



**LETTER NO. L-54-03**

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**VIA E-MAIL & FACSIMILE**

November 7, 2003

To: Interested Parties

Re: Terasen Gas Commodity Unbundling Application  
Commission Workshop to be held November 20, 2003

Commission Letter L-25-03 dated June 6, 2003 approved the "Business Rules" for commercial unbundling which are structured on the Essential Services Model. This business model separates midstream resources from the natural gas commodity cost so that commercial customers have choice over the supplier for the commodity component of gas service. It is also the foundation on which Terasen Gas Inc. ("Terasen Gas") developed the Commodity Unbundling and Customer Choice Report dated July 18, 2003 that outlined a comprehensive implementation plan for the commercial unbundling program.

In order to maintain the integrity of the plan and meet the proposed target dates to implement a commodity unbundling service for commercial customers effective November 1, 2004 and the Stable Commodity Rate for January 1, 2005, the Commission will hold a workshop on Thursday, November 20, 2003 at 9:00 a.m. in the Commission Hearing Room. It will provide a forum to discuss the Terasen Gas Commodity Unbundling Application dated October 27, 2003.

There are essentially three major elements in the Application; tariff changes, the Code of Conduct, and the Customer Education Program. Terasen Gas intends to file an additional submission setting out the applicable rate levels by March 2004. As identified in the Application, Commission approval will be required effective April 1, 2004 for rate levels in the Table of Charges for Rate Schedules 1 through 7 and for the new Rate Schedules 2U and 3U for unbundled service. The application for the rate level for Rate Schedule 1S for a Stable Commodity Rate will be filed at a later date.

Terasen Gas has specifically requested Commission approval for the following:

1. Tariff changes related to the implementation of the Commodity Unbundling Service and the Stable Commodity Rate.
  - A proforma agreement between Terasen Gas and a gas marketer to cover the purchase of gas by Terasen Gas from the marketer (Commission approval requested to be effective December 1, 2003).
  - Notice of Appointment of Marketer form which authorizes the marketer to act on behalf of the customer (Commission approval requested to be effective December 1, 2003).
  - Revision to the Terasen Gas "General Terms and Conditions" of service to allow for commodity unbundling service (Commission approval requested to be effective April 1, 2004).

- The format of two new Rate Schedules 2U and 3U for small commercial and large commercial customers respectively (Commission approval requested to be effective April 1, 2004).
- The format of Rate Schedule 1S for the Stable Commodity Rate (Commission approval requested to be effective by April 1, 2004).
- The format of the Tables of Charges for Rate Schedules 1 through 7 that separates the cost of gas charge into midstream and commodity components (Commission approval requested to be effective by April 1, 2004).

2. Code of Conduct for Marketers.

3. Customer Education Program.

In order to fully identify and expeditiously resolve issues that are raised in the November 20, 2003 workshop, Terasen Gas is directed to provide written comments to the Commission on the matters identified in the workshop by November 27, 2003 and to include any revisions it proposes to make to the documents filed in the Application. All interested parties will then respond to this information in writing by December 4, 2003. Terasen Gas will then be given until December 8, 2003 to provide a written reply to the comments of all the parties.

In addition to the Terasen Gas Application, the Commission proposes that the attached draft "Rules for Gas Marketers" should also be discussed at the November 20, 2003 workshop. The Commission intends to review the document and based on the discussion at the workshop to distribute a revised draft to all interested parties by November 27, 2003. All interested parties are invited to provide written comments on the draft by December 4, 2003. If further information is required, please contact Bob Brownell at 604-660-4711.

Yours truly,

*Original signed by:*

Robert J. Pellatt

RB/rt

Attachment

cc: Mr. Scott Thomson  
Vice President, Finance and Regulatory Affairs  
Terasen Gas Inc.

# DRAFT

## BRITISH COLUMBIA UTILITIES COMMISSION

### Rules for Gas Marketers

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Sections 71.1(1) and 71.1(2) of the Act require a person who is not a public utility and who performs a gas marketing activity for low-volume consumers to hold a gas marketer license issued by the Commission. The following rules have been developed pursuant to Section 71.1(10) to assist the administration of gas marketer licencing.

#### 1.0

##### 1.1 Low-Volume Consumer

A “low-volume consumer” means a person who, for the applicable period, either:

- a) has, or is expected to have, a normalized annual consumption at one premise of less than 2,000 gigajoules of gas per year; or
- b) has chosen the unbundled commodity supply option, whatever the person’s annual consumption of gas.

##### 1.2 Application for a Gas Marketer Licence

Application for a Gas Marketer Licence must be made using the form that is attached as Form A, and must be submitted together with a check made payable to the Ministry of Finance for \$1,000 at least 60 days prior to the date that the license is required.

##### 1.3 Standard Form of Gas Supply Contract

The gas supply contract between the Gas Marketer and the public utility is subject to Commission approval. Gas Marketers must incorporate, in their contracts with gas suppliers, all clauses relating to security of supply from the corresponding gas supply contract with the public utility.

##### 1.4 Agency Agreements

Gas Marketers must use a form of agency agreement that has been approved by the Commission to set out the arrangements between end-use consumers and the Gas Marketer. Gas Marketers must include in their form of agency agreement the requirements related to agency, term and disclosure of information that are set out in the Rules for Gas Marketers, the Code of Conduct and the tariff schedules for unbundled commodity service.

1.5 Standard Information Booklet

Each gas distribution utility must, in co-operation with Gas Marketers, develop a standard information booklet for its service area which outlines the procedures for direct purchase, and discloses potential benefits and costs of direct purchase. A Gas Marketer must distribute a standard information booklet to all prospective clients and include reference to the booklet in their agency agreement.

1.6 Limitation on Direct Sales

Except for conventional utility gas sales under its approved tariff, a public utility must not sell natural gas other than through a non-regulated subsidiary which is subject to these rules. A public utility is required to demonstrate to the satisfaction of the Commission a complete operational separation from any such subsidiary.

1.7 Code of Conduct

All Gas Marketers must comply with the Code of Conduct for Gas Marketers that is approved by the Commission. Gas Marketers in violation of the Code of Conduct may be subject to penalties or licence suspension.

1.8 Performance Security

In order to receive a Gas Marketer Licence a gas marketer must provide proof of performance security in the amount of \$250,000 (or such other amount as the Commission may determine) and file with the Commission proof of that security. The performance security must be payable to the Minister of Finance in the form of a bond, letter of credit or other security acceptable to the Commission, and must permit the Minister of Finance to draw upon the security in whole or in part at the discretion of the Commission.

1.9 Disbursement of the Performance Security

The Commission may order that a portion or all of the performance security (referred to in Rule 1.8) be paid out to persons that the Commission considers to have been harmed by an act or omission of the Gas Marketer including a breach of the Code of Conduct. The amount to be paid out shall be determined by the Commission following a process that provides the Gas Marketer with an opportunity to be heard orally or in writing at the discretion of the Commission.