

Argument

System supply

The LDCs have fallen back in love with system supply. This is a complete volt face for Union Gas from its position presented in the 10-year market review.

There has been no explanation from the utilities themselves of the source of or reason(s) for this sea change.

Two things have happened. Time has passed and there has been a change in ownership of both major LDC.

In the absence of comment from the utilities themselves we can only speculate on the reasons for the change; but some of the actions of the utilities themselves in the intervening period can give us some insight.

Union, when faced with the prospect that Greater Sudbury might acquire its gas distribution system within its municipal boundaries
See evidence of Union in RP-2000-0078.

Faced with losing a portion of its system and seeing the possibility of having to surrender the billing function Union realized the key public relations significance of the billing function. It was the essential mechanism for establishing itself in the end user's mind (and that included municipal officials) and in the public's mind as the all-present, beneficent utility company with quasi-official, semi-government status. And that gave them a strong leg up in their primary aim—retention of their franchise privilege. It also gave them other distinct advantages: if they wanted to get any message across they had and automatic, customer-familiar, extremely effective way of doing it: a bill insert. If it came to marketing other products (a distinct possibility in this era of convergence) they had instant credibility. If there is any doubt about this think what the billing situation has done for Direct in the Enbridge situation. As Union themselves put it so clearly in RP-2000-0078 Ex. B Tab4 p.16 “ With marketer-consolidated billing, Union will risk becoming invisible to the consumer. Union does not want to lose its most important communications channel as a means of assistance in securing franchise renewals.”

Questions for CIF et al

Q. 4 Increased Ontario natural gas electric power generation is a theme that runs throughout the discussion papers. At p. 5 of the System paper you state: “The two principal developments in the market include.....the continued growth of gas demand in the power generation sector, particularly in Canada where the government's commitment to the Kyoto Protocol will lead to the increased use of gas to replace coal-fired generation.”

The government action referred to is a **federal** action that doesn't translate directly into Ontario gas electric generation. Do you have some base for the use of the verb "will"? Are there clear indications from the Ontario government, which support your conclusion?

Q.5 At p. 10 of "System" paper you recite the current market share of system gas as one third of gas volume and approximately 60 % of customers. Did you check what the high-water mark for customers on direct purchase was in the period from 85 to the present? Could you let us know what it was with the split by utility for that mark together with the 60% split by utility?

Q.6 p. 10 "System" You state "Although stakeholder sentiment indicates a continued role for system gas". We would like to know which stakeholders you consulted. We were not contacted and we wonder about the how many of the direct sellers/consultants—particularly those dealing with the industrial/commercial market were contacted.

Q.7 p.18 "System" To your knowledge are there any significant current problems in Georgia stemming from the elimination of the system supply function?P

Q.8 p.29 "System" You recommend that the QRAM process become "more formulaic". What gaps do you see and what formula elements do you recommend being introduced?

Q.9 p.32 "System" We do not understand the sentence "Since the QRAM process does not reflect daily prices but annual prices, this restriction on risk management is not entirely appropriate."

Q.10 p.35 "System" We do not understand the paragraph beginning "More flexibility..." In particular we want to know what you mean when you use the word "profiling".