



April 3, 2007

Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, Suite 2701
Toronto, ON
M4P 1E4

Attention: Ms. Kirsten Walli, Board Secretary

Re: EB-2007-0599 - Union Gas - Invoice Vendor Adjustment Fee Application

Dear Ms. Walli:

Please find attached an application and evidence from Union Gas Limited ("Union") seeking approval to charge \$1.85 for each successfully submitted Invoice Vendor Adjustment ("IVA") transaction as required under the Gas Distribution Access Rule ("GDAR").

IVA functionality provides gas vendors with the ability to make billing adjustments (e.g. correct billing errors and/or process rebates) through an additional billing line as part of the existing rate-ready form of Distributor Consolidated Billing ("DCB").

In addition to the ten (10) copies sent to the Board, this application and evidence is being served in electronic format to all GDAR Phase I Working Group Participants and all intervenors from Union's EB-2005-0520 proceeding. Please contact me at (519) 436-5476 if you have any questions or wish to discuss this submission in more detail.

Yours truly,

[original signed by]

Chris Ripley
Manager, Regulatory Applications

cc Crawford Smith, Torys
GDAR Phase I Working Group Participants
All EB-2005-0520 Intervenors

ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c.15 (Schedule B);

AND IN THE MATTER OF an Application by Union Gas Limited for an order or orders approving the rate or rates charged to gas vendors for Invoice Vendor Adjustments as of June 1, 2007;

APPLICATION

1. Union Gas Limited (“Union”) is a business corporation, incorporated under the laws of Ontario, with its head office in the Municipality of Chatham-Kent.
2. Union conducts an integrated natural gas utility business that combines the operations of selling, distributing, transmitting and storing gas within the meaning of the *Ontario Energy Board Act, 1998* (the “Act”).
3. By Decision dated November 15, 2005, the Ontario Energy Board (the “Board”) deferred implementation of Phase I of the Gas Distribution Access Rule (“GDAR”) to January 1, 2007 and Phase II to January 1, 2008. The Board also ruled that in the interim, gas distributors are required to offer a form of rate-ready Distributor Consolidated Billing (“DCB”) that features Invoice Vendor Adjustment (“IVA”) functionality.
4. Subsequently, by Notice of Amendment to GDAR dated September 29, 2006, the Board further deferred implementation of Phase I of GDAR to June 1, 2007. Union understands that IVA functionality must also become available by this date as well.
5. IVA functionality provides gas vendors with the ability to make billing adjustments through an additional billing line as part of the existing rate-ready form of DCB. To date,

Union has entered into a number of Service Agreements with gas vendors which provide for IVA functionality. The agreements provide that Union will levy a fee for each use of IVA functionality.

6. Union hereby applies to the Board for a determination allowing it to charge natural gas vendors a flat fee of \$1.85 for each successfully submitted IVA transaction.
7. Union also applies to the Board for such interim order or orders approving interim rates or other charges and accounting orders as may from time to time appear appropriate or necessary.
8. Union further applies to the Board for all necessary orders and directions concerning pre-hearing and hearing procedures for the determination of this application.
9. This application will be supported by written evidence. This evidence will be pre-filed and will be amended from time to time as required by the Board, or as circumstances may require.
10. The persons affected by this application are the customers resident or located in the municipalities, police villages and Indian reserves served by Union, together with those to whom Union sells gas, or on whose behalf Union distributes, transmits or stores gas. It is impractical to set out in this application the names and addresses of such persons because they are too numerous.

11. The address of service for Union is:

Union Gas Limited
P.O. Box 2001
50 Keil Drive North
Chatham, Ontario
N7M 5M1

Attention: Chris Ripley
Manager, Regulatory Applications
Telephone: (519) 436-5476
Fax: (519) 436-4641
cripley@uniongas.com

- and -

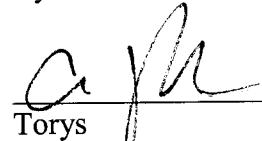
Torys LLP
Suite 3000, Maritime Life Tower
P.O. Box 270
Toronto-Dominion Centre
Toronto, Ontario
M5K 1N2

Attention: Crawford G. Smith
Telephone: (416) 865-8209
Fax: (416) 865-7380
email: csmith@torys.com

DATED: April 3, 2007.

UNION GAS LIMITED

By its Solicitors



Torys
Suite 3000, Maritime Life Tower
P.O. Box 270
Toronto-Dominion Centre
Toronto, Ontario
M5K 1N2

Attention: Crawford G. Smith

Telephone: (416) 865-8209
Fax: (416) 865-7380

UNION GAS LIMITED**INVOICE VENDOR ADJUSTMENT FEE PREFILED EVIDENCE**

The purpose of this evidence is to describe Union's proposal to charge a flat fee for each Invoice Vendor Adjustment ("IVA") transaction as required under the Gas Distribution Access Rule ("GDAR") that is billed and collected by Union on behalf of gas vendors. Specifically, pursuant to the Board's March 16, 2007 letter (Attachment A), Union is seeking Board approval to charge vendors \$1.85 for each successfully submitted IVA transaction.

IVA functionality provides gas vendors with the ability to make billing adjustments (e.g. correct billing errors and/or process rebates) through an additional billing line as part of the existing rate-ready form of Distributor Consolidated Billing ("DCB").

Background

On August 15, 2005, Union filed comments in response to the Board's draft revised form of Service Agreement (as per Procedural Order No. 1 dated July 15, 2005). Union stated that a bill-ready form of DCB should not be included as part of the Agreement. Rather than incur significant effort and costs to accommodate a bill-ready model, Union submitted that conditions similar to vendor consolidated billing should be included to avoid the incurrence of costs until a gas vendor formally requests the bill-ready service.

Union acknowledged that gas vendors would like the ability to make billing adjustments as noted above. Union offered to develop and implement an additional billing line for the existing rate-ready form of DCB. This IVA functionality would provide vendors with the ability to make billing adjustments, similar to the bill-ready form of DCB, but without incurring the significant time and expense required to develop full bill-ready capability.

In a Decision dated September 13, 2005, the Board mandated that gas distributors offer both rate-ready and bill-ready forms of DCB. Given this Decision, in a submission to the Board dated October 13, 2005, Union expressed its intention to no longer offer the additional IVA capability.

On November 15, 2005, the Board released a Decision deferring the implementation of GDAR Phase I to January 1, 2007 and Phase II (bill-ready DCB service) to January 1, 2008. The Decision also ruled that in the interim, gas distributors are required to offer a form of rate-ready DCB that features IVA functionality. Phase I includes the implementation of functionality for rate-ready DCB for large volume customers and for all transactions necessary to provide full customer mobility (i.e. electronic business transaction standards).

By Notice of Amendment dated September 29, 2006, the Board further deferred implementation date of Phase I to June 1, 2007. Union has been working co-operatively with the GDAR market participants in order to meet this date. In light of the Board's November 15, 2005 Decision, Union's understanding is that IVA functionality will also

become effective June 1st. In the November 15th Decision, the Board acknowledged that Board staff's proposed form of Service Agreement contemplates that gas distributors may charge fees for certain services provided to the gas vendor. As noted under section B.2 – Data Exchange of Appendix B (Billing, Collection and Payment) of the Agreement, clause (d) references the requirement for a gas distributor to provide an additional bill line to the vendor using a rate approved by the Board until bill-ready functionality is available.

Union, through ongoing consultation and feedback with the Board staff sponsored GDAR Working Group, issued a series of amendments to the Agreement including more detailed wording specific to IVA Thresholds and Fees (Appendix F section F.3). The amended Agreement, which was distributed to the gas vendor community for execution in December of 2006, addresses Union's intent to levy a fee to gas vendors for each use of the IVA (see excerpt below). To date, out of 43 Agreements issued to gas vendors, Union has a total of 13 fully executed Agreements in place. The Agreements provide, in relevant part:

“Union will levy a fee for each use of the invoice vendor adjustment. Notice of changes to the fee will be made thirty days in advance in a matter consistent with section 7.7 of this Agreement. Current and proposed IVA fees will also be made available on Union's web site. IVA fees shall not include any early termination fees from the Gas Vendor.”

