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Responses to Board Staff Questions

Consultation Session

May 20, 2008



Presentation Structure

- Introduction
- Access Rule
- Consumer Protection
- Reporting Requirements
- Responses to Board Staff questions



Access Rule

Gas Transmission Access Rule – “GTAR”

- Access Rule for storage is not required

Why?

1. NGEIR decision focused on transmission access
2. Storage is a competitive service - OEB supervision of access to storage would be inconsistent with forbearance decision
3. The Board has already established storage allocation rules for in-franchise customers (Storage Allocation proceeding for T1/T3)

Existing Instruments that Facilitate Transmission Access



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- Union Gas Website (uniongas.com) contains policies, procedures and activity related information
 - The Transmission Open Season and Allocation Procedure for long-term firm transmission capacity resulting from expansion
 - Operational Status Lights using a stop light as a visual signal for availability of interruptible services
 - Union Standard Contracts (e.g., M12, M16) are posted on uniongas.com

Existing Instruments that Facilitate Transmission Access



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- Priority of Service (“POS”): guidelines for scheduling reductions and service restrictions for Union’s **interruptible** services
- External Policy Team: a working group that discusses and provides feedback that may modify existing policies or result in new policies being developed

Consumer Protection: Complaint Mechanism



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“Complaint mechanism for customers (or other market participants.)” (NGEIR decision p 76)

- Union already has a “Written Customer Complaint Policy” posted on uniongas.com
- Monitored by a Service Quality Requirement (“SQR”)
- Written complaints are available to the Board through a Reporting and Record Keeping Requirement (“RRR”)



Reporting Requirements

“Reporting requirements for all storage providers, although the requirements may vary between utility and non-utility storage providers, and which may include: terms and conditions, system operating data, and customer information.” (decision p 76)

- Union has posted the customer information on uniongas.com as committed to in the NGEIR proceeding
 - Similar to FERC Rule 284.13 requirements
- Information posted on a quarterly basis is:
 - long term storage and transmission
 - customer name, quantity (GJ), term (start and end date)
 - for transportation - receipt and delivery point



Consumers Groups Comment

“Union to report estimate of the amount of in-franchise storage (i.e., Union’s expected excess storage capacity out of the 100 PJ reserved for in-franchise use) that is expected to be available over the next winter season before market participants are required to bid for unregulated storage services for the coming winter; assist market participants in storage purchasing strategies.”

100 PJ Cap NGEIR Decision Excerpts



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The Board has determined that Union should be required to reserve 100 PJ (approximately 95 Bcf) of space at cost-based rates for in-franchise customers. This compares with Union's estimate of 2007 in-franchise needs of 92 PJ (87 Bcf). (pg. 83)

Union will have the flexibility to market the difference between the total amount needed and the 95 Bcf reserve amount. (pg. 83)

Union's storage facilities will not be physically split into two pieces and Union is likely to continue operating its storage assets in much the same way as it does today. Union presumably will determine its ability to execute short-term deals based on the amount of temporarily surplus space in the entire storage facility. As long as the utility and non-utility storage is operated as an integrated asset, it will not be possible to determine that any particular short-term transaction physically utilizes space from either the "utility asset" or the "non-utility asset." (pg. 101)

100 PJ Cap Implications



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- There is no need to provide an estimate of the expected excess storage over in-franchise needs
- Union will manage and market all storage on an integrated basis
- The marketing of storage available for sale is a competitive market activity and Union should not be required to report estimates of space available for sale in advance of specific open season market offerings
- All revenues and costs associated with marketing and selling storage using excess in-franchise storage will flow through the Short Term Storage and Balancing deferral account which is subject to annual review and disposition
- Access to excess in-franchise storage is for future growth



Transportation Open Season

Question 1

Given Board staff's proposed minimum standards as outlined in Appendix A, please describe whether the open seasons for firm transportation M12 and C1 services meet these standards. Please indicate where there are differences.

Union Response

- Union's transmission open season package meets most of the criteria outlined in Appendix A, with some exceptions



Transportation Open Season

Minimum Notice and Open Season Period - There should be enough notice provided to allow potential bidders to:

- *evaluate the service offering*
- *develop bids*

Union Response

- If an open season is conducted for existing capacity, Union typically allows 2 weeks
- For new capacity, Union typically allows 1 month (and may extend the period as necessary)
- There is no definitive timeline for an open season, Union needs to manage based on market conditions and customer feedback



Transportation Open Season

- *in the case of transportation expansions, allow storage companies to coordinate their service offerings*

Union Response

- Open Seasons are initiated to meet a need or perceived market demand
- Parties (Storage Companies or Pipeline Companies) are free to discuss plans and timing with Union
- There is no need to link or tie service offerings
- It is virtually impossible to manage this co-ordination



Transportation Open Season

***Bid Package** - The open season materials should include all of the information bidders need to make an informed decision:*

- *the amount of capacity being offered, and*
- *any potential transportation constraints*

Union Response

- Union would not typically provide this information since it can have an influence on the market
- Union will communicate if bids are expected to exceed the capacity



Transportation Open Season

- *the date capacity will become available, and*
- *any minimum term requirements, and*
- *the methodology that will be used to evaluate bids*

Union Response

- Union provides this information



Transportation Open Season

Reverse Open Season – To prevent overbuilding, existing customers should have an opportunity to turn back existing capacity rights before companies are allowed to build expansion facilities.

