



National Energy Board

1998-99 Estimates

A Report on Plans and Priorities

Kenneth W. Vollman
Acting Chairman
National Energy Board

The Honourable Ralph Goodale, P.C., M.P.
Minister
Natural Resources Canada

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SECTION I: Messages

A Chairman's Summary Message

The National Energy Board ("the Board" or "NEB")'s corporate purpose is to make energy regulatory decisions that are fair, objective and respected. In fulfilling this purpose, we aspire to be recognized nationally and internationally as a model energy regulatory tribunal. Our success to date has been founded on facilitating innovative approaches to regulation while providing a stable, consistent framework for decision-making.

The Board's regulatory workload is largely dependent upon the level of activity in the energy industry, which is volatile and difficult to predict. A significant recent increase in industry activity levels and a geographic spread of that activity have led to a sharply rising demand for our regulatory services. We expect to continue, at least in the first half of the planning period, to receive an exceptionally large number of complex applications. Our objective is to manage this growing and unpredictable workload expeditiously, while maintaining the quality of assessment and deliberation.

The energy industry is at a dynamic stage and its relationship to environment and safety considerations is evolving. We must continue to adjust our programs to meet the needs of the industry and of the public. For example, we will facilitate the development and implementation of innovative, but fair, new economic regulation practices at a pace which supports and complements changes in the industry. We will also address the need for clarity and consistency in our environmental assessment framework while harnessing best practices and harmonization. The Board anticipates and will prepare for new or modified responsibilities as may be assigned. Performance will be demonstrated by our proactive consideration of new approaches to meet the

evolving needs of Canadians and by timely decision-taking which accounts for, and balances, all public interest factors.

The recent burst of industry activity has resulted in increased workloads and, at the same time, produced job market conditions which make it very difficult for the NEB to attract and retain qualified staff. We will fully exploit our potential as a separate employer to assist us in coping with this situation.

Increasingly, a wide range of publics are interested and involved in the activities of the NEB. We will aim to further enhance public participation and access to information. Success will be reflected by dealings with our publics that are fair, understandable and user-friendly.

While we will continue to seek efficiencies wherever possible, the gradual decline in budget levels seen over the past several years cannot continue in the near future. The costs to industry will be high if the Board cannot deliver fair, objective and respected regulatory decisions on a timely basis. A desire for progressively lower costs must be balanced against public needs for services to arrive at the appropriate resource levels.

The Board has adopted the goals and strategies detailed in this planning document in order to focus its attention and resources on the key issues facing the Canadian energy sector and resolve these issues in the public interest.

Kenneth W. Vollman
Acting Chairman

B Management Representation Statement

The management of the Board is responsible for the preparation, integrity and information presented in the Report on Plans and Priorities. To the best of my knowledge, the information:

- accurately portrays the NEB's mandate, including plans, priorities, targets and strategies;
- is consistent with Treasury Board policy and instructions, and the disclosure principles contained in the *Guidelines for Preparing a Report on Plans and Priorities*;

- is comprehensive and accurate; and
- is based on sound underlying departmental information and management systems.

I am satisfied as to the quality assurance processes and procedures used for the Report on Plans and Priorities production. The planning and reporting structure outlined in this document is the basis for accountability for the results achieved with the resources and authorities provided.

Gaétan Caron
Executive Director

SECTION II: Departmental Overview

A.1 Mandate, Roles and Responsibilities

The NEB was established by Parliament as an independent federal regulatory agency in 1959 with all the powers and duties of a court of record¹. The Board's regulatory decisions and reasons for decision are issued as public documents. The Board deals with over 700 applications annually. For major applications, the Board holds public hearings in which applicants and interested parties participate. These hearings can either be oral or written. Oral hearings are usually held at locations across Canada where there is particular interest in the application and where area residents will be most affected by the Board's decision. Furthermore, the Board has a role to develop technical regulations dealing with safety and environmental protection as well as to ensure compliance with these regulations.

The main regulatory responsibilities of the NEB are defined in the *National Energy Board Act* ("NEB Act") and the *Canada Oil and Gas Operations Act* ("COGO Act"). Pursuant to the NEB Act, the Board's primary areas of responsibility are:

- i) approval of the construction, operation and abandonment of interprovincial and international oil, gas and commodity pipelines and international and designated interprovincial power lines;
- ii) approval of tolls and tariffs for oil, gas and commodity pipelines;
- iii) approval of the exports of oil, gas, natural gas liquids ("NGLs") and electricity and the imports of natural gas;
- iv) ensuring the safe operation of pipeline facilities;
- v) environmental protection during the construction, operation, maintenance and abandonment of pipelines and power lines; and
- vi) provision of advice to the Minister of Natural Resources Canada (the "Minister") on matters pertaining to the Board's regulatory expertise, upon request from the Minister.

Under the terms of the COGO Act and certain provisions of the *Canada Petroleum Resources Act* ("CPR Act"), the Board regulates oil and gas exploration and production activities on Canada's frontier lands that are not subject to federal/provincial accords. This includes the safety, environmental and resource conservation aspects of these activities.

In addition, the Board's mandate includes providing expert technical advice to the Canada-Newfoundland ("C-NOPB") and the Canada-Nova Scotia Offshore Petroleum Boards ("C-NSOPB"), Natural Resources Canada and Indian and Northern Affairs Canada.

Under the *Canadian Environmental Assessment Act* ("CEA Act"), the Board is responsible for conducting environmental assessments of the planning, construction, operation, maintenance and abandonment of energy projects within its jurisdiction.

Other legislative authorities which impact the Board's regulatory responsibilities are contained in the Board's Supplementary Information, Section IV.

A.2 Organization Composition

The NEB Act provides for up to nine Board Members. The Chairman is the NEB's Chief Executive Officer, and the Executive Director is the Board's Chief Operating Officer. The Board's offices are located in Calgary, Alberta. The staff complement, as of 31 December 1997, is 284.

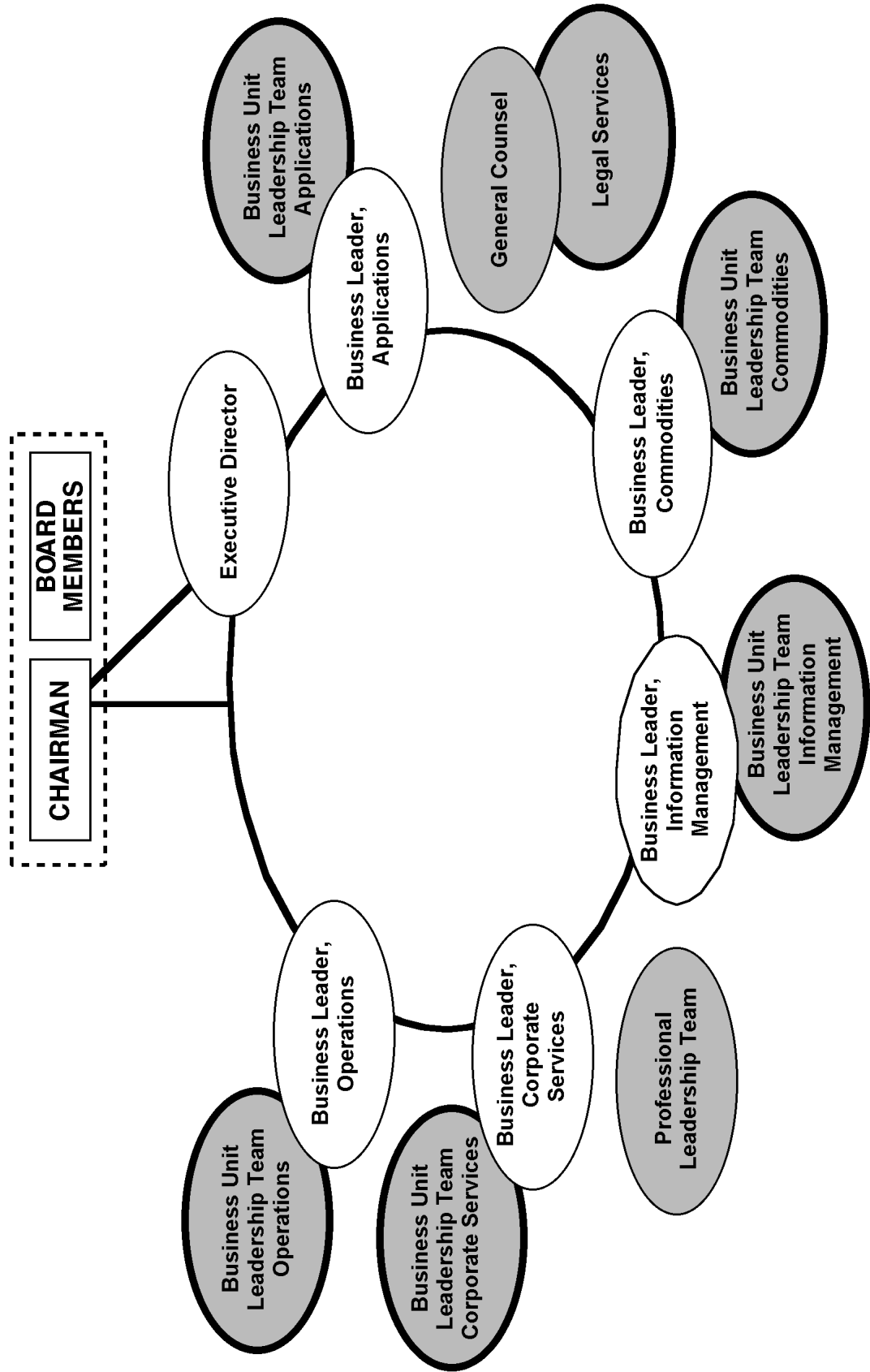
The Board is organized into five Business Units which reflect its major areas of activities, namely, Applications, Operations, Commodities, Information Management and Corporate Services (see Figure 1). The Executive Director and the Business Leaders of the Business Units make up the Executive Team, which is accountable to the Chairman.

