

National Energy  
Board



Office national  
de l'énergie

# Electricity Cost Recovery

**Proposed Amendments to the  
*National Energy Board  
Cost Recovery Regulations***

Canada



# **NEB Cost Recovery - Information Session Agenda**

- ◆ **Welcome and Introduction**
- ◆ **Proposed Cost Recovery Concept as Approved by the Board**
- ◆ **New Cost Recovery Process**
- ◆ **Next Steps - Regulatory Process**
- ◆ **Adjourn at 3:30 p.m.**



## **NEB Cost Recovery – Concept Background**

- ◆ **The Board regulates in the Canadian public interest within the mandate set by Parliament**
- ◆ **Focus on cost recovery for the Board's overall regulatory responsibility**
- ◆ **Industry's input was valuable when developing the proposed concept**



# NEB Cost Recovery – Concept Background

- ◆ Commodity charging approach consistent with oil and gas sector of activities
- ◆ Simple to develop and administer
- ◆ Equitable approach



## NEB Cost Recovery – Concept

- ◆ Levy on newly regulated international power line companies
  - levy of 0.2% of project capital costs
- ◆ Levy on the international power line companies regulated by the NEB
  - actual energy transmitted in MW.h (international exports and imports)



# NEB Cost Recovery – Concept

- ◆ **Company classification and definition:**
  - Small, large and border accommodation categories
  - Using existing definition with appropriate changes
- ◆ **Year End Change**
  - NEB cost recovery year will align with the NEB fiscal year

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# NEB Cost Recovery - Concept

Proposed Cost Recovery Process Based on the  
NEB Concept

Canada



## Levy on Newly Regulated IPLs

- ◆ Parallels greenfield fee concept in oil & gas
- ◆ Payable by IPL companies
  - not previously regulated by NEB
  - will apply to new power lines approved by the Board





## **Levy on Newly Regulated IPLs - continued**

- ◆ **Set at 0.2% of capital cost as estimated by the Board in issuing the certificate or permit**
- ◆ **Applies upon approval of certificate or permit**
  - **invoiced after certificate or permit issued**
  - **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 (international exports + imports)



## Cost Recovery from IPLs - continued

- ◆ Recoverable cost pool to be shared by *large* companies in the proportion that each company's activity (MW.h transmitted – i.e. international exports + imports) is to the aggregate of activity by all large companies



## Cost Recovery from IPLs - continued

- ◆ **The actual pool 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 fees charged to small companies (@ \$500 per company)**
  - **Deduct: Border accommodations fees (if any)**
  - **Equals: Pool of costs to be shared by large IPLs**



## **Cost Recovery from IPLs - continued**

- ◆ **Will now require IPLs to report activity – MW.h transmitted**
- ◆ **For cost recovery, will require aggregate annual data:**
  - forecasts of activity for current and upcoming year
  - actual activity for previous year
  - no averaging
  - transition into new process to be determined



## **Cost Recovery from IPLs - continued**

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



## Company classification

- ◆ Retain concept of company classification according to size
- ◆ Implement industry recommendation to use only 2 size-related categories
- ◆ Intermediate eliminated – leaving *small* and *large* categories
- ◆ *Small* companies continue to pay fixed fee - \$500
- ◆ *Large* companies will share in cost pool



## Company classification - continued

- ◆ Small company will be defined as person transmitting *less than 50,000 MW.h* of power in the year
- ◆ All remaining regulated IPLs will be classified as *large*
- ◆ Border accommodation companies will remain, but definition will be amended to remove reference to exports



