



National Energy  
Board

Office national  
de l'énergie

## **National Energy Board**

### **Departmental Performance Report**

**For the period ending  
March 31, 2005**

---

Kenneth W. Vollman  
Chairman  
National Energy Board

---

The Honourable R. John Efford, P.C., M.P.  
Minister  
Natural Resources

**Canada**



# Table of Contents

<b>SECTION I: OVERVIEW</b> .....	<b>1</b>
1.1 CHAIRMAN’S MESSAGE .....	1
1.2 SUMMARY INFORMATION .....	4
1.2.1 <i>Raison d’être</i> .....	4
1.2.2 <i>Mandate and Regulatory Context</i> .....	4
1.2.3 <i>Operating Context</i> .....	6
1.2.4 <i>Results Framework</i> .....	7
1.2.5 <i>Agency Spending</i> .....	8
1.2.6 <i>Performance Against RPP Commitments</i> .....	8
1.2.7 <i>Parliamentary Committee Recommendations</i> .....	8
<b>SECTION II: PERFORMANCE DISCUSSION</b> .....	<b>9</b>
2.1 GOAL 1 .....	9
2.2 GOAL 2 .....	16
2.3 GOAL 3 .....	22
2.4 GOAL 4 .....	29
2.5 GOAL 5 .....	33
<b>SECTION III: SUPPLEMENTARY INFORMATION</b> .....	<b>39</b>
3.1 SERVICE IMPROVEMENT INITIATIVE.....	39
3.2 GOVERNMENT OF CANADA ON-LINE .....	40
3.3 MODERN COMPTROLLERSHIP.....	41
3.4 ALTERNATIVE SERVICE DELIVERY .....	42
3.5 SUSTAINABLE DEVELOPMENT.....	42
3.6 PURCHASING AND CONTRACTING .....	43
3.7 TRAVEL POLICIES .....	43
3.8 REGULATORY INITIATIVES.....	43
3.9 REGULATORY REPORTING .....	45
3.10 FINANCIAL INFORMATION.....	46
3.11 USER FEE REPORTING.....	47
3.12 EVALUATIONS AND REVIEWS.....	50
3.13 ORGANIZATIONAL INFORMATION .....	51
<b>SECTION IV: OTHER ITEMS OF INTEREST</b> .....	<b>53</b>
4.1 LEGISLATION UNDER WHICH THE NATIONAL ENERGY BOARD HAS NAMED RESPONSIBILITY .....	53
4.2 COOPERATION WITH OTHERS.....	56
4.3 CONTACT INFORMATION .....	59

## List of Figures

Figure 1: Managing for Results Framework .....	7
Figure 2: Canadian Frontier Areas (COGO Act) .....	9
Figure 3: Pipeline Ruptures and Incidents, 2000-2004 .....	11
Figure 4: Landowner Survey: Perception of Safety .....	12
Figure 5: Landowner Survey: Proximity to Pipelines .....	12
Figure 6: Achievement of Desired End Results for Environmental Conditions .....	17
Figure 7: Comparison of Export and Domestic Natural Gas Prices.....	23
Figure 8: Comparison of Export and Domestic Oil Prices.....	23
Figure 9: Alberta Dawn Price Differential vs. Alberta to Dawn Transportation Costs .	24
Figure 10: Average Cycle Time for Non-Hearing Facilities Applications (Section 58)..	25
Figure 11: Average Cycle Time for Electricity Export Applications.....	26
Figure 12: Post-hearing Survey Feedback from Participants 2001-2005.....	29
Figure 13: Overall Satisfaction with Process, Information and Interaction .....	30
Figure 14: Employee Satisfaction .....	34
Figure 15: Per Capita Cost of Regulation for Selected Regulators .....	35
Figure 16: Gap Analysis of Service Quality.....	39
Figure 17: Agreement/Importance Matrix.....	40
Figure 18: NEB Organizational Structure .....	52

## List of Tables

Table 1: NEB Responsibilities .....	5
Table 2: Resources Used.....	8
Table 3: Safety Performance Indicators for COGO Act Regulated Companies.....	11
Table 4: Major Releases to the Environment During Operation.....	18
Table 5: Cycle Times and Service Standards.....	25
Table 6: Comparison of Planned to Actual Spending.....	46
Table 7: Summary of Voted Appropriation .....	46
Table 8: Net Cost of Department .....	46
Table 9: Sources of Non-Respendable Revenue.....	47

## Section I: Overview

### 1.1 Chairman's Message

It is my pleasure to present the National Energy Board's (NEB or Board) *Performance Report* for the period ending March 31, 2005.

The NEB's main responsibilities are the regulation of interprovincial and international natural gas, oil and commodity pipelines, international electric power lines and energy exports. In addition we monitor and report to the government and the public on the functioning of energy markets. We also regulate the safety, environmental and conservation aspects of energy exploration and development on federal lands in the North and offshore areas where there are no specific accords or agreements with a province or a territory.

Over the past few years we have developed a performance framework that is consistent with the premise for reporting described in *Canada's Performance 2003*. Our report is organized according to our five corporate goals, which indicate the outcomes we are focused on achieving. Our strategies and major actions are designed to move us toward these goals, and we have developed performance measures in order to monitor our progress.

Our first goal relates to the safety and security of NEB-regulated facilities. The Board plays a significant role in safety by ensuring that a regulatory framework which encourages companies to maintain or improve their performance is in place and in line with public expectations. The Board has set a target of zero ruptures per year on our regulated pipelines and this was met in 2004. The Board continues to study ruptures and their causes with an eye toward determining where regulatory interventions could improve safety. While we do not have a target for pipeline incidents, we are pleased to report that the total incidents remain within the same range as the previous four years. A landowner survey conducted in 2004 showed that the majority of landowners feel safe living and working near NEB-regulated pipelines.

Our second goal relates to the protection of the environment and respecting the rights of those affected by the activities of regulated companies. The Board has continued to track environmental conditions attached to facility approvals for effectiveness. In 2004-2005, 95 percent of the conditions for which a result was available had attained their desired end result. A landowner complaint process was developed to provide a consistent and timely process for resolution of landowner complaints.

Our third goal provides for Canadians to derive the benefits of economic efficiency. Economic efficiency requires that energy and transportation markets are working well. With respect to the hydrocarbon transportation system, the Board's assessment indicates that there was adequate capacity to deliver energy to Canadians and export markets; shippers were generally satisfied with the services they received; and the pipelines were financially sound. Taken together, these measures indicate that the transportation sector performed well for Canadians. A second performance indicator under this goal is that

prices paid for natural gas in the domestic market are at least as favourable as those available to the export market. This was the case during the reporting period.

In 2004-2005, a number of oral hearings held by the Board focused on the cost of service and cost of capital matters. The Board's decisions in these areas have provided clarity and enable industry to move forward.

In keeping with our monitoring activities, the Board released six in-depth reports on energy supply and demand in Canada in 2004-2005. The report on the British Columbia natural gas market and natural gas prices indicates that the B.C. market is functioning well and that market participants are responding as expected. The Board released *Canada's Oil Sands: Opportunities and Challenges to 2015*, which outlines the potential oil resources in the oil sands and discusses the major issues that could impact the development of those resources in the years to come. The Board also worked with the Alberta Energy and Utilities Board to produce *Alberta's Ultimate Potential for Conventional Natural Gas*, the first joint study undertaken with a provincial regulator.

Our fourth goal supports the NEB in meeting the evolving needs of the public to engage in Board matters. Over the past year, the Board actively engaged Canadians through processes such as the development of regulations, Energy Market Assessment reports, public information sessions and public hearings. The Board also enhanced its Aboriginal engagement efforts through internal capacity building and tools with respect to Aboriginal culture and engagement practices.

The NEB's fifth goal is focused on management accountabilities and workplace excellence to achieve results. In 2004-2005, the NEB undertook a number of initiatives to support continual improvement, including an ISO-based management framework; the integration of business and human resource plans; a refined competency framework; and a new performance evaluation process. All of these initiatives support the Government of Canada's emphasis on *Results for Canadians*, and the Board's ongoing focus on improving efficiency and effectiveness.

The Board's commitment to efficient and effective regulation and security continues and crosses all of its goals. Regulatory clarity has been improved over the past year, particularly in the areas of communication and process clarity. Specific examples include the development and implementation of a consolidated Filing Manual and an Environmental Screening Guidance Manual; the development of the Environmental Issues Briefing Tool; and the completion of the Federal Authority Participant Role to support federal authorities in meeting their *Canadian Environmental Assessment Act* responsibilities.

In conclusion, I believe that we continue to progress in achieving our goals and providing significant value to Canadians. We are committed to monitoring our progress and continually improving our program delivery for the benefit of Canadians.

Kenneth W. Vollman

## Management Representation Statement

I submit, for tabling in Parliament, the *2004-2005 Departmental Performance Report (DPR)* for the

### **NATIONAL ENERGY BOARD**

This document has been prepared based on the reporting principles contained in the Treasury Board of Canada Secretariat's *Guide for the Preparation of 2004-2005 Departmental Performance Reports* and, to the best of my knowledge,

- adheres to the specific reporting requirements;
- uses an approved Business Lines structure;
- presents consistent, comprehensive, balanced and accurate information;
- provides a basis of accountability for the results pursued or achieved with the resources and authorities entrusted to it; and
- reports finances based on approved numbers from the Estimates and the Public Accounts of Canada.

Name: \_\_\_\_\_  
Kenneth W. Vollman

Title: Chairman \_\_\_\_\_

Date: \_\_\_\_\_

## 1.2 Summary Information

### 1.2.1 Raison d'être

**The National Energy Board's corporate purpose is to promote safety, environmental protection and economic efficiency in the Canadian public interest<sup>1</sup> within the mandate set by Parliament in the regulation of pipelines, energy development and trade.**

**The National Energy Board's vision is to be a respected leader in safety, environmental and economic regulation.**

### 1.2.2 Mandate and Regulatory Context

The National Energy Board (NEB or Board) is an independent regulatory tribunal established in 1959. It reports to Parliament through the Minister of Natural Resources. The Board is a court of record and has the powers of a superior court with regard to compelling attendance at hearings, the examination of witnesses under oath, the production and inspection of documents, and the enforcement of its orders. The Board's regulatory decisions and the reasons for them are issued as public documents.

The main functions of the NEB are established in the *National Energy Board Act* (NEB Act). These include the regulation of interprovincial and international natural gas, oil and commodity pipelines, international and designated interprovincial electric power lines, exports of oil, natural gas and electricity and imports of oil and gas. The Board has additional regulatory responsibilities under the *Canada Oil and Gas Operations Act* (COGO Act) and under certain provisions of the *Canada Petroleum Resources Act* (CPR Act) for oil and gas exploration and activities on frontier lands not otherwise regulated under joint federal/provincial accords. The Board also has specific responsibilities under the *Northern Pipeline Act*.

The NEB's regulatory responsibilities for public safety and protection of the environment are set out in the NEB Act and the COGO Act. The NEB is required to meet the requirements of the *Canadian Environmental Assessment Act* (CEA Act) and the *Mackenzie Valley Resources Management Act*. In addition, NEB inspectors are appointed Health and Safety officers by the Minister of Labour to administer Part II of the *Canada Labour Code* as it applies to facilities regulated by the Board.

