



Electricity Cost Recovery Workshop 2 June 2005

Supplementary Notes

- While aspects of the Cost Recovery Regulations are complex, the application of the complex provisions is limited to large companies. Small and Intermediate companies as defined by the Regulations have clear and straightforward obligations relating to the payment of cost recovery fees.
- Small companies are defined as follows:
 - Small gas pipelines, small oil pipelines and small commodity pipelines have an annual cost of service of less than \$1,000,000
 - Small electricity exporters are authorized to export less than 50,000 megawatt hours in a period of 12 consecutive months.
- Small companies pay an administration fee of \$500 per year
- Intermediate companies are defined as follows:
 - Intermediate gas pipelines, intermediate oil pipelines and intermediate commodity pipelines have an annual cost of service of \$1,000,000 or greater but less than \$10,000,000.
 - Intermediate electricity exporters are authorized to export 50,000 or greater but less than 250,000 megawatt hours in a period of 12 consecutive months
- Intermediate companies pay an administration fee of \$10,000
- Large companies are defined as follows:
 - Large gas pipelines, large oil pipelines and large commodity pipelines have an annual cost of service of \$10,000,000 or more
 - Large electricity exporters are authorized to export 250,000 megawatt hours or more in a period of 12 consecutive months.
- Large companies pay fees based on detailed formulas set out in the Regulations except for large commodity pipelines which pay an administration fee of \$50,000 per year.

- The complexity of the Regulations associated with large companies relates to 2 aspects:

A. How to share the pool of recoverable costs to be borne by large companies

This is determined by:

1. The time the NEB spends on each commodity
2. Individual and aggregate activity levels by companies within each commodity group

B. The billing process which is designed to ensure that:

1. Current NEB activities are funded by current billings
2. Companies pay their appropriate share of actual NEB recoverable costs

- These considerations are incorporated into the timing and sequence of events in the billing cycle.

Year 1	Year 2	Year 3
<ul style="list-style-type: none"> ▪ NEB collects relevant company information ▪ NEB estimates recoverable costs for Year 2 ▪ NEB estimates the amount each company will be invoiced & issues an information package ▪ Companies pay their share of estimated recoverable costs for current year 	<ul style="list-style-type: none"> ▪ Companies pay their share of estimated recoverable costs for current year ▪ Actual costs for Year 1 are audited and the pool of recoverable costs is certified ▪ Differences between Year 1 estimates and Year 1 audited actual results are calculated ▪ NEB collects company information, estimates recoverable costs & issues billing estimates for Year 3 	<ul style="list-style-type: none"> ▪ Companies pay their share of estimated recoverable costs for current year – adjusted for any differences arising between Year 1 estimates and Year 1 actuals as determined in Year 2 [Differences may occur in NEB costs, NEB time spent, company activity levels and where applicable, cost of service estimates] ▪ NEB collects company information, estimates recoverable costs & issues billing estimates for next year

- The process also accounts for specific events such as company changes – moving between categories, addition of new companies, removal of companies, recognition of mergers & acquisitions, level of “greenfield” fees, etc