



BRITISH COLUMBIA
UTILITIES COMMISSION

ORDER
NUMBER G-108-92

IN THE MATTER OF Domestic
Natural Gas Supply Policy

and

The Commission's Rules on Natural Gas
Supply Contracts

BEFORE: M.K. Jaccard,)
Chair; and)
L.R. Barr,) November 23, 1992
Deputy Chair)

O R D E R

WHEREAS:

- A. The Commission, in its February 21, 1992 Decision on the BC Gas Phase A Rate Design Application, advised that the Commission's Rules on Natural Gas Supply Contracts ("the Rules") pursuant to Section 85.3 of the Utilities Commission Act ("the Act") required re-examination in light of developments in the competitive gas markets in the Province and elsewhere in Canada; and
- B. On June 23, 1992 the Ministry of Energy, Mines and Petroleum Resources ("MEMPR") advised interested parties by way of an Information Letter ("I.L.") No. 92-17 that it was conducting a Core Market Policy Review and requested comments to be received by July 23, 1992 which was postponed by I.L. No. 92-18 to August 28, 1992; and
- C. On November 17, 1992, following receipt and review of comments on the Core Market Policy, MEMPR released its Policy Statement on Domestic Natural Gas Supply Policy ("DSP") (formerly Core Market Policy). The DSP is provided as Attachment B to this Order.
- D. In a November 17, 1992 News Release, the Minister of Energy advised that the Commission would be implementing the revised DSP by way of a public review of the Rules.

NOW THEREFORE the Commission orders as follows:

1. Pursuant to Sections 97 and 85.3 of the Act, a public hearing into the Rules concerning the DSP is to commence on Monday, January 11, 1993 at 9:00 a.m. in the Commission Hearing Room, 6th Floor, 900 Howe Street, Vancouver, B.C. The Commission will publish a Notice of Public Hearing (Attachment C), in the business sections of the Vancouver Sun, The Province and the Globe and Mail newspapers.

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2. The Commission requires that Intervenors intending to participate in the public hearing advise the Commission Secretary in writing no later than December 18, 1992.
3. The Commission requires that both Intervenors and persons simply wishing to provide letters of comment on the Issues (Attachment A), should provide their submissions to the Commission in writing by Friday, December 18, 1992. The Commission will distribute copies of such briefs or Letters of Comment to Intervenors registered with the Commission.

DATED at the City of Vancouver, in the Province of British Columbia, this 24th day of November, 1992.

BY ORDER



Dr. Mark K. Jaccard
Chair

/dw



Attachment A

HEARING INTO THE NEW PROVINCIAL DOMESTIC NATURAL GAS SUPPLY POLICY AND THE BRITISH COLUMBIA UTILITIES COMMISSION'S RULES PURSUANT TO SECTION 85.3 OF THE UTILITIES COMMISSION ACT

List of issues to be reviewed in the public hearing:

Security of Supply

- What are the key factors?
- Is security of supply primarily a function of gas supply contracting, or, is it dominated by transportation contracts?
- To what extent does the premium paid by LDC's for long term contracts ensure security of supply?
- What is the minimum gas supply contract term considering the lead time to develop new reserves?
- To what extent do other contractual arrangements enhance the supply security for various types of consumers?
- Should any consumers be exempt from the policy based on non-critical security of supply?

Buy-Sell Arrangements

- To what extent should these be made available as an alternative for Transportation Service?
- Are there any special security of supply considerations?
- At what points should the buying and selling occur?
- What provision for indemnification of LDC's is required?
- What is the role of the BCUC in Breach of Contract(s)?
- Which parties should provide the following services (and if by the LDC in what tariff form?):
 - Westcoast service and nominations
 - load balancing
 - peaking
 - storage
 - backup
 - supplier of last resort?

Market Integrity

- Should marketers or brokers be qualified through either bonding and/or licensing, and if so, by what mechanism?
- To what extent is there a need to phase in any increase in direct purchases to avoid abrogation of LDC gas supply contracts?
- What impact will the displacement of LDC sales by direct purchases have on the implementation of socially economic conservation?
- Who is responsible for LDC decontracting or recontracting costs when consumers leave or return to LDC service and which costs should be considered in each case?
- Should gas supply and/or buy-sell contracts be held confidential?

Other Matters

- The foregoing sections identify significant matters known to be basic to the review of the Domestic Natural Gas Supply Rules. The Commission will also consider other matters that may not fit within the general headings.



**DOMESTIC NATURAL GAS SUPPLY POLICY
and
The Commission's Rules on Natural Gas Supply Contracts**

NOTICE OF PUBLIC HEARING

Time: 9:00 a.m.
Date: Monday, January 11, 1993
Location: Commission Hearing Room
Sixth Floor, 900 Howe Street
Vancouver, B.C.