The Board's mandate includes the provision of expert technical advice to the Canada-Newfoundland and Labrador Offshore Petroleum Board (C-NLOPB), the Canada-Nova

---

1 The public interest is inclusive of all Canadians and refers to a balance of economic, environmental, and social interests that changes as society's values and preferences evolve over time. As a regulator, the NEB must estimate the overall public good a project may create and its potential negative aspects, weigh its various impacts, and make a decision.



Scotia Offshore Petroleum Board (C-NSOPB), Natural Resources Canada (NRCan) and Indian and Northern Affairs Canada (INAC). The Board may, on its own initiative, hold inquiries and conduct studies on specific energy matters as well as prepare reports for Parliament, the federal government and the general public. The NEB Act requires that the Board keep under review matters relating to all aspects of energy supply, production, development and trade that fall within the jurisdiction of the federal government. In addition, the Board provides advice and carries out studies and reports at the request of the Minister of Natural Resources.

In 2004, the NEB amended its vision statement to include the words *protect* and *enable*: *The NEB will be a respected leader in energy regulation that protects and enables in the Canadian public interest* (NEB Strategic Plan 2005-2008). This change provides clarification that the NEB will regulate in a way that prevents negative impacts of energy development while encouraging desirable outcomes in the interest of Canadians. The NEB promotes the safety and security, environmental protection and fair treatment of those affected. The Board strives to be a leader in energy regulation that generates benefits, responds in a timely manner to changing needs and enhances the conditions for competitiveness and innovation in Canada.

The NEB amended its corporate purpose statement in 2004-2005 in order to include the word *security* to reflect amendments being made to the NEB Act. On 6 May 2004, the *Public Safety Act, 2002* (Bill C-7) was proclaimed and received Royal Assent. An Order of the Governor General in Council fixed 20 April 2005 as the day on which the sections amending the NEB Act came into force. The amendments provide the NEB with a clear legislative authority for the security of pipelines and international power lines.

**Table 1: NEB Responsibilities**

Regulatory	Advisory
<p>To regulate, in the public interest, those areas of the oil, gas and electricity industries relating to:</p> <ul style="list-style-type: none"> <li>Construction and operation of pipelines;</li> <li>Construction and operation of international and designated interprovincial power lines;</li> <li>Transportation, tolls and tariffs of pipelines;</li> <li>Exports of oil, gas and electricity and imports of oil and gas;</li> <li>Oil and gas activities on frontier lands not subject to a federal/provincial accord.</li> </ul>	<p>To provide advice to the Minister of Natural Resources on the development and use of energy resources by:</p> <ul style="list-style-type: none"> <li>Monitoring the energy sector;</li> <li>Providing advice to the federal government;</li> <li>Issuing public reports.</li> </ul>

Additional information on the NEB’s background and operations may be found on the NEB Web site ([www.neb-one.gc.ca](http://www.neb-one.gc.ca)).

### **1.2.3 Operating Context**

Companies regulated by the NEB create wealth for Canadians through the transport of oil, natural gas and natural gas liquids (NGLs), and through the export of hydrocarbons and electricity. As a regulatory agency, the Board's role is to help create a framework that allows these economic activities to proceed in an efficient manner when they are in the public interest. Through its corporate goals, the NEB strives to ensure public safety, maximize economic benefits, protect the environment, and respect the rights of those affected by energy facilities and activities under the Board's jurisdiction.

#### ***Energy Overview***

In 2004, world energy prices increased significantly and Canadian energy markets were characterized by notable adjustments in the balances between energy demand and supply. For example, in spite of a record number of natural gas wells drilled in a year, there was only a slight increase in production from the Western Canadian Sedimentary Basin. Crude oil markets in Canada saw the continuing expansion of production from the East Coast and the oil sands.

The increase in oil sands production has strained the existing oil pipeline systems and several expansion proposals are being considered. In electricity markets, reserve margins have declined in some regions increasing the need for new electricity sources and highlighting reliability concerns.

The resulting effect has been high and volatile energy prices and a search by industry for new sources of energy supplies including natural gas from frontier areas, the development of unconventional natural gas sources, LNG, an increased number of oil sands projects and the rapid development of wind-generated electricity projects. Much of the Board's work in 2004-2005 focused on monitoring, preparing for and responding to these changes.

#### ***Smart Regulation***

The 2004 Speech from the Throne renewed the 2002 federal government commitment to efficient and effective regulation as a key strategy in maintaining a Canadian advantage in a globally competitive world. An External Advisory Committee on Smart Regulation examined Canada's regulatory framework and produced a report recommending changes in Canadian regulatory strategy given the rapid pace of commerce, increasing complexity of policy issues, globalization and rising public expectations. In 2004-2005, the NEB continued several initiatives consistent with the Smart Regulation strategy. These initiatives are designed to focus resources on issues that matter most to our stakeholders, provide consistent regulatory approaches, clarify timelines and reduce cycle times, cooperate with other regulatory agencies in the interest of streamlining project assessment, and provide clarity to project applicants. Specifically, the Board focused its efforts on providing efficient and effective regulation by:

- advancing the use of goal-oriented regulation;

- processing applications in an efficient and timely manner, while diligently fulfilling its responsibilities to protect the public interest;
- involving Canadians in numerous forums regarding regulatory development and energy markets;
- reviewing its processes, engaging in dialogue with stakeholders, clarifying expectations, implementing new approaches, and preparing for major applications; and
- negotiating with other agencies to ensure that regulatory processes are harmonized to minimize duplication.

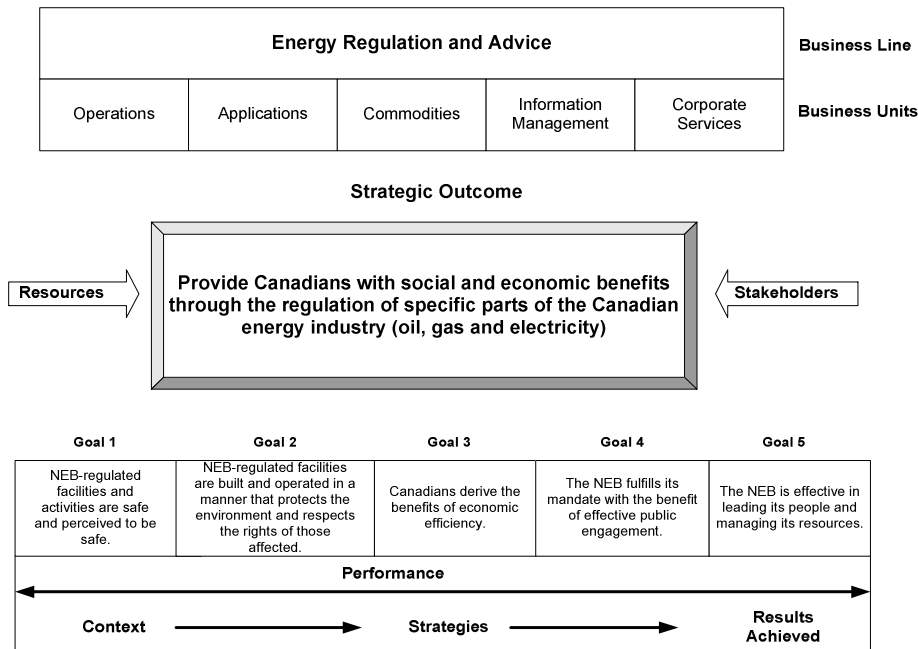
### 1.2.4 Results Framework

The NEB Results Framework is based on five Business Units contributing to the realization of one strategic outcome.

**The National Energy Board’s strategic outcome is to provide Canadians with social and economic benefits through the regulation of specific parts of the Canadian energy industry (oil, gas and electricity).**

This outcome is the result of all of the ongoing activities of the NEB. In support of the strategic outcome, the NEB has developed five strategic goals. The strategies, measures and major actions for each goal, as outlined in the *Report on Plans and Priorities 2004-2005* (RPP), represent the focus on performance reporting at the NEB. The results framework is depicted as follows:

**Figure 1: Managing for Results Framework**



## 1.2.5 Agency Spending

The National Energy Board program constitutes one business line, Energy Regulation and Advice, focused on realizing a single strategic outcome. The resources used to achieve this outcome for fiscal year 2004-2005 are summarized below; approximately 90% of this is cost-recovered from regulated companies.

**Table 2: Resources Used**

National Energy Board 2004-2005		
Planned Spending	\$35.8 million	300.6 FTEs <sup>2</sup>
Total Authorities	\$39.0 million	--
2004-2005 Actual	\$38.1 million	299.6 FTEs

## 1.2.6 Performance Against RPP Commitments

Strategic Outcome	Priorities	Associated Resources (\$ millions)	Key Results	Further information
Provide Canadians with social and economic benefits through the regulation of specific parts of the Canadian energy industry (oil, gas and electricity).	Goal 1 – NEB- regulated facilities and activities are safe and perceived to be safe.	6.1	Number of pipeline ruptures: 0 Number of pipeline incidents: 52 Number of fatalities: 0 Landowner survey results (May 2004): Majority of landowners feel safe living and working near pipelines	Section 2.1
	Goal 2 – NEB-regulated facilities are built and operated in a manner that protects the environment and respects the rights of those affected.	4.9	Environmental conditions that achieved their desired end results: 95% Number of major liquid hydrocarbon releases into the environment: 1 release (into secondary containment at plant)	Section 2.2
	Goal 3 – Canadians derive the benefits of economic efficiency.	9.5	Evidence that Canadian energy and transportation markets are working well Average cycle time for non-hearing facilities applications: 38 days (down from 62 in previous year)	Section 2.3
	Goal 4 – The NEB fulfills its mandate with the benefit of effective public engagement.	2.2	Level of stakeholder satisfaction with process, information and interaction with the NEB: approximately 80%	Section 2.4
	Goal 5 – The NEB is effective in leading its people and managing its resources.	15.4	Employee satisfaction: 88% Per capita cost of regulation: \$1.07 per year	Section 2.5

## 1.2.7 Parliamentary Committee Recommendations

There were no parliamentary committee reports issued concerning the NEB during the reporting period.

2 FTE = Full-time equivalents.

## Section II: Performance Discussion

In this section, the outcomes and performance results from the strategies and major actions implemented in 2004-2005 as described in the *Report on Plans and Priorities 2004-2005* (RPP) are discussed.

### 2.1 Goal 1

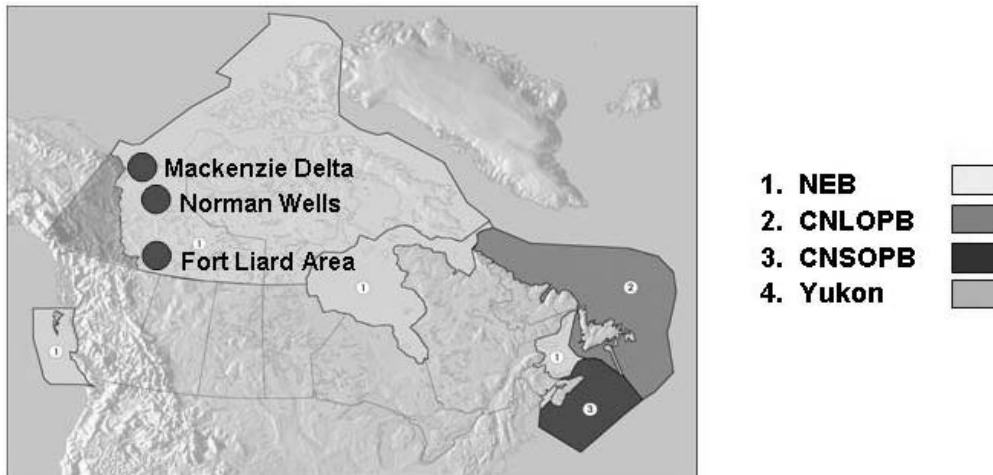
**NEB-regulated facilities and activities are safe  
and perceived to be safe.**

#### 2.1.1 Context

The NEB regulates the safety of international and interprovincial pipelines and international and designated interprovincial power lines under the NEB Act. The Board also regulates facilities and drilling operations in non-accord frontier areas under the COGO Act.

