

Ontario Energy Board
P.O. Box 2319
27th. Floor
2300 Yonge Street
Toronto ON M4P 1E4
Telephone: 416- 481-1967
Facsimile: 416- 440-7656
Toll free: 1-888-632-6273

Commission de l'énergie de l'Ontario
C.P. 2319
27e étage
2300, rue Yonge
Toronto ON M4P 1E4
Téléphone: 416- 481-1967
Télécopieur: 416- 440-7656
Numéro sans frais: 1-888-632-6273



VIA WEB POSTING

July 13, 2010

To: All Interested Stakeholders

Re: 2010 Natural Gas Market Review Announcement (EB-2010-0199)

As set out in the Ontario Energy Board's 2010 to 2013 Business Plan, which is available on the Board's website, the Board has decided to review and examine recent developments in North American natural gas supply markets to consider any potential implications for the Ontario natural gas market.

The purpose of this letter is to describe the Board process for the 2010 Natural Gas Market Review (the "Review"). This letter also sets out how interested stakeholders may participate in the Review, including matters in relation to cost awards.

Overview of the Review

An *overall objective* of this Review is to assess how natural gas markets in Ontario are responding or adapting to changing market conditions. The Board intends to assess the impact of changing dynamics in North American natural gas supply markets, particularly due to increased shale gas production at Marcellus, on the Ontario energy sector. The Review will look at impacts over the next 3-5 years including the potential impact on prices, services and transportation infrastructure utilization.

A *specific objective* of this initiative is to determine the need for regulatory changes, if necessary, in response to potential impacts identified.

Through this Review the Board will consider, for example, what might be the implications of increased shale gas production?

- Will it change the flow pattern of natural gas? If so, will this increase the need for new pipeline services and routes and reduce the attractiveness of others?
- Will it impact the price of natural gas in Ontario arising from incremental supply and a potential increase in pipeline and storage facilities?

- Are there any regulatory implications? Is there a need for greater inter-jurisdictional regulatory alignment?
- Are there risks that, if realized, will change the outlook for shale gas (e.g., potential environmental issues that may impact shale gas exploration and development)?

The Board's Approach

The Board will follow the process set out below for this Review.

An independent market report, prepared for Board staff by ICF Consulting Canada Inc., will be released in early August. This report will help focus discussions with interested stakeholders in this Review. The market report will include, among other matters:

- identification of emerging North American trends in natural gas supply and demand;
- impact analysis of shale and tight gas plays on trends in the Ontario market over a 3 to 5 year timeframe, on pricing and tolling, and on infrastructure investment; and
- identification of trends in regulation and policy development in other jurisdictions and a discussion of potential impacts to Ontario.

A stakeholder conference is expected to take place on October 4th and 5th, 2010 in the Combined West Hearing/ADR Room at the Board's offices. The stakeholder conference is intended to provide a forum for discussion of recent developments in North American natural gas supply markets and any potential implications for the Ontario natural gas market. Participants will be provided with an opportunity to make presentations during the stakeholder conference. The market report will be posted on the Board's website prior to the stakeholder conference. Further details on the stakeholder conference including a list of questions or topics for discussion to assist participants in preparing for the conference, will also be available in early August.

Following the stakeholder conference, the Board may provide for written comments, if needed. A Staff Report to the Board on the consultation will then be issued including recommendations. Subsequent to the issuance of the Staff Report, the Board would then decide what action, if any, to take which would then be addressed separately in appropriate regulatory processes.

Cost Awards

Cost awards will be available to eligible participants under section 30 of the *Ontario Energy Board Act, 1998* for their participation in this consultation. Costs awarded will be recovered from all rate-regulated natural gas distributors based on their respective distribution revenues.

Attachment A contains important information regarding cost awards for this consultation, including the process for making eligibility requests and objections. In order to facilitate a timely decision on cost eligibility, the deadlines for filing cost eligibility requests and objections will be strictly enforced.

Invitation to Participate and Filing Instructions

The Board encourages participation in this consultation process by all interested stakeholders. Those interested in participating should indicate their intent by letter addressed to the Board Secretary by **July 26, 2010**. The letter should include a statement as to whether the participant wishes to request cost eligibility. All requests for cost eligibility are to be accompanied by the information specified in Attachment A under the heading "Cost Award Eligibility".