¹ This means, for example, that evidence before the Board is given under oath, subpoenas can be issued for the attendance of witnesses and the orders of the Board can be enforced.

Figure 1

Organization Chart

NATIONAL ENERGY BOARD



The General Counsel provides legal services for both regulatory and management purposes. The Professional Leadership Team is accountable to the Executive Team for maintaining and enhancing the technical expertise within the Board.

The roles and responsibilities of the Business Units are summarized in Sub-section III C.

B Objective

The program's objective is energy regulation and advice. Our corporate purpose is to make decisions that are fair, objective and respected.

C Financial Information

C.1 Financial Spending Plan

We strive continuously to find ways to streamline our processes in order to improve the efficiency and effectiveness of our operations. In the past, we have managed to operate effectively without exhausting the Board's annual reference levels. This has been achieved despite a heavy regulatory workload and self-funded development of a major electronic information exchange initiative, Electronic Regulatory Filing ("ERF"). Lapsed funds have been returned to the Consolidated Revenue Fund in each of the last five years and reference levels have been reduced voluntarily.

Hearing-related activities account for over 60 percent of the Board's operational budget and are directly affected by the activity level in the Canadian energy sector. The current high level of activity in the energy sector is expected to continue for the next two to three years. Consequently, our current reference levels may not be sufficient to meet the pressing needs of industry and Canadians. A shortage of resources for the processing of applications could affect our ability to maintain turnaround times and deliver high quality decisions required by interested parties. This

could lead to substantial financial losses and uncertainty for Canadians and industry.

Factors that have and will continue to contribute to increased costs include:

- workload complexity and quantity;
- compliance with the CEA Act;
- labour negotiations (figures unknown until completion of bargaining);
- new supply basins requiring NEB services, in particular Atlantic Canada; and
- NEB share of costs associated with the move to new offices effective August 1998.

C.2 Current Reference Levels

The Board's regulatory workload is largely dependent upon the level of activity in the energy industry, which is volatile and difficult to predict. In the short-term, the Board intends to request supplementary funds as and when needed. Should the energy sector activity level continue as in 1997, the Board will request a one time adjustment to its reference levels, while continuing the downward trend set by the Board since the mid-1980s.

C.3 Cost Recovery

The Board currently recovers approximately 90 percent of its costs from the regulated industry. Costs not recovered relate to regulation of activities on Canada lands.

C.4 Departmental Financial Overview

Tables 1 and 2 which follow, as well as Sub-section IV B of this report, summarize the planned financial picture for the funds approved by Treasury Board as at December 1997.

Table 1

Planned Net Cost of Program

(millions of dollars)

	Planned Expenditures 1997-98	Planned Expenditures 1998-99	Planned Expenditures 1999-00	Planned Expenditures 2000-01
Gross Estimates	29.4	28.3	28.0	28.0
Revenue to the Vote	-	-	-	-
Total Main Estimates	29.4	28.3	28.0	28.0
Revenue credited to the Consolidated Revenue Fund	(24.8)	(25.5)	(25.6)	(25.6)
Estimated Cost of Services by other Departments ¹	3.2	5.6	5.5	5.5
Net Cost of the Department	7.8	8.4	7.9	7.9

Table 2

Gross Planned Expenditures by Business Unit

(millions of dollars)

	Planned Expenditures 1997-98	Planned Expenditures 1998-99	Planned Expenditures 1999-00	Planned Expenditures 2000-01
Business Lines/Activities				
Applications	4.0	5.1	5.1	5.1
Operations	4.0	4.0	4.0	4.0
Commodities	4.0	3.8	3.8	3.8
Information Management	9.6	7.4	7.4	7.4
Corporate Services	7.8	4.0	4.0	4.0
Board Members, Executive Director, Legal Services and Professional Leaders	- ²	4.0	3.7	3.7
Totals	29.4	28.3	28.0	28.0

¹ Reflects the impact, as of August 1998, of new office lease costs.

² At the time of preparing the 1997-98 Main Estimates in January 1997, the budget amounts for this category were lumped together with Corporate Services. These activities have been tracked separately since April 1997.

SECTION III: Key Corporate Goals, Measures and Strategies

A Key Context Factors

We see the following factors as influencing our program in the next three years:

i) High and Unpredictable Levels of Industry Activity

Since 1996, upstream activity in the oil and gas sector in Canada has been very strong and has expanded beyond the traditional areas of industry activity into the Northwest Territories and the East Coast. A shortage of pipeline capacity that links producing regions with major markets led to 1997 being one of our busiest years ever as companies sought to construct new pipelines and expand existing ones.

In the natural gas sector, to date there has been little competition between pipeline companies in Canada. A desire for new transportation options, along with the development of natural gas off the East Coast, is leading to a number of proposals for new pipeline systems. These developments are resulting in a higher workload, particularly due to the contentious nature of these new applications.

ii) Complexity of Issues and Trends Towards Litigation

A much higher proportion of cases coming before the Board present new issues of significant commercial and environmental interest. As a result, parties are increasingly likely to pursue every possible avenue of recourse, including litigation, both during and after the proceedings. In addition to dedicating the necessary resources to participate in such actions, the Board must be increasingly vigilant to ensure that the legal foundations of its decisions are in place.

iii) Appearance of At-Risk Pipelines and Need for New Regulatory Frameworks

In the past, Canadian pipelines have had a high degree of assurance that they could recover most of their costs, plus a reasonable return on equity, as the

cost of service mode of regulation spread all costs across system users. This has required tight financial regulation to ensure a fair rate of return and control of cost of service factors. Over the last five years, the Board has facilitated a significant shift away from traditional approaches to financial regulation, with the application of industry-wide “generic” rates of return, and the encouragement of negotiated settlements between pipeline companies and shippers on cost of service items. Although many of those settlements include incentives for pipelines to cut costs, the system still requires a substantial amount of regulatory oversight.