Under the NEB Act, the Board regulates approximately 45,000 kilometres of pipelines, most of which are high pressure large diameter, for the transportation of oil and gas. The Board also regulates a small number of interprovincial and international commodity pipelines. Facilities and activities under the COGO Act include Imperial Oil's Norman Wells production facilities, recent production facilities in the Fort Liard area of the Northwest Territories, and exploration activities in the Mackenzie Delta Region (Figure 2).

**Figure 2: Canadian Frontier Areas (COGO Act)**



The NEB plays a significant role in the safety of regulated facilities by ensuring that the regulatory framework encourages companies to maintain and improve their performance and that it is consistent with public expectations. The NEB verifies that the risks

associated with the construction and operation of regulated facilities are assessed and managed by pipeline companies. The NEB does this by:

- Developing regulations and guidelines for the safety, security and protection of people, property and the environment;
- Assessing applications from an engineering and safety perspective;
- Ensuring plans are in place for implementation of appropriate mitigation measures before granting project approval;
- Monitoring construction and operation through inspections and audits to verify that regulatory requirements, as well as other standards identified through the application process, have been met and will continue to be met;
- Assessing safety practices and procedures under the NEB mandate as well as through the *Canada Labour Code* on behalf of Human Resources and Skills Development Canada;
- Investigating failures or incidents, with the intent of preventing similar occurrences;
- Meeting with regulated companies to review and assess the adequacy of their integrity management programs;
- Issuing safety advisories; and
- Where necessary, conducting inquiries or formal investigations into safety and security incidents.

The combined efforts of the NEB, industry and other stakeholders, within this regulatory framework, have resulted in heightened safety awareness, including no pipeline ruptures since 2002.

### **2.1.2 Strategies**

The NEB identified four strategies for Goal 1 in its 2004-2005 RPP:

- Reinforce goal-oriented regulation to improve industry's ownership of safety performance and system security.
- Provide public information on safety performance.
- Influence the development of safety related codes and standards.
- Pursue opportunities for coordination and partnerships.

### **2.1.3 Plans and Priorities**

For Goal 1, the NEB has three key performance measures to ensure that NEB-regulated facilities are safe. They are:

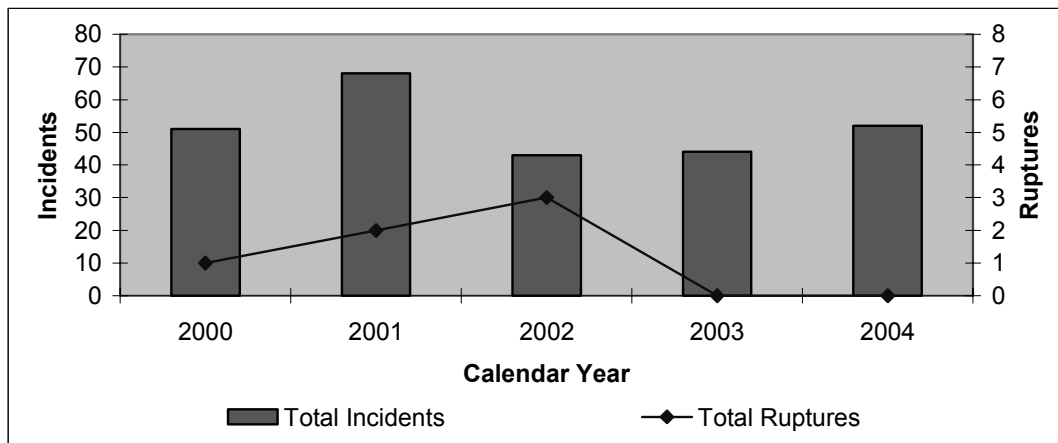
- Number of pipeline ruptures and incidents per year.

- Number of fatalities per year.
- Public perception of pipeline safety.

***Number of pipeline ruptures and incidents per year***

In 2004, the number of incidents reported under the NEB Act pursuant to section 52 of the *Onshore Pipeline Regulations, 1999*, and section 46 of the *Processing Plant Regulations* increased slightly but remained within the same range as the previous four years (Figure 3). No ruptures and no fatalities occurred during 2004. The last rupture on an NEB-regulated pipeline occurred in 2002. For activity covered by the NEB Act and its regulations, no fatalities have occurred since 1997.

**Figure 3: Pipeline Ruptures and Incidents, 2000-2004**



In 2004, total hazardous occurrences in frontier areas, as defined under section 16.4 of the *Oil and Gas Occupational Safety and Health Regulations* under the *Canada Labour Code (CLC) Part II* decreased from 45 in 2003 to 37 in 2004 (Table 3). The major reduction was reflected by reportable spills which decreased from 42 to 33 over the same time period. There were three disabling injuries in 2004, as in 2003; however, when compared to 2003, this translated into a slight increase in frequency (from 2.0 in 2003 to 2.3 in 2004), likely due to a slight decrease in activity. For activity covered under the COGO Act and the CLC, and related regulations, no fatalities occurred during 2004.

**Table 3: Safety Performance Indicators for COGO Act Regulated Companies**

Indicators	2002	2003	2004
COGO Act Worker disabling injury rate (Lost Time Injury/10 <sup>6</sup> hours worked)	2.8	2.0	2.3
COGO Act Hazardous Occurrences	45	45	37
Fatalities	1	0	0

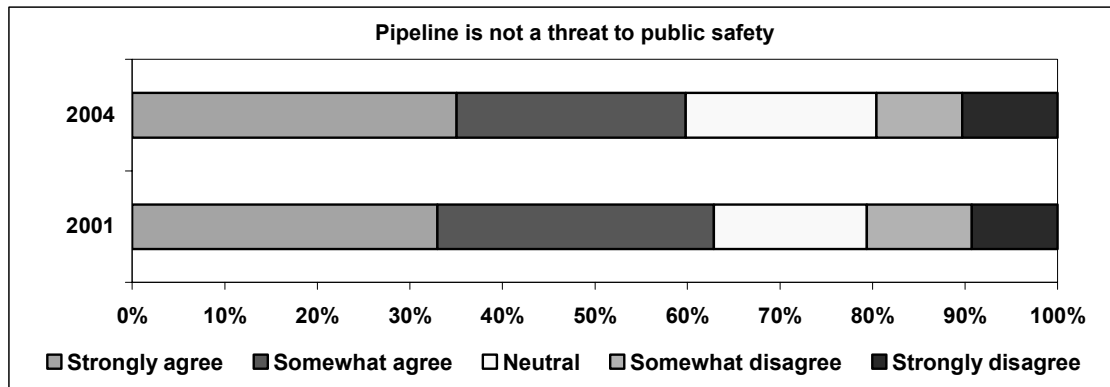
### *Number of fatalities per year*

There were zero fatalities in 2004 as indicated above.

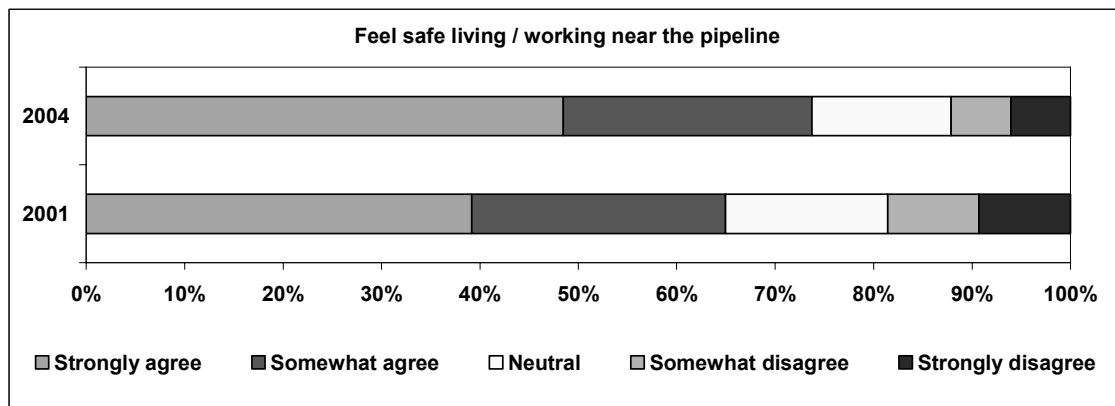
### *Public perception of pipeline safety*

During 2004-2005, the NEB contracted Environics Research Group, an independent public opinion research company, to conduct a survey of more than 1,100 landowners across Canada. The questions related to landowner perception of pipeline safety with the goal of providing data for this performance indicator. The survey results showed that landowners generally feel safe having a pipeline on their property, and have confidence in the company operating it. It also showed that most landowners also appear to be familiar with basic pipeline safety procedures and excavation requirements (survey results summarized in section 2.4). A trend analysis indicated that landowners feel safer in 2004 than they did in the 2001 survey conducted by the NEB (Figure 4 and Figure 5).<sup>3</sup>

**Figure 4: Landowner Survey: Perception of Safety**



**Figure 5: Landowner Survey: Proximity to Pipelines**



<sup>3</sup> N.B. The Environics Research Group noted to the NEB that while the results of the 2004 and 2001 surveys are generally comparable, the composition of the sample and the way in which the questions were asked were not strictly the same.



#### **2.1.4 Program and Results on Major Actions of 2004-2005**

The NEB identified five major actions for Goal 1 in its 2004-2005 RPP. These major actions and their results are discussed below.

##### **1. Actively promote a broader understanding of goal-oriented regulation, within and beyond the NEB, based on results from the effectiveness evaluation.**

In 2004, the NEB retained Matrix Solutions Inc. to conduct an evaluation of the effectiveness of goal-oriented regulation and its implementation. This evaluation was conducted primarily through interviews with industry, stakeholders and NEB staff and Board Members. The evaluation focused primarily on the NEB's first goal-oriented regulation, the *Onshore Pipeline Regulations, 1999* (OPR-99). The findings can be used as guidance in the NEB's efforts to create more goal-oriented regulations in the future.

The report made 14 recommendations to the NEB for specific actions; progress in these areas is described below.

In response to recommendations regarding the effective use of compliance tools, an Integrated Compliance project was undertaken to bring together information about the effectiveness of the NEB's compliance tools (audits, inspections, etc.) and about company compliance and incident performance. The results of this initiative will allow the NEB to apply its compliance tools where they can be most effective. Compliance performance information can also be used in the evaluation of new project applications to guide the scrutiny of historical problem areas.

