



**Ontario Energy Board**

Commission de l'énergie de l'Ontario

# **Storage and Transportation Access Rule (STAR)**

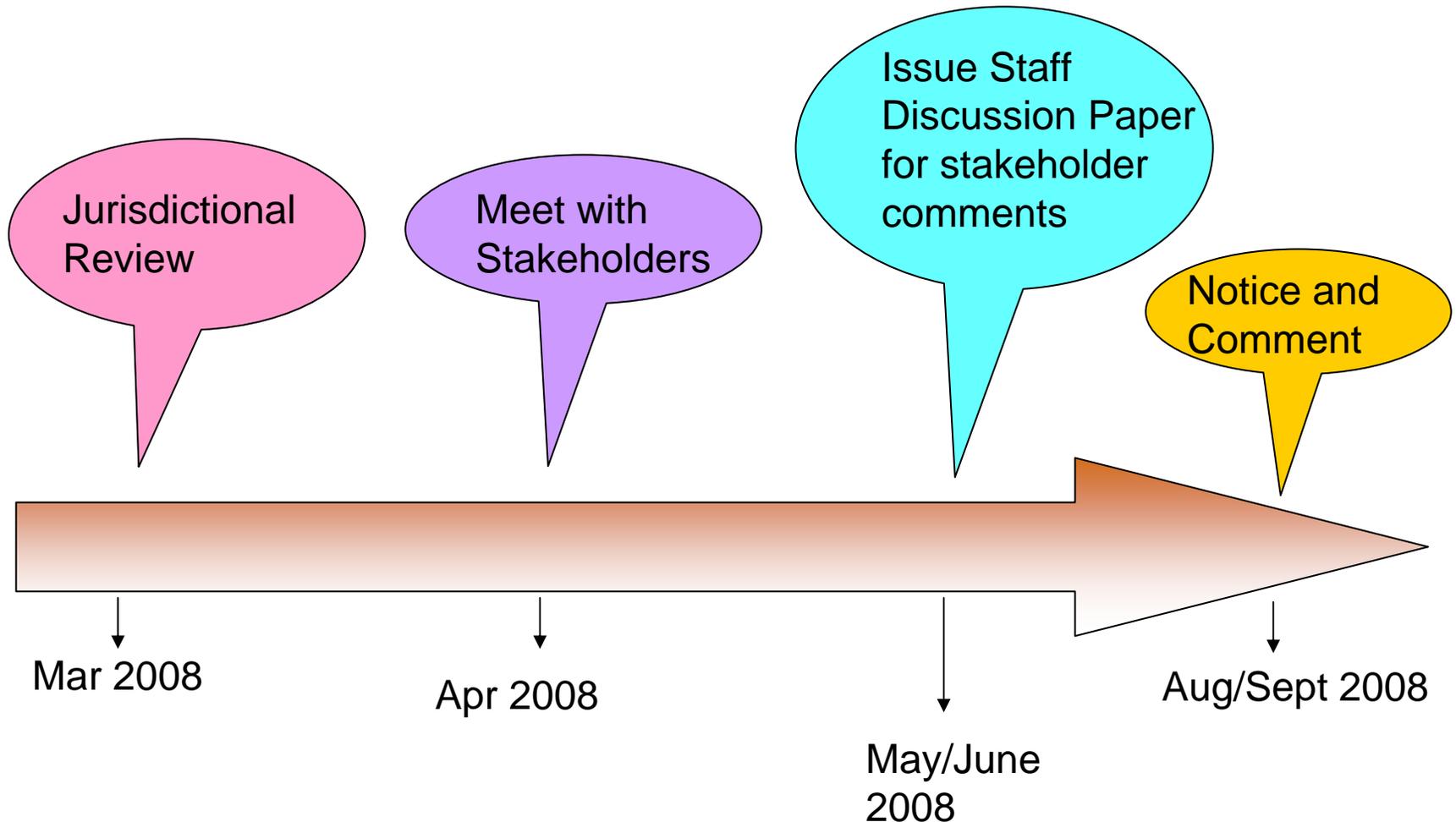
Stakeholder Meetings - April 16, 17 and 18, 2008

- Background
- Process and Timelines
- Jurisdictional Review
- Objectives and Options
  - Implementation

- NGEIR decision
  - Necessary to develop rules of conduct and reporting related to storage
  - Merit to Storage and Transportation Access Rule (STAR)
- Board issued letter that describes the STAR process
  - Development of STAR will be conducted in two phases

- Development in two phases:
  - Consultation leading to Staff Discussion Paper
  - Rule making as per section 44(1)(d) of the *Ontario Energy Board Act, 1988*
- Twenty-five registered participants representing diverse interests

# Process and Timelines



# Process and Timelines – Stakeholder Consultation

<p><b>April 16<sup>th</sup> morning meeting:</b></p> <ul style="list-style-type: none"><li>- Union</li><li>- Enbridge</li></ul>	<p><b>April 16<sup>th</sup> afternoon meeting:</b></p> <ul style="list-style-type: none"><li>- VECC</li><li>- CCC</li><li>- LPMA/BOMA</li><li>- DR Quinn &amp; Associates</li><li>- City of Kitchener</li><li>- IGUA</li><li>- CME</li></ul>
<p><b>April 17<sup>th</sup> morning meeting:</b></p> <ul style="list-style-type: none"><li>- AltaGas Ltd.</li><li>- MHP</li></ul>	<p><b>April 17 afternoon meeting:</b></p> <ul style="list-style-type: none"><li>- Shell Energy</li><li>- SemCanada Energy</li><li>- Direct Energy</li><li>- Superior Energy Management</li><li>- Nexen Marketing</li><li>- OESLP</li></ul>
<p><b>April 18<sup>th</sup> morning:</b></p> <ul style="list-style-type: none"><li>- TCPL</li><li>- ANR/Great Lakes</li><li>- OPG</li></ul>	<ul style="list-style-type: none"><li>- APPrO</li><li>- OPA</li><li>- Bluewater</li><li>- Gaz Metro</li></ul>

