



LETTER No. L-49-02

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VIA FACSIMILE

December 13, 2002

Mr. Dietz Kellman
Director
Financial Development Services
BC Gas Utility Ltd.
16705 Fraser Highway
Surrey, B.C. V3S2X7

Dear Mr. Kellmann:

Re: Unbundling of Residential and Commercial Gas Sales
Agency, Billing and Collection for Transportation Service

The introduction of Agency, Billing and Collection for Transportation Service ("ABC-T service") has evolved through a number of stages. The unbundling process commenced on November 5, 1998 with Commission Letter No. L-79-98. It requested BC Gas to prepare a proforma ABC-T tariff to provide residential and small commercial customers with the option of a transportation service. This led to the creation of a collaborative stakeholder group, the Marketing Unbundling Group ("MUG") which investigated full commodity unbundling. The MUG submitted a report dated August 6, 1999 that outlined the implementation plan for a November 2001 introduction date. This was later postponed to November 2002 when a marketer could not be found to participate in the program.

Commission Letter No. L-24-00 dated June 19, 2000 directed BC Gas to file a report delineating the outstanding issues. The Commission then held a meeting on November 28, 2000 with the interested parties that resulted in BC Gas filing an abbreviated year end report. This was followed by a more detailed report and implementation plan in the first quarter of 2001.

The Commission determined that amendments to the Utilities Commission Act were necessary before ABC-T service could be introduced to the BC Gas marketplace. The proposed legislative changes would require gas marketers that serve low volume consumers to be licensed as well as post a security deposit or bond before being allowed to participate in the program. These are pivotal changes designed to avert problems encountered in other provinces when misinformation was distributed to consumers and financially unstable marketers failed, leaving their customers without gas supply.

A stakeholder information meeting followed on September 20, 2001 and all parties were encouraged to express their views on the program initiative to that point. The Commission then sent a letter to all interested parties to gauge the response to suspending the program temporarily until the required changes to the Utilities Commission Act were in place. Most parties agreed it was not cost effective to continue with development of the program without assurances that changes would be made to legislation. However the response from marketers also indicated concerns around the proposed BC Gas business model, with respect to the supply balancing requirement and the one year contract with consumers. These were issues that presented major hurdles for marketers to participate in ABC-T service. At this point the Commission formally suspended the program by Letter No. L-36-01 with the provision to revisit the initiative when the Commission had the necessary licensing and enforcement powers.

Policy action #19 of the November 25, 2002 provincial energy policy
“Energy for our Future: A Plan for BC” states:

“For three years, natural gas suppliers, ratepayers groups and BC Utilities Commission have been working to extend direct sales to residential and small commercial customers. New tracking software will allow customer bills to identify from whom natural gas was purchased and what it cost. Although gas brokers and marketers have successfully shown that they can provide a customized array of low-cost services, some jurisdictions (e.g. Ontario and Alberta) have required licensing and bonding to protect consumers from misleading marketing practices.

The Utilities Commission Act will be amended in spring 2003 to allow direct natural gas sales to low-volume customers, and to require the licensing of marketers who serve those customers. The Commission will establish the rules, including posting of a security deposit, to obtain a gas marketing licence.”

As the Utilities Commission Act is to be amended in the spring of 2003, it is important to resume the work to establish unbundling service. It is the Commission’s view that the first step is for BC Gas to update and reassess the program that was developed previously, with the intent of making the ABC-T option available for November 2004. Therefore BC Gas should develop a report that would provide the following:

- A schedule and cost estimate to achieve an implementation date of November 2004 for ABC-T service that includes meetings with all interested parties. The Commission expects this would substantially be an update of BC Gas’ August 10, 2001 report.
- A discussion on whether the business model can be modified to accommodate marketers’ concerns (such as supply balancing requirement and the proposed one year contract with consumers) and a consultative process for addressing these matters.
- Alternative rate offerings that BC Gas proposes to provide in conjunction with ABC-T service.
- An update on the discussion with municipalities related to restructuring the methodology for calculating franchise fees.

This information should be available to the Commission by February 28, 2003 so that the target date for implementation can be achieved.

Yours truly,

Original signed by:

Robert J. Pellatt

RB/dlf

cc. MUG Group
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Resource Development Division
Ministry of Energy & Mines
Mr. Chris Trumpy, Deputy Minister
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