The Audit Program has been underway for a number of years, evaluating company systems against the requirements of the OPR-99. In 2004-2005, the Audit Program was reviewed and set up along ISO 9001 principles as a pilot in the NEB's Quality Management System project. A rigorous procedure for OPR audits now exists with job models, training requirements and performance measures. These steps have responded to issues with the way audits were being completed that arose in the effectiveness evaluation.

A review of OPR-99 was initiated to address specific recommendations made in the effectiveness evaluation. This project will deliver a revised draft of the Onshore Pipeline Regulations for public comment in 2005. One recommendation, to set up a tracking system for issues identified with regulation for future action, has not been acted upon, due to insufficient resources during the year.

The NEB also communicated the concept of goal-oriented regulation through public consultation on other regulatory renewal projects. A number of meetings and workshops were held to develop the Submerged Pipeline Regulations, a new goal-oriented regulation being drafted under the NEB Act. During these meetings, stakeholders interested in pipelines in marine environments had the opportunity to have goal-oriented regulation explained to them and discussed how the concept would apply in that specific context. The NEB also hosted staff from Canada's two offshore petroleum boards, several

provinces, and Natural Resources Canada at a workshop to discuss the future of frontier and offshore regulations. As an outcome of workshop discussions, participants agreed to work together to make the framework of regulations that governs petroleum activities in frontier and offshore areas in Canada goal-oriented. The purpose is to ensure safety and harmonize regulatory approaches.

## **2. Complete a review of and adopt safety and security leading indicators.**

During 2004-2005, the NEB began a number of major projects aimed at improving the quality of incident reporting and the development of meaningful performance indicators in the area of pipeline integrity/security/safety (projects will be finalized in 2005-2006).

In March 2005, the NEB published a report entitled *Focus on Safety and Environment – A Comparative Analysis of Pipeline Performance*. This report on the safety and environmental performance of pipeline companies regulated by the NEB has been published annually since 2003. In 2005, the report was significantly revised to reflect the three key performance areas of integrity, safety and environmental protection. During 2005-2006, the NEB intends to further refine the report and to include new indicators reflecting the effectiveness of integrity management programs.

The development of the NEB's program for the oversight of regulated companies' security management programs will continue through 2005-2006. The development of security performance indicators has been delayed until further development of the program has been completed and industry consulted.

## **3. Integrate security into ongoing operations and programs.**

On 6 May 2004, the *Public Safety Act*, 2002 (Bill C-7) was proclaimed and received Royal Assent. An Order of the Governor General in Council fixed 20 April 2005 as the day on which the sections amending the NEB Act came into force. The amendments provide the NEB with a clear legislative authority for the security of pipelines and international power lines.

The NEB proceeded with work under this mandate, and completed Pipeline Security Management Assessments (PSMAs) on ten Group 1 companies and two Group 2 companies between June 2004 and March 2005. The focus of these PSMAs was:

- to gain an understanding of how NEB-regulated industry is presently managing pipeline security;
- to identify industry common practices and best practices;
- to identify security related issues that may be common to regulated companies; and
- to assist the NEB in the development and implementation of a program (including regulations) to regulate security management.

NEB staff are presently developing an approach for the NEB to regulate security management based on the PSMAs, feedback received from industry and interface with

other agencies. Integration of an approach for security management into existing NEB operations and programs is ongoing and is expected to take several planning cycles.

**4. Build staff capability in pipeline integrity, northern energy development and offshore safety and security.**

A staffing plan was developed with a focus on resourcing in order to meet the NEB’s projected requirements in northern energy developments.

This major action has involved the development of a structured secondment program, in-house training, external course attendance and the active involvement of staff in learning circles. Through development dialogues, three individuals were identified as having an interest in being seconded to external organizations, including other regulators and pipeline operating companies, to obtain on the job experience in clearly specified areas of pipeline integrity assessment. One such assignment was completed in October 2004.

The NEB has undertaken the development of a detailed program for providing the regulatory oversight of integrity management programs within the pipeline industry. This program will fit within the NEB’s evolving quality management system. It establishes the necessary resources for the NEB to carry out its mandate regarding integrity management.

**5. Monitor, influence and report on research and development technology advancements.**

NEB staff provided a report to Board Members in March 2005 summarizing current research and emerging technologies. In addition, staff continue to participate actively on the various committees responsible for the maintenance of the Canadian pipeline standard CSA Z662 – Oil and Gas Pipeline Systems. Staff are also active within numerous other standards organizations including the International Organization for Standardization, and the American Society of Mechanical Engineers.

In 2004-2005, the NEB undertook the development of a Memorandum of Understanding with the U.S. Pipelines and Hazardous Materials Safety Administration (PHMSA) which provides for research collaboration in the interests of both agencies. NEB staff are actively involved in the various research forums administered by the PHMSA.

Staff keep abreast of current technology by participating in external research seminars, workshops and conferences, particularly the International Pipeline Conference. Participation has taken the form of paper presentations and peer reviews as well as conference organization.

Planned Spending (\$ millions)	2004-2005 Actual (\$ millions)
5.3	6.1

## 2.2 Goal 2

**NEB-regulated facilities are built and operated in a manner that protects the environment and respects the rights of those affected.**

### 2.2.1 Context

The Board is committed to protecting the environment and respecting the rights of those affected by the construction, operation, maintenance and decommissioning of facilities it regulates. The NEB strives to achieve this goal by conducting environmental, socio-economic and lands assessments of applied-for projects; inspecting and monitoring construction activities; auditing environmental protection programs; ensuring regulated companies consult with landowners, tenants and affected parties regarding proposed facilities; and through considering all project phases (the *project lifecycle*) in assessment and compliance.

As part of its Goal 2 commitments, the NEB continually aims to improve the effectiveness, efficiency and transparency of its own processes to meet the needs and expectations of Canadians.

### 2.2.2 Strategies

The NEB identified four strategies for Goal 2 in its 2004-2005 RPP:

- Reinforce goal-oriented regulation to improve industry's ownership of environmental performance.
- Apply risk management techniques, improved tools and more efficient processes to environmental assessments.
- Anticipate and prepare for emerging environmental issues and upcoming applications.
- Promote coordination and partnerships.

### 2.2.3 Plans and Priorities

The NEB continues to use two key performance measures to ensure that NEB-regulated facilities are built and operated in a manner that protects the environment. They are:

- Percent of environmental conditions placed on NEB facility approvals that achieve their desired end results (DER).
- Number of major liquid hydrocarbon releases into the environment per year.

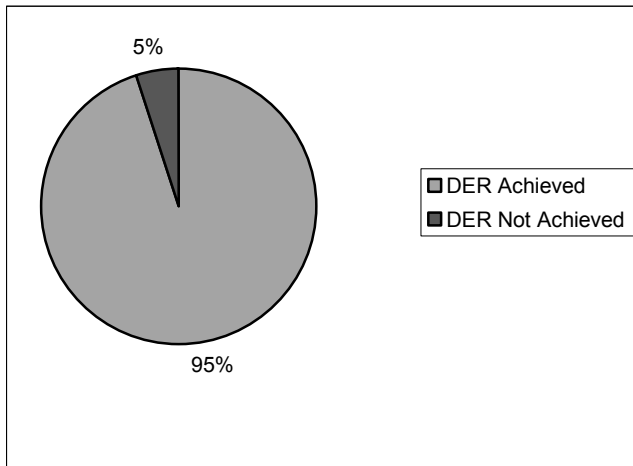
***Percent of environmental conditions placed on NEB facility approvals that achieve their desired end results (DER)***

Environmental conditions are attached to project approvals to address specific environmental issues associated with a project. Each condition attached to an Order or Certificate has a defined DER. Once condition compliance is confirmed, the NEB assesses the effectiveness of environmental conditions by evaluating achievement of the DER. Achievement of the DER is confirmed through NEB inspections and project monitoring. Measuring the DER effectiveness of environmental conditions allows the NEB to improve the clarity and effectiveness of the conditions it places on facility approvals.

In 2004-2005, NEB staff confirmed that 130 conditions were effective in promoting environmental protection. This is 95 percent of all the conditions confirmed in that period (Figure 6).

The percentage of environmental conditions not achieving their DER has remained historically between about five to ten percent. Where possible, conditions that are not effective and do not resolve outstanding issues with the company are tracked. Ineffective conditions are flagged so they can be clarified before being used on future applications.

**Figure 6: Achievement of Desired End Results for Environmental Conditions**



***Number of major liquid hydrocarbon releases into the environment per year***

Major releases are defined as unintended or uncontained releases exceeding 100 m<sup>3</sup> of liquid hydrocarbon. The number of major releases of liquid hydrocarbon to the environment is a key indicator of the success of operating facilities regulated by the NEB. The desired target is that NEB-regulated facilities operating under approved conditions and permits should have no major releases to the air, land or water. There was one major release by NEB-regulated companies in 2004-2005 (Table 4). This release was contained within the secondary containment of the plant.

**Table 4: Major Releases to the Environment During Operation**

Calendar Year	Major Release
1998	0
1999	3
2000	0
2001	1
2002	1
2003	0
2004	0
2005 (to 31 March)	1

#### **2.2.4 Program and Results on Major Actions of 2004-2005**

In its 2004-2005 RPP, the NEB identified five major actions to help deliver Goal 2 strategies. These major actions, along with an additional major action (landowner complaint resolution process), and their results are discussed below.

##### **1. Implement process changes arising from amendments to the *Canadian Environmental Assessment Act (CEA Act)* and the new *Species at Risk Act (SARA)*.**

In the fall of 2004, several NEB staff took training on the online CEA Registry (Registry) from the Canadian Environmental Assessment Agency (CEA Agency) and now have the ability to input data into the Registry. In addition, templates and guidance material have been developed to ensure that NEB environmental specialists know the information requirements and obligations of the Registry.

Also in 2004, the NEB developed an internal *Guide to the NEB Comprehensive Study Process*. The purpose of the Guide is to provide NEB staff with the guidance necessary to effectively and efficiently coordinate an approach to the comprehensive study process under the CEA Act.

In December 2004, after discussions with the CEA Agency, the NEB asked the Minister of the Environment to support a substitution agreement between the NEB and the CEA Agency<sup>4</sup>. The Minister declined, anticipating that more efficiency and procedural certainty would be brought to the federal environmental assessment process through "consolidation of federal environmental assessment", as outlined in the October 2004 Speech from the Throne. The NEB remains fully committed to continuous improvement

---

4 Under the CEA Act, the Minister of the Environment can substitute a hearing by the NEB for a CEA Act review panel or joint review panel process. Substitution was endorsed by the External Advisory Committee on Smart Regulation as a viable means to provide clearer communication and increased certainty of the entire regulatory review process, including the environmental assessment component.

of its regulatory processes, and looks forward to working with the CEA Agency as it leads the reform and consolidation of the federal environmental assessment process.

In 2004-2005, the NEB developed policies and procedures to ensure the NEB is in compliance with the SARA. For those applications to which SARA applies, a decision making framework was developed and endorsed by the Board. NEB staff were advised on the application of those policies and procedures.

As a result of these activities, the NEB has successfully implemented process changes in response to amendments to the CEA Act and SARA.

## **2. Implement the revised NEB *Filing Manual*, environmental screening template and environmental issues briefing tool.**

### ***NEB Filing Manual***

In April 2004, the NEB released the *Filing Manual* to provide guidance to companies preparing applications to the Board. It sets out the filing requirements for applications to the Board, including but not limited to the requirements for environmental, socio-economic and lands assessments. Industry, Aboriginal groups, government and non-government organizations were involved in the development of the *Filing Manual*, and the NEB arranged training in 2004 to help users become familiar with the document and the requirements and guidance that it contains.