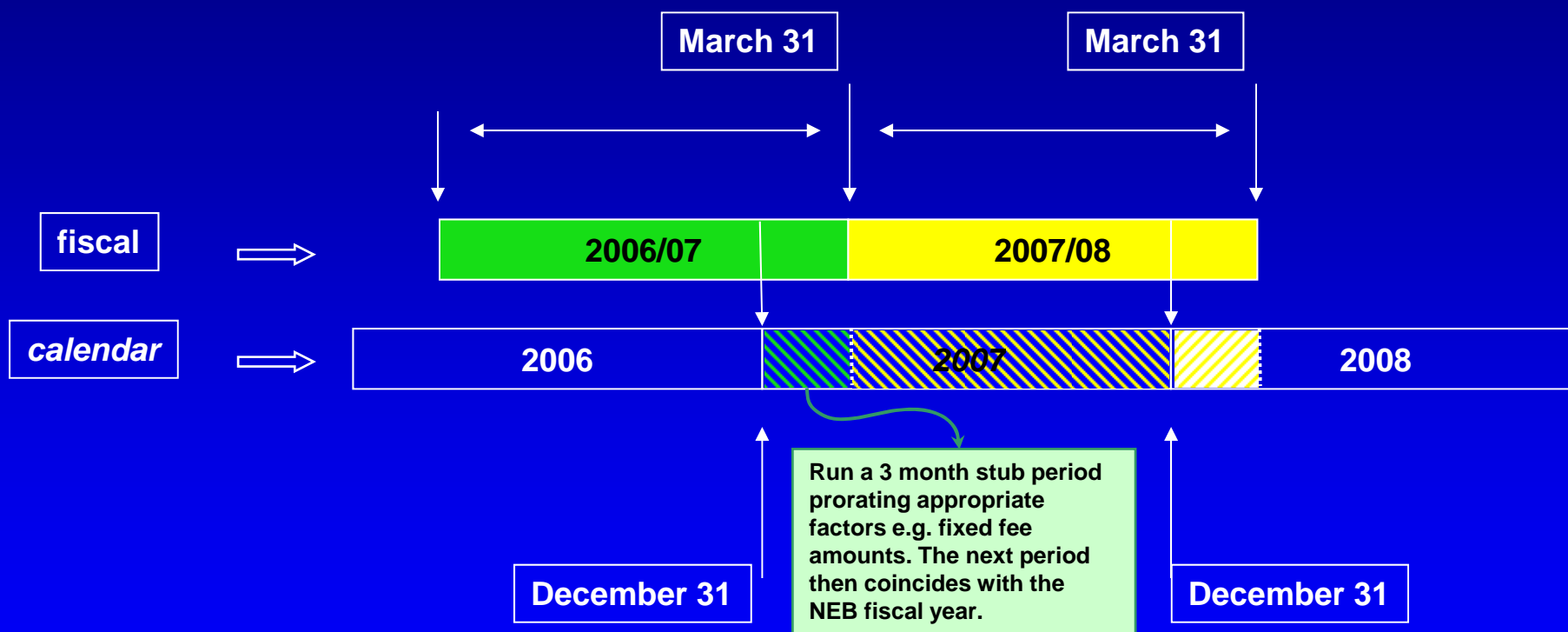


## Year End Change Transition Plan

- ◆ **This change will significantly reduce NEB workload**
- ◆ **Eliminates an entire year end closing cycle from our schedule**
- ◆ **Will transition by using a 3 month stub period**
- ◆ **Appropriate modifications to work calendar will be made**  
e.g.:
  - **timing of calls for actual & forecast activity information**
  - **timing of billing cycle**
  - **timing of audit**



# Year End Change Transition Plan



*Note: The dates used in this graphic are illustrative only. Actual dates will depend on when approval is given for changes to be implemented.*



