



National Energy Board

Performance Report

For the
period ending
March 31, 1996

Improved Reporting to Parliament –
Pilot Document

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Foreword

This document was prepared as phase two of the Improved Reporting to Parliament Project which has been established within the Treasury Board Secretariat to improve the Expenditure Management information provided to Parliament, and to update the processes used to prepare this information. This is part of a broader initiative known as “Getting Government Right” to increase the results orientation and increase the transparency of information provided to Parliament.

During the period from August 1995 to June 1996, extensive consultations were held with Members of Parliament and other key stakeholders to examine options to improve the information provided to Parliament. A clear requirement was identified to provide a focus on departmental performance and actual results achieved.

In June, 1996 the House of Commons gave its concurrence to tabling, on a pilot basis, separate performance reports from sixteen departments and agencies. These pilot documents will be evaluated, and if Parliament and others endorse the approach, Parliament will be asked to formally approve the introduction of separate performance reports for all departments and agencies beginning in the fall of 1997.

These documents are also available electronically from the Treasury Board Secretariat Internet site: <http://www.tbs-sct.gc.ca/tb/key.html>

Comments or questions about this document, or the Improved Reporting to Parliament Project, can be directed to the TBS Internet site, or to:

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NATIONAL ENERGY BOARD
PERFORMANCE REPORT
FOR THE PERIOD TO MARCH 31, 1996

R. Priddle
Chairman
National Energy Board

A. Anne McLellan
Minister
Natural Resources Canada

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Section I: The Chairman's Summary

The NEB is pleased to be one of sixteen pilot departments chosen to prepare a Performance Report for tabling in Parliament this Fall. We see this as an opportunity to enhance performance measurement in keeping with federal government initiatives geared toward reducing expenditures, streamlining operations and increasing overall efficiency. It provides further incentive to ensure that the Board's strategic planning is responsive to the needs of our publics, and more accountable for results.

At the request of external and internal stakeholders, the Board has placed a high priority on change management in the past year, initiating a number of measures aimed at continuous improvement. We will be measuring corporate and business line performance to create a strategically managed, high performance organization and are developing thoughtful, innovative methods to deal with sectoral issues in the external regulatory environment so as to optimize the delivery of services.

During this period of change, the Board will continue to focus on its corporate purpose: making decisions that are fair, objective and respected. We are committed to implementing a dynamic program for performance measurement and dedicated to making it work, now and in the future.

Section II: Departmental Overview

a) Roles and Responsibilities

The National Energy Board (the "NEB" or "Board") was established by an Act of Parliament in 1959. It is designated as a department within the meaning and purpose of the *Financial Administration Act* and reports to Parliament through the Minister of Natural Resources Canada ("NRCan").

Its main functions are set forth in the *National Energy Board Act* (NEB Act) which was amended in 1994 to identify certain technical responsibilities for the regulation of oil and gas activities on Frontier Lands under the *Canada Oil and Gas Operations Act* ("COGO Act") and the *Canada Petroleum Resources Act* ("CPR Act"). It also has responsibilities pursuant to the *Northern Pipeline Act*.

The Board's purpose is to make decisions that are fair, objective and respected. This purpose is achieved by regulating, in the Canadian public interest, the construction and the operation of interprovincial and international pipelines, their tolls and tariffs, the construction and the operation of international power lines, exports of oil (including petroleum products) and electricity, exports and imports of natural gas, and the exploration and development of oil and gas resources in non-accord Frontier areas. The NEB's regulatory decisions and reasons for decisions are issued as public documents. Having expertise derived from these regulatory functions, the NEB also reports to and advises the Minister of NRCan on energy matters and the Minister of Indian Affairs and Northern Development on oil and gas activities in the North.

The NEB is committed to continuously improving its processes in order to maintain a high standard of regulatory service. The results that the NEB strives to achieve are:

- i) Adaptation and effective responses to changing market and policy environments in a way that continues to protect the public interest;
- ii) Anticipation of national and international issues and trends to be able to deal effectively and expeditiously with regulatory applications and to provide sound advice;
- iii) Innovation of our processes and systems so that decisions continue to be made fairly and efficiently, and services provided expeditiously; and,
- iv) Improvement of workload management while maintaining high standards of analysis and quality of decisions in the face of an increasing number of complex issues and limited resources.

b) Organization and Program Composition

The NEB Act provides for up to nine Board Members, including a Chairman, who is the NEB's Chief Executive Officer, and a Vice Chairman. As of July 1996, there were six permanent members on strength. The NEB is an expert tribunal, deciding cases based on an oral or written public process.

The NEB is entirely located in Calgary and had a staff complement of 285 as of July 1996. The NEB's present professional-function organization, shown in Figure 1, is complemented by a flexible matrix management approach to support Board Member's decision taking. Certain decisions pertaining to regulation of Frontier oil and gas activities and the Northern Pipeline Act are made by designated officers.

The Executive Director is the Board's senior staff member and Chief Operating Officer. The responsibilities of this position include: the overall management of the NEB; the acquisition and allocation of human and financial resources; optimizing the efficiency and effectiveness of NEB activities and operations; and the provision of advice on such matters as the Chairman may deem appropriate.