Late in 2004, two new filing manual projects were initiated by the NEB to communicate its information requirements and expectations regarding electricity applications under the NEB Act and environmental matters for exploration and production applications under the COGO Act. The projects involve adaptation of the NEB *Filing Manual* to address the specific requirements of electricity and COGO Act applications.

### ***Environmental Screening Template***

The environmental screening template is an internal, up-to-date tool used to provide a consistent, high quality and transparent approach to environmental screenings under the CEA Act. In 2004-2005, it was updated to reflect the new filing manual and changes to the CEA Act.

### ***Environmental Issues Briefing Tool***

The Environmental Issues Briefing (EIB) tool was created in 2003 as a way to identify focus issues using risk-oriented language. The NEB expects to use the tool in upcoming major projects and is developing consistent definitions for risk terms such as consequence and probability.

As a result of all of these efforts, the successful implementation of the revised NEB *Filing Manual* and screening template occurred in 2004-2005. Although the EIB tool has yet to be applied, it has been piloted and is ready for use when it is required.

**3. Identify key stakeholders in NEB environmental assessments, and measurably improve business relationships to enhance process efficiency and effectiveness.**

In 2004-2005, the NEB identified two key stakeholders in relation to Goal 2 – environmental non-government organizations (ENGOS) and federal government departments. Initiatives in the reported fiscal year resulted in improved business relationships to enhance process efficiency and effectiveness.

***ENGO Engagement Initiative***

The ENGO Engagement Initiative was undertaken to identify ENGOS that may have an interest in NEB regulatory activity and to find out if, and how, they wish to be engaged by the NEB in the future. Project outcomes include a database of Canadian ENGO groups with an interest in the energy industry or NEB hearing involvement, and the development and delivery of a presentation about the NEB's role and responsibilities to participants in two ENGO hosted northern oil and gas development courses in Calgary.

***Federal Authority Initiative***

In 2004-2005, development of the Federal Authority (FA) Initiative continued. Launched in 2003, the FA Initiative is expected to facilitate improved coordination and working relationships with other federal departments involved in environmental assessments carried out within NEB processes. The NEB has been using the results of the initiative to identify ways to improve coordination and communication with FAs and facilitate their involvement in Board processes.

One action for improvement that is being undertaken is a new Federal Government Participant (FGP) role for FAs within the NEB hearing process. The intention is to support all FAs in meeting their respective CEA Act responsibilities, while protecting the integrity of the NEB process. The FGP role would work in tandem with the Federal Environmental Assessment Coordinator role to improve FA understanding of, and participation in, NEB hearings. In addition to the new FGP role, FAs will still have the letter of comment, oral statement (if provided for in the Hearing Order), and full intervention as participation options available to them.

**4. Scan, evaluate and report on environmental drivers and emerging environmental issues.**

The NEB wants to understand emerging technical and regulatory issues, so that the NEB's regulatory efforts are proactive, strategic and efficient. In 2004, an internal web-based *issue tracker* framework was piloted to engage NEB specialists in monitoring, analyzing, sharing and retaining knowledge on selected environmental, socio-economic and lands topics relevant to NEB planning.

Reporting on environmental and socio-economic drivers and issues will occur in two ways. First, all briefing notes derived from issue tracking and analysis will be available on the internal web system issue tracker tool. Second, the Environment Professional



Leader will ensure that information of significant strategic importance to the NEB is brought to the attention of Board Members and the executive in a timely manner.

If effective and efficient, the framework may be broadened to include other themes, including safety, engineering and economics.

**5. Identify and evaluate options to achieve goal-oriented outcomes in application assessments.**

In 2004-2005, staff documented all processes and procedures under the NEB’s Quality Management System (QMS). The implementation of QMS in the NEB’s applications processes will assist in setting objectives, measuring and reporting results, reviewing effectiveness and continual improvement.

The NEB’s applications process will be part of the Integrated Compliance process (see section 2.1) which will ensure that information gathered during compliance audits and inspections is available to staff evaluating new applications. Further, information from the application stage will feed into the process and will be available to compliance staff.

Both the Quality Management System and the Integrated Compliance project will provide the data (e.g. measures and compliance information) that will help staff make progress toward goal-oriented outcomes in application assessments.

**6. Landowner Complaint Resolution Process.**

Since 1999, the NEB has been systematically tracking landowner complaints and their resolution. Statistics from this initiative have been included in past DPRs as a mid-level environmental performance indicator. In 2004-2005, in response to external stakeholder needs and federal government service standard requirements, the landowner complaints process was evaluated, and a number of improvements were undertaken. The resulting Landowner Complaint Resolution Program provides a consistent and timely process for resolution of landowner complaints. This program includes documented procedures, a process flowchart, continued complaints tracking, templated correspondence, service standards, an external stakeholder survey and the framework for measuring and improving all aspects of this program, including the NEB’s service standards (see section 2.4).

Planned Spending (\$ millions)	2004-2005 Actual (\$ millions)
4.3	4.9

## **2.3 Goal 3**

**Canadians derive the benefits of economic efficiency.**

### **2.3.1 Context**

The Board influences economic efficiency through its regulatory decisions related to pipeline tolls and tariffs, and energy imports and exports, by providing energy market information and by improving the efficiency of its regulatory processes.

The NEB is responsible for approving natural gas, natural gas liquids, oil and electricity exports. The basis of the Board's approach for the authorization of exports is to ensure that Canadians have access to Canadian-produced natural gas, natural gas liquids, oil and electricity on terms and conditions at least as favourable as those available to export buyers. To achieve this outcome, the NEB undertakes extensive monitoring and reporting of market conditions. The Board promotes properly functioning markets, and seeks to verify that markets are responding to market signals consistent with the fundamentals of supply and demand. The Board also informs the public about energy market trends on an ongoing basis. Providing and interpreting energy market information contributes to the efficient operation of energy markets, and thus, helps the Board achieve this goal. Finally, in the context of the NEB's operations, economic efficiency embodies regulatory efficiency. This includes reducing regulatory barriers, streamlining regulatory processes and effectively coordinating these processes with other agencies, when appropriate, and striving to minimize costs incurred by parties.

### **2.3.2 Strategies**

The NEB identified three strategies for Goal 3 in its 2004-2005 RPP:

- Provide a clear, predictable and efficient regulatory process.
- Conduct market analyses and report publicly on energy markets.
- Anticipate and prepare for emerging issues and upcoming applications.

### **2.3.3 Plans and Priorities**

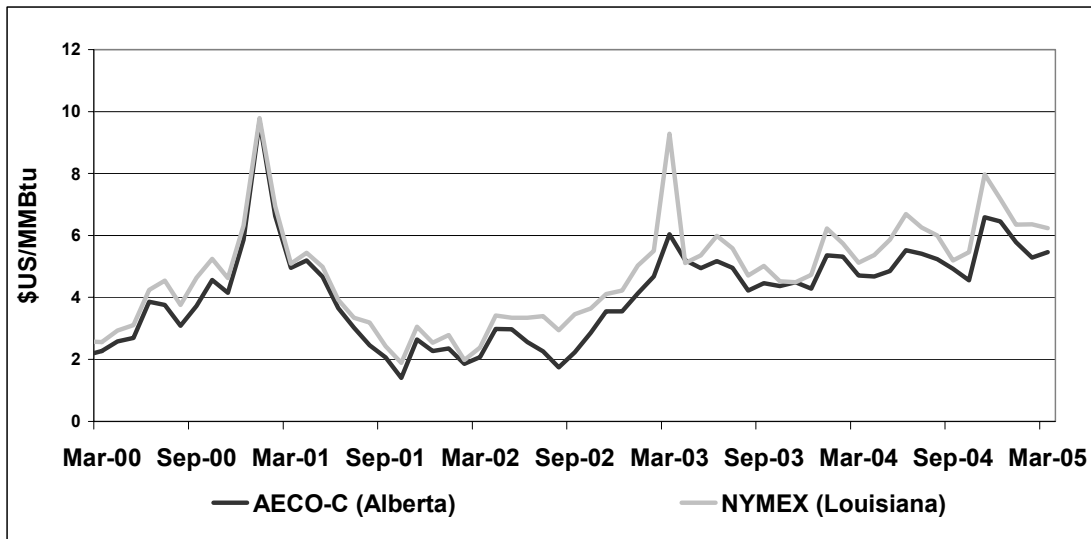
To gauge the success of the Goal 3 strategies and actions, the NEB used two key performance measures. They are:

- Evidence that Canadian energy and transportation markets are working well.
- Evidence that the Board's regulatory processes are efficient and effective.

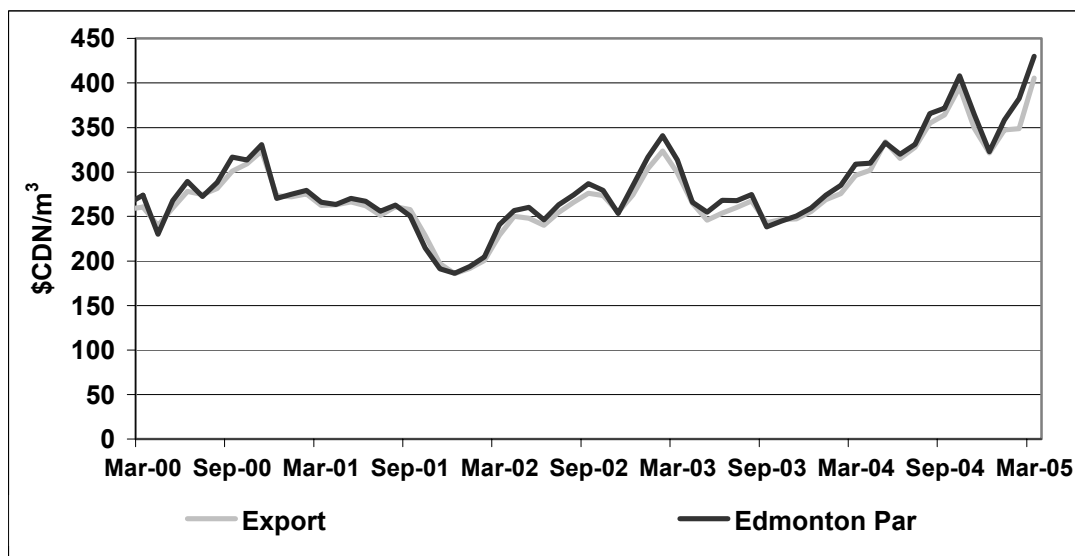
***Evidence that Canadian energy and transportation markets are working well***

A key indicator that energy and energy transportation markets are working well is that Canadians can obtain energy commodities on similar terms and conditions, including price, as export buyers. In the context of the North American market, this means that the price paid for gas or oil in the domestic market should be essentially the same as that sold into the export market. Price trends indicate that domestic and export prices have been tracking closely over the past six years (Figure 7 and Figure 8).