## **NEB Cost Recovery – Comment Period**

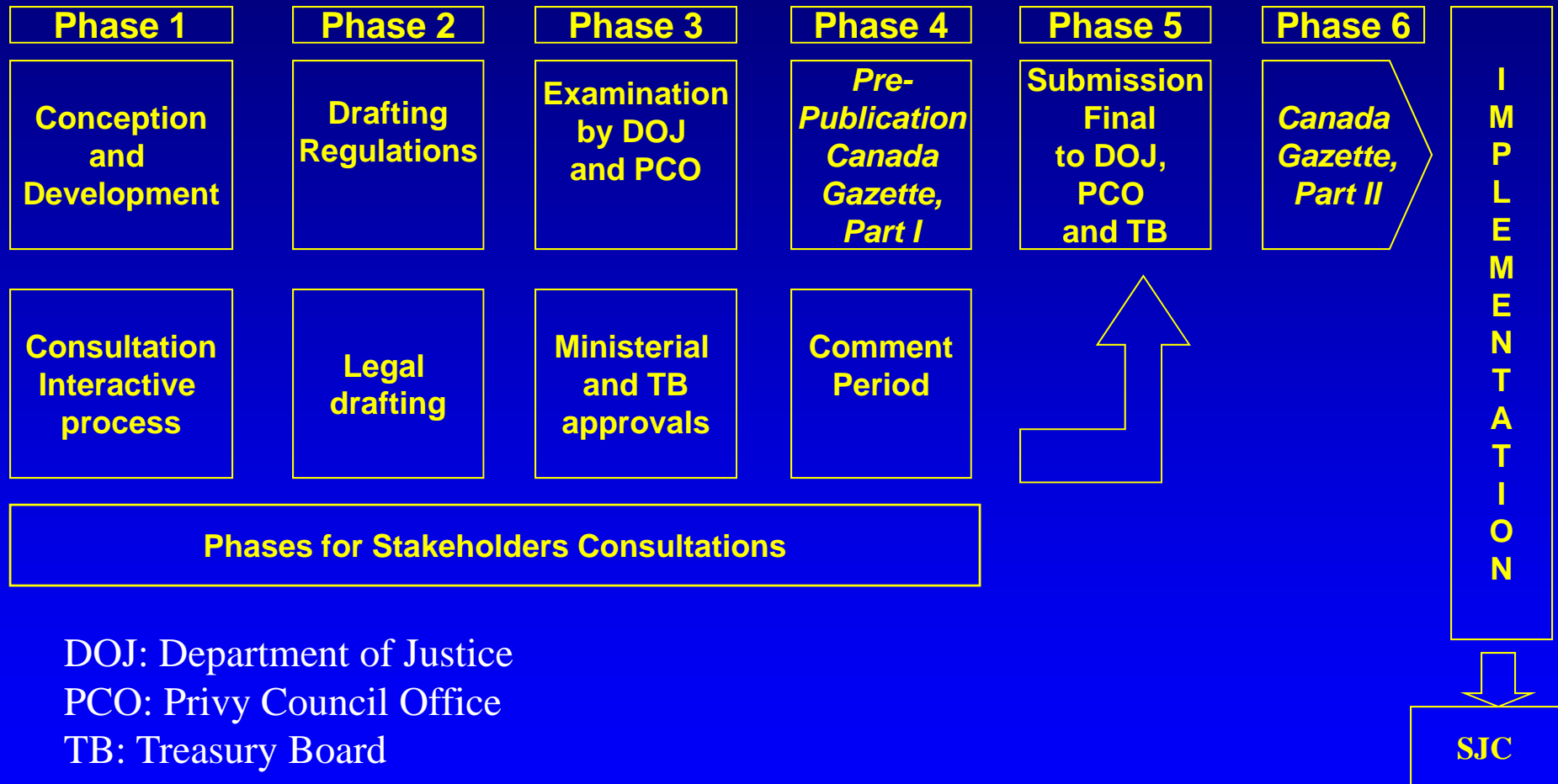
- ◆ **Written comments should be mailed or faxed to the Board by 20 February 2006**
- ◆ **Comments shall be addressed to the Secretary of the Board**



## **NEB Cost Recovery – Comment Period**

- ◆ **The Board will consider and respond to stakeholders written comments**
- ◆ **Regulation drafting process should begin after the comment period is completed**
- ◆ **Stakeholders will have other opportunities to comment before the promulgation of the regulations**

# Regulation Process



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**Thank you!**

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