Corporate Services includes such activities as: legal support and advice; secretariat and communication services; advice on personnel matters; work planning; and financial, administrative and computer services. These services are provided by the Law Branch, the Office of the Secretary, the Personnel Branch, and the Finance, Administration and Information Technology Branch.

The Economics Branch provides analysis and advice on economic issues associated with regulation by the NEB including economic efficiency and economic trends. It is also responsible for analysis relating to international oil markets, North American energy supply and demand balances and participates in the production of the NEB's supply/demand reports.

The Energy Commodities Branch integrates all work that relates to the regulation of international power lines, exports of oil and electricity, exports and imports of gas, and access and discrimination issues on oil and gas pipelines. The Branch provides analysis of oil, gas and electricity markets and of energy regulation in Canada and abroad, and is responsible for the collection and dissemination of statistical information on exports and imports.

The Energy Resources Branch provides advice on the supply of hydrocarbon commodities and alternative renewable sources of energy in support of the NEB's regulatory and advisory functions and for analyzing the outlook for supply of hydrocarbons and alternatives in Canada. Frontier responsibilities include regulation of geophysical and geological programs, reservoir analysis, provision of advice to the NEB and Department of Indian Affairs and Northern Development and dissemination of technical information to the public and industry.

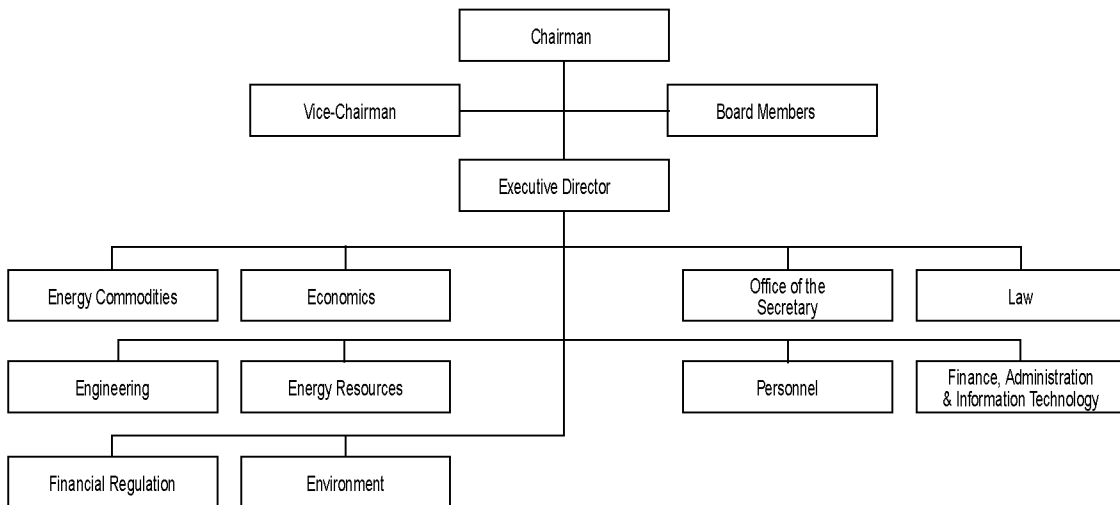
The Engineering Branch deals with all engineering and safety activities relating to the regulation of gas, oil and petroleum products pipelines, the technical regulation of oil and gas activities pursuant to the COGO Act, and the administration of Part II of the Canada Labour Code.

The Environment Branch ensures that the environmental and socio-economic effects of activities under the jurisdiction of the NEB are properly assessed and that operations of regulated companies are conducted in an environmentally sound manner and in accordance with appropriate emergency response planning as specified in the relevant legislation and regulations.

The Financial Regulation Branch deals with pipeline tolls and tariffs, including toll design and cost of service, and monitors the financial and operating performance of regulated companies.

The NEB Program consists of one activity, Energy Regulation and Advice, with five major lines of business: corporate activities; facilities; tolling and tariffs; energy trade; and frontier resource management.

Figure 1
Organization Chart



c) **Resource Plans**

Figure 2 below provides a summary of financial requirements by authority for 1995-96 and 1996-97 and actual expenditures for 1995-96.

Figure 2

Financial Requirements by Authority - Part II of Estimates

Vote	(millions of dollars)	1996-97 Main Estimates	1995-96 Main Estimates	1995-96 Actuals
National Energy Board				
30	Program expenditures	27.2	27.7	23.2
(S)	Contributions to employee benefit plans	2.9	2.5	2.7
Total Agency		30.1	30.3	25.9

The Board implemented the "External User Fee Revenue Plan" on 1 January 1991. Since then, about 85% of its program costs have been recovered from the industry it regulates.

Section III: Corporate and Business Line Performance

a) Introduction

As stated in Treasury Board's guidelines: "Developing results expectations and credibly reporting on performance is a dynamic, iterative process".

The NEB is currently undertaking its first steps in re-defining how performance measurement can be applied in the organization. Therefore, the philosophy adopted in the preparation of this performance report is consistent with that of Treasury Board in that results commitments have not been made simply with an eye to readily available performance information. On the other hand, Treasury Board indicated that departments should not feel obligated to create immediate performance information for all results commitments documented.

