDENTIAL</p>	<p>The retention of documentary evidence strengthens the ability of a marketer to substantiate compliance with Code of Conduct for Gas Marketers 2.1.2 - that its salespersons adhere to the same standards required of the gas marketer as set out in the Code of Conduct for Gas Marketers.</p>
<p>2.2.4 To provide marketing information</p> <p>CONFIDENTIAL</p>	<p>The retention of documentary evidence strengthens the ability of a marketer to substantiate compliance with certain aspects of Code of Conduct for Gas Marketers 2.1.3 by demonstrating that marketing material including promotional material, offers, application forms, letters, reference material, and anything used by salespersons, was not misleading.</p>