



Management Response to Evaluation of Goal Oriented Regulation August 2005 Update

Information on specific initiatives is outlined below. Since the initial management response was made in September 2004, a number of overarching initiatives have been launched that overtake work being done on specific recommendations. These are:

- **Quality Management System (QMS)**

The objective of this project is to complete the design and implementation of a comprehensive Quality Management System for the NEB that conforms to the ISO 9001-2000 standard. The design of the QMS was based on leading the organization up the stages of a system's maturity model. The plan called for first ensuring that all core processes across the NEB had been controlled, documented and had repeatable process steps that would be integrated with each other. Following this step a QMS would be developed around those processes. A number of the initiatives mentioned in the Management Response are related to, or overtaken by, QMS mapping, control and integration of processes.

- **Integrated Compliance Project**

The Integrated Compliance Planning Program is intended to improve the use of the NEB's compliance and assessment related data to make risk-based decisions regarding application assessment and inspections/audit work planning. In other words, NEB resources will be focused on assessing application elements and verifying regulatory compliance where the compliance planning program has identified that the greatest risks to safety, the environment or sound financial management exist.

- **Develop the Regulatory Framework Core Process**

As part of the QMS project discussed above, a process called *Develop the Regulatory Framework*, has been mapped and is currently being integrated into the rest of the Board's processes. In the past, this function was dispersed among a number of organizational units and not controlled at the organizational level. Mapping this process, assigning ownership and responsibility, and working towards consistent use of this process for all changes to the framework will ensure a consistent, well understood, and responsive regulatory framework.

These three initiatives, along with the specific actions discussed below, will fully respond to the recommendations set out in the report by Matrix Solutions Inc.

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| R1 Develop a standard Operating Procedure for NEB Audits (high priority) | Draft Audit Process completed, working with Canadian Energy Pipeline Association and Board Members on the revisions to the audit program | Completed |
| R2 Develop qualifications | Job models are being prepared as part of the Audit Program. Auditors | Completed |

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| standards for Audit personnel (medium priority) | will be internally certified as having appropriate training and experience. A resource strategy will be developed as part of the Audit Planning process. This will include the use of external audit expertise as appropriate. | |
| R3 Document technical support for areas of subjectivity (high priority) | A document detailing the support that the current regulations provide for a management system audit is being prepared as part of the Audit Program. Work is proceeding to define and increase the understanding of the risk based decision making that is expected of the NEB's auditors. | Completed |
| | To deal with subjectivity in the regulations and guidance, a project is being initiated to gather input on revision of the Onshore Pipeline Regulations. During this project, portions of the OPR and Guidance Notes that are difficult to determine compliance for will be reviewed and re-written. | Review of various regulations is ongoing. OPR review project kicked off at NEB Workshop in June 2005. |
| R4 Foster information sharing to share learnings and help with continuous improvement (medium priority) | A communication plan is being developed as part of the Audit Program. The Audit Program will have a documented approach to monitoring performance and implementing improvements. | Completed |
| | The need for an integrated approach to compliance planning at the NEB has been identified and a project has been initiated that will move the NEB's processes towards integrated compliance management. This project will improve the information sharing between NEB processes, resulting in streamlining and improved effectiveness. | The Integrated Compliance Program will resolve this challenge. |
| | <p>The following activities are some of the sharing and information gathering activities undertaken by the NEB:</p> <ul style="list-style-type: none"> • NEB Workshop (Dec. 2003 and May 2005) • Awareness Workshop (Sept. 2004) • Smart Regulation Workshop (Nov. 2004) • Filing Manual Workshop (Spring 2003) <p>Such NEB sponsored events are advertised on our web site.</p> | Completed |
| | Another mechanism that will be used to foster more information sharing | Information Letters will be |

