



June 4, 2019

Sent via email

BCUC INQUIRY INTO GASOLINE AND DIESEL PRICES IN BC EXHIBIT A-4

To Stakeholders:

Re: British Columbia Utilities Commission – An Inquiry into Gasoline and Diesel Prices in British Columbia – Project No. 1599007 – Consultant Report Terms of Reference

Pursuant to Order in Council (OIC) No. 254, the British Columbia Utilities Commission (BCUC) is undertaking an inquiry into gasoline and diesel prices in British Columbia (Inquiry).¹ Section 3 of OIC No. 254 outlines the terms of reference and the Inquiry will explore factors that may be influencing gasoline and diesel prices in BC since 2015. By Order G-112-19 dated May 24, 2019 (Exhibit A-2), and letter dated May 28, 2019 (Exhibit A-3), the BCUC established a regulatory timetable for the Inquiry.

As part of this Inquiry, the BCUC staff requested written reports from two independent consultants: (i) the Deetken Group; and (ii) Navius Research Inc. The Deetken Group will prepare a two-phased report to provide an overview of the BC gasoline and diesel market and an analysis into the factors that are contributing to the difference in refining and retail margins between BC and other Canadian markets since 2015. Navius Research Inc. will prepare a report to provide a jurisdictional scan of the oversight and the degree of transparency in gasoline and diesel prices.

Further information regarding each consultant's terms of reference with the BCUC are attached as Appendix A and Appendix B to this letter.

Sincerely,

Original signed by Ian Jarvis for:

Patrick Wruck
Commission Secretary

AS/dc
Enclosure

¹ Province of British Columbia, Lieutenant Governor in Council, Order in Council No. 254, approved and ordered May 21, 2019.

Scope – Report on the factors that influence the price of gasoline and Diesel in British Columbia

The British Columbia Utilities Commission (BCUC) would like to contract with an expert firm to prepare a report detailing the factors that influence the price of gasoline and diesel in the province and how these factors (and the drivers of these factors) are different from other markets compared to BC. The report would include general context of BC’s petroleum market supply chain.

We expect to examine the following for the period since 2015:

- i. the differences, if any, in refining margins among British Columbia and other jurisdictions in Canada and the reasons for any differences;
- ii. the differences, if any, in retail margins among British Columbia and other jurisdictions in Canada, and among different regions in British Columbia, and the reasons for any differences;
- iii. factors that have contributed to the increases in gasoline and diesel prices, both retail and wholesale, including, without limitation,
 - A. the access of refineries in British Columbia to crude oil supply and other components,
 - B. the amount of gasoline and diesel stored in British Columbia for sale in British Columbia,
 - C. usage of refinery and pipeline capacity,
 - D. wholesale and retail market sizes and demand,
 - E. methods of distribution of gasoline or diesel to retailers, and
 - F. seasonal variations in supply and demand;
- iv. the extent to which price changes in gasoline and diesel have been determined by market competition and the extent to which those changes have been determined by other factors;

Your independent consultant report in mid/late June 2019 will serve as a starting point in the Inquiry’s regulatory process. Interveners participating in the regulatory process may provide comments on your report and file their own submissions. The Panel to the Inquiry will consider all evidence to prepare our own final BCUC report that is due on August 30, 2019.

Scope of work

Prepare a report with impartial evidence that addresses the areas of examination by June 20th. If it is not feasible to address the full scope by June 20th then the report can be issued in two phases. The first phase is due June 20th and will provide an overview of the BC gasoline and diesel market and the factors that are contributing to the difference in refining and retail margin between BC and other Canadian markets since 2015. The second phase would provide a detailed analysis of the contributing factors; this report is due July 10th.

Scope – Jurisdictional scan of the oversight of gasoline and diesel prices in Canada and North America

The British Columbia Utilities Commission (BCUC) would like to contract with an expert firm to undertake a jurisdictional scan of oversight measures for retail gasoline and diesel prices. This information will be used to assist the BCUC respond to the Government of British Columbia’s directive to the BCUC in examining the factors that influence the price of gasoline and diesel in BC; how these factors are different from other markets compared to BC; and how to enhance the transparency of how gasoline and diesel fuel prices are determined.

We expect the report to include:

1. A primer on how jurisdictions in Canada and North America currently oversees gasoline and diesel fuel prices.
2. A primer on the purpose of the oversight in retail gasoline and diesel prices.
3. What the degree of transparency of gasoline and diesel fuel prices in BC are compared to Canada and North America.
4. The factors that may warrant independent regulation of gasoline or diesel fuel prices in the BC market with the objective of enhancing the transparency of how gasoline and diesel prices are determined.

Scope of work

Prepare a report with impartial evidence that addresses the four areas of examination by June 20, 2019.