

**UNION GAS LIMITED**  
**REDUCTION OF CERTAIN CHARGES APPLIED TO DIRECT PURCHASE**  
**CUSTOMERS**

**EB-2014-0154**

**BOARD STAFF INTERROGATORIES**

Interrogatory #1

Preamble:

In the RP-2001-0029 Decision with Reasons, dated September 20, 2002, the Board stated the following, on page 31, in regard to the penalty provision that is at issue in this proceeding:

“The Board accepts the premise that it is important to encourage compliance with contractual obligations to balance in a system such as Union’s, where a wide variety of users are dependent on such balancing to ensure the integrity, security and efficient operation of the system. The failure to balance can place compliant system participants at risk, and may result in additional costs.”

The Board further stated:

“In the Board’s view, the penalty must be sufficiently costly to defaulters to strongly discourage strategic non-compliance with balance obligations, and the careless or incompetent acceptance of contractual obligations which are not reasonably achievable. The Board is concerned that parties wishing to engage in the market, either directly or through agents, must be appropriately encouraged to manage their obligations responsibly. The system as a whole requires that.”

Questions:

- a) Please discuss whether any changes have occurred on Union’s system that would diminish the importance of direct purchase customers meeting their balancing obligations to ensure the integrity, security and efficient operation of the system.
  
- b) Please provide the 5 highest spot prices at Dawn during the months of February and March 2014.

- c) Please provide Union's view as to whether a penalty charge which reflects a spot price at Dawn that is less than the proposed February penalty charge of \$50.50/GJ and March penalty charge of \$52.04/GJ would achieve the Board's objective in regard to the balancing penalty, as set out by the Board in its RP-2001-0029 Decision, given the exceptional weather conditions experienced during the winter of 2014. For example, please provide the rationale or analysis undertaken which would reject using the 3<sup>rd</sup>, 4<sup>th</sup> or 5<sup>th</sup> highest spot price as the reduced one-time penalty charge for the months of February and March 2014.
- d) NRG claims that the Union's actual unit cost of gas to make up the non-delivered 25,496 GJ of gas was \$12.31/GJ. Please indicate whether Union agrees or disagrees with this claim. If Union disagrees with NRG's claim, please provide the actual unit cost paid for the supply shortfall.