



LETTER NO. L-24-00

ROBERT J. PELLATT
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VIA FACSIMILE

June 19, 2000

Log No. 3417

Mr. David M. Masuhara
Vice President
Legal, Regulatory & Logistics
BC Gas Utility Ltd.
24th Floor, 1111 West Georgia Street
Vancouver, B.C. V6E 4M4

Dear Mr. Masuhara:

Re: BC Gas Utility Ltd. ("BC Gas", "the Company")
Unbundled Agency, Billing and Collection Transportation Service Tariff
for Residential and Commercial Customers

Thank you for the report dated June 12, 2000 that BC Gas filed in response to Commission Letter No. L-20-00.

The Commission has also received a copy of a letter dated June 9, 2000 from Direct Energy Marketing Limited ("DEML") and a letter dated June 12, 2000 on behalf of the Consumers' Association of Canada (B.C. Branch) et al. ["CAC(B.C.) et al."]. DEML stated that agreement on an operational balancing system, which addresses baseload and peak supply (and which appears to involve a load-shaped approach), is needed before it will dedicate the required resources to the development of the computer processes. DEML also identifies a number of issues with the Market Unbundling Group ("MUG") recommendations related to customer enrolment, mobility, education, billing, and supply contract review where further discussion is needed. CAC(B.C.) et al. continued to support the MUG recommendations and was concerned that unbundling on some other basis may not benefit consumers.

In its June report, BC Gas proposed to continue with the initial three-month phase of the unbundling project to refine the MUG business rules and processes and the implementation plans. The Company also requested approval for a deferral account for the \$269,000 portion of the first phase work (of the \$435,500 total cost) that would be carried out using external resources. The Commission recognizes BC Gas' willingness to absorb internal staffing costs within existing budgets as an indication of its support of the unbundling process. However, the Commission is concerned that a considerable amount of discussion appears needed to resolve the issues that DEML has raised and, as BC Gas recognizes in the June report, a November 1, 2001 implementation date may no longer be feasible. Moreover, the discussions may result in changes to the unbundling approach set out in the MUG Report which could reduce the long-term value of development work that was based on the June report.

In this circumstance, the Commission considers that the prudent action is to accept that unbundling will not be implemented as proposed for November 1, 2001. Significant incremental expenditures should be deferred until a consensus view of the activity is more clearly defined, and BC Gas' Customer Information System has been implemented. Therefore, the Commission is not prepared to approve the requested deferral account.

In its June report, BC Gas also identifies several outstanding elements and areas of policy where the MUG did not reach consensus, and which need to be dealt with to ensure the market rules present effective customer options. The Commission encourages BC Gas to use its internal resources to continue discussions with DEML and the MUG participants to reach consensus on the unbundling framework to apply in British Columbia. Commission staff will be available to participate in these discussions as needed.

BC Gas should also propose specific unbundling initiatives that it can implement using existing internal resources. Meanwhile, the Commission will evaluate its legislative authority to implement necessary consumer protection measures, and will seek any changes that may be needed. The Commission intends to have staff convene a meeting of interested parties in the fall of 2000 to discuss the status of BC Gas' Customer Information System, the involvement of marketers in the unbundling process, and the interests of customers in availability of an unbundled supply option.

BC Gas is requested to file, no later than the end of 2000, a report on its discussions to resolve outstanding issues related to unbundling and the opportunities to implement unbundling for November 1, 2002. At that time, providing there is significant customer interest and the costs appear to be justified, the Commission intends to proceed with unbundling initiatives that appear to be worthwhile.

Yours truly,

Original signed by:

Robert J. Pellatt

JBW/mmc

Enclosures

cc: Mr. John Wallace
Director, Business Development
Direct Energy Marketing Limited
Consumers' Association of Canada (B.C. Branch) et al.
c/o of Mr. R.G. Gathercole
Executive Director
BC Public Interest Advocacy Centre
Interested Parties to the ABC Transportation Service Tariff
(Lists A and B)

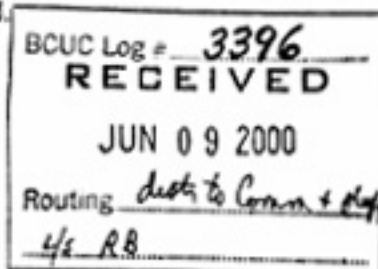


direct energy marketing limited

June 9, 2000

British Columbia Gas Utility Ltd.
111 West Georgia Street
Vancouver, British Columbia
Canada
V6E 4M4

