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VIA E-MAIL AND WEB POSTING

August 20, 2010

To: All Interested Stakeholders

Re: 2010 Natural Gas Market Review – Stakeholder Conference (EB-2010-0199)

The Ontario Energy Board has initiated a review of recent developments in North American natural gas supply markets to consider the implications for the Ontario natural gas sector. On July 13, 2010, the Board issued a letter describing the Board process for the 2010 Natural Gas Market Review (the “NGMR”).

Today the Board posted on its web site a report prepared for Board staff by ICF International Inc. entitled “2010 Natural Gas Market Review”. The purpose of this report is to help identify emerging market trends and to provide context for the issues to be considered at the conference.

As previously communicated, the Board will hold a stakeholder conference to provide a forum for discussion of recent developments in North American natural gas supply markets and the implications for the Ontario natural gas sector. Further details on this conference are provided below.

Following the conference scheduled for October 7th and 8th, 2010, stakeholders will have an opportunity to submit written comments. Those comments and the discussion at the stakeholder conference will assist Board staff in the preparation of a Staff Report to the Board. The Staff Report to the Board will set out Board staff’s recommendations regarding what further actions or proceedings, if any, the Board should consider.

Stakeholder Conference

Participants will have an opportunity to make presentations during the stakeholder conference. The stakeholder conference will be moderated by Board staff and will be attended by members of the Board. The Board encourages participants that represent the same interests or class of persons to consult with one another and endeavour to make a joint presentation setting out their common views.

To assist participants, Board staff has prepared a list of topics and questions for discussion at the stakeholder conference. That list is attached to this letter. The list is intended as a guide only, and participants should feel free to raise additional topics or questions as they consider appropriate.

An agenda for the stakeholder conference will be issued at the end of September.

Location and Registration for Stakeholder Conference

Dates: October 7th and 8th, 2010.

Time: Commencing each day at 9:30 a.m.

Location: Ontario Energy Board, West Hearing Room, 25th floor, 2300 Yonge Street, Toronto

Those interested in attending the stakeholder conference are asked to register in advance by e-mail to GasMarket@oeb.gov.on.ca by 4:30 p.m. on September 7, 2010. Please include your name, organization, telephone number and e-mail address. Participants who wish to make a presentation are asked to indicate so as part of their registration.

For those who are unable to attend, the stakeholder conference will be transcribed and will be broadcast from the Board's hearing room. To listen to the broadcast, remote participants should go to the Board's website, www.oeb.gov.on.ca, click on "Hearings and Decisions" on the bar at the top, click on "Listen to a Live Hearing", and choose the West Hearing Room.

Presentations at the Stakeholder Conference

Participants that wish to do so will be provided with an opportunity to make a presentation at the stakeholder conference. To ensure ample time for discussion, Board staff asks that presenters complete their presentations within 30 minutes and be available for questions from Board Members, Board staff and other participants for up to an additional 1.5 hours.

Presenters are asked to provide the Board with presentation overviews or the actual presentations in advance of the conference. This will enable other participants to prepare questions for presenters. **Presentations and written overviews must be sent to the Board by September 21, 2010, as set below.**

Written Comments

Written comments may be submitted following the completion of the stakeholder conference. **Written comments will be due November 2, 2010.**

Cost Awards

The Board is amending the cost awards available to eligible participants as stated in its July 13, 2010 letter.

The Board will now allow eligible participants to claim the costs of an expert to prepare a separate expert submission for the stakeholder conference.

An eligible participant or group that plans to retain an expert is asked to so advise the Board by letter by **September 7, 2010** in accordance with the filing instructions set out below. The Board strongly encourages participants to coordinate regarding the preparation of any such separate expert submission.

With this change, the Board has determined that cost awards will be available to eligible participants as set out in Attachment B.

Filing Instructions

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

Attachments

Attachment A
To Letter Dated August 20, 2010
Topics for Discussion at Stakeholder Conference

EB-2010-0199

Below is a list of topics for discussion at the stakeholder conference scheduled for October 7th and 8th, 2010.

Overview of the 2010 Natural Gas Market Review (“NGMR”)

An *overall objective* of this NGMR 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 NGMR 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 assess the need, if any, for further regulatory initiatives in response to the impacts identified.

The ICF Market Report provides context for the consideration of these objectives, and Board staff has identified the following specific topics for stakeholder comment at the conference.