**Figure 7: Comparison of Export and Domestic Natural Gas Prices**



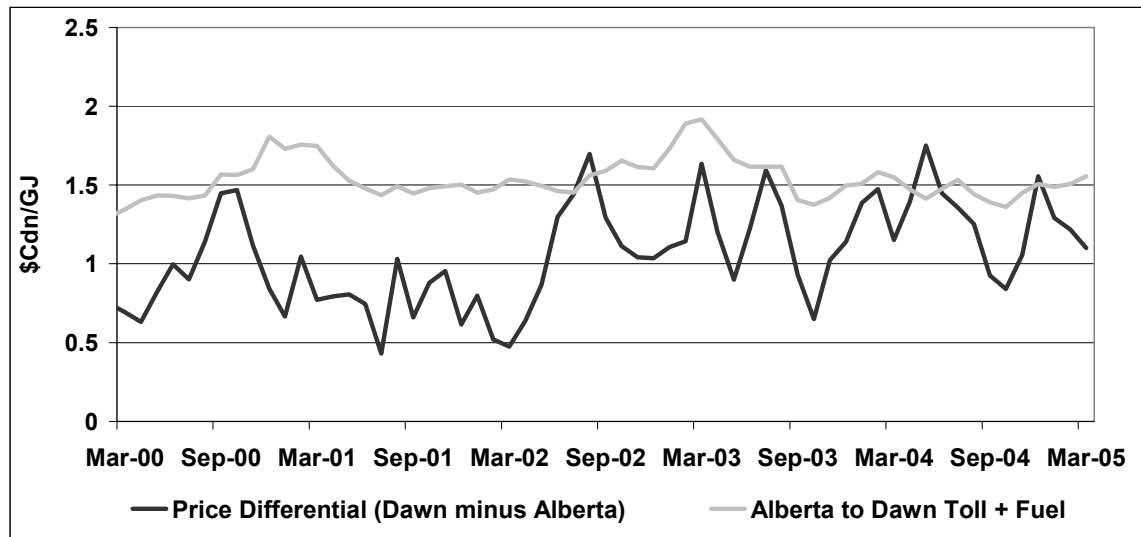
**Figure 8: Comparison of Export and Domestic Oil Prices**



A measure of the efficient operation of markets is the adequacy of oil and gas pipeline capacity to move these commodities from producing regions to consumers. One measurement of that is based on the principle that if adequate capacity exists, the price

differential between two points on a pipeline should be similar or less than the cost of transportation. Prolonged periods of a higher differential could indicate the need for additional capacity on a pipeline. Figure 9 illustrates the price differential was generally less than the transportation cost between Alberta and Dawn, Ontario for 2004-2005. Using similar analyses, the Board is satisfied that adequate capacity existed on all major gas pipeline corridors over the last year.

**Figure 9: Alberta Dawn Price Differential vs. Alberta to Dawn Transportation Costs**



The NEB monitors pipeline throughput relative to capacity to gauge whether an adequate level of transportation is provided to shippers/users. This analysis has indicated constraints in the oil pipeline systems. For example, Terasen Pipelines (Trans Mountain) was operating at near capacity in 2004-2005, with nominations for service exceeding capacity in several months of 2004. Terasen had filed an application for a 4 300 m<sup>3</sup>/d expansion, which was approved by the Board. Construction of that expansion was completed in September 2004. Nevertheless, Terasen continued to require apportionment of the available capacity on its pipeline due to high nominations related to production growth in the oil sands and increased shipments of heavy crude oil and petroleum products. As a result, the Board has received two applications for priority destination on Terasen and the Board has scheduled a hearing to start in September 2005. A second example is Express Pipeline, which applied and received approval for a 17 100 m<sup>3</sup>/d expansion, taking capacity to 44 400 m<sup>3</sup>/d. The expansion was completed on schedule in April 2005.

***Evidence that the Board’s regulatory processes are efficient and effective***

For evidence that the Board’s regulatory processes are efficient and effective, the NEB compiles data on cycle times (the time between receiving an application and rendering a Board decision) to track the number, type and processing times of applications it receives. It also analyses the data to help pinpoint areas requiring attention.

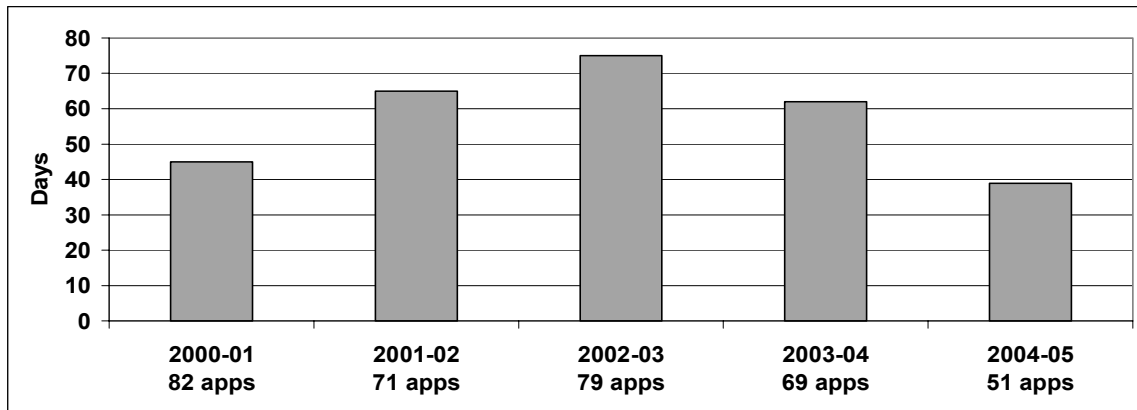
The NEB has established service standards for these cycle times. Table 5 shows the application type, the number of applications received in the year, the average cycle time and performance relative to the service standard. In processing Section 58 applications received in 2004-2005, the NEB met or exceeded its services standards.

**Table 5: Cycle Times and Service Standards**

Section 58 Applications (Number)	Average	Standard	Result
Category A (31)	27 days	80% in 40 days	87% in 40 days
Category B (20)	56 days	80% in 90 days	100% in 90 days
Category C (0)	NA	80% in 120 days	none received
Import/Export Authorizations (Number)	Average	Standard	Result
Electricity Exports (9)	70 days	80% in 75 days	75% in 75 days

In 2004-2005, the NEB processed a total of 51 applications pursuant to Section 58 of the NEB Act, as compared to 69 in the 2003-2004 and 79 in the 2002-2003 fiscal years (Figure 10). The NEB has taken steps in previous years to reduce the number of situations requiring a regulatory application. This has led to a decrease in the number of Section 58 applications for routine, low risk activities.

**Figure 10: Average Cycle Time for Non-Hearing Facilities Applications (Section 58)**

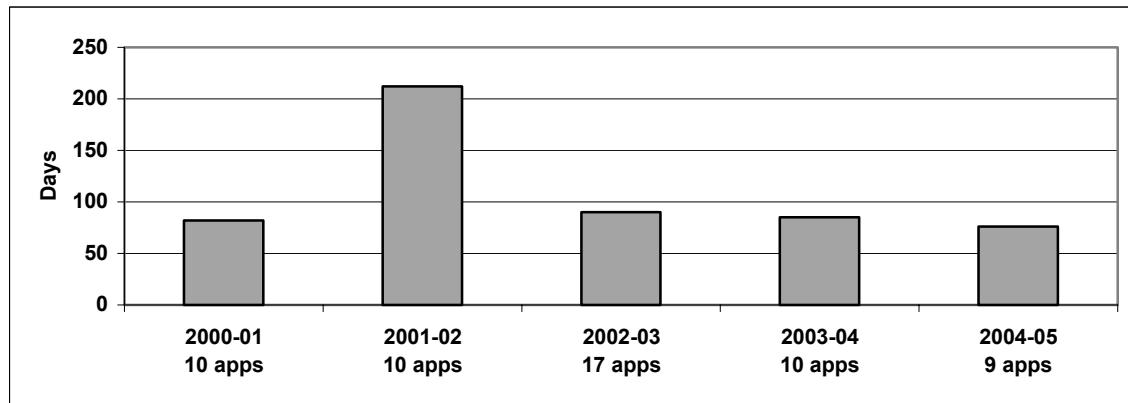


The reduction in the number of routine (non-complex) applications processed by the NEB in 2004-2005 meant that, on average, the applications received were of a more complex nature. In spite of this, the average cycle time for processing Section 58 applications decreased from 62 days in 2003-2004 to 38 days in this fiscal year.

In 2004-2005, the average cycle time for non-hearing electricity applications declined to 76 days for nine applications compared with 85 days for ten applications in 2003-2004 (Figure 11). The NEB’s service standard is to process 80 percent of these applications

within 75 days of filing. In 2004-2005, the NEB was only able to process 75 percent within the 75 day timeframe. The present timeline includes *time-outs* resulting from delays on the company's part in replying to information requests or as a result of the company filing a revised application. If the time-out delays were removed, then the NEB met its service standard.

**Figure 11: Average Cycle Time for Electricity Export Applications**



### 2.3.4 Program and Results on Major Actions of 2004-2005

The NEB identified a number of major actions for Goal 3 in its 2004-2005 RPP. These major actions and their results are discussed below.

#### 1. Implement a single energy data repository.

The NEB has a legislative responsibility to compile data for several statistical reports related to its regulatory role in the oil, gas and electricity industries. Data is compiled on a monthly basis with annual summaries available back to 1985. Subject areas include: natural gas exports, imports, volumes and prices; exports of propane and butanes; crude oil and petroleum products exports; light and heavy crude oil export prices; crude oil supply and disposition; and imports and exports of electricity. These reports are available on the NEB Web site at [www.neb-one.gc.ca/Statistics/index\\_e.htm](http://www.neb-one.gc.ca/Statistics/index_e.htm).

With the target of increased efficiency and accuracy, in 2004-2005 the NEB developed, with extensive industry consultation, a new computer-based system called the Commodities Tracking System (CTS). CTS will allow companies to submit their data over the Internet and automatically inputs the data into the correct statistical category. The system performs a variety of quality checks before accepting the data. CTS will be implemented for propane and butanes in September 2005, with crude oil and petroleum products to follow at a later date. CTS for natural gas will be developed in 2005-2006 and this will be followed by conversion of the electricity data.

**2. Provide clarity in Section 58 requirements and review the Streamlining Order in order to reduce the regulatory burden where necessary.**

In response to questions raised by companies about which operations and maintenance activities require an application under Section 58 of the NEB Act and which ones fall within the Streamlining Order, the NEB initiated a project to provide clarity. This project will also improve the Board's regulation of operation and maintenance activities.

In 2004-2005, based on discussions with industry representatives, the NEB released a draft framework, for comment, on the regulation of operations and maintenance activities that will further reduce the regulatory burden for companies, while maintaining the appropriate levels of pipeline safety, environmental protections and respect for landowner rights. The NEB also invited landowner associations to meet with staff or to submit written comments. When the consultations are completed, the Board will release the final framework.

**3. Implement a performance measurement system for pipeline tolls and tariffs, including financial health of the pipeline industry.**

For the pipeline transportation system to work well, the following three factors must be present: 1) there is adequate pipeline capacity in place to move products to consumers who need them; 2) pipelines are providing services that meet the needs of shippers at reasonable prices; and, 3) pipelines have adequate financial strength to enable them to attract capital on terms which allow them to build infrastructure and maintain their systems at a reasonable cost to customers. The NEB has developed a system to monitor the performance of pipelines under its jurisdiction. The first assessment based on these criteria was released in August 2005. The report, titled *Canadian Hydrocarbon Transportation System: Transportation Assessment*, concluded that the transportation system is working well at the present time.