Consistent with the Board's direction as identified on page 41 of the RP-2003-0063 Decision with Reasons and further reiterated in Union's February 14, 2007 IVA fee

submission to the Board (Attachment B), Union will not use the IVA capability to recover exit fees on behalf of gas vendors.

IVA Functionality, Assumptions, Costs/Revenues

The IVA service is intended to provide gas vendors with the ability to make billing adjustments. Gas vendors will calculate the adjustment and submit it electronically to Union for inclusion on a customer's invoice.

Union is using a methodology to cost the IVA service consistent with how it determines the Direct Purchase Administration Charges ("DPAC") and the Gas Supply Administration Charge. Union wants to ensure that existing ratepayers will not be impacted by Union offering this service. The IVA fee will be charged to those gas vendors who use the IVA service. On that basis, Union considered a number of cost drivers in deriving this transaction fee, including: the impact on inbound call volumes for general and billing inquiries, administrative costs to manage the vendor adjustment process (e.g. analyze payments, perform financial reconciliations, and resolve issues and questions); and, customer information system costs.

Union concluded there are two principal cost drivers that need to be addressed in the calculation of the proposed IVA fee. First, some customers will make inbound calls when they see the IVA fee on their invoices. In Union's experience, 29% of the IVA transactions will generate a telephone call to Union. This figure is based upon Union's experience that such a percentage of its annual inbound calls pertain to general inquiries,

account maintenance and adjustments, high bill complaints, direct purchase, and rates.

Calls generated from having an IVA transaction on a customer invoice will generate similar levels of calls as those noted above.

Even though Union will ultimately re-direct calls specific to the IVA service to the appropriate gas vendors, Union must still have the capacity to respond to those calls. Customers expect Union to be able to explain what is on the invoice.

On average, each telephone call Union receives costs \$6.20. This \$6.20 represents the incremental average cost for Union's Call Centre to handle an inbound telephone call. As 29% of IVA transactions will generate an inbound telephone call, the effective cost per IVA transaction to be recovered in the proposed fee is \$1.80 ($\$6.20 \times 29\%$).

In addition, Alliance Data, owner and operator of Union's Banner Customer Information System ("Banner"), will charge Union a flat fee of \$0.05 to put each IVA transaction on a new line on each customer's invoice. Both of these components add up to a total of \$1.85 per IVA transaction.

The two principal cost drivers are variable in nature and will not change depending on the level of IVA take-up by gas vendors. Therefore, Union is satisfied that the proposed \$1.85 fee will generate sufficient revenue to recover the incremental costs to provide the service at varying levels of take-up. The following table (Table 1) illustrates costs and revenues at varying levels of IVA take-up. This table supports the fact that Union's

revenues will recover its costs, thereby ensuring existing ratepayers are not impacted by Union offering this service.

Table 1: IVA Costs and Revenues at Various Take-Up Levels

Line No.	Description	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>
1	IVA take-up scenarios	500	5,000	50,000	500,000
2	Total inbound calls (line 1 x 29%)	145	1,450	14,500	145,000
3	Call centre costs (line 2 x \$6.20)	\$ 899	8,990	89,900	899,000
4	Additional billing line (line 1 x \$0.05)	<u>25</u>	<u>250</u>	<u>2,500</u>	<u>25,000</u>
5	Total costs	\$ <u>924</u>	<u>9,240</u>	<u>92,400</u>	<u>924,000</u>
6	Cost per IVA (line 5/line 1)	\$1.85	\$1.85	\$1.85	\$1.85

Union incurred additional costs to make some modest changes to the Banner system and Unionline, its online transactional system, to accommodate the IVA functionality. These costs were included in Union's estimate of the capital costs required to implement GDAR Phase 1. These same costs were approved by the Board for inclusion in rates as part of the EB-2005-0520 rates proceeding.

**Ontario Energy
Board**

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**Commission de l'énergie
de l'Ontario**

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BY EMAIL

March 16, 2007

Mike Packer
Director, Regulatory Affairs
Union Gas Limited
50 Keil Drive North
Chatham ON N7M 5M1

Re: Union GDAR - Invoice Vendor Adjustment (IVA) Fee

We make reference to your letter of February 14, 2007 concerning Union's intention to charge a GDAR-related services fee identified as the Invoice Vendor Adjustment or IVA fee.

Union must apply under section 36 of the *Ontario Energy Board Act, 1998* and obtain a Board order approving such a fee before commencing to charge it. The application must include supporting evidence illustrating the basis for the fee, the assumptions used in deriving the fee and how the fee will be applied in practice.

Once the Board has received a complete application, it will commence a proceeding to review the fee.

Yours truly,

Original Signed By

Peter H. O'Dell
Assistant Board Secretary

c. Dave Matthews, Direct Energy
Nola Ruzycki, OESLP



February 14, 2007

Ontario Energy Board
2300 Yonge Street
Suite 2701
Toronto, ON
M4P 1E4

Attention: Ms. Kirsten Walli, Board Secretary

Re: EB-2006-0198 – GDAR - Union Gas Invoice Vendor Adjustment (IVA) Fee

Dear Ms. Walli:

The purpose of this letter is to advise the Board of Union's plan to charge a flat fee for each Invoice Vendor Adjustment ("IVA") transaction that is billed and collected by the Company on behalf of gas vendors. Included as part of the Gas Distribution Access Rule ("GDAR"), IVA functionality provides vendors with the ability to process billing corrections through an additional billing line as part of the existing rate-ready form of Distributor Consolidated Billing ("DCB").

Background

On August 15, 2005 Union filed comments in response to the Board's draft revised form of Service Agreement (as per Procedural Order No. 1 dated July 15, 2005) (Attach.1). Union stated that a bill-ready form of DCB should not be included as part of the Agreement. Rather than incur significant effort and costs to accommodate a bill-ready model, Union submitted that conditions similar to vendor consolidated billing should be included to avoid the incurrence of costs until they are needed.

Union acknowledged that vendors would like the ability to make billing adjustments (e.g. correct billing errors and/or process rebates). Union offered to develop and implement an additional billing line for the existing rate-ready form of DCB. This vendor adjustment line (IVA) would provide vendors with the ability to make billing adjustments, similar to the bill-ready form of DCB, but without the significant time and expense required to develop full bill-ready capability.

In a decision dated September 13, 2005, the Board mandated that gas distributors offer both rate-ready and bill-ready forms of DCB (Attach. 2). Given this decision, Union expressed its intention to no longer offer the additional IVA capability (see Union's submission dated October 13, 2005 in response to the Board's draft Electronic Business Transaction ("EBT") standards appendix to the Service Agreement (Attach. 3)).

The Board announced the delay of bill-ready implementation to January 1, 2008 as part of its November 15, 2005 decision (Attach. 4). It also ruled that in the interim, gas distributors are required to offer a form of rate-ready DCB that features IVA functionality.

IVA Functionality and Costs

Union has been working co-operatively with GDAR market participants in order to meet the Board-approved GDAR Phase I implementation date of June 1, 2007 (as per September 29, 2006 GDAR amendment (Attach. 5)). Phase I includes the implementation of functionality for rate-ready DCB for large volume customers and for all transactions necessary to provide full customer mobility (i.e. EBT standards). Union is operating under the premise the GDAR Service Agreement also becomes effective June 1st.

In light of the Board's November 15th decision, implementation of IVA functionality is also targeted for the June 1st deadline. Union submits that the design, development and final integration of the IVA functionality into the GDAR project will require a significant investment in terms of both resources and costs.

In its November 15th decision, the Board acknowledged that Board staff's proposed form of Service Agreement contemplates that gas distributors may charge fees for certain services provided to the gas vendor. As noted under section B.2 - Data Exchange of Appendix B (Billing, Collection and Payment) of the proposed agreement, clause (d) references the requirement for a gas distributor to provide an additional bill line item to the vendor using a rate approved by the Board until bill-ready functionality is available.

In the same proposed agreement, under Article 7 – General, Section 7.4 (a) Amendments and Modifications to this Agreement, states that:

“The Parties may by mutual agreement amend or modify any provision of this Agreement or add any provision to this Agreement, including a new appendix, provided that any such amendment or modification is not inconsistent with or contrary to any applicable licence, rule (including the Rule), order of the Board or any provision of this Agreement that has been approved or required by the Board.”