The majority of the indicators presented in this section represent the first serious attempt at identifying useful performance indicators within a well defined performance management framework. They demonstrate the kind of information which will be provided in future performance reports. The NEB believes that, given the early state of development of its performance management framework, a focus on provision of the best possible performance indicators for future use is most desirable. Thus, only limited performance information for the 1995-96 fiscal year is presented.

b) Change Management

The NEB has been proactive in dealing with its changing environment and is responding to the opportunities offered by technological change.

The Board received Separate Employer Status ("SES") in 1992 in order to take advantage of the additional flexibility offered by SES following its 1991 relocation to Calgary. The most significant impact of the Board's transition to SES was the introduction of a new, single classification scheme for all NEB staff.

Following a 1994 employee opinion survey which identified a number of areas where the Board could improve its management and broader operations, the Board initiated a "Vision" process. The initial Vision Task Force identified five areas which required improvement on a priority basis: rewards and recognition; teamwork; change management; consultative decision making; and, building a strategically managed, high performance organization. As a follow-up, five teams were formed to provide specific recommendations as to how these areas could be addressed. A total of 87 recommendations were made in June 1995. Senior management and the Chairman endorsed the recommendations in September 1995 and implementation has begun.

Clearly, improvements in one of the five areas can influence and enhance results in others. Those recommendations made in respect of building a strategically managed, high performance organization were seen as more fundamental than those in the other four areas and as being pre-requisites for the successful introduction of many of the other recommendations.

The implementation of Vision has now become synonymous with organizational transformation. The first step has been the development of a work plan and budget following lines-of-business rather than professional functions. Related initial performance measures have been developed and a more comprehensive performance management framework is a high priority on the Board's agenda.

In the area of technological development, work has continued toward the 1997-98 implementation of the Electronic Regulatory Filing ("ERF") system. The project will bring new opportunities to the regulatory community through the innovative and responsible use of information technology. The system, which is being co-designed with the Ontario Energy Board and numerous regulatory participants, will permit the flow of information between the NEB and its clients in an electronic format at significant net cost savings.

Electronic filing will reduce costs for applicants, accelerate document interchange between parties and make information readily available to all Canadians. The Board's ability to respond to requests for information and advice will be greatly enhanced at reduced costs. ERF will offer new possibilities for further streamlining and improving the regulatory process, and the NEB's internal work processes.

c) Performance Management Framework ("PMF")

The NEB believes that the most appropriate way to organize its objectives and performance information is in a top-down, corporate/business lines approach. It has therefore identified as its corporate commitment the provision of a high standard of regulatory service delivered effectively, efficiently and economically. This overall commitment has been further refined into five business lines each with its own specific commitment where performance management will ensure that the NEB provides Canadians with the best possible regulatory outcomes. These five business lines are corporate activities, facilities, tolling and tariffs, energy trade and frontier resource management. The NEB is committed to focusing on and achieving improved results in each of these areas.

Figure 3 summarizes the performance information available on the overall corporate commitment and the five major areas of performance. The first column describes the principal outcomes resulting from the corresponding services provided by the NEB. The second column presents the performance indicators which the NEB believes appropriately reflect its current priorities. In the last column, a summary of the 1995-96 fiscal year is presented according to the performance indicators in the preceding column.

The senior management of the Board is in the process of developing performance indicators and performance expectations which will cover the entire spectrum of performance from inputs through outputs, users and outcomes. This report presents our current thinking; we fully expect to refine some of the indicators as we learn from experience better ways by which to measure performance.

Figure 3

1995/96 Corporate and Business Line Performance

Corporate Performance

The NEB's purpose is to make decisions that are fair, objective and respected. The purpose is achieved by regulating in the Canadian public interest the construction and the operation of interprovincial and international pipelines, their tolls and tariffs, the construction and the operation of international power lines, exports of oil and electricity, exports and imports of natural gas, and the exploration and development of oil and gas resources in non-Accord frontier areas. When we have expertise derived from these regulatory functions, we also report to and advise the Minister of Natural Resources Canada on energy issues.

Corporate Commitment

The National Energy Board is committed to provide Canadians with a high standard of regulatory service delivered effectively, efficiently and economically.		
Demonstrated by:	Measured by:	1995-96 Performance Information
fair, objective and respected decisions.	i) number of appeals and applications for review related to points of law; ratio of appeals or reviews requiring further action	<p>The Board deals with approximately 750 applications annually. In 1995-96, appeals were filed with the Federal Court of Appeal ("FCA") as follows:</p> <ul style="list-style-type: none"> i) By Westcoast Energy Inc. of the Board's finding that it did not have jurisdiction over certain of Westcoast's facilities. The FCA found that the facilities are under the Board's jurisdiction. ii) By West Moberly Lake First Nations of the Board's decision approving an application by Westcoast Energy Inc. to add four loops to its mainline. The FCA dismissed the application. iii) By Consumers' Gas of the Board's decision that it had jurisdiction over the company's Ottawa East line once it was connected to the proposed Niagara line. FCA found that the Board does not have jurisdiction over the pipeline.