Part of the system of measures includes a survey by the NEB of satisfaction with the services being provided by the pipeline companies. Overall, the survey found that the shippers are fairly satisfied with the services they are receiving, although on some pipelines, areas of service improvement were identified. The NEB has provided each pipeline company and its shippers with the results for individual pipelines. The NEB expects that the survey results will provide a starting point for discussions between pipeline companies and shippers around areas that could be improved. It is the NEB's intention to repeat the survey on an annual basis. As well, the NEB will be meeting on a regular basis with pipeline companies, shippers, provincial regulators and other stakeholders to discuss specific issues raised in the surveys and to proactively monitor developing issues. In the coming year, the Board will release a public report on the aggregate performance of pipelines under its jurisdiction.

**4. Identify and commit to service standards for application processing times.**

As indicated above, the NEB has established service standards for the processing times of regulatory applications.

**5. Convene a technical workshop regarding the NEB’s move towards regulatory approaches that more effectively and efficiently achieve desirable public interest outcomes.**

In November 2004, the NEB hosted a workshop involving 60 different stakeholders. The objectives of the workshop were: to obtain a clear understanding of the current and emerging challenges that stakeholders face; to understand and discuss stakeholders’ ideas regarding the areas that the NEB should focus on over the next three years to best respond to those challenges; and to determine if there is a need to create a long-term plan or vision for achieving public interest goals out to the year 2015. The results indicated that the NEB's regulatory program and plans were supported. In response to feedback, the NEB refined its Strategic Plan 2005-2008 to include more emphasis on continued stakeholder engagement and to expand the Board’s efforts in providing advice to policy makers regarding regulatory and related energy issues. A copy of the workshop report is available on the NEB Web site ([www.neb-one.gc.ca/AboutUs/RegImprovWorkshop2004Report\\_e.htm](http://www.neb-one.gc.ca/AboutUs/RegImprovWorkshop2004Report_e.htm)).

**2.3.5 Energy Market Assessments**

As part of its regulatory mandate to monitor the supply and demand of energy in Canada, the Board periodically produces *Energy Market Assessment*. These reports are designed to keep Canadians informed about short and long-term trends in energy markets and to provide the NEB with a strong background in energy matters and to prepare for upcoming applications. In 2004-2005, the Board issued six reports (available on the NEB Web site: [www.neb-one.gc.ca/energy/EnergyReports/index\\_e.htm](http://www.neb-one.gc.ca/energy/EnergyReports/index_e.htm)):

- *The British Columbia Natural Gas Market: An Overview and Assessment*
- *Canada’s Oil Sands: Opportunities and Challenges to 2015*
- *A Compendium of Electric Reliability Frameworks Across Canada*
- *Looking Ahead to 2010: Natural Gas Markets In Transition*
- *Short Term Canadian Natural Gas Deliverability 2004 – 2006*
- *Alberta’s Ultimate Potential for Conventional Natural Gas* (completed jointly with the Alberta Energy and Utilities Board)

Planned Spending (\$ millions)	2004-2005 Actual (\$ millions)
7.7	9.5



## 2.4 Goal 4

**The NEB fulfills its mandate with the benefit of effective public engagement.**

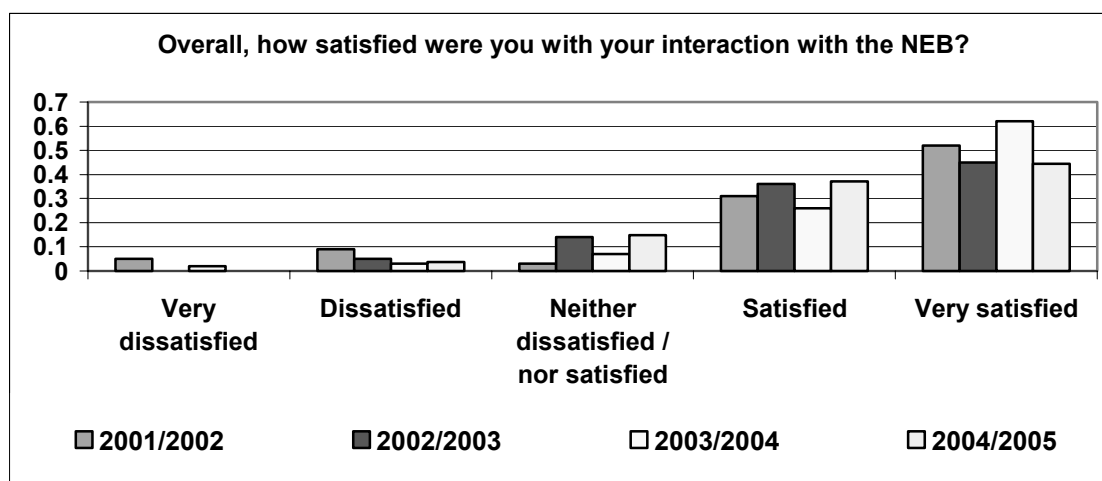
### 2.4.1 Context

The Board strives to offer engagement opportunities that are accessible and provide information in a way that encourages participation and meets the needs of interested parties. Effective engagement is seen as vital to the Board's decision making process. Through engagement the Board hears a range of views required to ensure that its actions and decisions are made in the Canadian public interest.

Over the past year, the Board actively engaged Canadians in many processes. NEB staff facilitated consultation processes in the development of regulations, Energy Market Assessment reports, public information sessions and public hearings. The Board also enhanced its Aboriginal engagement efforts, with the development of various internal tools and by building internal capacity among NEB employees with respect to Aboriginal culture and engagement practices.

To ensure that Board processes continue to meet the needs of its stakeholders, the NEB surveys participants to determine their satisfaction with various factors including overall satisfaction (Figure 12).

**Figure 12: Post-hearing Survey Feedback from Participants 2001-2005**



### 2.4.2 Strategies

The NEB identified two strategies for Goal 4 in its 2004-2005 RPP:

- Tailor communications to audience.
- Enable effective public participation in Board matters.

### 2.4.3 Plans and Priorities

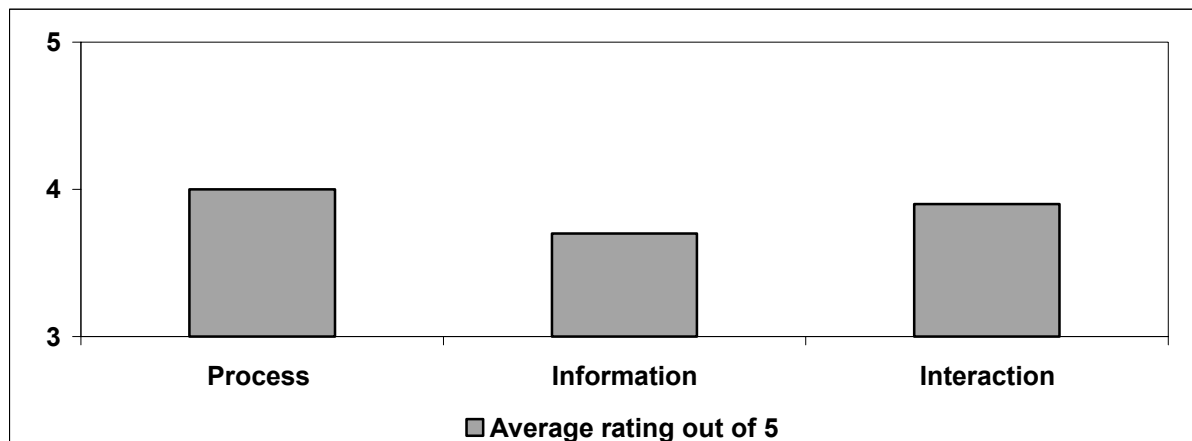
To gauge the success of Goal 4 strategies and actions, the NEB used two performance measures:

- Stakeholders are involved effectively in the Board’s public processes.
- Number of successful appeals based on inadequate public consultation<sup>5</sup>.

#### *Stakeholders are involved effectively in the Board’s public processes*

The achievement of effective stakeholder involvement in 2004-2005 was measured by surveys administered after events such as hearings and workshops and through comment cards included with publications distributed by the NEB. Respondents were asked to rank their satisfaction with a number of factors. A five point scale was used, with five representing the highest degree of satisfaction. Figure 13 represents stakeholder overall satisfaction with process, information and interaction.

**Figure 13: Overall Satisfaction with Process, Information and Interaction**



#### *Landowner Survey*

In 2004, the NEB commissioned a large-scale survey of landowners who have an NEB-regulated pipeline on their land. The telephone survey was conducted by Environics Research Group, an independent research firm. The purpose of the survey was to systematically and objectively collect information from landowners across Canada about their perceptions of pipeline safety, company and NEB communication, and handling of landowner complaints. In March, over 1,100 telephone interviews were conducted with landowners across Canada.

---

5 Inadequate public consultation for the purpose of this measure is understood to mean denial of procedural fairness.

To help determine client satisfaction with the NEB's service and identify areas for improvement, the survey included questions from the Common Measurements Tool (CMT). The CMT, developed by Treasury Board, provides a common set of benchmark measures to facilitate comparisons across a wide spectrum of public sector services and products.

The key survey results include:

Pipeline safety:

- Landowners generally feel safe having a pipeline on their property, and have confidence in the company operating it.
- Most landowners appear to be familiar with basic pipeline safety procedures and excavation requirements.

Landowner contact with company:

- One-third of landowners have initiated contact with their pipeline company within the past five years to discuss construction issues, property damage or compensation.
- Most landowners are highly satisfied with the response received from companies.

Landowner contact with the NEB:

- More than eight in ten landowners have heard of the NEB, but few have had any direct contact.
- Direct contact has been made primarily by phone or letter.

### ***Industry Survey***

The Industry Survey had objectives similar to the Landowner Survey. The objectives were to measure company and association experiences and satisfaction with NEB contacts; obtain industry perspectives about the key issues facing the NEB, and the extent to which the NEB is realizing its vision; and to provide recommendations for future research and communications with industry stakeholders. Telephone interviews were conducted by Environics Research Group with 24 industry representatives.

The key findings in the survey include:

- The NEB's application process was given strong marks in terms of providing good information, useful application tools and opportunities for pre-filing contact.
- The NEB Web site is actively used by industry (mostly for information on the NEB or on specific decisions), and it generally meets expectations.
- Industry contacts are generally positive about the service received when directly contacting the NEB.

### *Number of successful appeals based on inadequate public consultation*

There were no successful appeals based on inadequate public consultation during 2004-2005.

#### **2.4.4 Program and Results on Major Actions of 2004-2005**

The NEB identified a number of major actions for Goal 4 in its 2004-2005 RPP. These major actions and their results are discussed below.

##### **1. Establish and commit to citizen-centred service standards.**

In today's results-based management environment, service standards have become an essential tool for building effective citizen-focused service within organizations. In addition, the recently promulgated *User Fees Act* requires that the National Energy Board establish and report on service standards against which the performance of the regulating authority can be measured.

These factors have led the NEB to develop and publish service standards and to make a commitment to adjust internal operations accordingly if the standards are not being met. The NEB has reviewed a number of its processes with a goal of establishing standards for service delivery so that clients know what they may expect from the NEB.

