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**BRITISH COLUMBIA  
UTILITIES COMMISSION**

**ORDER  
NUMBER** G-40-07

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**IN THE MATTER OF  
the Utilities Commission Act, R.S.B.C. 1996, Chapter 473and**

**An Application by Terasen Gas Inc.  
for the Residential Commodity Unbundling Approvals**

**BEFORE:** L.F. Kelsey, Commissioner April 12, 2007  
L.A. Zaozirny, Commissioner

**O R D E R**

**WHEREAS:**

- A. Commission Order No. C-6-06 granted a Certificate of Public Convenience and Necessity ("CPCN") to Terasen Gas Inc. ("Terasen Gas") for the Residential Commodity Unbundling Project effective November 1, 2007; and
- B. Commission Order No. G-152-06 approved five components in support of the Residential Commodity Unbundling CPCN that included the Customer Education Plan, Confirmation Letter, Dispute Resolution Process, Changes to the Code of Conduct for Gas Marketers and Changes to Rate Schedule 36; and
- C. On March 6, 2007, Terasen Gas applied for Commission approval of new Rate Schedules 1U, 1X, 2X and 3X and revisions to the Code of Conduct for Gas Marketers that were previously approved by Commission Order No. C-6-06. On March 9, 2007 Terasen Gas applied for Commission approval of updated pages for both the Code of Conduct for Gas Marketers and Terasen Gas Tariff pages identified as Rate Schedules 1X, 2X and 3X (collectively the "Applications"); and
- D. The Commission issued Letter No. L-18-07 that set out the schedule for review of the Applications; and
- E. On March 26, 2007 Energy Savings B.C. ("ESBC") commented on Article 27 of the Code of Conduct included in the Applications; and
- F. On March 29, 2007 Terasen Gas replied to the March 26, 2007 comments of ESBC; and

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- G. On March 29, 2007 ESBC submitted additional revisions to the Code of Conduct for Gas Marketers to the Commission by E-mail; and
- H. By letter dated April 3, 2007 Terasen Gas responded to ESBC's E-mail and provided further revisions to the wording of the Code of Conduct for Gas Marketers; and
- I. By letter dated April 5, 2007 Terasen Gas requested that the suggested wording of Article 27 in the Code of Conduct for Gas Marketers be changed; and
- J. The Commission has reviewed the comments from ESBC and Terasen Gas and has determined that the Tariff pages and revised Code of Conduct for Gas Marketers should be approved as set out in the Reasons for Decision attached as Appendix A to this Order.

**NOW THEREFORE** pursuant to the Utilities Commission Act, the Commission approves for Terasen Gas Rate Schedules 1U, 1X, 2X and 3X as revised as set out in the Applications, subject to Terasen Gas filing the revised pages in standard tariff format, and approves the revised Code of Conduct as attached to Terasen Gas' April 5, 2007 letter.

**DATED** at the City of Vancouver, in the Province of British Columbia, this 12<sup>th</sup> day of April 2007.

**BY ORDER**

*Original signed by*

L.F. Kelsey  
Commissioner

Attachment

Applications by Terasen Gas Inc.  
for the Residential Commodity Unbundling Tariff Page endorsements dated March 6, 2007 and  
Residential Commodity Unbundling Tariff Page endorsements dated March 9, 2007

**REASONS FOR DECISION**

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**INTRODUCTION**

On March 6, 2007, Terasen Gas Inc. (“Terasen Gas” or “TGI”) applied for Commission approval of new Rate Schedules 1U, 1X, 2X and 3X and revisions to the Code of Conduct for Gas Marketers (“Code of Conduct”) that were previously approved by Commission Order No. C-6-06. On March 9, 2007 Terasen Gas applied for Commission approval of updated pages for both the Code of Conduct and Terasen Gas Tariff pages identified as Rate Schedules 1X, 2X and 3X (collectively the “Applications”). In addition by letters dated April 3, 2007 and April 5, 2007 TGI proposed several additional changes to the wording of Article 27 in the Code of Conduct.

Interested parties have generally not raised issues with regard to the applied-for tariffs and the revisions to the Code of Conduct, except for the proposed change to Article 27. These Reasons for Decision will focus on this area. In its March 6, 2007 letter to the Commission, Terasen Gas suggested that the following clause as underlined be inserted in Article 27 of the Code of Conduct:

“Where no instructions are received by the Gas Marketer prior to the cut-off date for the applicable renewal date, or where a valid enrolment for the same customer is received from another Marketer, the Consumer’s Agreement will be evergreened, with the same fixed price for a 12 month period.”

