



September 4, 2019

British Columbia Utilities Commission
6th Floor, 900 Howe Street
Vancouver, BC
V6Z 2N3

Attention: Mr. Patrick Wruck, Commission Secretary and Manager, Regulatory Support

Dear Mr. Wruck:

Re: Complaint pursuant to Section 83 of the *Utilities Commission Act* (“Act”) and Request for an Inquiry into FortisBC Energy Inc.'s (“FortisBC”) administration of Rate Schedules 22, 23, 25 and 27

Cascadia Energy Ltd. (“**Cascadia**”), Direct Energy Marketing Limited (“**Direct**”), and Access Gas Services Inc. (“**Access**”) hereby file this complaint and request that the Commission inquire into FortisBC’s administration of Rate Schedules 22, 23, 25 and 27 related to transportation customer service. More details follow.

Cascadia, Direct and Access are separate companies but have a common perspective and experience related to the points outlined in this complaint. For the purpose of this complaint, the companies have collaborated to present a joint complaint. For ease of reference, we will refer to the companies collectively as the BC Gas Marketers Coalition (“**BC GMC**”), but the BC GMC is not a formal entity.

1. BC GMC Request

The BC GMC requests that the Commission establish an inquiry to review how FortisBC administers its transportation service. The proposed procedure and scope of the review would be as follows:

1. Evidence, information requests (1 round), and final submissions should be in writing.
2. The process should allow the opportunity for the BC GMC to question FortisBC. The BC GMC suggests that the Commission's Streamlined Review Process for this component of the inquiry, since the issues are few and focus on transportation service only.
3. The inquiry should be open to all FortisBC customers affected by FortisBC transportation service.

4. The issues for the inquiry would include the following
 - a. The nature and adequacy of the information that FortisBC provides to enable transportation customers to comply with the transportation service gas balancing and tolerance rules.
 - b. Measures necessary to assure timely access to customer consumption data.
 - c. Potential adjustments to the balancing rules to allow for inter-customer group balancing.
 - d. Review of FortisBC’s practices related to
 - i. decisions to curtail,
 - ii. the timing of curtailment and return of gas, and the associated charges, and
 - iii. offering competitive service to transportation customers served by gas marketers.
 - e. The need for a FortisBC code of conduct for its gas marketing activities to establish a competitive market and level playing field for all participants.

2. Background to the Complaint

The balancing and tolerance rules related to the transportation service rate schedules were tightened in the recent Commission decision¹ on the FortisBC 2016 Rate Design Application ("2016 RDA"), yet the flow of necessary information from FortisBC to the transportation customers is inadequate to manage gas supply within the new rules. The BC GMC is not seeking to review or change the rules, but is seeking further procedures to ensure the administration of the rules is reasonable and fair.

Further explanation follows.

a. Transportation Rate Schedule history

In 1995 and 1996, FortisBC (then “BC Gas”) completed a Rate Design that established the foundation for the present day rate schedules related to large commercial and industrial transportation service. Among the changes, was a shift in the onus to manage peak-day gas supplies. Instead of the utility supplying peak-day gas for transport customer groups based on an agreed peak-day supply volume, the transportation customer assumed responsibility to supply its own peak-day gas, subject to balancing and unauthorized over-run rules.

b. FortisBC application of the rules and accepted informal practices

The 1996 changes increased the importance of BC Gas measuring and reporting transportation customer daily consumption to the customer's gas managers so they could adjust the supply arrangements.

Since BC Gas did not have the ability to report accurate consumption information on a daily basis, it allowed a daily balancing tolerance of 20%. Further, BC Gas worked cooperatively with the transportation customer gas managers (“Gas Managers”) to manage the system supply and to avoid

¹ BCUC Reasons for Decision on FortisBC Energy Inc. 2016 Rate Design Application, July 20, 2018 (“FEI 2016 RDA Decision”).

curtailments and penalties related to customer imbalances. This cooperative approach served the overall system interests, by allowing for efficient and timely adjustment to the gas supply management.

c. Further tightening of the balancing tolerances

Over the course of the last two decades, the balancing rules and curtailment processes have become increasingly strict. The past practice of working co-operatively with the transportation customer gas managers has diminished, to the detriment of the utility, transportation customers and other customers. For example, curtailments of inventory return gas were initially placed on a priority equal to curtailment of utility interruptible customers. Today, that practice has been abandoned in favour of “any time, any reason” curtailments. The informal “give and take” that was common in the past has disappeared.

d. Still ‘flying blind’ – the flow of necessary information is inadequate

Despite reducing the balancing tolerance to 10% in the 2016 RDA and the curtailment rules, FortisBC has not improved the quality and timeliness of customer consumption measurement data (the “burn report”) to align with the changes. For example

- The consumption data is still effectively 3 days old by the time it can be used to guide next day nominations.
- Real time data, available for some clients, is still not integrated into the burn report information.

Despite this inadequate information, transportation customers must nominate supply more accurately, or face even greater penalties. Transportation customers are still “flying blind” when trying to manage their gas supply.

In the recent 2016 RDA proceeding, the record showed that FortisBC had difficulty complying with the balancing rules, even before they were tightened. At page 79 of the FEI 2016 RDA Decision, the Commission noted FortisBC's poor record when acting as a shipper agent.