In keeping with this excerpt, Union, through ongoing feedback and consultation with the Board staff sponsored GDAR Working Group, issued a series of amendments to the Agreement including more detailed wording specific to IVA Thresholds and Fees (Appendix F section F.3). The amended Agreement, which was distributed to the gas vendor community for execution in December of 2006, states that Union will levy a fee to vendors for each use of the IVA. It also provides that current and proposed IVA fees will be made available on Union's website.

It is Union's plan to charge vendors a flat \$1.85 fee for each IVA transaction. A number of factors were considered in deriving this transaction fee, including: the impact on inbound billing and general inquiry call volumes; administrative costs to manage the vendor adjustment process (e.g. analyse payments, perform financial reconciliations, resolve issues and questions); and, customer information system costs.

The impact on inbound billing and general inquiry call volumes is the main component of the \$1.85 fee. Union anticipates that 29% of IVA transactions will generate inbound Call Centre activity. Based on the expected nature of the calls, Union forecasts that each IVA-specific call will cost the Company \$6.20 to complete. Union also projects it will cost \$0.05 to put each IVA transaction on the bill (regardless if it generates a call or not). Therefore, the total cost is \$1.85 per IVA transaction ((29% X \$6.20) + \$0.05).

Consistent with the Board's direction as identified on p. 41 of the RP-2003-0063 Decision with Reasons (Union's 2004 rates proceeding), IVA capability will not be used to recover exit fees on behalf of vendors (Attach 6).

Please contact me at (519) 436-4538 if you have any questions or wish to discuss this submission in more detail.

Yours truly,

A handwritten signature in black ink, appearing to read "Mike Packer".

Mike Packer, CMA, CIM
Director, Regulatory Affairs

Attach.

cc: Mr. Russ Houldin
GDAR Phase I Working Group Participants



August 15, 2005

Mr. John Zych
Board Secretary
Ontario Energy Board
2300 Yonge Street
Toronto, ON M4P 1E4

Dear Mr. Zych:

Re: RP-2000-0001 Response of Union Gas to Procedural Order No. 1 dated July 15, 2005

On July 15, 2005 the Board directed interested parties to provide submissions regarding the revised form of Service Agreement ("the Agreement") developed under the GDAR by August 15, 2005. Union Gas Limited's ("Union's") comments are enclosed.

Union appreciates the opportunity to provide input on the Board's draft and supports the consultative approach taken by Board Staff in developing the Agreement. Union believes that this Agreement is substantially complete and has limited its comments to three issues.

1. Bill-Ready Form of Billing

Section 4.1 (a) of the July 15th Agreement, requires the Gas Distributor to accommodate both a rate-ready and a bill-ready form of distributor consolidated billing upon the implementation of GDAR.

As stated in Union's June 13th submission, rate-ready capability has been the de facto standard for ABC billing service in the natural gas industry since its inception and it is currently utilized by both Gas Vendors and Gas Distributors. Gas Distributors and Gas Vendors have developed internal and external systems and processes that work in conjunction with the rate-ready model. Changes to these systems and processes will require significant effort and costs in order to accommodate a bill-ready model. Union also stated in its June 13th submission that it is prepared to develop bill-ready capability, but within 12 months of a Gas Vendor formally requesting this option and agreeing to the terms and conditions approved by the Board. If no request is made by a Gas Vendor, Union and its ratepayers will not need to incur any costs developing bill-ready capability. Union estimates that its cost to develop bill-ready capability will be approximately \$5 million. Accordingly, Union submits that a bill-ready form of distributor consolidated billing should not be included unconditionally in this Agreement. Instead, conditions similar to those for vendor consolidated billing should be included to avoid the incurrence of costs until they are needed.

Union recognizes that Gas Vendors want the ability to process commodity billing corrections. During the GDAR Electronic Business Transaction (EBT) Working Group sessions, which are currently taking place, Union offered to develop and implement an additional billing line for the existing rate-ready model. As proposed, the additional billing line would allow Gas Vendors to make a bill-ready adjustment to correct a commodity-related billing error or provide a rebate on a consumer's bill. The additional bill line would provide the vendors with the ability to correct billing errors or process rebates, similar to bill-ready, but without the significant time and expense required to develop full bill-ready capability.

If the Board determines that bill ready capability is a mandatory requirement of GDAR, as currently included in the July 15th Agreement, Union estimates that it will require 12 months and approximately \$5 million to develop and implement this capability due to the significant scope and impact of the service on Union's internal systems and processes. A cost recovery mechanism for this amount will also have to be determined prior to the commencement of any work to implement bill-ready capability.

2. Costs and Cost Recovery

During the development of this Agreement and the EBT Working Group process, Board Staff have indicated that the issue of costs (magnitude, prudence and who pays) of GDAR implementation are outside the scope of both groups' mandate. However, since GDAR implementation costs and the appropriate recovery mechanism are a consequence of both agreements, Union believes the Board will want to fully understand the magnitude of these costs before it issues a Decision. Union will provide its total estimated cost of GDAR implementation as part of its submission when the Board issues its draft EBT standards for comment.

Union maintains that whatever costs it reasonably incurs to implement GDAR should be recovered in rates (either prospectively in rates or by being recorded in Union's GDAR Costs deferral account for disposition to ratepayers). Considering the significance of these costs, Union will not make further investments toward GDAR implementation without certainty from the Board that the costs will be recovered.

3. GDAR Implementation Timeline

The current specified GDAR implementation date is January 1, 2006. Realizing the timelines associated with the Board's implementation process, coupled with the process and system modifications for both Gas Distributors and Gas Vendors that will result from the associated initiatives, Union believes this deadline should be modified.

Union and others have also raised this concern during the EBT Working Group process. It is clear that an extended deadline is supported by all the participants. Accordingly, Union recommends that the Board invite interested parties to not only identify an alternate date, but provide the necessary support for their recommendation in a subsequent submission, following the completion of the EBT Working Group process. Union believes that based on the current

scope of GDAR, an implementation date of January 1, 2007 could be achieved subject to the cost recovery clarity described above.

Finally, Union has previously suggested¹ that the timing of Union's GDAR implementation is also contingent on when Gas Vendors will be ready for implementation. Union maintains that it would be inappropriate to implement GDAR until all active Gas Vendors are also ready for implementation. Union has and will continue to design its GDAR systems changes to accommodate a changeover to its new GDAR compliant systems for all Gas Vendors at the same time. Union is unable to sustain parallel processes and systems to facilitate the processing of Service Transaction Requests (STRs) under two sets of rules. Implementing GDAR before all parties are ready to operate under the new GDAR would restrict any non compliant Gas Vendor's ability to sustain direct purchase activity until they implement GDAR compliant processes and systems changes.

Please contact me at (519) 436-4637 if you have any questions or wish to discuss this submission in more detail.

Yours truly,

Bryan Goulden
Manager, Regulatory Applications

¹ GDAR update letter #4 dated January 15, 2004

Ontario Energy
Board

Commission de l'Énergie
de l'Ontario



RP-2000-0001

IN THE MATTER OF ss. 44 and 45 of the
Ontario Energy Board Act, 1998, S.O. 1998, c.
15, Schedule B;

AND IN THE MATTER OF the Gas Distribution
Access Rule, made on December 11, 2002.

BEFORE: Gordon Kaiser
Vice Chair and Presiding Member

Cathy Spoel
Member

DECISION

On December 11, 2002, the Board issued the Gas Distribution Access Rule ("GDAR") following an extensive public Rule making process in which all stakeholders had numerous opportunities to make submissions.

On May 9, 2005, the Board issued a Decision in which it directed staff to develop, within specific timelines, a standard form of Service Agreement, as well as an Electronic Business Transactions Standards appendix (the "EBT Appendix") to that standard form of Service Agreement. The May 9, 2005 Decision contemplated that the proposed Service Agreement would be circulated to parties for comment, that the Board would issue a Final Order regarding the Service Agreement within a specified time, and that the same process would apply to the EBT Appendix albeit under later timelines.