All filings to the Board in relation to this consultation must quote file number **EB-2010-0199** and include your name, postal address and telephone number and, if available, e-mail address and fax number. Two (2) paper copies of each filing must be provided. The Board asks that participants make every effort to provide an electronic copy of their filing in searchable/unrestricted Adobe Acrobat (PDF) format and to submit all filings through the Board's web portal at www.errr.oeb.gov.on.ca. If you do not have a user ID, please visit the "e-filing services" webpage on the Board's website at www.oeb.gov.on.ca, and fill out a user ID password request. Additionally, interested stakeholders are asked to follow the document naming conventions and document submission standards outlined in the document entitled "RESS Document Preparation – A Quick Guide" also found on the "e-filing services" webpage. If the Board's web portal is not available, electronic copies of filings may be filed by e-mail at BoardSec@oeb.gov.on.ca. Those who do not have internet access should submit the electronic copy of their filing on CD or diskette.

Filings must be received by **4:45 pm** on the required date.

All materials related to this consultation will be posted on the "OEB Key Initiatives" portion of the Board's web site at www.oeb.gov.on.ca. The material will also be available for public inspection at the Board's office during normal business hours.

Questions relating to this consultation can be directed to Lisa Brickenden at 416-440-8113, or e-mail GasMarket@oeb.gov.on.ca. The Board's toll-free number is 1-888-632-6273, and the Market Operations Hotline is 416-440-7604.

Yours truly,

Original signed by

Kirsten Walli
Board Secretary

Attachment

July 13, 2010

Attachment A
To Letter Dated July 13, 2010
Cost Awards

Cost Award Eligibility

The Board will determine eligibility for costs in accordance with its *Practice Direction on Cost Awards*. Any person requesting cost eligibility must file with the Board, and one copy is to be served on each rate-regulated natural gas distributor, a written submission to that effect by **July 26, 2010**. The submission must identify the nature of the person's interest in this Review and the grounds on which the person believes that it is eligible for an award of costs (including addressing the Board's cost eligibility criteria as set out in section 3 of the Board's *Practice Direction on Cost Awards*). An explanation of any other funding to which the person has access must also be provided, as should the name and credentials of any lawyer, analyst or consultant that the person intends to retain, if known. All requests for cost eligibility will be accessible through the Board's website.

Rate-regulated gas distributors will be provided with an opportunity to object to any of the requests for cost award eligibility. If a distributor has any objections to any of the requests for cost eligibility, such objections must be made by **August 9, 2010**. A copy of the objection must be filed with the Board and one copy must be served on the person against whose cost eligibility request the objection is being made. Any objections will be accessible through the Board's website. The Board will then make a final determination on the cost eligibility of the requesting participants.

Eligible Activities

Cost awards will be available in relation to the following activities.

Activity	Total Eligible Hours per Participant
Review of market report prepared by ICF Consulting Canada Inc. prior to the stakeholder conference.	Up to 15 hours
Preparation for, attendance at, and reporting on a stakeholder conference of up to two (2) days in length (a maximum of 11 hours for preparation, attendance, and reporting time for each conference day).	Up to 22 hours
Post stakeholder conference written comment	TBD

Other activities may be scheduled as part of this consultation. In such an event, the Board will provide participants with further details regarding cost eligibility for those activities.

The eligible hours per activity listed above do not currently provide for participants to claim the costs of an expert to prepare a separate expert submission for the stakeholder conference. It would be helpful to the Board if participants requesting cost eligibility would indicate in their request whether costs for separate expert submissions should be provided for in this consultation.

When determining the amount of a cost award, the Board will apply the principles set out in section 5 of its *Practice Direction on Cost Awards*. Groups representing the same interests or class of persons are expected to make every effort to coordinate their participation in this process. The Board will consider any lack of coordination when determining the amount of a cost award. The maximum hourly rates set out in the Board's Cost Awards Tariff will also be applied.

For more information on the requirements and processes set out above, please see the Board's *Practice Direction on Cost Awards*. The Practice Direction can be found on the Board's website at www.oeb.gov.on.ca on the "Rules, Codes, Guidelines and Forms" webpage.