Some new pipeline system proposals are putting the pipeline company, rather than the system’s users, at risk for underutilization. The financial structure and commercial context of these “at-risk” pipeline systems are very different and, as energy markets become increasingly competitive, the commercial context of the entire pipeline industry is being affected. The appearance of at-risk pipelines may require the Board to develop a new framework for the economic regulation of such pipelines, while recognizing their potential impact on traditionally regulated pipelines.

iv) Evolving Best Practices in Environmental Regulation

Assessment, regulation and monitoring to protect the environment continue to mature as we gain more experience and as the supporting sciences advance. The Board must continue to refine and evolve its approach to environmental regulation, including its compliance with the CEA Act, and develop principles which reflect best practices.

v) New Producing Supply Basin on East Coast

The recent approval of the Sable Gas Projects marked the beginning of the development of a new supply basin for Canada. This will mean increased demand for our regulatory services. The Board will

work closely with this region to ensure their service needs are met at each phase of the development.

vi) Pipeline Integrity

Operating pipeline systems can pose a concern to public safety and the protection of the environment. We will continue to meet our regulatory responsibilities over these systems and work with the pipeline industry to mitigate any safety or environmental threats in a cost-effective manner.

vii) New Regulatory Responsibilities

Demand for new types of regulation may be placed on the Board by emerging trends. As public policy evolves, the Board will adjust to meet new and changing demands.

viii) Citizen Engagement

The Board recognizes a desire for greater involvement by the public in its hearings, meaningful early public notification, and increased access to information about its proceedings. The Board will continue to seek innovative ways to modify its procedures to better engage citizens.

ix) Composition of the Board

Roland Priddle retired at the end of 1997 after twelve years as Chairman of the National Energy Board. His successor has not (at the time of writing) been named. This, combined with the arrival of new members anticipated in 1998, and two other members joining the Board in 1997, creates a period of uncertainty. The current goals and strategies represent the perspectives of current members and senior staff. This strategic direction could be altered depending on the perspective and approach of the new chair and members.

x) New Offices

The lease for the NEB's offices in downtown Calgary expires in August 1998. New premises have been leased in a building being upgraded and reconstruct-

ed to meet our needs. Staff time and energy will be spent getting ready for the move as well as setting contingency plans in place should the reconstruction fall behind schedule. Every effort is being made to minimize the disruption of services to the public and industry and to minimize the internal stress and workload resulting from the move.

B.1 Key Corporate Goals and Measures

In fulfilling our corporate purpose to make decisions which are fair, objective and respected, the NEB has established the following goals and measures for the next three years. A brief rationale for each goal is provided.

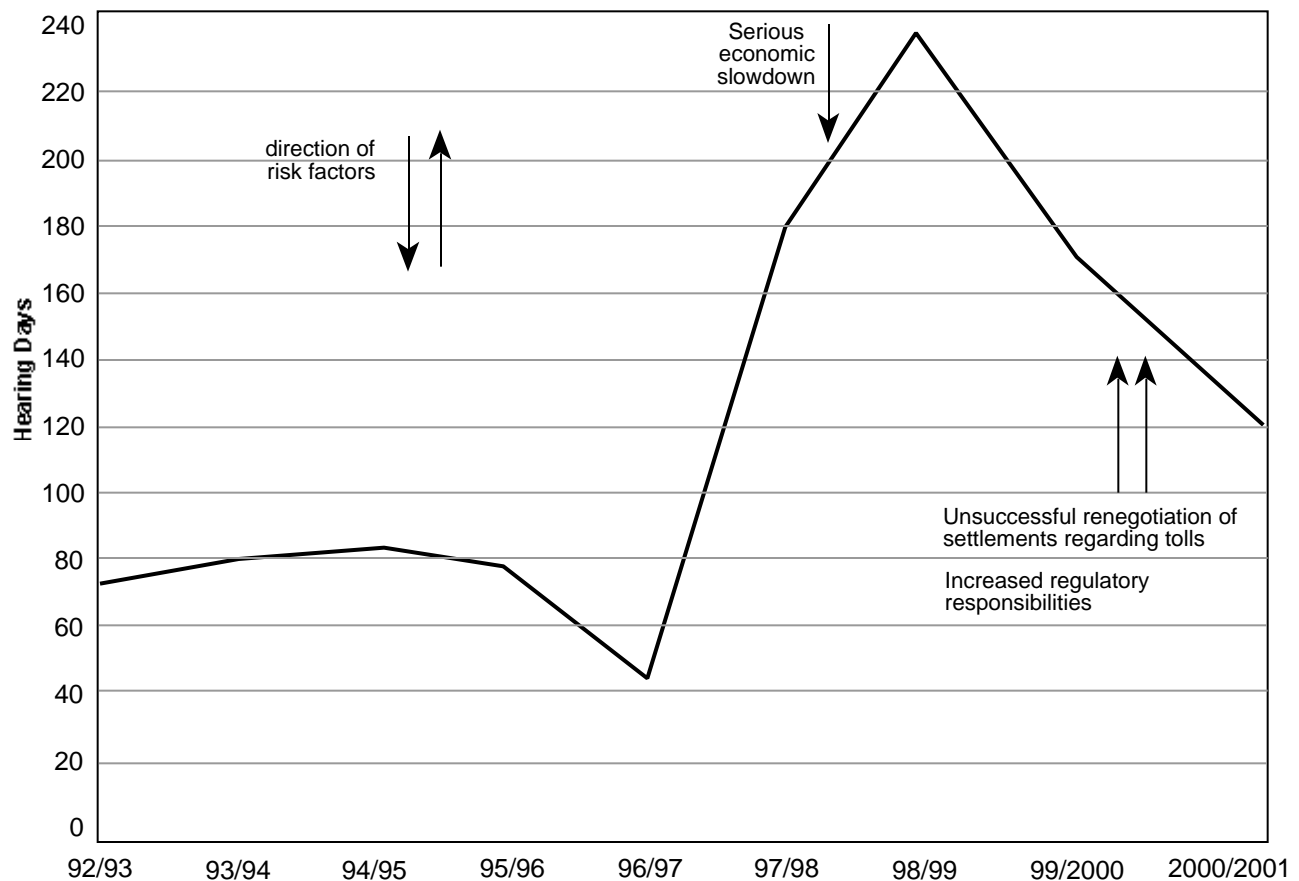
B.1.1 Applications

The number and complexity of applications expected in the first half of this planning period will be a challenge to manage effectively. Figure 2 demonstrates the significant change which has occurred and is expected to continue, though the forecast activity level is difficult to predict.

<i>Goal</i>	<i>Measure/Target</i>
1. Management of a high and unpredictable applications workload which is resulting from a burst in energy industry activity	Maintaining the timeliness of application processing under high workload conditions Minimizing of successful litigation of our decisions through clear, consistent, legally sound decision making

Figure 2

Historical and Forecast NEB Hearing Days



B.1.2 Environmental Assessment

The CEA Act came into force three years ago. While the NEB has always addressed environment as a critical factor in the determination of the public interest, the CEA Act also has environmental assessment requirements. An effective approach to apply the CEA Act in a public process bound by the rules of natural justice is still under negotiation between the NEB and the Canadian Environmental Assessment Agency ("CEA Agency), creating a degree of uncertainty for applicants and intervenors.