A proposed Service Agreement was filed by staff with the Board on July 8, 2005, and was circulated for comment by parties under Procedural Order No. 1 on July 15, 2005. In accordance with the Board's May 9, 2005 Decision, parties were given 30 days to provide comments. Submissions were received from a number of parties, and those submissions have been posted on the Board's website.

A proposed EBT Appendix was filed by staff with the Board on September 6, 2005 and is being circulated for comment by parties today under Procedural Order No. 2.

Based on the Board's May 9, 2005 Decision, the Board is scheduled to issue a Final Order in relation to the Service Agreement on September 14, 2005. However, the Board notes that a number of parties have included in their comments on the Service Agreement concerns regarding finalization of the Service Agreement prior to completion of the comment process associated with the EBT Appendix.

Having considered the submissions of the parties in this regard, the Board considers it appropriate to withhold its Final Order regarding the Service Agreement until such time as the EBT Appendix comment period has been completed. The Board will thereafter issue a Final Order regarding both the Service Agreement and the EBT Appendix at the same time.

The Board has reviewed the submissions of the parties in relation to the Service Agreement. Although the Board does not intend to make findings with respect to all of the issues raised in those submissions at this time, the Board considers it necessary to make findings on a limited number of issues in order to guide the comments of the parties in relation to the EBT Appendix. These issues are vendor-consolidated billing and the forms of distributor-consolidated billing.

Vendor-Consolidated Billing

Section 6.1.2 of the GDAR requires distributors to offer vendor-consolidated billing ("VCB").

The proposed Service Agreement does not contain terms and conditions associated with the provision of VCB, but rather requires that such terms and conditions be negotiated in good faith between the parties in the event that the gas vendor requests that the gas distributor provide VCB.

Direct Energy submitted that the terms and conditions for VCB should be developed now, while Ontario Energy Savings Corp. indicated that at least a framework and a substantial portion of the terms and conditions should be developed at this time. These gas vendors submitted that a clearer understanding of the terms and conditions of VCB would allow them to evaluate the commercial efficacy of this billing option, as well allowing for more efficient implementation. The gas distributors did not indicate any opposition to the

proposed approach to VCB.

No gas vendors currently use VCB. The Board also understands that none have any immediate plans to offer it. The Board does not consider it expedient to delay the finalization and implementation of the Service Agreement pending the development of a billing option for in which there is, at present, little or no demonstrable interest. The Board will therefore adopt the approach to VCB that is currently set out in the proposed Service Agreement.

Forms of Distributor-Consolidated Billing

Section 6.1.2 of the GDAR requires distributors to offer distributor-consolidated billing ("DCB"). The proposed Service Agreement contemplates that gas distributors will offer both bill-ready DCB (where the gas vendor calculates the dollar amount payable by a customer and provides that information to the gas distributor for inclusion on the bill) and rate-ready DCB (where bills are calculated and issued by the gas distributor on the basis of price information provided by the gas vendor).

The current standard in the natural gas industry is a rate-ready form of DCB. Union Gas, Enbridge Gas Distribution Inc., Utilities Kingston and Kitchener Utilities all indicated opposition to a bill-ready form of DCB at this time, indicating that accommodation of this billing option would require significant resources and entail significant costs. Kitchener Utilities, Union Gas and Enbridge Gas Distribution Inc. all proposed that bill-ready billing be handled in the same manner as is proposed for VCB. Union Gas also proposed a compromise approach whereby, for rate-ready billing, the gas distributor would offer an additional billing line so as to allow gas vendors to make adjustments for commodity-related billing errors or to provide a rebate on a customer's bill.

Direct Energy and Ontario Energy Savings Corp. supported the requirement that gas distributors offer both forms of DCB. In addition, they submitted that gas distributors should be required to allow gas vendors to use different billing options for different customers. GDAR is silent as to the requirements for the form(s) of DCB.. The Board noted in its May 9, 2005 Decision that it believes that more billing options will facilitate gas supply competition. The Board also directed that the GDAR Service Agreement should, to the maximum extent possible, be consistent with service agreements currently used in the retail electricity industry. In accordance with the Retail Settlement Code, those service

agreements require electricity distributors to provide a bill-ready form of DCB, and allow electricity distributors to provide rate-ready DCB as an optional service. Consistency with the service agreements used in the electricity sector suggests that gas distributors should be required to provide bill-ready DCB and have the option to provide rate-ready DCB.

The Board believes that a requirement to provide bill-ready DCB is appropriate given that gas vendors have expressed a desire to use this billing option in the near future if it is made available to them. Although only an optional service in the retail electricity sector, the Board believes that rate-ready DCB should also be mandatory as it is the current standard in the natural gas industry, and is supported by both gas distributors and gas vendors. Accordingly, the Board will adopt the approach set out in the proposed Service Agreement to the effect that both the rate-ready and bill-ready forms of DCB be offered by gas distributors.

As noted above, following completion of the comment process on the EBT Appendix, the Board will issue a Final Order regarding both the standard form of Service Agreement and the EBT Appendix.

Dated at Toronto, September 13, 2005

Original signed by

Signed on Behalf of the Board Panel
Gordon E. Kaiser
Vice Chair and Presiding Member



October 13, 2005

Ontario Energy Board
2300 Yonge Street
Toronto, Ontario
M4P 1E4

Attention: Mr. John Zych, Board Secretary

Dear Mr. Zych:

Re: RP-2000-0001 - Response of Union Gas to Procedural Order No. 2 dated September 13, 2005

On September 13, 2005 the Board directed interested parties to provide submissions regarding the draft Electronic Business Transactions Standards Appendix to the Service Agreement ("EBT Appendix") developed under the GDAR by October 13, 2005. Union Gas Limited's ("Union's") comments are enclosed.

Union appreciates the opportunity to provide input on the Board's draft and supports the consultative approach taken by Board Staff in developing the EBT Appendix. Union has identified three recommendations on specific wording and interpretation of individual clauses within the draft EBT Appendix. These recommendations are included in Attachment #1.

Union believes that the GDAR is now substantially complete and has limited its overall remaining comments to three critical issues.

1. Costs and Cost Recovery

As stated in its August 15th submission, Union will not incur any further GDAR-related costs until such time that it has certainty of recovery. Whatever costs Union reasonably incurs to implement GDAR should be recovered in rates.

Union forecasts it will cost \$18.2 million for GDAR capital expenses plus an annual increase of \$500,000 in operating expenses. A breakdown of this spending is detailed below. This spending is incremental to the amounts previously approved by the Board in RP-2003-0063 (\$4.78 million in capital and \$1.3 million in annual O&M). In keeping with the current requirement to provide bill-ready capability at the time of GDAR implementation, Union has included the cost of bill-ready functionality in its current GDAR cost estimate. The incremental spending however does not include the costs required to offer vendor consolidated billing ("VCB") as confirmed in the Board's September 13th Decision. As confirmed by the Board, any costs related

to VCB would not be incurred until such time as a Vendor approached Union with the desire to pursue VCB.

Remaining GDAR Implementation Costs

	<u>Capital</u>	<u>O&M</u>
1. Implement EBT Standards	\$7.0 million	\$40,000
2. ABC for Large Volume	2.5 million	0
3. Bill-Ready Service	<u>8.7 million</u>	<u>460,000</u>
Total	<u>\$18.2 million</u>	<u>\$500,000</u>

Union's initial GDAR cost estimate approved by the Board in RP-2003-0063 was based on its interpretation of GDAR scope at that time. The remaining spending identified above is a direct result of changes to scope and timing of implementation. Considering the significance of these costs, Union will not make further investments toward GDAR implementation without certainty from the Board that the estimated costs will be recovered. The Board could provide this certainty by issuing a Decision and Order approving the recovery of these costs.

2. GDAR Implementation Timeline

As indicated in its August 15th submission, Union believes the current deadline of January 1, 2006 should be modified. A later implementation deadline is supported by all parties involved in the EBT Working Group process. Union further recommends the Board invite interested parties to not only identify an alternate date, but provide the necessary support for their recommendation in a subsequent submission.