Background

On November 17, 1992 the Minister of Energy advised that the Commission would be implementing the revised Domestic Natural Gas Supply Policy ("DSP") by way of a public review of the Commission's Rules on Natural Gas Supply Contracts ("the Rules"). Commission Order No. G-108-92 sets out a list of issues that will be reviewed at the public hearing. This list and copies of the DSP are available from the Commission Secretary.

The Public Hearing

The Commission has set down the matter for public hearing to commence at 9:00 a.m. local time, Monday, January 11, 1993 in the Hearing Room of the British Columbia Utilities Commission, 6th Floor, 900 Howe Street, Vancouver, B.C., V6Z 2N3.

Intervenors and Letters of Comment

Any person wishing only to comment on the Rules or the Issues that will be reviewed in the public hearing should do so in writing to the Commission Secretary by Friday, December 18, 1992. These submissions will form part of the Hearing record.

Any person who, in addition to providing written comment, wishes to lead evidence at the January 11, 1993 public hearing or otherwise actively participate in the proceedings should request Registered Intervenor status prior to December 18, 1992.

The Commission will ensure that Interventions and Letters of Comment are copied and distributed to Registered Intervenors into the proceeding.

Clarification

Persons intending to participate in the public hearing who are uncertain as to the manner in which to proceed may contact Mr. R.J. Pellatt, Commission Secretary or Mr. Paul Gronert, Manager, Petroleum Engineering, by telephone 660-4700 or 1-800-663-1385, in writing or by fax transmission (604) 660-1102.

BY ORDER

A handwritten signature in black ink, appearing to read "R. J. Pellatt", written over a horizontal line.

Robert J. Pellatt
Commission Secretary



POLICY STATEMENT

DOMESTIC NATURAL GAS SUPPLY POLICY

(formerly Core Market Policy)

Objectives

The Domestic Natural Gas Supply Policy (DSP) will serve to:

- ensure that domestic consumers have in place a supply of natural gas which reflects their individual security needs;
- provide a stable and competitive environment for new and existing businesses to operate in the province; and,
- maintain the integrity of, and confidence in, the marketplace.

Application

This policy will apply to all consumers who rely upon natural gas mainly as a space heating fuel, and do not have alternative fuel capability or expertise in arranging a supply of natural gas. The policy will provide for a minimum level of contract security for these consumers. Consumers will continue to be subject to this policy whether purchasing natural gas from the local distribution company (LDC) or other supply agents.

Other gas consumers who use gas mainly for productive purposes or are sufficiently versed in natural gas acquisition, may not have as strict a contract security requirement and can be exempted from this policy. To be exempted they must establish that they have arranged, and are able to arrange on an ongoing basis, an adequate supply of gas.

No consumer currently buying natural gas from the LDC will be required to replace that gas supply with direct sales gas.

Security

The contractual requirements for customers subject to this policy should provide for a relatively high certainty of continuous gas supply.

Security of supply can depend on many factors, such as quality of reserves, deliverability, access to and reliability of pipeline transportation systems, solvency of supplier and/or marketer, alternative supply options and prevailing economic conditions.

Security requirements for LDC portfolios will be similar to those for direct purchases.

Market Integrity

Market integrity and confidence in the marketing practices of the industry will be maintained. Specific measures may include bonding and licensing requirements for marketers selling to the consumers subject to this policy.

Utility Services

The LDC should provide service sufficiently unbundled to allow direct buyers opportunity to arrange a suitable supply.

Responsibility

While there will be contracting requirements which vary depending upon consumers' security needs, consumers choosing to arrange their own gas supply ultimately take responsibility for their supply of gas. Should these consumers wish to return to LDC supply in the future, it will be contingent upon the LDC being able to secure adequate gas supply and the returning consumer paying the incremental costs incurred by the LDC.

Sanctity of Contracts

Nothing in this policy contemplates the abrogation of existing supply contracts between LDCs and suppliers/marketers. This may require some phasing-in of direct sales or alternatively that consumers causing transition costs pay those costs.

Role of the British Columbia Utilities Commission (BCUC)

The ministry relies on the BCUC to implement this policy.

It is the responsibility of the BCUC to: determine the extent to which specific characteristics of contractual arrangements enhance the supply security for any given type of consumer; review and approve gas supply contracts of consumers subject to this policy; determine whether a consumer can be exempted from the policy; put in place measures to ensure the integrity of the market; and review and approve appropriate LDC rate design relating to direct sales.

Nothing in this policy diminishes the responsibilities and powers of the BCUC under the Utilities Commission Act.