Goal	Measure/Target
2. Enhanced clarity and consistency in legal and scientific framework for environmental assessment	Interested Parties and Responsible Authorities understand the framework and believe that it is clear, predictable, fair, objective and applied consistently

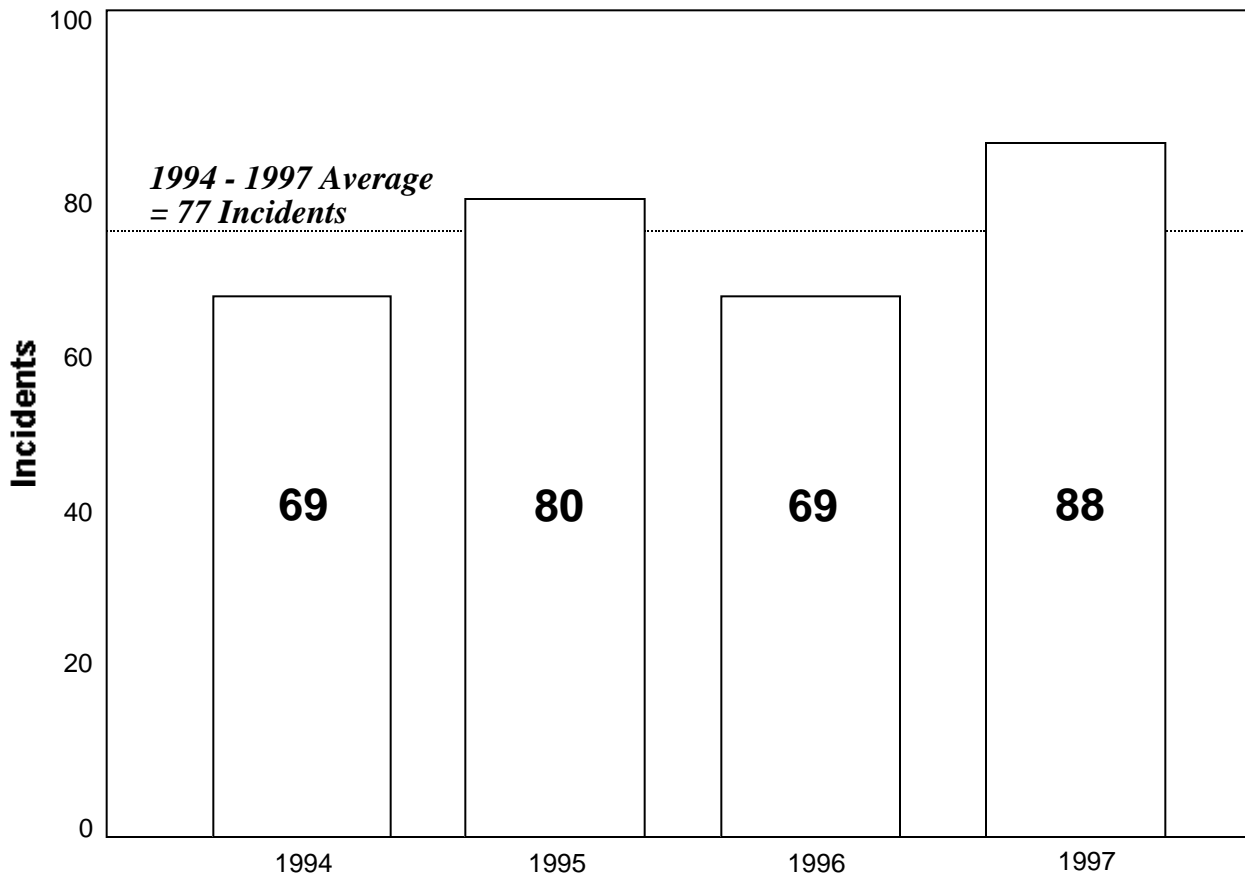
B.1.3 Safety

The overall safety of NEB-regulated facilities is high and has been maintained at a fairly consistent level over the past four years (see Figure 3). While the operating safety of those facilities is the direct accountability of the companies, the Board greatly influences their success through its regulatory requirements, and through its inspections and audits to confirm compliance.

<i>Goal</i>	<i>Measure/Target</i>
3. Enhanced public confidence in the safety of NEB-regulated facilities	Updating of existing regulations completed Increased compliance by regulated companies with NEB Regulations and 100% compliance with NEB directives

Figure 3

Reportable Incidents 1994 - 1997



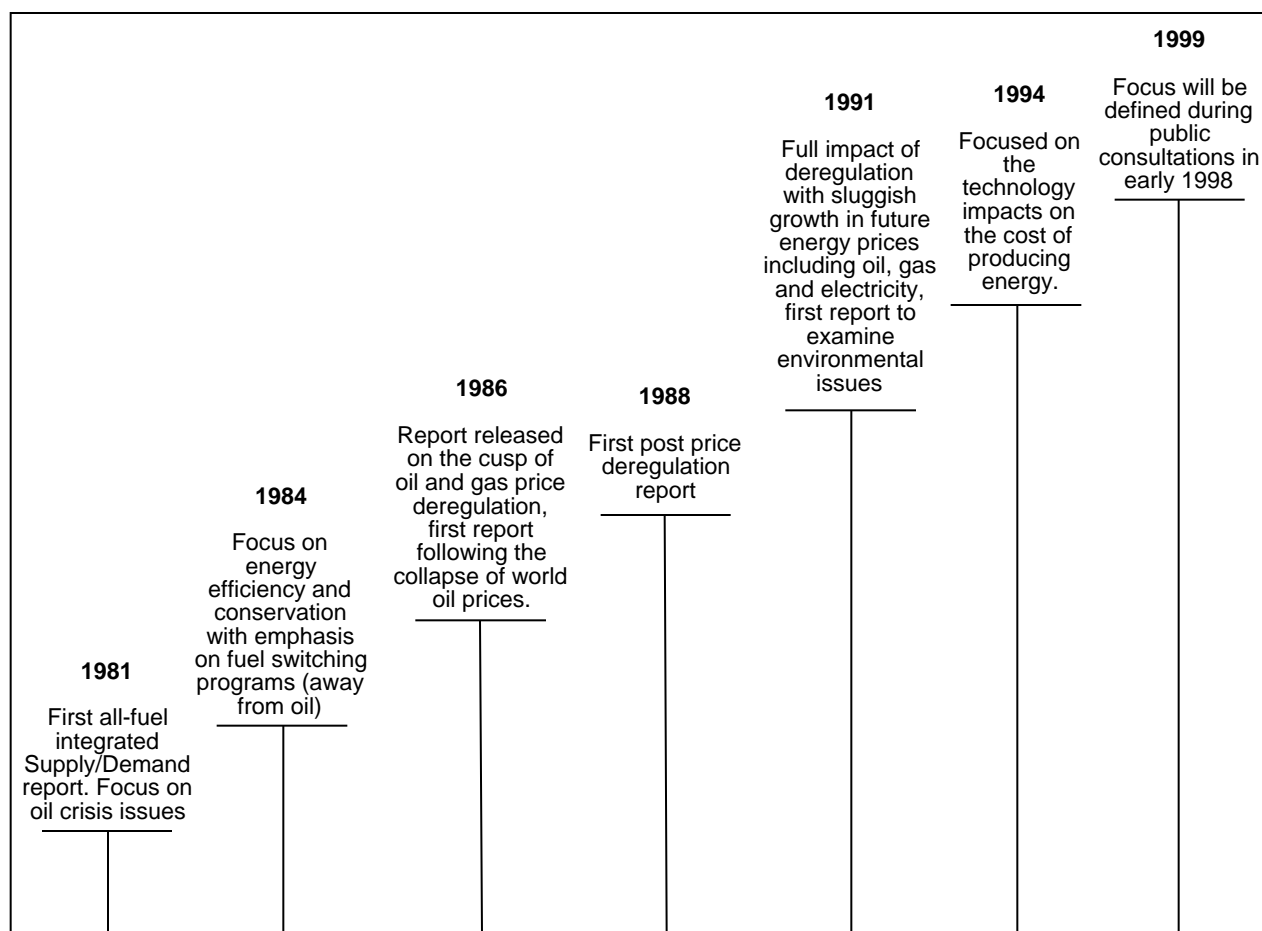
B.1.4 Provision of Key Information

One of the most important documents providing Canadian energy information to the public and industry is the NEB's Supply/Demand Report. Over the past 17 years, the average interval between Supply/Demand Reports has been 2.6 years with no interval exceeding 3 years (see Figure 4). The next report is due out in early 1999, providing an update 5 years after the most recent report. This interval exceeds past practices, and further delay would create a gap in information on the Canadian energy outlook.