Based on the current scope of GDAR, Union anticipates it can complete its GDAR implementation by January 1, 2008. Union has identified three major components within the scope of GDAR requiring further implementation. As shown on the above table, they are: 1. implementing the EBT standards; 2. implementing a rate-ready ABC service for large volume customers; and, 3. implementing a bill-ready service. Union's GDAR implementation timeline has been developed after consideration of the following issues:

- achieving the cost recovery clarity mentioned above prior to January 1, 2006;
- the overall magnitude and complexity of system changes;
- the availability of both internal and external resources to Union;
- the ongoing participation of Gas Vendors in Union's implementation process; and,
- the timing of when the Gas Vendors will be ready for implementation.

Union estimates it can implement the EBT standards and a rate-ready ABC service for large volume customers by January 1, 2007 and the bill-ready service by January 1, 2008. However,

actual implementation timing may vary based on Union's success in achieving resolution of the above issues.

As previously indicated, the GDAR implementation timeline should consider when market participants will be ready for implementation. Union has designed its GDAR systems changes to accommodate a changeover to its new GDAR compliant systems for all Gas Vendors at the same time. Union is unable to sustain parallel processes and systems to facilitate the processing of Service Transaction Requests ("STRs") under two sets of rules. Implementing GDAR before all parties are ready to operate under the new GDAR would restrict any non compliant Gas Vendor's ability to sustain direct purchase activity until they implement GDAR compliant processes and systems changes.

As referenced at Appendix B page B-1 of the draft EBT standards, Union supports the formation of a GDAR Working Group to review change requests and identify further implementation requirements when the Board issues its Final Order on the GDAR Service Agreement and EBT Appendix. As detailed in Union's previous GDAR correspondence with the Board on this subject, Union continues to support a consultative approach to implementation.

3. Forms of Distributor Consolidated Billing

The Board's September 13th Decision directed Gas Distributors to accommodate both a rate-ready and bill-ready form of distributor consolidated billing upon the implementation of GDAR. The Decision referenced the need for a finding on this issue in order to guide the comments of the parties in relation to the EBT Appendix.

Although Union is prepared to develop and implement bill-ready capability as directed by the Board in its September 13th Decision, alternatively it recommends the Board consider a similar process for bill ready implementation as it has used for vendor consolidated billing (see Section 4.1 of the Board's proposed Service Agreement - Billing Options). This approach would allow Union to develop bill-ready functionality at an estimated cost of \$8.7 million (capital) and \$460,000 (O&M), following receipt of a formal request from a Gas Vendor. However, consistent with the implementation sequence and timing identified in the GDAR Implementation Timeline section, bill-ready functionality could be available no sooner than January, 2008 or 12 months after a request for this service is made, whichever is later.

If no request is made by a Gas Vendor, Union and its ratepayers will not need to incur any costs to develop bill-ready capability. Certainty from the Board that these additional costs would also be recovered is also required before the commencement of any work to implement the bill-ready capability.

Union had previously proposed adding capability for vendors to include a single, bill-ready "Vendor Adjustment Line" per account per bill under distributor consolidated-rate ready

October 13, 2005
Page 4

billing as a compromise to the full bill ready form of billing. Based on the Board's September 13th Decision which makes bill-ready a mandatory form of billing, there is no longer the need for Union to expend significant resources and costs to implement this compromise option.

Please contact me at (519) 436-4637 if you have any questions or wish to discuss this submission in more detail.

Yours truly,

[Original Signed by Bryan Goulden]

Bryan Goulden
Manager, Regulatory Applications

Attachment #1 – Union Gas’ recommended changes to Draft EBT Appendix

5.1 Service Transaction Requests

Validation of STRs

b) Initial Transaction – Account Number Not Provided

Union’s Position

Union has provided an account lookup service to Vendors since December, 2002. Union supports the notion of continuing to provide an account lookup service when the Vendor provides the Consumer’s account number, but recommends a limit on the number of account lookup requests that a Vendor can request per day.

Key Issues/Concerns:

Evolution of this service has demonstrated that an effective account lookup service can require substantial manual intervention by the Distributor to successfully interpret supplied textual service address data. The EBT Standards identify that “an additional time of 7 calendar days will be added to the Service Address Lead Time” when an account lookup is triggered. This implies that the Vendor should be able to rely on the acceptance or rejection of the account lookup with 7 calendar days of submission. Union believes that this is reasonable, but believes it also needs to be acknowledged that extraordinary transaction volumes could inhibit the Distributor’s ability to meet this implied deadline, given the required manual intervention.

Union recommends that a reasonable maximum number of account lookup requests per day be accommodated within the EBT Standards to allow Distributors to predict and plan workload and associated costs. The maximum number of requests should be negotiated between Distributors and Vendors to reflect the potential transaction volume.

In the absence of a predictable limit, and in order to support the 7-day turnaround, Union will be required to remove much of the added benefit of manual scrutiny. The result will be a sizable increase in the reject rate versus what is experienced today.

Proposed Wording Changes:

Following paragraph 2 on page 26:

Distributors will use reasonable efforts to fulfill account lookup requests; however account lookup requests received from a Vendor by a Distributor in one business day, in excess of a maximum number as agreed by the parties, will be rejected after 7 calendar days if the lookup process has not been completed.

5.2 Consumption Transaction Definition

Union's Position:

The Definition section makes reference to the Vendor's ability to reconcile the gas consumed by its customers to the gas delivered to serve them. Union does not believe it is necessary, and it may be incorrect in specific cases, to include this stipulation in the EBT.

Key Issues/Concerns:

In Union's view, the EBT Standards define the requirements for the exchange of data in the areas of enrolment transactions, billing transactions, and financial settlement transactions exclusively. The rights and obligations regarding the reconciliation of gas inventory are defined within the variety of direct purchase contracts executed between Vendors and Distributors and are outside of the purview of the EBT Standards. The rights and obligations vary depending on the type of direct purchase contract and the delivery area. For example, Union's Unbundled service does not require daily obligated deliveries to serve the attached consumers and therefore it would be impossible to reconcile gas delivered to gas consumed.

Proposed Wording Changes:

Remove the third paragraph under Definitions that begins "*It is important ...*".

5.3.1 Invoice Transactions – Distributor Consolidated Billing in a Rate-Ready Form

Union's Position:

During the EBT Working Group sessions, Union proposed adding the capability for Vendors to include a single, bill-ready "Vendor Adjustment Line" per consumer per month under Distributor Consolidated Rate-Ready billing. Union no longer believes it is necessary to provide the added capability of a "Vendor Adjustment Line", if bill-ready is a mandatory form of billing.

Key Issues/Concerns:

A bill-ready "Vendor Adjustment Line" under a rate-ready form of billing was proposed by Union during the EBT Working Group sessions as a compromise to providing full bill-ready capability. The Board's decision on September 13, 2005 confirmed that the bill-ready form of billing was to be considered mandatory. The Board also noted that it viewed Union's proposal to include an additional billing line as a compromise to bill-ready. Given that bill-ready is mandatory, the compromise solution is no longer required.

Proposed Wording Changes:

All references to the use of a Vendor Adjustment in this section should be removed, including section 5.3.1.2 in its entirety, and references to Invoice Vendor Adjust from transaction flows INV1, INV2, INV3, INV4, and INV5.

Ontario Energy
Board

Commission de l'Énergie
de l'Ontario



RP-2000-0001

IN THE MATTER OF ss. 44 and 45 of the
Ontario Energy Board Act, 1998, S.O. 1998, c.
15, (Sched. B);

AND IN THE MATTER OF the Gas Distribution
Access Rule, made on December 11, 2002.

BEFORE: Gordon Kaiser
Vice Chair and Presiding Member

Cathy Spoel
Member

DECISION AND ORDER

This Decision and Order relates to the Gas Distribution Access Rule ("GDAR") issued by the Board on December 11, 2002 pursuant to section 44 of the *Ontario Energy Board Act* (the "Act"). More specifically, this Decision and Order addresses the requirement in section 3.2.1 of GDAR for the development of a Board-approved form of Service Agreement to be entered into by a gas distributor and each gas vendor that provides or intends to provide gas supply services to consumers in the gas distributor's franchise area. This Decision and Order also addresses the development and implementation of an electronic business transaction system, which section 4.7.1 of GDAR contemplates may be mandated by the Board.