In its role as Shipper Agent, FEI has incurred significant balancing gas penalties in recent years. Over the past five years FEI's share of overall monthly balancing gas volumes has ranged from 3.9 to 21.5 percent. The revised version of Table 10-8 of the Application provided in response to BCUC IR 60.9.1 shows FEI ranked as the Shipper Agent with the second worst balancing issues.

e. Further issues that compound the challenges for transportation customers

i. Curtailments of balancing gas not explicitly related to weather

In recent years, FortisBC has often restricted inventory returns (curtailed) for reasons other than weather-driven supply issues. The criteria that FortisBC is applying to its decisions on limiting gas returns is not clear, but it is clear that the practice has changed recently. Inventory gas is gas already delivered to FortisBC and should not be “held hostage” without some explicit understanding of priority of supply.

ii. Curtailments transfer value from transport to core customers

Curtailments related under deliveries attract punitive penalties. Since the FortisBC burn report data is at least three days out-of-date, gas supply managers will tend to over-deliver to the FortisBC system – i.e. deliver well in excess of worst-case flow volumes – to avoid under-delivering

Generally, the over-deliveries coincide with higher market prices and the gas may only be returned (by under-delivery) after the lifting of curtailments, which coincides with the abatement of market prices. Fortis BC receives extra gas when prices are high and returns the gas when prices are low

iii. Marketer over-deliveries are additive

Even though prudent gas supply managers will tend to over-deliver (as explained above), sometimes customer volatility causes an under-delivery when curtailed. FortisBC rules do not allow for balancing between marketer groups automatically, so the under-deliveries are additive and incur penalty charges. The cumulative penalties exceed what is necessary to protect the core market and promote the desired supply-management behaviour. The penalties become primarily a revenue transfer from transportation customers to core customers.

iv. Extended curtailments create unworkable imbalances

During the past winter, FortisBC curtailed its system for almost one month with only a two-day reprieve. Substantial volumes were banked in customer inventories at very high prices (day prices topped \$200/GJ and averaged \$20/GJ-\$40/GJ) and were only returned in the subsequent period when prices averaged \$3/GJ-\$4/GJ. The net transfer in value from the BC GMC to FortisBC was in the millions of dollars, a penalty unfairly levied against transport customers to the benefit of core market customers, who enjoyed low commodity prices throughout winter.

v. FortisBC marketing its own service in competition with gas marketers

During the past winter, when gas prices were in the \$20/GJ-\$30/GJ range FortisBC decided, contrary to the tariff, to limit customers returning to bundled service (commodity and delivery) to a deadline of 1 June 2019. FortisBC sent the attached letter dated February 15, 2019 to transport customers just when they were receiving very high bills from their gas marketers.

In the interim, FortisBC contacted customers offering bundled service, providing potential customers with historical rate comparisons.

On 24 May 2019 – days before the June 1st deadline – FortisBC sent an additional letter (a copy is attached) to all transportation customers, informing them that the “offer” to return to utility service had been extended to July 1st, with the caveat that even later switches may be considered.

This marketing effort by FortisBC raises serious concerns about how FortisBC competes in this market space. FortisBC must not be permitted to use its access to customer information and market power to compete unfairly.

The Commission has established rules of conduct in other situations such as for services downstream of the residential meter² and for alternate energy services³. The Commission should establish similar code of conduct rules for this activity.

BC GMC Contact Information

Please send all communications to the follow

Cascadia Energy Ltd.

Suite 2, 720 Beatty Street
Vancouver, BC V6B 2M1
Attention: Nick Caumanns
Phone: 604.687.6663
Email: nick@cascadiaenergy.ca

Direct Energy Marketing Limited

2500, 530-8th Avenue SW
Calgary, AB T2P 3S8
Attention: Nicole Black
Phone: 403.463.3520
Email: nicole.black@directenergy.com

² Retail Markets Downstream of the Utility Meter – Guidelines, April 1997

³ BCUC Decision, *Fortis Energy Inc. Code of Conduct and Transfer Pricing Policy for Affiliated Non-regulated Businesses Operating in a Non-natural Monopoly Market*, 27 February 2015

Complaint and Request for an Inquiry – FortisBC Rate Schedules 22, 23, 25 and 27

Access Gas Services Inc.

400 - 607 8th Ave SW

Calgary, AB T2P 0A7

Attention: James Bartlett

Phone: 403.513.8680

Email: james.bartlett@rockpointgs.com

We would be pleased to elaborate on any point in this submission.

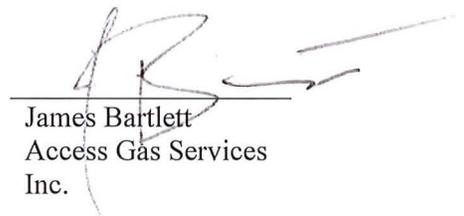
Respectfully,



Nick Caumanns
Cascadia Energy Ltd.



Nicole Black
Direct Energy Marketing Limited



James Bartlett
Access Gas Services
Inc.

cc. FortisBC Energy Inc.