



LETTER NO. L-20-00

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VIA FACSIMILE

May 11, 2000

Mr. David M. Masuhara
Vice President
Legal, Regulatory & Logistics
BC Gas Utility Ltd.
24th Floor, 1111 West Georgia Street
Vancouver, B.C. V6E 4M4

Dear Mr. Masuhara:

Re: BC Gas Utility Ltd.
Unbundled Agency, Billing and Collection Transportation Service Tariff
for Residential and Commercial Customers

In response to Letter No. L-17-00, the Commission received five letters of comment which all expressed the view that the Agency, Billing and Collection Transportation Service Tariff ("ABC-T") project should proceed and that the tariff should be available to both residential and commercial customers on a system-wide basis. The most critical element was the commitment of technical resources from at least one marketer with experience in residential and commercial unbundling. Direct Energy Marketing Limited ("Direct Energy") has made a commitment to develop market rules and, subject to successful rule development, to provide resources for the design and implementation of a billing and collection system (letter dated May 3, 2000). Therefore, it is the view of the Commission that there is sufficient interest to move ahead with the project to develop an ABC-T service for residential and commercial customers.

The Commission is well aware that development work must commence promptly on the business processes and interfaces for full system-wide implementation to occur on November 1, 2001. Therefore, the Commission will initiate a review of the consumer protection measures that are needed for the ABC-T service and begin work with BC Gas, marketers and other interested parties to develop an appropriate customer education program.

As stated in BC Gas' letter (dated May 3, 2000, page 3), the capital cost estimates have not changed significantly from the Market Unbundling Group ("MUG") report and the estimates are in the range of \$7.8 to \$10.6 million. This assumes a non-load shaped service model whereby the marketer provides its customers' requirements based on a daily load estimation algorithm. The Commission remains very concerned with both the limits and the magnitude of these cost estimates. Commission staff will monitor the proposed expenditures through BC Gas' monthly reports and review the scope of work to be undertaken on key support requirements for the ABC-T service.

The work performed should be the minimum that is necessary to accomplish the objective and BC Gas has made a commitment for such an undertaking (BC Gas letter of May 3, 2000, page 4). The costs are in a range to cover the uncertainty around many of the business processes that remain to be resolved. Therefore, a clearer definition will be required for such areas as the nomination system and the imbalance and reconciliation process in the early stages of the undertaking in order to provide focus and limit

expenditures. BC Gas intends to develop an implementation plan and refine the detailed cost estimates (BC Gas letter of May 3, 2000, page 3).

In order to initiate the ABC-T service project, the Commission directs BC Gas to complete the following two conditions:

1. An initial report is to be completed by June 2, 2000 and should include:
 - an application for a deferral account;
 - an estimate of the magnitude of the rate impact on residential and commercial customers; and
 - the modifications to the market rules that Direct Energy requested and discussion of their acceptability to other participants in the MUG process.
2. A monthly progress report on the three month initial project is to be filed with the Commission based on the activities as described in BC Gas' letter of May 3, 2000, (page 5, bullet 2) which would include:
 - a refined description of the business processes;
 - development of electronic interface;
 - a detailed implementation plan; and
 - a detailed cost estimate for implementation.

The Commission will reassess the ABC-T project in its entirety once condition No. 1 has been reviewed and again after the first progress report has been filed under condition No. 2. The Commission will be responsible for any requests for legislative amendments to the Utilities Commission Act. The lead role in the development of the public education program will be undertaken by Commission staff to ensure this plan remains cost effective and is not unduly influenced by BC Gas or marketers.

Yours truly,

Original Signed by:

Robert J. Pellatt

RB/mmc

cc: Interested Parties to the ABC Transportation Service Tariff
(Lists A and B)
Mr. John Wallace
Director, Business Development
Direct Energy Marketing Limited