Background

On May 9, 2005, the Board issued a Decision in which it directed Board staff to develop, within specific timelines, a standard form of Service Agreement, as well as an Electronic Business Transactions Standards appendix (the "EBT Standards Appendix") to that

standard form of Service Agreement. That Decision also contained direction as to the scope and content of the Service Agreement and the EBT Standards Appendix, including in particular that those documents should: (a) to the maximum extent possible mirror the comparable documents currently in use in the electricity sector; and (b) contain adequate detail with respect to service transaction requests ("STR") so as to allow the market to operate competitively and ensure that consumers have the maximum choice of gas suppliers. The Decision contemplated that the Board would issue a Final Order in relation to the Service Agreement and subsequently issue a Final Order in relation to the EBT Standards Appendix, both within specific timelines. The Board would then issue a Notice proposing new implementation dates for section 3.2.1 and Chapters 4 and 6 of GDAR. Those dates were anticipated to be no later than January 1, 2006.

Following consultations with parties, Board staff filed with the Board a proposed Service Agreement on July 8, 2005 in accordance with the timelines set out in the Board's May 9, 2005 Decision. On July 15, 2005, the Board issued Procedural Order No.1 inviting interested parties to submit comments on Board staff's proposed Service Agreement. Written submissions were received from the following parties: Enbridge Gas Distribution Inc. ("Enbridge"), Union Gas Ltd. ("Union"), Kitchener Utilities ("Kitchener"), Utilities Kingston ("Kingston"), Natural Resource Gas Limited, Direct Energy, Ontario Energy Savings Corp. ("OESC"), MXenergy, Aegent Energy Advisors Inc. and Coral Energy Canada Inc. ("Coral").

Following extensive consultations with parties, Board staff filed with the Board a proposed EBT Standards Appendix on September 6, 2005 in accordance with the timelines set out in the Board's May 9, 2005 Decision. On September 13, 2005, the Board issued Procedural Order No. 2 inviting interested parties to submit comments on Board staff's proposed EBT Standards Appendix. Written submissions were received from the following parties: Enbridge, Union, Kitchener, Kingston, Direct Energy, OESC, MXenergy, Superior Energy Management ("Superior") and the Vulnerable Energy Consumers' Coalition ("VECC").

Also on September 13, 2005, the Board issued a Decision in which it decided that it would issue a Final Order regarding both the Service Agreement and the EBT Standards Appendix at the same time, rather than in sequence as originally contemplated in the May 9, 2005 Decision. The Board's September 13, 2005 Decision also contained findings on two billing issues that were the subject of comment by parties

in relation to Board staff's proposed Service Agreement. Specifically, the Board endorsed Board staff's approach to vendor-consolidated billing ("VCB"), which contemplates that the terms and conditions associated with VCB be negotiated in good faith between the parties in the event that the gas vendor requests that the gas distributor provide VCB. The Board also endorsed Board staff's proposal that gas distributors offer both a bill-ready and a rate-ready form of distributor-consolidated billing ("DCB"). Under bill-ready DCB, the gas vendor calculates the dollar amount payable by a customer and provides that information to the gas distributor for inclusion on the bill whereas under rate-ready DCB, bills are calculated and issued by the gas distributor on the basis of price information provided by the gas vendor.

Issues and Board Findings

In accordance with the Board's direction, Board staff's proposed Service Agreement and EBT Standards Appendix mirror the comparable documents currently in use in the retail electricity sector, adapted to suit the gas market and to reflect GDAR. The overall scope and content of Board staff's proposed documents are also consistent with the direction given by the Board in its May 9, 2005 Decision.

The Board has considered the submissions filed by the parties in relation to Board staff's proposed Service Agreement and EBT Standards Appendix. The form of Service Agreement and EBT Standards Appendix approved by the Board in this Decision and Order reflect a number of revisions that have been made in response to those submissions, not all of which are described in this Decision and Order.

Listed below are some of the more significant issues identified in the submissions filed by the parties in response to the Board's two Procedural Orders. For each issue, the position of the parties is followed by the Board's findings.

1. Service Agreement

In its May 9, 2005 Decision, the Board indicated that the Service Agreement must, in order to be effective, address all matters that govern commercial relationships between a gas distributor and a gas vendor. This includes incorporation of pre-existing agreements between the parties in order to provide a common understanding of those commercial relationships. Board staff's proposed Service Agreement accommodates this approach by incorporating by reference certain existing agreements. The relevant

section of the proposed Service Agreement makes it clear that, to the extent that any such “incorporated agreement” conflicts with GDAR or the remainder of the Service Agreement, these latter govern.

Both Direct Energy and OESC submitted that the terms and conditions relating to matters such as gas transportation and delivery and customer account management should be standardized rather than being addressed by means of incorporation by reference of existing agreements.

While standardization of the terms and conditions relating to matters such as gas transportation and delivery and customer account management could be a desirable longer-term objective, it is not expedient to embark on that process at this time. In its report on the Natural Gas Forum (“NGF”), the Board indicated its intention to undertake a review of the pricing, services and infrastructure related to natural gas storage and transportation in Ontario, matters which are addressed in the “incorporated agreements”. If terms and conditions relating to these issues were to be standardized as part of the Service Agreement at this time, the Board may be required to make significant revisions to the Service Agreement following completion of the NGF review. To wait for the resolution of these matters through the NGF process would further delay implementation of GDAR, which the Board does not consider to be in the best interests of gas consumers. The Board therefore concludes that it is not necessary to standardize the terms and conditions relating to these upstream processes at this time, and adopts the approach proposed by Board staff to the effect that these matters be addressed by means of the incorporation of existing agreements into the Service Agreement by reference. The list of existing agreements has, however, been revised to refer to “bundled” transportation agreements and to include gas delivery agreements.

2. *Billing Options*

a. Vendor-consolidated Billing and Forms of Distributor-consolidated Billing

As noted above, in its September 13, 2005 Decision, the Board made two findings in relation to billing options. The first is that the terms and conditions governing VCB need not be developed now, but should be negotiated between the parties in the event that the gas vendor requests that the gas distributor accommodate VCB. The Board remains of the view that this approach is appropriate, both for VCB and for split billing.

The second finding is that gas distributors should be required to offer both a bill-ready and a rate-ready form of DCB. The current standard in the gas industry is a rate-ready form of DCB, although gas vendors have supported the requirement that gas distributors also offer a bill-ready form of DCB. The Board remains of the view that gas distributors should be required to offer a bill-ready form of DCB. However, the Board has determined that it is appropriate to delay implementation of this requirement to January 1, 2008 in order to allow sufficient time to design the required processes. Earlier implementation of bill-ready DCB could result in higher costs to correct deficiencies that might result from faster implementation. In addition, the Board notes that, in Enbridge's case, there could be a cost saving if implementation of bill-ready DCB were to coincide with implementation of that company's new Customer Information System, which is expected to be in operation by 2008.

In the interim, the Board believes that consumers and vendors could benefit from being provided with additional billing flexibility. In its submissions on the proposed Service Agreement, Union proposed as an alternative to bill-ready DCB that distributors be required to provide an additional billing line under rate-ready billing. The additional billing line would provide gas vendors with the ability to correct billing errors or process rebates. The Board finds that, pending complete implementation of bill-ready DCB, distributors should support a form of rate-ready DCB that allows gas vendors to add a line to the bill. The Service Agreement has been revised to reflect this requirement.

Certain gas vendors had submitted that gas distributors should be required to provide the additional billing line under both rate-ready and bill-ready DCB. The Board does not consider this to be required under bill-ready DCB, nor does it consider this to be necessary under rate-ready DCB once gas vendors have the option of using bill-ready DCB. Following implementation of bill-ready DCB, gas distributors may at their discretion continue to provide an additional billing line under either form of DCB, but will not be required to do so.

b. Other Billing Issues

Two additional billing issues raised by the parties remain outstanding. The first is the request by both Direct Energy and OESC that gas distributors be required to offer bill-ready and rate-ready DCB on an individual customer account basis. This was not opposed by any of the gas distributors. The Board finds that this requirement will provide greater choice for vendors and consumers, and should be implemented once

the requirement to provide bill-ready DCB comes into effect. The Service Agreement has been revised accordingly.

