

Office national
de l'énergie



National Energy
Board

Review of Amendments to the *National Energy Board Cost Recovery Regulations*

1 January 2010

Canada

Historical Background

- ◆ Project to review and amend Regulations initiated after discussions with electricity industry and letter sent to Board 31 March 2004 by 5 companies
- ◆ NEB consultation process – 2004/2005
- ◆ Research options - 2005
- ◆ Developed concept – 2005/2006
- ◆ Additional consultation – 2006
- ◆ Drafted amendments – 2006/2007/2008
- ◆ Regulatory implementation process
- ◆ Final* product – Amendments effective 1 January 2010



Amendments to the *National Energy Board Cost Recovery Regulations* 1 January 2010

◆ Major features

- Cost recovery shifts to international and interprovincial power line companies from electricity exporters
- Mechanics of cost recovery now align more closely with oil and gas pipelines



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Company Classification

- ◆ Retain concept of company classification according to size
- ◆ Use only 2 size-related categories as recommended by industry
- ◆ Intermediate eliminated – leaving *small* and *large* categories
- ◆ Small company will be defined as a company transmitting *less than* 50,000 MW.h of power in a year



Company Classification - continued

- ◆ *Small* companies - continue to pay fixed levy - \$500 p.a.
- ◆ All remaining regulated IPLs will be classified as *large*
- ◆ *Large* companies – levies will be proportional to activity
- ◆ Border accommodation classification disappears from cost recovery
- ◆ However, companies transmitting less than 0.5 MW.h of power annually pay no levy



Levy on Newly Regulated IPLs

- ◆ Sec. 5.3 applies to power lines in the same manner as sec. 5.2 applies to oil and gas pipelines
- ◆ Payable by IPL companies not previously regulated by NEB
- ◆ Set at 0.2% of capital cost as estimated by the Board in issuing the initial certificate/permit
- ◆ Applies upon approval of certificate/permit
- ◆ Payment due 90 days after invoice date



Cost Recovery from IPLs

- ◆ The electricity commodity recoverable cost pool will continue to be determined as in the past
- ◆ Pool will now be shared by IPLs instead of electricity exporters
- ◆ Measurement parameter for sharing costs among IPLs
→ MW.h transmitted by each regulated IPL (exports + imports)
- ◆ Will now require IPLs to report activity – MW.h transmitted
- ◆ For cost recovery, will require aggregate annual data:
 - forecasts of activity for upcoming year
 - actual activity for previous year



Cost Recovery from IPLs - continued

- ◆ The actual pool of costs to be shared by large companies will be determined as follows:

Calculate commodity recoverable cost pool using present methodology

- ◆ *Deduct:* Fees levied in the year on newly regulated IPLs
- ◆ *Deduct:* Annual fixed levies charged to small companies (\$500 per company)

Equals: Pool of costs to be shared by large IPLs

- ◆ No longer use 4 year aggregate of volumes for calculation of levy



Cost Recovery from IPLs - continued

- ◆ Will continue process of invoicing on an estimated basis for the year
- ◆ After the year has concluded, results will be audited
- ◆ Adjustments, if any, are factored into next billing cycle



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Transitional Provisions

- ◆ Forecast of transmissions by power line companies due 15 February 2010
- ◆ Estimate of levies payable and invoice issued by 31 March 2010.
- ◆ Invoice payable in full by 15 May 2010
- ◆ Normal cost recovery cycle will begin in June/July of this year



Other Amendments

- ◆ A number of “housekeeping” amendments were included in the current changes
- ◆ Included changes to definitions relating to oil and gas
- ◆ Clearer wording in other sections



For more information:

- ◆ NEB website for cost recovery:

<http://www.neb-one.gc.ca/clf-nsi/rpblctn/ctsndrgltn/rrggngmpnb/cstrcvry/cstrcvry-eng.html>

- ◆ NEB website for financial statements:

<http://www.neb-one.gc.ca/clf-nsi/rpblctn/rprt/dtrrprtndnbfnnclsttmnt/dtrrprtndnbfnnclsttmnt-eng.html>

- ◆ If you just need someone to talk to:

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