Union Response

- Union initiates a reverse open season prior to building new transmission capacity



Transportation Open Season

Bid Results – Transaction information (such as prices, volumes, and receipt and delivery points) should be disclosed so that shippers can ascertain the value of transportation.

Union Response

- M12 information (shipper name, volume, contract flow dates (beginning and end) and receipt and delivery points) will be posted on uniongas.com on a quarterly basis once contract flows
- Union would be willing to post C1 firm transportation (1 year or greater) in an information format similar to M12
- Union will not post the price for negotiated transportation services



Transportation Open Season

Criteria and Timing – One of the situations that a Standards of Conduct is intended to prevent is companies giving undue preference to an affiliate regarding the sharing of non-public information concerning plans for future facilities expansions such as the timing of upcoming open seasons. Therefore, this type of information should be included in all open seasons.

Union Response

- Union does not have energy services provider that would take C1 or M12 transportation service
- Timing of future open seasons are not known
- If Union did have an affiliate wanting capacity, it would follow the published open season guidelines applicable to all parties
- The relationship between Union and its affiliates are governed by the Affiliate Relationship Code



Transportation Open Season

Question 2

Does Union have a different process depending on whether the open season is for an expansion vs. existing capacity (that is currently not under contract)? Please describe and contrast the differences.

Union Response

- New transmission expansion capacity would always be sold through an open season
- Existing transmission capacity may or may not be sold through an open season



Transportation Open Season

Question 3

Does Union have a different process (and methodology) depending on whether the open season is for short-term firm C1 transportation services that are one year or less vs. long-term firm C1 transportation services that are greater than a year? If yes, please outline the process and the differences.

Union Response

- Requests for C1 transmission capacity are usually able to be met with existing capacity
- Otherwise
 - Short-term C1 transmission capacity is less likely to be subject to open season
 - Why? Term (daily, monthly) and small quantities
 - Long-term C1 transmission capacity is more likely to be subject to open season
- Either way, if offered through open season, there would be no difference in the process



Transportation Open Season

Question 4

Does Union enter into transportation agreements for M12 and C1 outside of open seasons? If yes, what are the circumstances? What is your process (and methodology) for allocating transportation capacity on a non-discriminatory basis?

Union Response

- M12 – Firm long term Dawn to Parkway capacity
 - Currently, M12 is fully contracted
 - Typically, new M12 customers would be contracted through an open season, requiring a build
- C1 – refer to response to Question 3



Transportation Open Season

Question 5

For C1 transportation services, what is the percentage of capacity held for contracts that are greater than one year vs. one year or less?

Union Response

- Dawn to Parkway C1 transport (i.e., easterly flow)
 - 100% 1 year or less
- Parkway to Dawn C1 transport (i.e., westerly flow)
 - 100% long term - greater than 1 year
- All other paths
 - Approximately 50/50 split on long term and short term
 - Very small quantities in total



Contracts

Question 8

Should Union and Enbridge have a standard form of contracts (with standard terms and conditions) for all transportation services (including nomination and scheduling procedures, service priority rules, balancing requirements, billing & payment, financial assurances and measurement)?

Union Response

- No, Union and Enbridge do not need to have a standard form of contract
- Union's standard M12 and M16 contracts posted on uniongas.com
- GT&C's are part of the approved rate schedule
- Nominations compliant with NAESB
- Priority of service rules posted on uniongas.com



Contracts

Question 9

Should Union post all M16 contracts on its website?

Union Response

- No, Union should not post individually negotiated contracts on the website
- Union's standard M16 contract is posted on uniongas.com
- All M16 customers pay the posted M16 toll per the rate schedule
- M16 contracts are structured to accommodate different geographical locations and system operating conditions which impact the service parameters
- GT&C is part of approved rate schedule

Consumer Protection: Maintaining a Competitive Storage Market



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Question 10

Should there be a standard form of contracts with standard terms and conditions for storage services?

Union Response

- No, the market is competitive for storage providers
- No need or support for any competitive storage providers to have standard terms and conditions

Consumer Protection

Maintaining a Competitive Storage Market



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Question 11

Are there other ways in which market participants can assess the value of storage in Ontario and surrounding jurisdictions?

Union Response

- The market is competitive, by participating in the market, participants can assess the value of storage
- There are market tools such as NYMEX which can be used to estimate storage values and formulate bid strategies



Maintaining a Competitive Storage Market

Question 12

How should the Board ensure a transparent transactional service market to protect in-franchise customers who purchase short-term storage services?

Union Response

- For in-franchise customers who have cost-based storage:
 - The Board protects through regulated rates
 - NGEIR Decision reserved 100 PJ (95 Bcf) cost-based storage capacity
 - Storage Allocation Decision provides for consistent allocation to all in-franchise customers
- For storage services, long term and short term, which are competitive:
 - The Board has no protection role and no responsibility to ensure a transparent transactional market
 - The competitive storage market serves to protect all customers

Reporting Requirements Small Storage Providers



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Question 13 and 14

For small storage providers, should the Board set minimum reporting requirements? If yes, what should they be?

For small storage providers, should the Board set a threshold based on the size of the storage provider? For example, a storage provider below a certain size is not required to file reports with the Board or post information on its website?

Union Response

- No – The Board should not set thresholds based on size of the storage provider
- All reporting requirements should be the same for all storage providers