The Commission issued Letter No. L-18-07 that set out the schedule for review of the Applications. On March 26, 2007 Energy Savings B.C. (“ESBC”) commented on Article 27 of the Code of Conduct that was included in the Applications. On March 29, 2007 Terasen Gas replied to the March 26, 2007 comments of ESBC and on April 3, 2007 submitted an additional response. On April 5, 2007 TGI suggested that corrected wording as underlined be inserted in Article 27 of the Code of Conduct as follows:

“Where no instructions are received by Terasen Gas from the current Gas Marketer of record prior to the cut-off date for the applicable renewal date, or where a valid enrolment for the same customer is not received by Terasen Gas from another Marketer, the Consumer’s Agreement will be evergreened, with the same fixed price for a 12 month period.”

## **POSITION OF THE PARTIES**

### **Energy Savings B.C.**

In its letter dated March 26, 2007 ESBC indicated that Article 27 should be left unchanged as approved by Order No. G-152-06 to read as follows:

“Where no instructions are received from the Gas Marketer prior to the cut-off date for the applicable renewal date, the Consumer’s Agreement will be evergreened, with the same fixed price for a 12 month period.”

In ESBC’s view, the customer must remain with the existing marketer until this marketer initiates a drop transaction to Terasen Gas. If a new marketer attempts to enroll this customer, the enrollment request should be rejected as the existing marketer would not have issued a drop transaction. In effect, there would be no scenario that could exist for a valid enrollment with a new marketer in the absence of a drop transaction being issued from the existing customer. ESBC attempts to validate this interpretation by suggesting that Section 5.08 of Rate Schedule 36 should have been referenced instead of Section 5.04.

### **Terasen Gas Inc.**

Terasen Gas suggests that a pivotal element of the Customer Choice program allows customers the freedom to select a Gas Marketer as well as the natural gas commodity price. This is consistent with the current practice under the Commercial Commodity Unbundling program. In order to maintain this premise, clarification is required in Article 27 to ensure that customers have the option to contract with a different marketer for future periods beyond the term of their present contract even while they are under contract with the incumbent marketer. The ability to switch marketers should be permitted as long as the start of the new contract does not overlap the current contract end date so that the requirements of the Essential Service Model (“ESM”) are maintained.

In TGI’s view, ESBC’s proposal would inhibit competition in two ways that involve timing issues. If the customer is forced to contact the existing marketer in order to terminate a contract at the contract termination date, the customer will be restrained from pursuing other opportunities until the current marketer initiates a drop request to TGI so that a customer can move on to the second gas supplier. The customer would in effect, be held captive by the incumbent marketer until such time as the drop request is sent.

TGI argues that a second method of inhibiting competition involves the timing of the different notifications. An incumbent marketer must notify a customer no later than 90 days prior to the contract end date in order to set out

new contract renewal provisions. The customer then has 30 days to notify the current marketer for renewal or termination of the contract end date. The marketer then must drop the customer within two days of receiving notification. Therefore, under ESBC's proposal a new marketer can only enroll a new customer after that point or in a time span of about 28 days. This compressed timeframe may not allow the customer sufficient opportunity to canvass other markers or the utility to secure the best option. ESBC's proposal allows the incumbent marketer an unfair advantage.

Besides timing issues, TGI points out that the system is designed to support Customer Choice and cannot accommodate an alternative business rule as suggested by ESBC. The system will accept a new enrollment for a customer as long as the new start date does not overlap a current end date. The customer can enroll with a new marketer while still under contract with the incumbent marketer as long as the start date begins after the end date of the current contract.

The suggestion by ESBC that there is an incorrect reference to Section 5.06 in Section 5.04 and it should be amended to Section 5.08 is incorrect. This passage, Section 5.08, was written to accommodate the timely submission of data to TGI and not to limit the method in which a customer may be dropped. The correct reference, Section 5.06, clearly outlines the procedure under which a customer may be dropped and not evergreened. Therefore, the reference in Section 5.04 to Section 5.06 of Rate Schedule 36 is correct and should not be changed.

#### Commission Determination

The Commission finds competition in the marketplace should be encouraged and a customer should be free to move from one marketer to another once the contract with the first marketer has expired and there is no overlap between contracts. The customer should not be held captive by the first marketer until that marketer issues a drop request to Terasen Gas. **Therefore, the Commission finds that the following clause as underlined be added to Article 27 of the Code of Conduct:**

“Where no instructions are received by Terasen Gas from the current Gas Marketer of record prior to the cut-off date for the applicable renewal date, and where a valid enrolment for the same customer is not received by Terasen Gas from another Marketer, the Consumer's Agreement will be evergreened, with the same fixed price for a 12 month period.”