The second issue arises as a result of the definition of “split billing” in the Service Agreement. Specifically, Coral indicated that members of the industry currently use a form of split billing where the gas vendor bills its customers for certain charges without the need for any consumer consumption information from the gas distributor. Coral expressed the concern that Board staff’s proposed Service Agreement could prohibit or inhibit the continuation of this practice unless and until the parties have negotiated suitable terms and conditions. This is not the intention, and the Service Agreement has been clarified to provide that gas distributors may continue to accommodate this form of split billing without further negotiations where the gas vendor does not require consumer consumption information from the gas distributor for the purpose of billing its customers. Where the form of split billing requires the gas distributor to provide customer consumption information to the gas vendor for billing purposes, the terms and conditions for the provision of split billing will remain subject to negotiation between the parties as required by, and in accordance with, the Service Agreement.

3. *EBT Standards Appendix*

Parties raised a number of issues in relation to Board staff’s proposed EBT Standards Appendix, the more significant of which are described below. Parties also made submissions proposing numerous wording changes and process improvements. The Board considers that many of these matters are most appropriately and expediently addressed through the “Change and Version Control Process” contemplated in Appendix B of the EBT Standards Appendix. To address all of these proposals at this time would result in additional delay, which is not warranted given acceptance by the parties of the “Change and Version Control Process”. In addition, consultations with parties has revealed that use of the “Change and Version Control Process” may result in the identification and adoption, on a collaborative basis, of processes that allow greater flexibility for both gas distributors and gas vendors relative to the potentially more constraining requirements of GDAR.

The Board has, however, revised the “Change and Version Control Process” to clearly identify the creation and membership of the Advisory Committee, and to clarify that final authority in relation to revisions to the EBT Standards Appendix rests with the Board.

a. Customer Account Number

Gas distributors provided comments on the validation of STRs where the gas vendor does not have the consumer's account number. Enbridge submitted that the EBT Standards Appendix should clarify that a gas vendor may only submit an STR without an account number when one has not been assigned by the gas distributor. Union supports the approach where a gas distributor would release a consumer's account number to the gas vendor provided that the consumer has provided the necessary authority allowing the gas distributor to do so. The Board finds that, under section 4.3.3.3 of GDAR, a gas distributor must reject an STR that does not include an account number if the gas distributor determines that an account number has been assigned and the consumer has been so advised. The EBT Standards Appendix has been revised accordingly.

b. Completion of Initial Screening Process

Enbridge and Kitchener submitted that the requirement to respond to an STR within seven days is not consistent with the GDAR provision that states that the initial screening process must be completed within 14 days. The Board agrees, and the EBT Standards Appendix has been revised to allow gas distributors 14 days within which to complete the initial screening process.

c. "Added Scope" STRs

Gas distributors submitted that some of the transactions identified as STRs in the EBT Standards Appendix are "added scope" (the term used by Enbridge) relative to GDAR in that they are not expressly contemplated or stipulated in GDAR. Specifically, Enbridge and Kitchener submitted that STRs for Contract and Price Point Maintenance and Consumer Information Requests are not required by GDAR. Enbridge submitted that GDAR does not require an STR to Change Consumer Information. Enbridge and Kitchener also disagreed with the need for a change in a consumer service address to be done in a seamless manner.

The gas vendors generally support all of the transactions identified as STRs in the EBT Standards Appendix, although as discussed below Direct Energy and OESC have proposed that the functionality to process certain STRs to change service provider be deferred.

The Board disagrees with the characterization of certain of the STR transactions as “added scope” relative to GDAR simply because they are not expressly identified in GDAR itself. While section 4.1.2 of GDAR contains a list of STRs, it is clear that additional transactions are necessary to support those STRs and that GDAR contemplates an EBT system to provide for the exchange of the necessary data. As noted in its May 9, 2005 Decision, the EBT Standards Appendix should contain adequate detail with respect to service transaction requests that will allow the market to operate competitively and ensure that consumers have the maximum choice of gas suppliers. However, the Board believes that while certain transactions contained in Board staff’s proposed EBT Standards Appendix should be mandatory, others should be optional. Specifically, the Board is not prepared at this time to mandate transactions to effect upstream processes, although it sees no harm in retaining them as discretionary elements. The EBT Standards Appendix has therefore been revised to include a table that identifies which transactions are mandatory and which are optional.

4. Timing of Implementation

Several parties commented on timing of implementation of the EBT Standards Appendix, the general consensus being that implementation by January 1, 2006 is not feasible due to the time required to design and test the systems necessary to implement the EBT Standards Appendix. Parties submitted proposals for alternative implementation schedules, with final and complete implementation by 2008.

As noted earlier, certain gas vendors have submitted that the functionality to effect certain types of switching should be deferred. Direct Energy and OESC have proposed that the functionality to process STRs to change service from one gas vendor to another be deferred for one year. Direct Energy also submitted that a gas distributor’s ability to initiate a return to system gas should similarly be deferred for one year. Conversely, MXenergy submitted that transactions to change from one service provider to another should move forward as soon as possible.

Direct Energy and OESC submitted that a phased approach to implementation would be appropriate. Phase I, which would require about 12 months to complete, would consist of activities needed for implementation of a rate-ready form of DCB in the context of existing contracts and system gas-to-gas vendor switches. Direct Energy proposed that Phase II, which would be complete by approximately January 2008, would consist of activities required for implementation of a bill-ready form of DCB, for gas vendor-to-gas

vendor switches and for gas vendor-to-system gas switches. OESC's proposal was similar, although it was silent on the timing of implementation of gas vendor-to-system gas switches. Union proposed similar timing (18 to 24 months) for implementation of the billing functions, as did Kingston. Kitchener indicated that, with the exception of bill-ready DCB, 20 months are required for implementation once the requirements have been finalized. Enbridge submitted that full implementation could occur within 12 to 18 months once detailed requirements are known. However, Enbridge also submitted that a delay until 2008, to coordinate with implementation of the company's new Customer Information System, would result in a cost saving, and further submitted that it would consider making an application for exemption from certain provisions until they can be provided by the new Customer Information System. VECC indicated support for Enbridge's proposed timeline based on the potential for cost savings.

The Board is of the view that STRs related to the provision of "full mobility" for consumers should be introduced as soon as possible, in keeping with the intent and objective of GDAR to facilitate competition and give consumers greater choice. The provisions of GDAR related to mobility have been in force for a considerable time. In addition, gas vendors and gas distributors have had to deal with customer mobility for over 15 years. The Board therefore does not accept the proposals made by certain gas vendors requesting deferral of implementation of certain forms of switching.

The Board accepts that a delay in implementation of the Service Agreement and the EBT Standards Appendix beyond January 1, 2006 is appropriate, and that implementation should occur in two stages. Functionality for rate-ready DCB and for all transactions necessary to provide full consumer mobility (system gas-to-gas vendor, gas vendor-to-gas vendor and gas vendor-to-system gas switching) must be implemented by January 1, 2007. Functionality for bill-ready DCB must be implemented by January 1, 2008.

5. *Costs of Implementation*

Although Union and Enbridge indicated that a final and accurate estimate of the costs associated with implementation of GDAR could not be determined until the EBT Standards Appendix is finalized, both gas distributors indicated that the cost will be significant. Enbridge's preliminary estimate is that compliance with the requirements of GDAR, as contemplated in the Service Agreement and the EBT Standards Appendix, is expected to cost approximately \$39 million (capital), plus a still undetermined amount

for operations and maintenance. Union's estimate is that it will cost \$18.2 million for GDAR capital expenses plus an annual increase of \$500,000 in operating expenses.

Enbridge indicated its assumption that all of the costs reasonably incurred and directly attributable to GDAR implementation will be recoverable through rates, but requested that the Board address the treatment of GDAR implementation costs in its Final Order in this proceeding in order to provide regulatory certainty. Union has indicated that it does not intend to carry out any further GDAR implementation work without certainty from the Board that the estimated costs will be recovered through rates.

The rate implications associated with implementation of new regulatory requirements are properly addressed in a rate proceeding duly convened for that purpose. While the Board cannot in this proceeding predetermine the outcome of such a rate proceeding, the Board expects that costs reasonably incurred and directly attributable to the implementation of Board-mandated requirements, such as those embodied in the Service Agreement and the EBT Standards Appendix, would be recoverable through rates in the normal course. The Board does, however, remind the parties that compliance with such requirements becomes mandatory as soon as the requirements come into effect. Compliance is not optional, and in particular cannot be considered as conditional on confirmation of cost recovery through rates.