Att: Jan Marston
Manager, Supply



Subject: British Columbia Market Unbundling ABC-T Service

Thank you for taking the time to discuss the Market Unbundling Group (MUG) Report Model/Recommendations for British Columbia ABC-T Service. As per the instructions of the British Columbia Utilities Commission (BCUC) as outlined in correspondence dated May 11, 2000 from Robert J. Pellatt, Direct Energy Marketing Limited (DEML) is submitting to you recommendations that we feel are required for DEML or any retailer to move forward in developing a marketing plan.

These recommendations are twofold in purpose. One, to show the BCUC that B.C. Gas and DEML are working together and making progress in developing proposed unbundling rule recommendations. Secondly, to initiate a process to formulate a market plan for presentation to the MUG working committee for consideration and approval.

Using the B.C. Gas summary of MUG recommendations as a base document, DEML would like to make the following comments:

Rate Class Applicability

Agree that all British Columbia residential and commercial customers should be eligible to participate in the unbundled natural gas market.

Customer Protection

Codes of Conduct for both natural gas and electricity in Ontario can be forwarded and can be reviewed by the MUG and B.C. Gas if questions arise. Suggest we follow the Ontario models. DEML does not see major revisions required here.

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OAKVILLE

Suite 401, 277 Lakeshore Road East, Oakville, Ontario L6J 1H9 (905) 339-3365 Telecopier (905) 339-3300

Customer Education

Retailer must be part of the education process. All retailers must have the right to approve advertising and information brochures issued by the BCUC or B.C. Gas to guarantee equitable treatment.

Customer Mobility

DEML proposes limits to customer mobility (mobility means ability to switch suppliers). Customers must honor signed contracts. DEML favors longer-term three to five year contracts with a one-year default rollover.

Enrolment

Retailers, B.C. Gas and the BCUC must approve the content of the customer switch confirmation letter.

Gas Supply

Further discussions with B.C. Gas are required to develop a gas model which allows easy market entry, eliminates any stranded costs and is operationally economic for all parties involved.

Preliminary DEML comments are to have a ABC-T tariff to include:

- B.C. Gas would be responsible for the peaking as a bundled rate
- Retailer would supply the baseload component of yearly or monthly consumption.
- Delivery point would be Station #2.
- B.C. Gas would manage T-South transport bases on retailer account volume.

Supply Plan and Contract Review by BCUC

Retailer should not have to file supply and contract documentation with the BCUC.

Market Supply Failure

Retailers under ABC-T tariff will deliver gas and only be paid on actual deliveries. Billing settlement ensures B.C. Gas no financial exposure for non-delivery. Security deposits also limit liability.

Optional Supply Offerings by B.C. Gas

All B.C. Gas services must be included in the ABC-T tariff.

Billing, Credit and Collections


Billing structure to be discussed more in the development stage. Retailer should have the right under the billing tariff as charged by B.C. Gas to have:

- extra lines available on bill
- allow for on bill messages
- allow for billing inserts at least quarterly
- bill grouping flexibility

DEML feels that customer enrolment, education, mobility and billing issues are not limiting to the creation of an effective ABC-T tariff. The real crux of the unbundling process is seen to be the development of an operational balancing system with B.C. gas which addresses baseload supply, transportation and peak storage supply.

I am forwarding a copy of this letter to the BCUC to illustrate B.C. Gas and DEML progress towards a workable unbundling framework. The next critical step is to enter into discussions with you in hopes of developing the operational system. In the event this can be settled satisfactorily recommendations will be presented to the MUG for approval and DEML then will dedicate the required resources to the development of the computer processes and actual system.

I will call to initiate discussions on an operational design with you Wednesday, June 14, 2000 if convenient.