Goal	Measure/Target
4. Improved provision of information on energy resources and markets to the Board and external parties to support informed energy decisions	<p>Cycle times for publishing the Supply/Demand and Energy Market Assessment Reports</p> <p>Client satisfaction survey</p> <p>Partnerships with other regulators, agencies and jurisdictions in sharing energy resources databases and other information</p>

Figure 4

Supply/Demand Updates



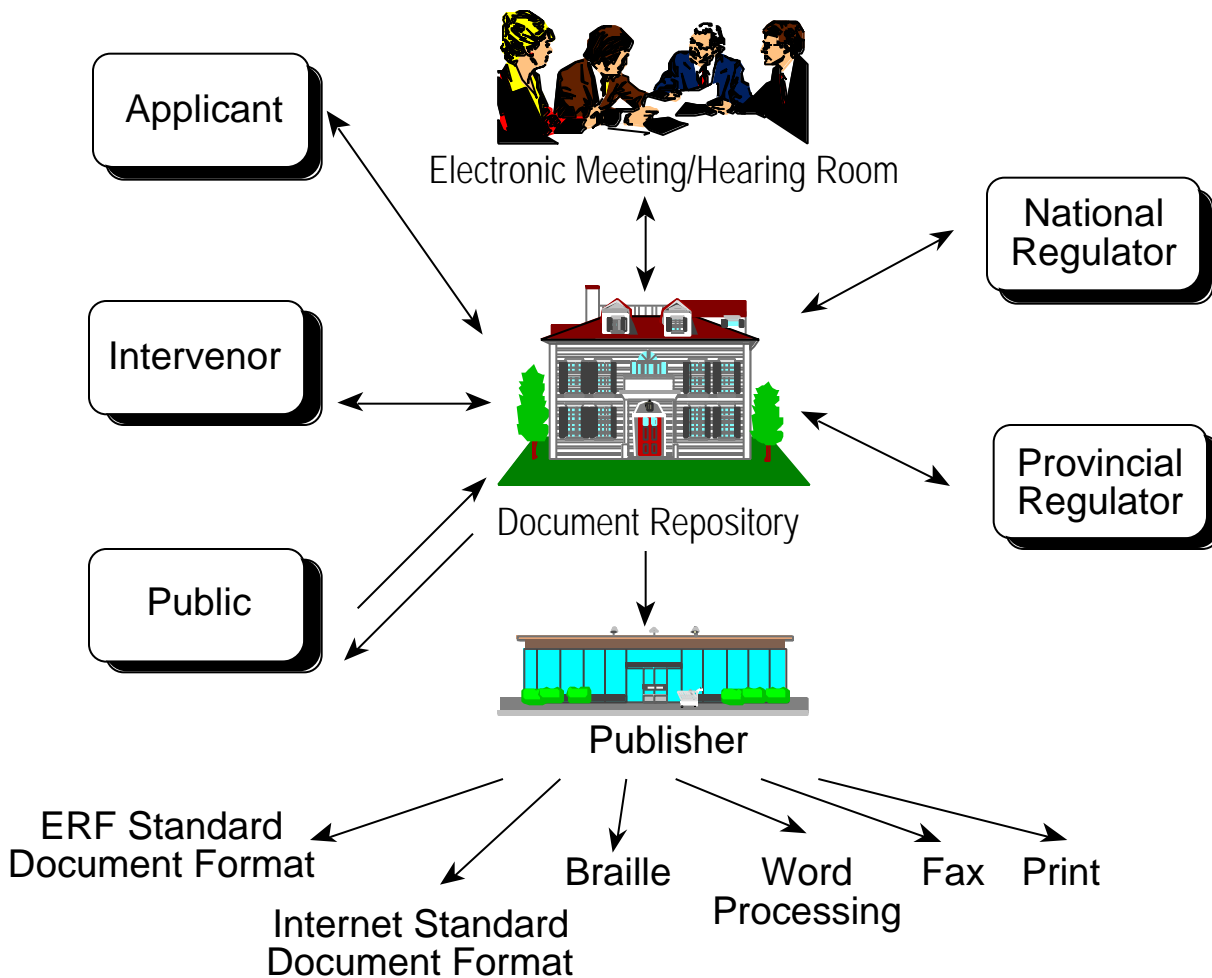
B.1.5 Public Access and Participation

The Board's partnership with the Ontario Energy Board and industry to develop a non-proprietary ERF Initiative (depicted in Figure 5) will be implemented in 1998. ERF is one strategy in enhancing the ability of the public to participate and gain access to information equally throughout all regions of Canada.

Goal	Measure/Target
5. Enhanced ability of the public to participate and to access information	<p>Demonstrated NEB presence in both traditional and new supply basins</p> <p>% of public confidence through selected surveys that NEB is working in the public interest</p> <p>% of clients, both external and internal, satisfied with: access, speed, cost and tools regarding communications and information dissemination</p>

Figure 5

The ERF Picture



B.2 Key Corporate Strategies

Given our Goals and Targets, the NEB's Key Corporate Strategies are to:

- Review and implement changes to regulatory processes to improve effectiveness and efficiency. Included in this strategy is a review of our Guidelines for Filing Requirements and strict adherence to those Guidelines by applicants.
 - Complete ongoing discussions with the CEA Agency and other stakeholders to define CEA Act related processes, and explore possibilities of streamlined approaches to meet CEA Act environmental assessment requirements. Included in this strategy is further harmonization of environmental requirements with other organizations.
 - Develop an effective and efficient framework for inspecting and auditing operating facilities to progressively reduce the number of incidents.
 - Increase engagement with industry and the public, and implement new approaches to enhance public involvement in proceedings and processes which are user friendly and understood.
 - Produce a 1999 Supply/Demand Report and other essential information updates.
- Implement a shared energy resources database with British Columbia and maintain a similar database with Alberta.
 - Implement ERF.
 - Implement our Professional Leadership Program to enhance technical excellence. As an expert tribunal, the development of skills and knowledge in key disciplines is critical.
 - Streamline and modernize management practices and procedures to enhance the NEB's capability of responding to the changing regulatory environment.
 - Relocate to new Calgary offices while mitigating the effects of the move on service delivery.

B.3 Regulatory Plan

The Board develops, maintains, and updates regulations, guidelines, and standards ("Regulatory Initiatives") within the NEB legislative mandates of the NEB Act and the COGO Act. Table 3 identifies the regulatory initiatives that the NEB will undertake during the planning period of this Plans and Priorities document.

Table 3
Regulatory Initiatives

Regulatory Instrument	Expected Result
<i>Onshore Pipeline Regulations</i>	Finalization of revised <i>Onshore Pipeline Regulations</i> which are substantially reduced from the current 1989 version together with a companion guideline that provides guidance on the interpretation of these regulations.
<i>Offshore Pipeline Regulations</i>	Modelled on the <i>Onshore Pipeline Regulations</i> , the <i>Offshore Pipeline Regulations</i> will also be less prescriptive and more goal-oriented than previous regulations under the NEB Act. There are no previous editions of these regulations.
<i>Rules of Practice and Procedures</i>	The NEB intends to update the existing Rules to make provision for ERF which it is expected will commence in the Fall of 1998.
<i>Guidelines for Filing Requirements</i>	The <i>Guidelines for Filing Requirements</i> were initially issued in February 1995 and will be reviewed and updated following the first five years of their use.
<i>Pipeline Crossing Regulations</i>	Incorporation of changes to harmonize with other legislation and update based on suggestions received.
<i>Canada Oil and Gas Diving Regulations</i>	Prepare and issue the first performance based goal-oriented regulations under the <i>Canada Oil and Gas Operations Act</i> and under the Accord Implementation Acts.
<i>Nova Scotia and Newfoundland Offshore Safety Regulations</i>	Streamline the administration of the regulations.
<i>Canada Oil and Gas Occupational Safety and Health Regulations</i>	Update and finalize these regulations to conform with the <i>Canada Occupational Safety and Health Regulations</i> under the <i>Canada Labour Code</i> and to harmonize with the <i>Offshore Safety Regulations</i> .
<i>Canada Oil and Gas Production and Conservation Regulations and Canada Oil and Gas Drilling Regulations</i>	Amalgamate these regulations.
<i>Omnibus changes to Frontier Regulations</i>	Incorporate suggestions made by the Standing Joint Committee for the Scrutiny of Regulations on numerous regulations under the COGO Act and under the Accord Implementation Acts.
<i>Guidelines Respecting Physical Environmental Programs under the Drilling and Production Activities on Frontier Lands</i>	Administrative changes resulting from changes in Environment Canada and Transport Canada will be made to these regulations and issued jointly by the NEB, the C-NSOPB and the C-NOPB.
<i>Oil and Gas Exporting Regulations</i>	Update the requirements for applications for a licence to export oil.