Board staff's proposed Service Agreement contemplates that the gas distributor may charge fees for certain services provided to the gas vendor, and in certain cases includes placeholders into which the fees in question would be inserted by the gas distributor. These fees are charges that are subject to approval by the Board under section 36 of the Act. The Service Agreement has been revised accordingly, and the Board expects that gas distributors will obtain approval for these fees in advance of the date on which they will commence to be charged under the Service Agreement.

Next Steps

The Board will issue a Notice under section 45 of the Act proposing amendments to GDAR as it relates to the timing of implementation of the Service Agreement and the EBT Standards Appendix to reflect this Decision and Order.

Board staff are directed to promptly convene the Advisory Committee contemplated in the EBT Standards Appendix and initiate the "Change and Version Control Process" for

the purpose of addressing the outstanding wording change and process improvement matters referred to in the first paragraph of section 3 above.

THE BOARD THEREFORE ORDERS THAT:

1. The Service Agreement attached as Attachment A to this Decision and Order is approved by the Board as the form of Service Agreement to be used by gas vendors and gas distributors under section 3.2.1 of the Gas Distribution Access Rule, effective on the date determined for that purpose through the notice and comment process under section 45 of the Act referred to under "Next Steps" above.
2. Gas distributors shall, for the purposes of section 4.7.1 of the Gas Distribution Access Rule, have in place an electronic business transactions system that implements the mandatory transactions set out in the EBT Standards Appendix to the Service Agreement attached as Attachment A to this Decision and Order, effective on the date determined for that purpose through the notice and comment process under section 45 of the Act referred to under "Next Steps" above.

Dated at Toronto, November 15, 2005

Original Signed By

Signed on Behalf of the Board Panel
Gordon E. Kaiser
Vice Chair and Presiding Member

**APPENDIX A TO
BOARD DECISION AND ORDER
IN THE MATTER OF RP-2000-0001
DATED NOVEMBER 14, 2005**

Being the Board-approved Service Agreement and EBT Standards Appendix to the Service Agreement.

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NOTICE OF AMENDMENT TO A RULE

AMENDMENT TO THE GAS DISTRIBUTION ACCESS RULE

BOARD FILE NO: EB-2006-0198

**To: All Natural Gas Distributors
All Licensed Natural Gas Marketers
All Participants in Proceeding RP-2000-0001**

The Ontario Energy Board (the "Board") will amend the Gas Distribution Access Rule (the "GDAR") as indicated in section A below, pursuant to sections 44 and 45 of the *Ontario Energy Board Act, 1998* (the "Act").

A. Adoption of Proposed Amendment and Coming into Force

On August 18, 2006, the Board issued a Notice of Proposal to Amend a Rule under which it proposed an amendment to the GDAR. The proposed amendment would defer the implementation of chapter 4 for a period of five months. Chapter 4, which deals with service transaction requests, is currently scheduled to come into force on January 1, 2007, except in relation to the requirement to accommodate gas distributor-consolidated billing in bill-ready form which has been deferred to January 1, 2008. The proposed amendment would revise the date such that chapter 4 would come into force on June 1, 2007 rather than on January 1, 2007. No change was proposed to revise the date by which gas distributors are required to accommodate gas distributor-consolidated billing in a bill-ready form.

The Board received three written submissions from gas distributors in regard to the proposed change to the GDAR. None of the submissions opposed the proposed amendment. One gas distributor suggested that the deferral be for a period of six rather than five months. Another gas distributor provided an estimate of the incremental costs associated with the deferral and requested that the Board approve a rate increase effective January 1, 2008 to recover the carrying cost.

The Board has considered the submissions received in relation to the proposed amendment, and has determined that no changes need to be made to the amendment

as originally proposed. The text of the amendment is set out in Appendix A to this Notice.

As indicated in the Board's August 18, 2006 Notice of Proposal, the amendment to the GDAR as set out in Appendix A will come into force upon publication in the *Ontario Gazette*.

B. Gas-distributor Consolidated Billing in Bill-ready Form

As noted above, the Board's August 18, 2006 Notice of Proposal did not propose any change to the date by which gas distributors are required to accommodate gas distributor-consolidated billing in a bill-ready form. The submissions received by the Board in response to its Notice of Proposal commented on this issue. Two of the submissions recommended the deferral of this obligation for a period at least as long as the deferral proposed for implementation of chapter 4 of the GDAR. The third submission made reference to the gas distributor's separate application for relief from the requirement to comply with this obligation until the distributor's new customer information system is in service, currently now planned for 2009.

The Board does not consider that it has, at this time, sufficient information to determine whether or how its approach to gas-distributor consolidated billing in a bill-ready form should be revisited. The Board will look to Board staff to conduct further inquiries in this regard, and to report back on a timely basis so that the Board may consider what, if any, action may be required.

This Notice, including the accompanying amendment to the GDAR, all other Board documents referred to in this Notice (including the GDAR) and all submissions received in response to the Board's August 18, 2006 Notice of Proposal are available for inspection on the Board's website at www.oeb.gov.on.ca and at the Board's offices during normal business hours.

If you have any questions regarding the GDAR amendment, please contact Barbara Robertson at 416-440-7718 or call toll-free at 1-888-632-6273.

DATED at Toronto, September 29, 2006.

ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary

Attachment: Appendix A: Amendment to the Gas Distribution Access Rule

Appendix A

Amendment to the Gas Distribution Access Rule

- 1. Section 1.4.3 of the Gas Distribution Access Rule is repealed and replaced with the following:**

Chapter 4 of this Rule shall come into force on June 1, 2007, provided that nothing in Chapter 4 shall require a gas distributor to accommodate gas distributor-consolidated billing in a bill-ready form (as defined in the Service Agreement) until January 1, 2008

DECISION WITH REASONS

RP-2003-0063

EB-2003-0087

EB-2003-0097

IN THE MATTER OF the *Ontario Energy Board Act*,
1998, S.O.1998, c.15, Schedule B;

AND IN THE MATTER OF an Application by Union Gas
Limited for an Order or Orders approving or fixing just
and reasonable rates and other charges for the sale,
distribution, storage, and transmission of gas for the
period commencing January 1, 2004.

BEFORE: Paul B. Sommerville
Presiding Member

Art Birchenough
Member

DECISION WITH REASONS

March 18, 2004

utility activities which impact on utility costs. It is important to note that the ABC Service represents a key aspect of the Utility's relationship to marketers and the relationship between marketers and their customers. Given the provisions of the Act and the undertaking that Union entered into with the Lieutenant Governor General in Council, the Board is of the view that it has jurisdiction to address the components of the ABC service. It is not logical that the Board, on the one hand, can decide whether to approve the continuation of the ABC service but, on the other hand, cannot examine the components of the ABC service as part of that approval process.

Union has also requested Board approval for continuation of its ABC service and gas supply "... without any limitation on the term of the approval." The Board is of the view that it is not appropriate to provide approval indefinitely for a regulated service. Union must expect to report to the Board on the costs and benefits of all of its Board approved activities. Therefore, the Board approves the continuation of Union's ABC service for a further period of five years, 2004 through 2008, subject to there being no intervening circumstances sufficient, in the Board's view, to necessitate a reconsideration. Prior to the end of that period, Union is directed to file a report with the Board addressing the status of its current ABC service.

The Board is not convinced that Union should be recovering exit fees on behalf of marketers. The fact that the Board has approved such fees for the early termination of a contract under the GDAR rule does not require that such fees be recovered by Union. It appears to the Board that such fees should be a matter between the marketer and the customer. Also, the Board notes that Union is not necessarily a disinterested party, since some customers subject to the exit fees may be returning to system gas. The Board sees no compelling reason why Union should act as the billing agent for all marketer commodity related customer charges.

The Board also notes the concerns of parties with respect to the additional bad debt that Union may incur. The Board directs that Union shall not recover exit fees or penalties on behalf of marketers. Such fees, if and when they are incurred, should be recovered by the marketers themselves.