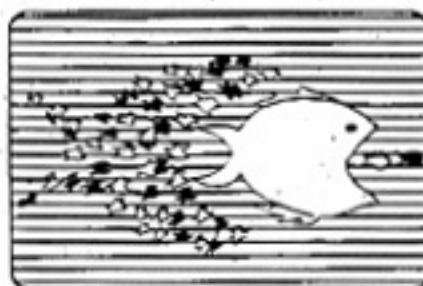


John Wallace

The
British Columbia
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Advocacy Centre

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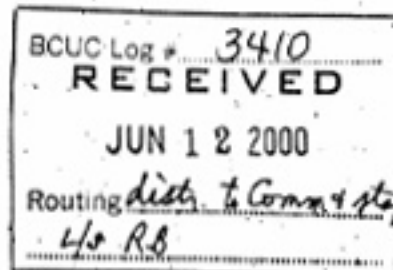
June 12, 2000



Michael R. O'Cherry	687-2034
R.J. Gathercole	687-3008
Sarah Khan	687-4134
Patricia MacDonald	687-3017
Susan Prosser (retired student)	687-3063
Barristers & Solicitors	

VIA FAX AND MAIL: 660-1102

Robert J. Pellatt
Commission Secretary
BRITISH COLUMBIA UTILITIES COMMISSION
6th Floor - 900 Howe Street
Vancouver, B.C. V6Z 2V3



Dear Sir:

Re: BC Gas Utility Ltd. - Proposed Unbundling

BC Gas Utility Ltd. has provided me with a copy of Direct Energy Marketing Limited's June 9, 2000, letter in which DEML proposes a number of changes to the recommendations made in the Market Unbundling Group (MUG) report.

On behalf of my clients (CAC(BC) *et al.*), I was an active participant together with our consultant, John Todd, in the MUG. We have consistently taken the position, and continue to take the position, that if competition is to be introduced in the natural gas residential and small commercial market in British Columbia, it should be real and effective competition with appropriate consumer education and protection measures and that British Columbia should avoid, at all costs, replicating the situation in the Ontario natural gas market.

Given the existing situation in the natural gas commodity market, with BC Gas proposing to implement significant rate increases due to the continuing increases in commodity costs, our concerns about consumer education and consumer protection and the necessity for the Commission to have the appropriate powers to enforce these measures, is underlined.

One of the issues of prime concerns to CAC(BC) *et al.* was moving as quickly as possible to full customer mobility. We agreed to the initial one-year term proposed in the MUG report for practical reasons in order to give parties an opportunity to assess how competition might be working, but we were in favour of removing that limitation as quickly as possible. We oppose DEML's proposal to limit this mobility.

In the 2nd paragraph of its June 9 letter, DEML states that its recommendations are twofold in purpose. "One, to show the BCUC that B.C. Gas and DEML are working together and making progress in developing proposed unbundling rule recommendations. Secondly, to initiate a process to formulate a market plan for presentation to the MUG working committee for consideration and approval."

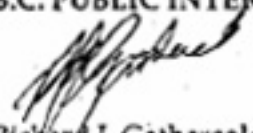
DEML was invited to participate, but declined, in the MUG process. In my submission, it is not appropriate for it now to come to British Columbia to reopen the process and to attempt to dictate changes to the recommendations made in the final report. MUG participants followed a process requested by the Commission, and provided recommendations to the Commission for its consideration. Any changes to these recommendations should only take place in a proper public Commission proceeding.

CAC(BC) *et al.*) participated in the MUG process with the intention of working with BC Gas and other participants to develop appropriate recommendations to the Commission. We stated at the onset of the process that, while we would work to develop what we considered to be the best possible model, we reserved our right to take a position against particular elements of any final report, or indeed to oppose the introduction of competition in the residential sector in British Columbia if, after full consideration of the alternative, it was considered in our view to be in natural gas residential consumers interests, particularly in the light of changing circumstances.

CAC(BC) *et al.*) continues to be opposed to any attempt to introduce some limited form of competition simply to say that competition exists. It believes that the MUG recommendations, if properly implemented, have a better than reasonable chance of creating a competitive marketplace which can benefit consumers. However, if potential competitors are not prepared to compete on the basis of the recommendations in the MUG report, it is our view that consumers will be better off under the existing regime.

Yours sincerely,

B.C. PUBLIC INTEREST ADVOCACY CENTRE



Richard J. Gathercole
Barrister & Solicitor
Executive Director

c: (via fax only) Jan Marston, BC Gas
John Wallace, DEML