Demonstrated by:	Measured by:	1995-96 Performance Information
		<p>iv) By Richard Leroux and 417 Auto Wreckers Limited of the Board's decision with respect to applicability of Section 81 of the NEB Act. Appeal outstanding as at the end of 1995-96.</p> <p>v) By Westcoast Energy Inc. of Board's decision to approve an application by Novagas Clearinghouse Pipelines Ltd. to build the Pesh Creek Pipeline. Appeal outstanding as at the end of 1995-96.</p> <p>In addition to appeals, the Board receives formal applications for review related to points of law concerning aspects of previous Board decisions: The following such applications were received in 1995-96:</p> <p>i) Industrial Gas User's Association with respect to TransCanada's Long-term Winter Service Bidding. Dismissed by the Board</p> <p>ii) Gaz Metropolitan Limited Partnership with respect to TransCanada's Storage Transportation Service Tariff. Board agreed to the amendment of the tariff.</p> <p>Of the 7 appeals and applications for review filed in 1995-96; 3 required further action by the Board, 2 were dismissed and 2 were outstanding as at the end of the fiscal year.</p>
<p>reports and advice to the Minister of Natural Resources Canada on energy issues when the NEB has the expertise derived from its regulatory functions.</p>	<p>i) fulfilment of the Minister's requests</p> <p>ii) timely reporting to the Minister on critical energy and regulatory issues</p>	<p>It is intended to put a mechanism in place to provide monitoring of the Board's performance in this area in future years.</p> <p>The Board did not have a process in place for tracking the timeliness of reporting to the Minister for 1995-96. It is intended to have a system in place to monitor performance in this area in future years.</p>

Demonstrated by:	Measured by:	1995-96 Performance Information
	iii) evidence that the Minister has used the advice	The information to track the NEB's performance in this area is not available for 1995/96 and processes to collect information on situations where the Minister has made the information public are being considered for future years.
the NEB being regarded as a model by other regulatory agencies in Canada and abroad.	i) advice and consultations with other regulatory agencies	The Board has close links with other regulatory bodies in Canada. Specific information for reporting on performance in this area was not tracked in 1995-96. Reporting mechanisms are being put in place in order to provide information for future years.
	ii) number of visits with representatives from other governments seeking advice	The NEB is a respected regulatory body and in 1995 cooperated with several countries by providing information on the Board's regulatory role, the environment, and other energy related matters. In 1995, Board staff visited Australia, Brazil, Egypt, Mexico and Russia and hosted delegations from, China, Columbia, the Czech Republic, Japan, Norway, Russia and Vietnam.

Business Line Performance

Corporate Activities

The corporate activities business line provides managerial direction and logistical support including, administrative, legal, financial, personnel, communications, information technology and library services.

Business Line Commitment

The assurance that the Board will conduct its business in the most effective, efficient and economical manner while maintaining its regulatory focus.		
Demonstrated by:	Measured by:	1995-96 Performance Information
guidelines, regulations and procedures adapted to evolving markets and societal needs.	i) changes to streamline the NEB's guidelines, regulations and procedures	The Board issued the following documents in 1995-96 which incorporated a number of streamlining measures: i) Revised Rules of Practice and Procedures ii) National Energy Board Part VI Regulations iii) New Export and Import Reporting Regulations iv) Revised Streamlining Order for routine applications for facilities
	ii) satisfaction of parties with changes	No specific measures are available for 1995-96. For future years, the Board intends to conduct surveys in order to establish the level of acceptance of changes to regulatory processes.
horizontal cooperation, vertical integration, harmonization and partnerships with industry and governments.	i) cumulative number and scope of MOU's with other governments, departments and agencies	In 1995, the NEB entered into MOU's as follows: i) with the Alberta Energy and Utilities Board covering emergency response and technical and regulatory matters including a common reserves database. ii) with the B.C. Ministry of Energy, Mines and Resources to pursue sharing of information. iii) with the Minister of Environment concerning the establishment of a Joint Review Panel with respect to the Express Pipeline application.

Demonstrated by:	Measured by:	1995-96 Performance Information
		<p>For reporting on future years the Board will determine the cumulative number of active MOU's in place and for the year being reported provide information on any new arrangements. This approach to cooperating with other governments and departments leads to increased efficiency for all parties to the MOU's as well as for interested parties in the Board's processes.</p>
	<p>ii) number and scope of arrangements with industry</p>	<p>The NEB has cooperated with industry in the development of the ERF system. In 1995, a committee was established of 18 participants from regulated companies, energy industry associations and provincial regulatory agencies to develop a workplan for ERF design and document interchange standards.</p>
	<p>iii) reductions in costs resulting from agreements, improved services or public information</p>	<p>The NEB has not established mechanisms to specifically identify cost savings resulting from the agreements for 1995-96. Consideration will be given to developing these measures for future years.</p>
<p>strategic management of the Board's operations.</p>	<p>i) achievement of the objectives established in the Board's annual strategic plan</p>	<p>The NEB has revised its planning process for fiscal year 1996-97 to institute a strategic plan for each business line. For 1996-97 and future years, it will be in a position to report on achievements in relation to the objectives in the strategic plan.</p>
	<p>ii) assessment of actual results achieved in comparison to performance targets</p>	<p>For 1995-96 the NEB did not have specific performance targets for which an assessment could be included in this report. With the completion of the development of specific performance indicators and performance expectations, reporting on this measure will be more readily available for 1996-97 and future years.</p>