## Objectives for today's meeting:

- Seek initial comments and views of stakeholders
  - Review staff's initial list of options
  - Stakeholders invited to discuss their options and recommendations

# Jurisdictional Review - FERC

- Transportation and storage services must be provided without undue discrimination or preference
  - Terms of service and capacity allocation rules must be included in tariff
  - Storage service must be offered on a stand-alone basis
  - Pipelines may not give preference to their own storage or balancing services
- Open seasons the preferred way to show need for new facilities
  - Establish operators should allow turn-back (reverse open season)
- Cost-based services must not subsidize market-based services
  - Account for costs of facilities used for market-based services
- Information requirements:
  - Transaction reporting (rates, contract duration, contract terms)
  - Market structure (identify who controls capacity rights)
  - Capacity availability (allow customers to value service, identify withholding)

# Jurisdictional Review - California

- Gas Storage Rules (1993) require open and non-discriminatory access to transportation for customers of independent storage providers (ISPs)
- Market-based rates for storage sold to non-core customers
- Utilities must consider ISP storage on par with their own storage facilities
- Reporting:
  - Utilities post transportation flows (historical and forecast) and storage injections and withdrawals.
  - Negotiated contract terms are disclosed to the CPUC and other parties.
  - ISPs file short term transaction summaries and long term contracts (may request confidentiality)
- Affiliate Transactions:
  - PG&E Rule 26 extends affiliate rules to departments within the company.
  - ISPs have been prohibited from any transactions with affiliates.

# Jurisdictional Review – United Kingdom

- National Transmission System (NTS) owned by National Grid Gas, the System Operator.
- Transportation rights sold through on-line auctions
  - Auction schedules specified in the Uniform Network Code
  - Results posted, but winning bidders are not identified
- Rough Storage operates under agreement with Office of Fair Trade
  - Standard storage contract and mandatory auctions
- New storage facilities exempted from regulation on a case-by-case basis
- Reporting:
  - System Operator posts demand forecasts, nominated and actual flows
  - Near real time posting of gas flows at major points on NTS
  - Storage inventory posted daily, aggregated by class of storage facility

# Jurisdictional Review - Michigan

- Light-handed regulation of non-utility storage
  - Storage operators must have an approved tariff
  - Market pricing, generally subject to a rate cap
  - MPSC has approved arrangements where capacity was leased to an affiliate
  - Intrastate storage operators offering interstate service subject to FERC regulations
- Negotiated storage terms and pricing for large in-franchise customers
  - Special Contracts must be approved by the MPSC
  - Contracts filed with applications are public information
- Reporting:
  - Consumers Energy posts available capacity and transportation nominations for specific points
  - Revenue from individual Special Contracts identified in annual reports

## Oklahoma

- Oklahoma Natural Gas (ONG) storage business deregulated in 1999
  - Storage facilities transferred to a separate affiliate
  - ONG purchases storage through competitive process, without affiliate preference

## British Columbia

- BCUC classified Aitken Creek as a public utility after 20 years of operation
  - Exempted from most Utilities Commission Act regulations
  - Oversight of storage contracts with Terasen Gas

- Non-discriminatory access to transportation services
- Ensure consumer protection within the competitive storage market
- Establish a transparent transportation and storage market

## Options:

- A transporter offers all capacity through an open season or on-line auction;
- A transporter uses a storage connection agreement; and
- A transporter uses a standard form of contract with minimum terms and conditions for transportation services (e.g., M12 contract).
- Are there other options?

- Which services?
  - Services under Enbridge rate 331 and Union rates M12, M16 and C1 transportation services
  - Others?
- What should be the minimum standards for an open season?
  - Minimum notice and open season period
  - Bid package (including evaluation criteria)
  - Reverse open season
  - Bid results
  - Posting of results
  - Criteria and timing of open seasons

- Board approved?
- Negotiated?
- Public?
- What should the agreement include?

# Options - Standard Form of Contract

- Board approved?
- Negotiated?
- Public?
- What should be the minimum terms and conditions?
  - Nomination and scheduling procedures
  - Service priority rules (service interruption)
  - Balancing requirements and imbalance charges and penalties
  - Billing and payment
  - Financial assurances
  - Measurement

- Should the Board adopt measures to ensure consumer protection within the competitive storage market? For example:
  - Examine access to transactional services?
  - Examine access to storage?

# Implementation – Reporting Requirements

- Depends on which option becomes a rule
- Examples being examined are part 284 of the FERC regulation:
  - Index of customers
  - Post available transportation capacity by receipt and delivery points on a timely basis
  - Semi-annual storage report
  - Annual filing on estimate of the peak day transportation capacity, storage capacity and maximum daily delivery capability
- Other reporting requirements?



- Should all reporting requirements apply to all storage providers?
- Which services? For example:
  - Services under Enbridge rate 331 and Union rates M12, M16 and C1 transportation services
  - Services under Enbridge rate 330 and Union rate MPSS
  - Others?

- A transporter and storage company must file a written complaint procedure for Board approval; or
- A transporter and storage company must post complaint procedures on their websites; no Board approval.

- What should be the role of the Board?
  - An observer of the company's dispute resolution process
  - Complaints are filed for Board review
    - Public or confidential?
  - Others?



**Ontario Energy Board**

Commission de l'énergie de l'Ontario

**Further questions?**