C. Details by Business Unit

The Board's single corporate program is the provision of energy regulation decisions and advice. To fulfil its mandate, the Board is structured into five interdependent business units reflecting its major areas of activities, namely Applications, Operations, Commodities, Information Management and Corporate Services. These units are the equivalent of service lines in Treasury Board terminology. The roles and accountability of the units are as follows:

C.1 Applications Business Unit

i) Roles and Objectives:

The Applications Business Unit is responsible for the processing and assessing of regulatory applications¹ submitted under the NEB Act. These fall primarily under Parts III, IV and VI of the NEB Act corresponding to facilities, tolls and export applications. The Applications Business Unit is also responsible for the financial surveillance and financial audits of NEB-regulated pipelines.

It is critical for the Applications Business Unit to provide quality advice and assistance to the Board and external clients in the following areas:

- assessment of applications and the management of the application process;
- compliance with NEB guidelines and filing requirements; and
- regulatory procedures.

Other critical objectives are to provide high quality financial surveillance, including audits, and to maintain current and effective working relationships with parties involved with and interested in NEB activities. Cost and time effectiveness in the delivery of advice and services are of high importance.

ii) Key Goals and Targets:

Having established the areas in which it is critical for the Applications Business Unit to deliver acceptable results, and in light of the Corporate Key Context Issues and Goals, the Business Unit has set goals in

specific areas in which there is a commitment to improve results by the year 2001. They focus on meeting the NEB's mandate effectively in a period of high workload and uncertainty, and in re-establishing effective regulatory frameworks to meet evolving public interests, particularly in the area of environmental assessment.

Applications	
Goal	Measure/Target
1. Maintain the quality of advice and assistance to Board Members in respect of content and process	Timeliness, relevance, objectivity, accuracy, soundness, clarity, logic, consistency, completeness, conciseness
2. Enhance clarity and consistency in environmental assessment	Advice to Board regarding environmental assessment decisions reflects consistency 95% of the time in year one and 99% of the time in year three Complete review of current "best practices", report to members, and implement recommendations in year two Complete clear framework for environmental assessment including mutually acceptable agreement with CEA Agency re: process
3. Maintain the timeliness of application processing under high workload conditions	Maintain cycle times of pre- and post-hearing application processing at current levels, seeking a 10% improvement in year three Maintain cycle time of non-hearing applications
4. Improve the resource effectiveness and efficiency of application processes	Improve resource effectiveness and efficiency of application processes by 5% each year measured on a per unit outcome basis

¹ Applications for short-term exports of gas, oil and NGLs, imports of natural gas, electricity exports, and international power lines, fall under the responsibility of the Commodities Business Unit.

iii) Key Strategies:

To achieve our Goals and Targets, the Applications Business Unit will:

- Develop internal measurements to objectively assess Board Member satisfaction and maintain or enhance the level of quality over the three year period;
- Complete review of current environmental assessment “best practices” and implement recommendations;
- Complete a clear framework for environmental assessment including mutually acceptable agreement with the CEA Agency re: process;
- Complete plans and actions to ensure an adequate complement of experts to meet demands;
- Complete specific process reviews in areas recognized as having potential for improvement and implement recommendations; and
- Meet ongoing accountabilities of the Business Unit.

C.2 Operations Business Unit

i) Roles and Objectives:

The Operations Business Unit is accountable for safety and environmental matters pertaining to facilities under the NEB Act, the COGO Act and the CPR Act, including conducting safety and environmental

inspections and audits, accident investigations, monitoring emergency response procedures, regulating the development of hydrocarbon resources in non-accord Frontier Lands, and the development of regulations and guidelines with respect to the above.

It is critical for the Operations Business Unit to provide quality decisions, as well as advice and assistance to the Board and other external clients in the following areas:

- workforce and public safety;
- protection of the environment; and
- conservation of oil and gas resources on Frontier lands.

ii) Key Goals and Targets:

Having established the areas in which it is critical for the Operations Business Unit to deliver acceptable results, and in light of the Corporate Key Context Issues and Goals, the Business Unit has set goals in specific areas in which there is a commitment to improve results by the year 2001. They focus on improving the efficiency and resource effectiveness of the technical regulatory processes related to the construction and operation of pipelines and Frontier oil and gas activities, improving our impact on public and worker safety and protection of the environment within the pipeline industry and Frontier oil and gas activity, maintaining the quality of decisions and advice, and enhancing confidence of the public in the Board’s technical regulatory program.

Operations

Goal

Measure/Target

1. Improve the efficiency and resource effectiveness of the technical regulatory process related to the construction and operation of pipelines and Frontier oil and gas activities	100% of the Frontier applications processed within the times specified in the regulations
	90% of Frontier and pipeline incident closeout reports completed within 3 months of the incident
	100% of the pipeline Assurances of Voluntary Compliance are satisfied within the agreed time frames
2. Improve our impact on public and worker safety and protection of the environment within the pipeline industry and Frontier oil and gas activity	Revisions to regulations are completed within a cycle time of less than one year
	Compliance with terms and conditions of regulatory approvals
	No preventable pipeline ruptures
	No increase in Frontier Occupational Safety and Health incidents per person hours worked
3. Maintain quality of decisions and advice	No repeat non-compliances on site revisits
	No significant uncontrolled oil, gas or water flows from drilling or production operations
4. Improve confidence of the public in the NEB's technical regulatory program	95% satisfaction rating by Board Members, Business Units, industry, public "clients"
	80% of surveyed landowners content with the way their complaints were addressed
	95% of informed stakeholders (provincial agencies, other government departments, non-government organizations) content with Board technical regulatory process

iii) Key Strategies:

To achieve our Goals and Targets, the Operations Business Unit will:

- Harmonize its regulatory requirements as much as possible with other jurisdictions and develop, by 1 April 1999, a one-window approach with the Northwest Territories Land Use and Water Board for Frontier Lands environmental screening, and the Transportation Safety Board of Canada for the investigation of accidents;
- Revise the *Onshore Pipeline Regulations*, the *Pipeline Crossing Regulations*, the *Offshore Pipeline Regulations*, the *Canadian Oil and Gas and Conservation Regulations*, the *Canada Oil and Gas Drilling Regulations* and the *Guidelines for Filing Requirements* in accordance with the Regulatory Plan (Sub-section III B.3).
- Improve effectiveness of selective inspections and audits through the use of risk management techniques;
- Improve communications with the public and our other stakeholders through effective use of the Internet, site visits, consultations and presentations; and
- Meet ongoing accountabilities of the Business Unit.

C.3 Commodities Business Unit

i) Roles and Objectives:

The Commodities Business Unit is responsible for assisting the Board in fulfilling its mandate through energy industry and marketplace surveillance, the updating of guidelines and regulations relating to energy exports as prescribed by Part VI of the NEB Act, in the context of evolving market conditions, the disposition of applications for short-term exports of gas, oil and NGLs, imports of natural gas, and the disposition of applications concerning electricity exports and international power lines.

It is critical for the Commodities Business Unit to provide quality advice and assistance to the Board and external clients in the following areas:

- forecasting long and short-term supply and demand of energy commodities;
- completing statutorily required statistical and other reports;
- leadership in encouraging market solutions; and
- energy commodities issues as requested by the Minister.

ii) Key Context:

Given the rapid changes as the energy industry evolves towards more competitive and converging markets, we will be faced with a need to develop a new strategy regarding the monitoring of the energy markets. Such a strategy would include analysis of both short- and long-term energy issues, and the means of providing the results to interested parties both internal and external to the Board.