Demonstrated by:	Measured by:	1995-96 Performance Information
	iii) satisfactory results with respect to: a) external audits (eg. Auditor General, Public Service Commission, RCMP) b) management reports submitted to central agencies (eg. Official Languages, Employment Equity) c) decisions emanating from formal redress mechanisms (eg. PSSRB adjudications, complaints to CHRC)	a) The Auditor General's audit of the NEB for 1995-96 did not result in any comments or observations. No other external audits were conducted in 1995-96. b) Management reports submitted in 1995-96 concerning the Board's compliance with government requirements did not result in any negative feedback to the NEB. In one particular case, Treasury Board Secretariat ("TBS") commended the Board on its efforts to implement the official languages program as evidenced in the NEB's Annual Management Report on Official Languages 1995-96. c) The Board was not subject to any decisions resulting from the formal redress mechanisms for 1995-96.
	iv) satisfactory results from internal audits, reviews and evaluations	The NEB reinstated its Audit & Evaluation function in late 1995-96. No audits, reviews or evaluations were completed during the year. Results will be available for 1996-97 and future years.
	v) level of employee satisfaction	Measures being considered for future years which will provide an indication of employee satisfaction are: i) an annual employee turnover rate which compensates for planned staff reductions. This measure was not available for 1995-96 but an appropriate factor will be developed for future years.

Demonstrated by:	Measured by:	1995-96 Performance Information
		<p>ii) a summary of the results from employee exit interviews. A summary report of exit interviews covering the period from 1 April 1994 to 30 September 1995 indicated that job satisfaction was rated high for 64%, average for 17% and low for 17% of interviewed employees. Further, 66% stated that they would work for the NEB again, 17% indicated that it would depend on the job and 17% said they would not under any circumstances.</p> <p>iii) during 1995-96 the Board and union representatives successfully completed the negotiation of collective agreements for represented employees.</p>

Facilities

The Facilities business line concerns the regulation of the construction and operation of gas and oil pipelines and power lines subject to federal jurisdiction. The work undertaken concerns decisions on whether applied-for facilities are required in the public interest; monitoring pipeline construction and operation to ensure compliance with the NEB Act, relevant safety regulations and any specific conditions established as part of the regulatory process. Other activities include the periodic review of the regulated pipeline companies by means of safety and environmental inspections, examinations and audits to ensure safe, reliable and environmentally sound construction and operations.

Business Line Commitment

Effective regulation of the design, construction and operation of international and interprovincial oil, gas and commodity pipelines.		
Demonstrated by:	Measured by:	1995-96 Performance Information
the physical integrity of pipelines.	i) rate of safety related incidents	There were 80 incidents reported under the NEB's Onshore Pipeline Regulations in 1995. The Board conducted field investigations into 4 of these incidents. The Board has noted an increase in the number of minor incidents reported since 1992 which is largely attributable to a greater awareness of the regulatory reporting requirements by some companies. This factor will be more useful when it can be compared over a longer period to determine if a pattern is developing.
	ii) number of unresolved safety inspection variances	The Board conducted safety audits of 18 companies in 1995. A total of 94 non-compliances were noted and all were addressed by receipt of an assurance of voluntary compliance from the companies.
	iii) level of participation in Board sponsored studies and inquiries and impact on regulations and legislation	The level of participation in Board studies and inquiries will give some indication of the degree of interest in the work being undertaken. No information is available for 1995-96 but steps will be taken to include this measure in future reports.

Demonstrated by:	Measured by:	1995-96 Performance Information
<p>the environmental integrity of pipelines.</p>	<p>i) rate of environment-related landowner/public complaints</p>	<p>There were 20 investigations related to environmental concerns by landowners in 1995. No outstanding issues existed at the end of 1995-96.</p>
	<p>ii) costs related to environmental clean-up resulting from incidents</p>	<p>This measure has been included to provide an indication of whether or not the Board has measures in place to reduce the impact of environmental disturbance. Information for this measure is not available for 1995-96 but will be included in future reports.</p>
	<p>iii) number of emergency situations where remediation does not meet acceptable standards</p>	<p>In 1995, the Board conducted 20 environmental inspections relating to incidents, emergency response situations and exercises. As at the end of 1995-96 all remediation requirements were being met.</p>
<p>fostering an efficient transportation infrastructure for energy commodities.</p>	<p>i) impact on energy supply as a result of interruptions</p>	<p>A major disruption of pipeline service can create serious shortages of energy. While the ability of the transportation system to provide supply in such situations is largely the responsibility of the pipeline companies it is also an indication of how well facilities approved by the Board can respond to a service interruption. While no significant pipeline disruption occurred in 1995-96, a quantitative measure is not available and work will be undertaken to see if one can be provided in future years.</p>
	<p>ii) average cycle times for processing facilities applications</p>	<p>The average cycle time for considering applications for facilities applications in 1995 was 21 weeks. For 1996-97 and future years, this measure will provide an indication of how responsive the Board is to facilities applications while allowing sufficient time for all evidence to be presented.</p>

Demonstrated by:	Measured by:	1995-96 Performance Information
	iii) cost of NEB facilities activities per kilometre of NEB regulated pipeline	This indicator is not available for 1995-96 but work will be undertaken to determine whether or not such a measure can be calculated for 1996-97 and future years.
completing sound and appropriate environmental assessments	i) number of unresolved issues stemming from screenings and assessments	In 1995, the Board carried out environmental assessments of more than 150 projects. As a result of the assessments, all environmental concerns were addressed and appropriate mitigation measures are in place.
	ii) level of mitigation compliance	The Board conducts environmental surveillance programs to ensure that regulated companies protect the environment during the construction, operation, maintenance and abandonment of facilities. In 1995-96, the Board conducted 127 environmental inspections and no unresolved issues were existing at the end of 1995-96.