Questions:

1. Given the changes identified in the ICF Market Report, what might be the opportunities for Ontario gas market participants (i.e., producers, storage providers, transmitters, distributors, wholesale and retail gas marketers, gas generators, and industrial, commercial and retail users)?

For example, will new gas supply from the Marcellus shale play provide opportunities for innovative and new pipeline and storage services in Ontario? If so, what opportunities might emerge over the next 3 to 5 years and in the longer term?

2. What might be the challenges for Ontario gas market participants?

For example, the ICF Market Report identifies that “[o]ne of the principal concerns about [TransCanada Pipeline Limited]’s declining throughput is whether the resulting higher per unit cost of transportation would lead to continued decontracting of TCPL capacity...” What are the possible consequences of this? Such as:

- a. to Ontario customers in terms of adequacy and quality of service and price;
- b. to Ontario storage providers, transmitters and distributors in terms of the cost of and access to equity and debt capital; and
- c. to others?

Are there other issues and/or concerns that might pose challenges for Ontario energy sector participants?

3. In the Board’s last natural gas review, the Board identified a need to offer utilities the opportunity to apply for pre-approval of long-term supply and/or transportation contracts. On April 23, 2009, the Board issued its Filing Guidelines for the Pre-Approval of Long-Term Natural Gas Supply and/or Upstream Transportation Contracts (Board File No.: EB-2008-0280). In those guidelines, one of the Board’s requests is that applicants provide “[a]n assessment of retail competition impacts and potential impacts on existing transportation pipeline facilities in the market (in terms of Ontario customers)”.

If, as a result of new gas supply from the Marcellus, new or an expansion of Ontario natural gas pipelines under the jurisdiction of the OEB are proposed, should potential impacts on existing pipeline facilities in the market (in terms of Ontario customers) be considered? If so, why, and what are the implications and/or risks of doing so? If not, why, and what are the implications and/or risks of not doing so?

4. What further action, if any, might the Board undertake on its own or in conjunction with others? Are there areas in which there is need for alignment between the work of the Board and other regulatory agencies? If so, how might that alignment be achieved?

**Attachment B
To Letter Dated August 20, 2010
Cost Awards**

The Board is amending the cost awards available to eligible participants as stated in its July 13, 2010 letter.

The Board will now allow eligible participants to claim the costs of an expert to prepare a separate expert submission for the stakeholder conference.

An eligible participant or group that plans to retain an expert is asked to so advise the Board by letter by **September 7, 2010** in accordance with the filing instructions set out in the attached letter. The Board strongly encourages participants to coordinate regarding the preparation of any such separate expert submission.

With this change, the Board has determined that cost awards will be available to eligible participants as follows:

Activity Eligible for Cost Awards	Total Eligible Hours <u>per</u> <u>Eligible Participant</u>
<u>For eligible participant:</u>	
<ul style="list-style-type: none"> • Review of market report prepared by ICF Consulting Canada Inc. prior to the stakeholder conference; 	Up to 15 hours
<ul style="list-style-type: none"> • 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); and 	Up to 22 hours
<ul style="list-style-type: none"> • Further written comment 	Up to 10 hours
<u>For expert retained by an eligible participant:</u>	
<ul style="list-style-type: none"> • Preparation of separate expert submission; and 	Up to 40 hours
<ul style="list-style-type: none"> • Preparation for, attendance at, and debriefing 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
<u>For expert retained by a collaborative:</u>	
<ul style="list-style-type: none"> • Preparation of separate expert submission; and 	Up to 40 hours + (20 hours * number of <u>additional</u> members in a collaborative))
<ul style="list-style-type: none"> • Preparation for, attendance at, and debriefing 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

For expert retained by a collaborative:

The Board encourages eligible participants with common viewpoints to collaborate. The Board believes that eligible groups should have flexibility to budget potential cost awards as needed to best assist the Board throughout this consultation. As such, costs should be pooled when groups with common viewpoints collaborate and pool their resources.

To recognize that time will be spent developing a shared understanding of the positions among multiple participants in a collaborative, the Board will allow for an additional 20 hours for the expert for each additional member in a collaborative. For example, if an expert is sponsored by three eligible participants, then the Board will provide for up to 80 hours (40 hours + (20 hours * 2)) for the expert retained by the collaborative. The eligible participants will have to decide amongst themselves how the cost award is to be allocated between them.