The production by the Commodities Business Unit of certain studies on energy supply and demand, on all energy markets and on natural gas markets are currently required by the Board's own procedures. These procedures were established as a result of a mid-1980s reduction of regulatory requirements placed on applicants for the export of natural gas. It is timely in this planning period to investigate further efficiencies in the regulation of natural gas.

iii) Key Goals and Targets:

In light of the corporate goals and areas for which it is critical for the Commodities Business Unit to deliver acceptable results, the following Goals and Targets have been established.

Commodities	
Goal	Measure/Target
1. Better meet the needs of the Board, parties external to the Board, and government relative to information and advice regarding short and long-term supply of energy commodities, energy exports and energy industry and marketplace intelligence	Respond to internal and external inquiries with the appropriate level of detail and within a mutually agreed upon timeframe 95% of the time No complaints from clients with respect to the level, timeliness and usefulness of market intelligence analysis Issuance of statutory required statistical reports on a monthly basis Measure client satisfaction with published reports (usefulness, timeliness, and other aspects of quality) through surveys and ongoing client engagement
2. Improve the cost-effectiveness of energy market monitoring and information gathering	Cost per product or service
3. Maintain current cycle times for processing short-term gas, oil and NGLs orders, and electricity permits and licences	Issuance of short-term export orders for gas, oil and NGLs within 48 hours of receipt of application Issuance of electricity export orders within the current average cycle time

iv) Key Strategies:

To achieve our Goals and Targets, the Commodities Business Unit will:

- Produce a Supply/Demand Report in 1999;
- Pursue the most cost-effective ways of putting information and studies into the public domain;
- In conjunction with market surveillance, issue Energy Market Assessments within this planning timeframe to address specific issues which arise as the markets evolve;
- Continue to implement memoranda of understanding and agreements with other government departments and agencies and with other jurisdictions, in order to improve cost effectiveness, reduce duplication of effort and increase harmonization;
- Maintain a state of preparedness to respond to requests for advice from the Minister pursuant to Part II of the NEB Act;
- Investigate ways and means of introducing further efficiencies in the regulation of the natural gas industry and implement any appropriate changes; and
- Meet ongoing accountabilities of the business unit.

C.4 Information Management Business Unit

i) Roles and Objectives:

The role of the Information Management (IM) business unit is to develop and implement an IM strategy for the Board that enhances the Board's ability to deliver fair, objective and respected decisions and provides the information required by external stakeholders.

In order to successfully meet the needs of the Board and external clients, it is critical to provide:

- internal and external communications advice & information to clients;
- regulatory and court services necessary for managing Board meetings and hearings;
- information management, production and retrieval services; and
- an information technology and software infrastructure appropriate to the IM strategy.

ii) Key Context:

Global information volume is doubling approximately every five years. Internally, NEB-produced information (paper only) has doubled over about the past three and a half years. To continue to deliver fair, objective and respected decisions, the NEB requires more effective tools to tap these increasing volumes of information, provide means for the user to select the most useful information, and deliver information more efficiently to Board members and employees. Externally, there is a need to provide more information equally to the energy producers, transporters and consumers to foster the efficient operation of markets. In addition, there is a need to offer pipeline landowners better access to information about pipelines, related safety and environmental issues, and their rights.

Within this context, the NEB is about three years into the full implementation of ERF, a cornerstone of its emerging IM strategy. With the completion of the Proof of Concept system in 1997/98, external participants will, within the first half of 1998, be able to submit applications on a prototype electronic document repository for the purpose of accepting "test" filings and gaining experience with some of the issues involved in developing a fully functional repository.

iii) Key Goals and Targets:

In light of the corporate goals and the challenges faced in the IM areas of responsibility, the following Goals and Targets have been established. They focus on cost-effective delivery of useful information.

Information Management	
Goal	Measure/Target
1. Improve the accessibility, usefulness and timeliness of the information provided to clients	Complete the implementation of various tools to receive, process, and consider applications and associated decisions of the Board electronically in 1998/99 (primarily related to the ERF Initiative) Client satisfaction
2. Improve the cost effectiveness of IM	Cost effectiveness

iv) Key Strategies:

To achieve our goals and targets, the IM Business Unit will:

- Complete a needs assessment, an IM strategy and the implementation of an optimum service delivery model for the Board;
- Implement new services based on the service delivery model in order to better meet the needs of our clients throughout Canada and, more specifically, in regions where there has been an increased level of regulatory activities, such as in Québec, the Atlantic and the Territories;
- Continue implementation of the ERF project;
- Complete an Information Technology review in line with our IM strategy;
- Develop, model and in certain cases deliver information and awareness sessions to ensure clients' better understanding of our mandate, processes and procedures; and
- Maintain the quality of IM services provided to our NEB clients.

C.5 Corporate Services Business Unit

i) Roles and Objectives:

The Corporate Services Business Unit is responsible for providing those services necessary to assist the NEB to manage human, material and financial resources.

It is critical for the Corporate Services Business Unit to provide to the Chairman, the Executive Team and Business Units:

- quality human, material and financial management information;
- quality advice on human, material and financial management issues;
- quality management tools for planning, utilizing and evaluating human, material and financial resources; and
- quality human, material and financial operational services.

ii) Key Context:

The recent burst of industry activity has increased workload and increased the difficulty in attracting and retaining staff. The NEB is driven to streamline and modernize its management systems so that it can offer reasonable remuneration and working conditions that allow it to compete in the Calgary labour market. The first step has been taken with the restructuring of the NEB into multi-functional interdependent Business Units with an emphasis on team-based approaches and participative decision making. The Corporate Services Business Unit must act as a change agent to develop corporate systems and practices which support the NEB strategy.

iii) Key Goals and Targets:

Given the NEB's Key Context Issues and Goals and the challenges faced in streamlining and modernizing NEB management systems and practices, the goals of the Corporate Services Unit are to improve the quality of its services. Since no quantitative measures of outcomes have been identified, the Business Unit is establishing qualitative measures at this time as follows:

Corporate Services

<i>Goal</i>	<i>Measure/Target</i>
1. Improve the quality of management information	Reliability, validity, clarity, relevance, timeliness
2. Improve the quality of management advice	Consistency, validity, clarity, relevance, objectivity, timeliness
3. Improve the quality of management tools	Availability, reliability, validity, clarity, relevance, resources required
4. Improve the quality of operational services	Accuracy, resources required, timeliness, reliability

iv) Key Strategies:

To achieve our Goals and Targets the Corporate Services Business Unit will:

- Develop and implement measurement tools to identify base-line quantitative measures for each of the targets;
- Streamline and modernize corporate financial planning and information systems;
- Streamline and modernize operational work processes;
- Relocate to new Calgary offices while mitigating the effects of the move on service delivery;
- Implement a classification system and a performance management program which support the strategic direction of the NEB;
- Develop a resourcing strategy which accounts for the fact that the NEB is an employer in Calgary;
- Develop a continuous learning strategy which builds on team work and participative decision making; and
- Continue to provide those services necessary to assist the NEB to manage human, material and financial resources.

SECTION IV :

Supplementary Information

A. List of Acts and Regulations

Below is a listing of Acts, Regulations, Rules and Guidelines under which the Board operates or has responsibilities.