Tolling and Tariffs

The tolling and tariffs business line is responsible for ensuring that the tolls of pipelines under federal jurisdiction are just and reasonable and that pipeline services are provided on a continuing basis, without unjust discrimination, and in a cost-efficient manner. As part of this responsibility, the tolling and tariffs business line monitors the financial performance of NEB regulated pipelines to ensure that tolls remain just and reasonable.

Business Line Commitment

Just and reasonable tolls of pipelines and pipeline services.		
Demonstrated by:	Measured by:	1995-96 Performance Information
fair pricing and equitable transportation services to shippers.	i) number of complaints related to tolls and tariffs	<p>The Industrial Gas Users association ("IGUA") filed a complaint regarding the bidding and award process for TransCanada's Long-Term Winter Firm Service. The Board dismissed it.</p> <p>Consumers Gas Co. Ltd. and Union Gas Ltd. requested a review of the Board's decision concerning the method of calculation for TransCanada's Firm Service Tendered ("FST") toll revenue. As indicated below, the Board dismissed the initial application but allowed a prospective adjustment with respect to correction of a mathematical error as the result of a subsequent request from the companies.</p>
	ii) number of complaints with respect to access to service	<p>The Board did not receive any formal complaints in 1995-96. Although not filed as a formal complaint, the Board issued a decision for a temporary mechanism for apportionment on IPL's pipeline based on a request from 13 shippers. The Board directed IPL to file a report providing recommendations for long-term solutions to apportionment and receipt of the report was acknowledged by the Board in January of 1996.</p>

Demonstrated by:	Measured by:	1995-96 Performance Information
	iii) number of complaints resolved by the Board requiring further action	During 1995-96 Consumers Gas Co. Ltd. and Union Gas Ltd. sought a review of the Board's decision with respect to TransCanada's 1995 Tolls (RH-3-94) concerning approval of a new method of calculating FST. The Board dismissed the initial request but subsequently agreed to a prospective adjustment relating to a follow-up issue concerning an error in the calculation of FST revenues.
	iv) number of unresolved issues carried over from previous Board audits	The Board conducted financial audits of 8 pipeline companies in 1995-96. No issues were identified which had been carried forward from previous audits.
	v) proportion of Board regulated pipeline revenues subject to incentive-based agreements	Further work is required to develop mechanisms for capturing this information but a preliminary estimate for 1995-96 indicates that in excess of 70% of the pipeline revenues of Board regulated pipeline companies are now based on multi-year incentive-based agreements. The high percentage of companies using these arrangements is one indicator of the level of acceptance for the Board's initiatives to move away from the previous practice of conducting costly annual toll hearings.
	vi) cost of the NEB tolling and tariff activities per energy unit shipped on NEB regulated pipelines	This indicator is not available for 1995-96 but work will be undertaken to determine whether or not such a measure can be calculated for 1996-97 and future years.
	vii) average cycle times for tolls and tariffs applications	The average cycle time for tolls and tariffs applications was 25 weeks in 1995. With the move to multi-year incentive-based agreements, it is expected that the time required for processing toll applications will be further reduced in 1996-97 and future years.

Energy Trade

The Energy Trade business line deals with applications for export licenses, orders and permits. In conjunction with this activity, energy trade monitors and assesses energy developments and performs studies relevant to the export of energy and to the broad implications of developments in North American energy markets.

Business Line Commitment

Assurance that the quantity of oil, gas or electricity to be exported is surplus to Canadian needs.		
Demonstrated by:	Measured by:	1995-96 Performance Information
the adequate supply of oil and gas in relation to foreseeable Canadian requirements.	i) assessment of Canada's energy supply on a regular basis leading to positive finding on "adequacy" in relation to foreseeable requirements	<p>The NEB completes monthly statistical reports on exports and imports of energy and completes additional reports on more specific topics on a regular basis. In 1995-96 the Board released the following reports:</p> <ul style="list-style-type: none"> i) Remaining Authorized Gas Exports Under Long-Term Licenses as of 1 November 1995 which indicated that the total authorized volume to be exported under long-term licenses is 521.0 billion m³. ii) Price Convergence in North American Natural Gas Markets concluded that there is statistical evidence of an east-west split in gas pricing. In addition, the growing strength of price links between producing regions indicated that natural gas markets have become more competitive thereby diminishing the likelihood that one or a few market players could unduly influence prices.
	ii) number of complaints under the Board's market-based procedures	No complaints were received in 1995-96.