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| | will be frequent Information Letters, sent to our regulated community and others. These letters would be a clearinghouse of information on safety and environmental protection issues related to regulated facilities. | included in the evaluation of compliance and enforcement tools being done in Regulatory Development. |
| | To encourage more information sharing and innovation inside the NEB, the Regulatory Development Team will prepare a presentation on goal oriented regulation and hold a series of workshops with staff. The outcome of these workshops would be to increase the discussion of how GOR impacts individual teams and functions and how we can further implement goal oriented regulation. | Initial draft of presentation created. Project was subsumed into QMS mapping of the Develop the Regulatory Framework core process. |
| | The NEB will look for opportunities to increase its exposure through participation and sponsorship of events where Goal Oriented Regulation can be discussed. (e.g. the Board participates and sponsors the Banff Integrity Workshop and the International Pipeline Conference. Both events are well regarded and attended by the industry). | COO spoke on GOR at the Banff Integrity Workshop. Ongoing efforts for GOR outreach. |
| R5 Consider incorporation of certificate of regulatory compliance (high priority) | The Integrated Compliance Project will help address the gaps and issues identified by the Consultant without addressing the specific issue of a certificate of regulatory compliance. | Integrated Compliance Project on schedule. |
| | The concept of a <i>certificate of regulatory compliance</i> is consistent with the management system approach implicit in the OPR and other regulations. Before it could be implemented, an assessment of how it would work and its practicality needs to be done. This assessment will be done during the initial phase of the revision of OPR-99 and then discussed internally and externally. | Ongoing; on current OPR-99 revision schedule. See R-10 below. |
| R6 Continue to Modify Audit Reports as appropriate (high priority) | The Audit Program will have a documented approach to monitoring performance and implementing improvements. This includes the use of an external editor to check for consistency and grammatical errors. | Completed |
| R7 Incorporate process steps to permit audited companies the opportunity to review NEB audit findings | This recommendation has been incorporated into the recently documented process for conducting an audit and will be used in the next audit. Working with CEPA and Board Members on process revisions. | Completed |

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| and to clarify rationale where company comments/views have not been accepted by the NEB (medium priority) | | |
| R8 Track duration of audits and turnaround times for audit reports (medium priority) | The Audit Program has performance measures developed for each stakeholder. Time to produce draft and final audit reports is a measure being tracked by the Pipeline Audit team. | Completed; Performance measures are in place and being tracked. |
| R9 Establish an internal tracking and evaluation system to take advantage of "lessons learned" (medium priority) | Recommendations made by staff identifying gaps in our regulations/guidance documents are collected for future reference. Steps are being taken to integrate the collection of this information into ESIMS and ultimately to publish it. | A mechanism exists to include these in ESIMS. The sharing of this information will increase as the data set for Integrated Compliance is confirmed and an IT structure put into place. |
| R10 Consider need for a more rigorous enforcement system for non-compliance (medium priority) | The Board does have a set of enforcement tools that have proven effective in dealing with non-compliance. This recommendation shows, however, that there is not a common understanding of these tools and their application. To remedy this gap, Operations will prepare an Information Letter to be distributed widely and made available on the Web Site on enforcement, setting out the tools and their common application by the Board. This step should help change the perception that NEB enforcement measures are not adequate. | Regulatory Development is doing research on international best practices for compliance and enforcement tools and developing novel approaches that will be effective under goal oriented regulation. The results of this research will be incorporated in all new and revised regulations. |
| | Construction Compliance Team organizes meetings with companies to be inspected to outline NEB enforcement tools. This type of presentation could be expanded and presented at other venues (e.g. workshop, etc). | Ongoing ; these meetings are taking place. |
| R11 Consider risk management approaches (medium priority) | The Management System Framework Project, Integrated Compliance Project with the implementation of the recently developed NEB risk management tools will address the gaps and issues identified by the Consultant. | The Integrated Compliance will take place. |
| R12 Continue to work | The Board is already active in promoting goal-oriented regulation with | Work on these and similar |

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| closely with other regulatory agencies (medium priority) | other government agencies and associations: <ul style="list-style-type: none"> • heavily involved in various CSA technical committees • working with CEAA to developed the Guide to the NEB Comprehensive Study Process and other processes • developing goal-oriented regulations with the Offshore Boards (Diving, Drilling & Production). • developing goal-oriented Offshore Regulations in consultation with other regulators and stakeholders. • as co-chair position on the Canadian Pipeline Environment Committee, lobby and influence changes to regulations (e.g. Migratory Bird Regulations) • actively promoting improved relationship with other RAs/FAs under the CEAA Continuing to pursue these and other cooperative ventures will contribute to promote smart regulation. | initiatives ongoing. |
| R13 Develop a formal quality assurance function (medium priority) | The Management System Framework will address the gaps and issues identified by the consultant. | QMS process underway. |
| R14 Examine role of indicators in GOR (medium priority) | There is a project ongoing to identify performance indicators for NEB audits and construction inspections. | Performance indicators for all teams in Operations created and being tracked. |
| | Regulatory Development Team will consider the role of performance indicators when revising or writing new regulations. | Ongoing |
| | Conduct another survey evaluating goal oriented regulation in 3-5 year time frame. | Plan for new survey during the 2007-08 fiscal year |