Acts

<i>National Energy Board Act</i>	RSC 1985, c. N-7
<i>Canada Oil and Gas Operations Act</i>	SC 1992, c. 35
<i>Canada Petroleum Resources Act</i>	RSC 1985, c. 36
<i>Canadian Environmental Assessment Act</i>	SC 1992, c. 37
<i>Canada Labour Code Part II</i>	RSC 1985, c L-2
<i>Energy Administration Act</i>	RSC 1985, c. E-6
<i>Northern Pipeline Act</i>	RSC 1985, c. N-26

Regulations Pursuant to the National Energy Board Act

<i>Cost Recovery Regulations</i>	SOR/91-7
<i>Export and Import Reporting Regulations</i>	SOR/95-563
<i>Gas Pipeline Uniform Accounting Regulations</i>	SOR/83-190
<i>Oil Pipeline Uniform Accounting Regulations</i>	CRC 1978, c. 1058
<i>Oil Product Designation Regulations</i>	SOR/88-216
<i>Onshore Pipeline Regulations</i>	SOR/89-303
<i>Offshore Pipeline Regulations</i>	no official site
<i>Part VI (Oil and Gas) Regulations</i>	SOR/96-244
<i>Part VI Regulations, Electricity</i>	SOR/97-130
<i>Pipeline Crossing Regulations, Part I</i>	SOR/88-528

<i>Pipeline Crossing Regulations, Part II</i>	SOR/88-529
<i>Power Line Crossing Regulations</i>	SOR/95-500
<i>Substituted Service Regulations</i>	SOR/83-191
<i>Toll Information Regulations</i>	SOR/79-319

Regulations Pursuant to the Canada Oil and Gas Operations Act

<i>Canada Oil and Gas Certificate of Fitness Regulations</i>	SOR/96-114
<i>Canada Oil and Gas Diving Regulations</i>	SOR/88-600
<i>Canada Oil and Gas Drilling Regulations</i>	SOR/79-82
<i>Canada Oil and Gas Installations Regulations</i>	SOR/96-118
<i>Canada Oil and Gas Geophysical Regulations</i>	SOR/96-117
<i>Canada Oil and Gas Production and Conservation Regulations</i>	SOR/90-791
<i>Canada Oil and Gas Operation Regulations</i>	SOR/83-149
<i>Oil and Gas Spills and Debris Liability Regulations</i>	SOR/87-331

Regulations Pursuant to the Canadian Environmental Assessment Act

<i>Law List Regulations</i>	SOR/94-636
<i>Inclusion List Regulations</i>	SOR/94-637
<i>Comprehensive Study List Regulations</i>	SOR/94-638
<i>Exclusion List Regulations</i>	SOR/94-639
<i>Federal Authorities Regulations</i>	SOR/96-280

*Regulations Respecting the
Coordination by Federal Authorities
of Environmental Assessment
Procedures and Requirements* SOR/97-181

Rules

*National Energy Board
Rules of Practice and Procedure, 1995* SOR/95-208

Guidelines

Guidelines for Filing Requirements (22 February 1995). The Guidelines set out the information to be provided by applicants for:

Early public notification of projects

Certificates for gas pipelines

Certificates for oil pipelines

Section 58 orders for gas pipelines not exceeding 40 kilometres or additions and upgrades to existing facilities

Section 58 orders for oil pipelines not exceeding 40 kilometres or additions and upgrades to existing facilities

Environmental, socio-economic and lands information for authorization to construct, operate and abandon pipelines

Notices required when dealing with determination of detailed route and approval

Leave to open orders for pipelines

Orders fixing tolls and tariffs

Quarterly surveillance reports to be filed by Group 1 companies

Orders for export and import of gas

Guidelines for Negotiated Settlements of Traffic, Tolls and Tariffs (23 August 1994)

Guidelines Respecting Physical Environmental Programs During Petroleum Drilling and Production Activities on Frontier Lands (April 1994)

Financial Regulatory Audit Policy of the National Energy Board (1 December 1994)

Memorandum of Guidance - Regulation of Group 2 Companies (6 December 1995)

Memorandum of Guidance - Retention of Accounting Records by Group 1 Companies Pursuant to Gas/Oil Uniform Accounting Regulations (30 November 1994)

Memorandum of Guidance to Interested Parties Concerning Full Implementation of the September 1988 Canadian Electricity Policy (7 July 1993)

Offshore Waste Treatment Guidelines, September 1996

Oil and Gas Occupational Safety and Health Guidance Notes (April 1992)

Section 58 Streamlining Initiative - Order XG/XO-100-94, Revision 1 (16 November, 1995)

B. Spending Authorities Information

Table 4

Authorities for 1998-99 Part II of the Estimates

Financial Requirements by Authority

(millions of dollars)

Vote		1998-99 Main Estimates	1997-1998 Main Estimates
	National Energy Board		
35	Operating Expenditures	24.3	26.1
(S)	Contributions to employee benefit plan	4.0	3.3
	Total Agency	28.3	29.4

Table 5

1998-99 Planned Expenditures

Business Units	Full Time Equivalent¹	Operating	Gross Total	Statutory Payments²	Total Main Estimates
			(millions of dollars)		
Applications	54	4.3	4.3	.8	5.1
Operations	53	3.3	3.3	.7	4.0
Commodities	45	3.2	3.2	.6	3.8
Information Management	67	6.8	6.8	.6	7.4
Corporate Services	34	3.4	3.4	.5	4.0
Board Members, Executive Director, Legal Services, and Professional Leaders	33	3.3	3.3	.8	4.0
	286	24.3	24.3	4.0	28.3
Revenue credited to the Consolidated Revenue Fund					(25.5)
Estimated cost of services by other departments					5.6
Net Cost of the Department					8.4

1 Full Time Equivalent ("FTE") is a measure of human resource consumption based on average levels of employment. FTE factors out the length of time that an employee works during each week by calculating the rate of assigned hours of work over scheduled hours of work. FTEs are not subject to Treasury Board control but are disclosed in Part III of the Estimates in support of personnel expectation requirements specified in the Estimates.

2 Employee Benefit Plans

Table 6

Details of Personnel Requirements

Classification	FTE Planned 1998-99	FTE Forecast 1997-98	FTE Actual 1996-97	Current Salary Range 1997-98	Average Salary Forecast 1997-98
GIC Appointees (GIC 7-10)	9	7		98,100-155,800	120,830
NEB 15-16	2	2		80,412-115,900	102,205
14	8	8		73,435-96,638	89,554
13	4	4		67,064-88,254	79,602
12	20	19		61,246-80,597	76,280
11	22	22		55,934-73,605	73,341
10	45	44		51,082-67,219	64,534
9	25	25		45,305-59,618	52,503
8	30	30		40,182-52,876	47,217
7	29	29		35,638-46,897	42,179
6	19	19		31,609-41,597	36,809
5	20	20		28,034-36,890	35,051
4	10	29		24,863-32,718	30,887
3	41	24		22,052-29,019	26,068
1-2	2	2		17,353-25,737	22,836
TOTAL	286	284	277		

Table 7

Presentation by Standard Object

(millions of dollars)

	Planned Expenditures 1997-98	Planned Expenditures 1998-99	Planned Expenditures 1999-00	Planned Expenditures 2000-01
Personnel				
Salaries and wages	19.4	19.0	18.8	18.8
Contributions to benefit plans	3.3	4.0	3.9	3.9
	<i>22.7</i>	<i>23.0</i>	<i>22.7</i>	<i>22.7</i>
Goods and Services				
Transportation and communications	1.5	1.5	1.5	1.5
Information	.2	.2	.2	.2
Professional and special services	3.2	1.9	1.9	1.9
Rentals	.3	.3	.3	.3
Purchased repair and maintenance	.4	.5	.5	.5
Utilities, materials and supplies	.5	.6	.7	.7
Other subsidies and payments				
	6.1	5.0	5.1	5.1
Capital	.6	.3	.2	.2
Total budgetary expenditures (surplus)	29.4	28.3	28.0	28.2

C. Contacts for Further Information:

National Energy Board
311 - 6th Avenue S.W.
Calgary, AB T2P 3H2

Telephone: (403) 292-4800
Facsimile: (403) 292-5503
Internet: www.neb.gc.ca

Kenneth W. Vollman	Acting Chairman
Gaétan Caron	Executive Director
Brenda Kenny	Business Leader, Applications
John McCarthy	Business Leader, Operations
Terrance Rochefort	Business Leader, Commodities
Scott Richardson	Business Leader, Information Management
Sylvia Farrant	Business Leader, Corporate Services
Judith Hanebury	General Counsel
Peter Schnell	Team Leader, Planning and Reporting
John Hagan	Planning and Reporting Officer