Demonstrated by:	Measured by:	1995-96 Performance Information
	iii) average cycle times for processing gas export applications	The average cycle time for 1995 was 20 weeks for export licenses. This factor will have more relevance once it can be compared to average cycle times for future years. It should be noted that applications for short term orders are normally turned around in 48 hours.
	iv) cost of NEB energy trade activities per unit of energy exported or imported	This indicator is not available for 1995-96 but work will be undertaken to determine whether or not such a measure can be calculated for 1996-97 and future years.

Frontier Resource Management

Frontier Resource Management provides assurance that the exploration, development and production of Frontier Lands oil and gas resources are undertaken in a safe and environmentally responsible manner.

Business Line Commitment

A developed and properly maintained regulatory system for Frontier Lands.		
Demonstrated by:	Measured by:	1995-96 Performance Information
safe and environmentally sound exploration, development and production practices on Frontier Lands.	i) rates of safety and environmental related incidents	There were no lost time accidents reported in 1995 related to oil and gas activities on frontier lands. The Board conducted 10 inspections of drilling and production facilities on frontier lands to ensure compliance with COGO Act and the CPR Act.
	ii) number of technical approvals issued	During 1995, the Board approved applications for 66 technical operations for reasons of safety and protection of the environment.
	iii) number of production facilities developed	In 1995-96, there were no applications for the development of new production facilities. This measure will be more meaningful once additional years are reported so the change in level of activity can be assessed.
	iv) number of complaints concerning energy related activities on Frontier Lands regulated by NEB	No complaints were received in 1995-96.
	v) client satisfaction with NEB's frontier services	The Board does not have any mechanisms in place to provide information on this measure for 1995-96. For future years the NEB will examine the practicality of undertaking surveys of clients and other interested parties to determine the level of satisfaction with the NEB's frontier services.

d) Sectoral Issues

Changes in the NEB's regulatory environment in 1995-96 and 1996-97 are having an impact on the Board's operations. One of the more significant was the proclamation of the *Canadian Environmental Assessment Act* ("CEAA") in January of 1995. The NEB now has the responsibility to ensure that projects receive the appropriate levels of environmental assessment, in accordance with that Act. The Board has adjusted its environmental assessment process to meet these requirements and is negotiating with the Canadian Environmental Assessment Agency for a Memorandum of Understanding which would allow the NEB to use its hearing process as a substitute for assessments by a review panel.

The *Canada Transportation Act* came into force on 1 July 1996 and transferred jurisdiction over Canadian interprovincial and international commodity pipelines to the NEB. The Board will regulate such pipelines under the same legislative procedures which are set out in the NEB Act for the regulation of hydrocarbon pipelines. Where existing requirements necessitate tailoring NEB requirements to the specific circumstances of particular commodity pipelines, the Board will rely on its powers to impose conditions in respect of the construction and operation of those pipelines.

In the area of pipeline safety, the Board is undertaking a strong initiative to address this issue through a public inquiry on Stress Corrosion Cracking and, if consequently found necessary, will take appropriate regulatory action. Also, the Board's operations are being affected by recommendations to the NEB issued by Transportation Safety Board of Canada ("TSB"). The TSB has the authority to investigate accidents involving pipelines and, where necessary, make recommendations to the NEB.

A further change having an impact on the Board's operations is a shift in the approach used for economic regulation. The Board facilitated the transition from adversarial public proceedings for determining major pipelines' tolls and tariffs annually to an environment in which pipeline companies negotiate multi-year incentive-based arrangements with their shippers and other interested parties. The pipeline companies then submit the related agreements to the Board for examination and approval.

The Board's frontier operations will also be affected as a result of the devolution of oil and gas responsibilities to the Government of the Yukon Territories ("GYT"). The relevant legislation is scheduled to be enacted on 1 July 1997 and would eliminate the Board's regulatory role in the Yukon under COGO Act. In the interim, the Board is continuing its routine regulatory activities and, in addition, supporting the transition to the new regime by providing geological, engineering and environmental advice to GYT officials. An agreement has been drafted through which ongoing technical services would be provided by the Board under contract to the GYT.

Section IV: Appendices

a) List of Publications Issued - 1 April 1995 to 31 March 1996

Reasons for Decision

Cost of Capital - RH-2-94 - March 1995
TransCanada PipeLines Limited , 1995 Tolls - RH-3-94 - March 1995
Interprovincial Pipe Line Inc., Apportionment - MH-1-95 - April 1995
Westcoast Energy Inc., Fort St. John Expansion - GH-5-94 - May 1995
Westcoast Energy Inc., Southern and Mainline Expansion - GH-2-95 - June 1995
Westcoast Energy Inc. - 1995 Tolls - RH-5-94 - July 1995
Gas Export Hearing - GH-1-95 - July 1995
TransAlta Utilities Corporation - Application for an Electricity Export Permit - July 1995
ISH Energy Ltd. - Desan Pipeline Project - OHW-1-95 - September 1995
Niagara Gas Transmission Limited - Jurisdiction Question - September 1995
Foothills Pipe Lines Ltd., Tolls - RH-1-95 - October 1995
TransCanada PipeLines Limited - 1996/1997 Facilities Application - GH-3-95 - November 1995
TransCanada PipeLines Limited - 1996 Tolls, Phase I - RH-2-95 - December 1995
Various Gas Export Applications - GH-4-95 Volume 1 - January 1996. Letter Decision dated 20 February 1996
Novagas Clearinghouse Pipeline Ltd. - Pesh Creek Pipeline - OH-1-96 - January 1996
Trans Mountain Pipe Line Company Ltd. - 1995-1996 Tolls - RH-3-95 and RHW-2-96 - Letter decision dated 10 January 1996 - Reasons for Decision dated 16 February 1996 Reasons for Decision dated March 1996.
TransCanada PipeLines Limited - 1996 Tolls - RH-2-95 - Phase 2 - 22 February 1996 -
Westcoast Energy Inc. - Fort St. John Expansion - GH-5-94 - February 1996
Westcoast Energy Inc. - 1996 Tolls - RH-1-96 - March 1996

Reports

Report No. 125, Long-Range Ice Forecasting System (LRIFS) Applied for the Beaufort Sea
Report No. 130, Bibliography of Aquatic Oil Pollution Fate and Effects (CD Rom)
Environmental Studies Research Funds - Report No. 127 - Westcoast and Offshore Newfoundland
Environmental Sensitivity Mapping
Environmental Studies Research Funds - Report No. 128 - East Coast Repetitive Seafloor Mapping
1979/1990
Environmental Studies Research Funds - Report No. 131 - Environmental Loading Studies for the CSA
Offshore Structures Code
Environmental Studies Research Funds - Report No. 132 - Remote Sensing Ice Detection East Coast
Remaining Authorized Gas Exports Under Long-term Licences as of 1 November 1995 - November 1995
Natural Gas Market Assessment - Price Convergence in North American Natural Gas Markets -
December 1995
NEB Report R95-1 - Response to Recommendation in Transportation Safety Board Report Number
P90H0606 - November 1995

Others

Rules of Practice and Procedure, 1995 - 17 May 1995
National Energy Board Part VI Regulations - 6 May 1995
Brochure - Board Document System

b) Contacts for Further Information

Performance Area	Contact	Position	Phone
Overall Strategic Direction	Gaétan Caron	Executive Director	(403) 299-2700
Corporate Activities	Brenda Kenny	Director, Finance, Administration and Information Technology	(403) 299-3565
Facilities	John McCarthy	Director, Engineering Branch	(403) 299-2766
Tolling and Tariffs	Terrance Rochefort	Director, Financial Regulation	(403) 299-3646
Energy Trade	Hans Pols	A/Director, Energy Commodities	(403) 299-3189
Frontier Resources Management	Graham Campbell	Director, Energy Resources Branch	(403) 299-3102

c) **Financial Information**

Figure 4 below provides a summary of the net cost of the program by business line for 1995-96.

Figure 4
National Energy Board
Net Cost of the Program by Business Line

(Millions of dollars)								
1995-96 Comparison of Main Estimates to Actuals ¹								
Business Line	Operating	Capital	Grants and Contributions	Gross Total	Statutory Payments ²	Gross Expenditures Total	Less: Revenue credited to Vote	Total Main Estimates
Corporate Activities	9.0			9.0				9.0
	7.7			7.7				7.7
Facilities	9.5			9.5				9.5
	8.2			8.2				8.2
Tolling and Tariffs	3.8			3.8				3.8
	3.2			3.2				3.2
Energy Trade	3.9			3.9				3.9
	3.3			3.3				3.3
Frontier Resource Management	4.1			4.1				4.1
	3.5			3.5				3.5
Total Expenditures³	30.3			30.3				30.3
	25.9			25.9				25.9
Other Revenues and Expenditures								
Revenue Credited to the Consolidated Revenue Fund								(24.5)
								(23.5)
Cost of Services by Other Departments								3.4
								3.5
Net Cost of Program								9.2
								5.9

1. Shaded numbers are actuals.
2. Less contributions to employee benefit plans and other costs which are allocated in the operating expenditures.
3. Human Resource Utilization (FTE's) by business line is not available for 1995-96 but will be provided in 1996-97 and future years. Total FTE's utilized by NEB in 1995-96 was 293.

d) Contingent Liabilities

As at March 31, 1996 contingent liabilities estimated at \$14.7 million were outstanding against the National Energy Board.

- ! pending litigation relates to the inclusion of relocation costs in the Board's cost recovery billings. In June 1996, Ontario Hydro filed a Notice of Appeal with the Federal Court of Appeal in relation to a decision made in favour of the National Energy Board by the Federal Court, Trial Division. The decision ruled that the relocation costs properly fall within the Cost Recovery Regulations and the Board had properly recovered the costs related to its relocation from Ottawa to Calgary in 1991. Should Ontario Hydro be successful on appeal, the result could be the repayment of all relocation costs, \$14.7 million, which have been billed and paid by the cost recovery clients of the Board.

- ! pending or threatened litigation relates to an application of leave to appeal made by BC Gas Utility Ltd. to the Supreme Court of Canada. BC Gas is responding to an earlier decision by the Federal Court of Appeal which decided in favour of Westcoast's Leave to Appeal in relation to a decision made by the National Energy Board in the GH-5-94 hearing. If the appeal was successful, the Court could order the Board to pay the court costs of the applicant (\$2,500).