The NEB's service standards identify specific delivery targets, or timelines, for key aspects of service. Service standards have been established for a number of the NEB's regulatory functions and associated services:

- Release of Hearing decisions
- Export/import authorizations
- COGO Act and CPR Act applications
- Audits
- Landowner complaints
- Non-hearing Section 58 application cycle times
- Responses to general correspondence
- Requests to the Library
- Information requests to the Web site

##### **2. Evaluate and implement procedural options for more effective public proceedings.**

One of ways the NEB is evaluating and implementing procedural options for more effective public proceedings is with the Hearing Tool Kit for NEB staff use. It is a framework that identifies, develops, implements and maintains various options or tools for public engagement to increase the efficiency and effectiveness of NEB hearings.

There are currently several tools, such as participation categories, procedural updates, and workshops, used in the hearing process to engage the public.

Through its Appropriate Dispute Resolution (ADR) program, the NEB is continuing to support the use of interest-based processes for land-related matters, toll and tariff issues and for the development of regulations. Meetings, workshops and conferences, which are designed and facilitated by trained NEB staff, focus on the factors that are most important for stakeholders in resolving matters, rather than just eliciting parties' positions. During 2004-2005, the NEB's ADR staff assisted in the resolution of two landowner/company matters; facilitated a number of workshops related to regulation development and regulatory improvement; and provided coaching and training to staff on conflict management techniques.

Through the ongoing development of tools for effective engagement, feedback mechanisms, and processes for continuous improvement and best practices for public hearings, the NEB is demonstrating its commitment to enhance the efficiency and effectiveness of its hearings.

Planned Spending (\$ millions)	2004-2005 Actual (\$ millions)
2.2	2.2

## 2.5 Goal 5

**The NEB is effective in leading its people and managing its resources.**

### 2.5.1 Context

The purpose of Goal 5 is to emphasize the importance of leadership and management accountabilities in order to support the development and sustainability of a high performance knowledge organization capable of delivering on its mandate. Goal 5 also captures results achieved across the NEB, taking into account the manner in which financial, human, information technology, and information management resources have supported the achievement of success. The introduction of an ISO-based management framework enables a continual improvement process in all business operations.

In order to sustain its reputation as an effective regulatory agency, and to better serve its stakeholders, the NEB undertook an organizational review in 2004-2005; organizational structure changes are effective 1 April 2005. The NEB's *People Strategy* (human resource plan) has been integrated with its business plan to enable the NEB to better meet future organizational needs.

Recent efforts to continuously improve the workplace include an emphasis on strengthening leadership; a refined competency framework; the design of a new performance management process; all-staff forums; and the incorporation of employee

wellness into the Workplace Health and Safety Committee’s work. The anticipated return on investment for leadership development is a combination of improved management practices and leadership skills such as strategic decision-making, visioning, partnering, and resource management.

Following the endorsement of one bargaining agent for non-excluded employees, the Professional Institute of the Public Service of Canada invited the ongoing involvement of former Public Service Alliance of Canada representatives in co-facilitating a smooth transition to one union. Over the summer months of 2004, the NEB began the process of negotiating a new collective agreement. The agreement was signed on 8 February 2005 encompassing the period 1 April 2004 to 30 June 2007.

### 2.5.2 Strategies

The Board identified two strategies for Goal 5 in its 2004-2005 RPP:

- Strengthen the NEB’s governance and management by adopting:
  - a. a Management System Framework, and
  - b. appropriate aspects of the Modern Comptrollership initiative.
- Strengthen the NEB’s technical capability to deal with emerging issues.

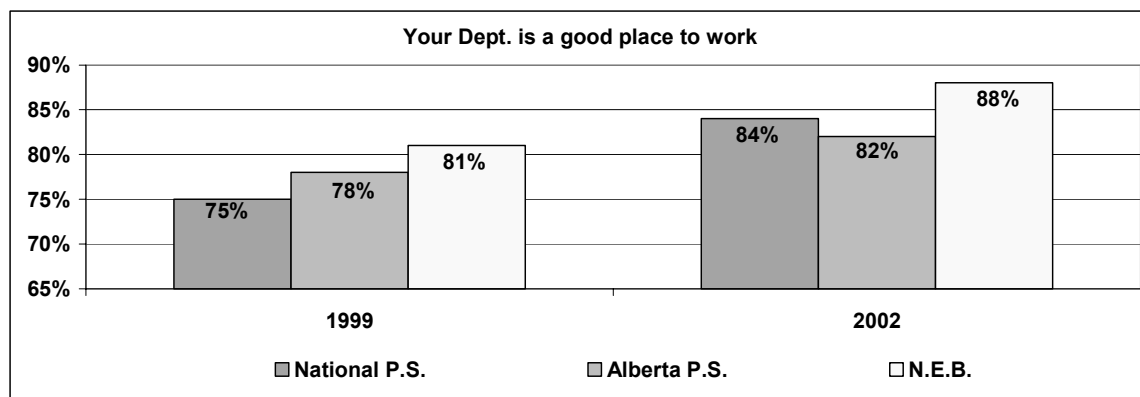
### 2.5.3 Plans and Priorities

In order to evaluate the success of Goal 5 strategies and actions, the NEB revised the performance measures identified in the 2004-2005 RPP to the following:

- NEB employee leadership and satisfaction index.
- Per capita cost of regulation.
- Percentage of major actions achieved across all Goals.

#### *NEB employee leadership and satisfaction index*

**Figure 14: Employee Satisfaction**

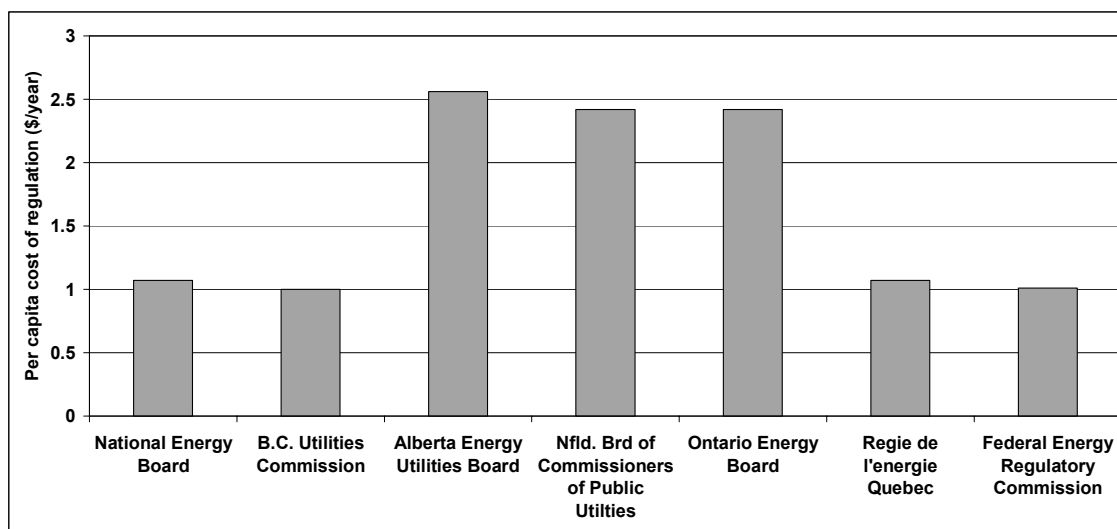


In 2002, the NEB participated in an Employee Opinion Survey that reported an 88% rate of employee satisfaction at the NEB (Figure 14). Future surveys will be scheduled at a time consistent with the plans for other federal employers, allowing the NEB an opportunity to benchmark itself against the results for similar organizations. In the interim, the NEB has relied upon the frequent use of on-line surveys to capture the valued opinion of NEB staff members on a broad range of corporate topics. For example, subjects include components or elements of trust demonstrated internally, the NEB vision and values and organizational performance. The Chief Operating Officer communicates directly with staff through various means, including a question and answer forum on the internal Web, an internal newsletter, and a face to face monthly information exchange with a cross-section of NEB employees.

***Per capita cost of regulation***

This measure compares the annual operating cost of seven different regulators; five provincial and two federal, on a per capita of population served (Figure 15). The comparison provides a relative measure of overall efficiency for the included regulators and provides the Board with information to evaluate its own performance relative to other similar regulatory organizations. Costs not related to provincial utility regulation, such as for auto insurance regulation, have been excluded for this comparison.

**Figure 15: Per Capita Cost of Regulation for Selected Regulators**



***Percentage of major actions achieved across all Goals***

Goal 5 results are dependent upon success in the other four corporate Goals. In other words, when the desired results have been realized across all the goals, the NEB will have achieved its overarching goal of being an effective, productive and efficient organization. In 2004-2005, the NEB continued to track best practices through ongoing monitoring and evaluation efforts such as review and learn exchanges. As a result, considerable progress has been realized across the majority of major actions. Of the 24 major actions identified, 19 were completed (79 percent), four are in progress

(17 percent), and one has been delayed (four percent). Monitoring and evaluation efforts also resulted in the early identification of practices and/or processes where improvement was required and subsequent corrective action, leading to an overall improvement in organizational performance.

#### **2.5.4 Program and Results on Major Actions of 2004-2005**

The following information is a summary of Goal 5 major actions and the associated results.

##### **1. Continue development and implementation of the Management System Framework.**

The NEB remains committed to initiatives related to the management improvement agenda of the federal government and remains vested in major change initiatives aimed at developing a citizen-focused government. In order to ensure that it is equipped for the future, the NEB has commenced implementation of an ISO-based quality management system which will help guide it to better use performance measures, risk-based approaches and quality improvement in all business operations. To this end, the NEB has invested in the design, implementation and evaluation of a Quality Management System (QMS) (formerly Management System Framework).

Having completed the design phase of the management system framework, the NEB will continue toward the implementation stage. The framework includes a quality policy, documented work processes, designation of process owners, and an organization-wide process for planning, measuring and improving the NEB's work. The management system has been designed to incorporate setting objectives, measuring and reporting results, reviewing effectiveness and the continual improvement of the NEB's processes and management practices.

##### **2. Continue development and implementation of performance measures, standards and benchmarking of key business processes.**

Service standards have been developed for a number of NEB regulatory functions and associated services (discussed in section 2.4). Service needs will continue to be analyzed to ensure expected results are delivered within timelines and are consistent with the services required by the client.

- Development and implementation of performance measures: discussed in section 3.3 Modern Comptrollership.

##### **3. Continue progress towards the government's management framework (Results for Canadians) initiatives including the Service Improvement Initiative, Government On-line, Modern Comptrollership, and Improved Reporting to Parliament.**

The NEB's program of management improvement, the IMProve (Improved Management Practices) initiative commenced in 2002, continued in 2003-2004, and was incorporated



into NEB core work in 2004-2005. This initiative represents the NEB's response to the government-wide initiative known federally as Modern Comptrollership. Significant outcomes include the NEB's ability to integrate financial and non-financial information and the implementation of sound risk management practices.

- Service Improvement Initiative – discussed in section 3.1
- Government On-line – discussed in section 3.2
- Modern Comptrollership – discussed in section 3.3

#### **4. Implement Bill C-25, the *Public Service Modernization Act* (PSMA).**

The role of leaders in the public service will expand due to legislative reform and increased delegation. Shared service functions have developed plans to ensure NEB leaders are apprised of changes as the various pieces of legislation come into force, and are supported in implementing the associated changes. The NEB has initiated negotiations with central agencies where legislative changes offer greater responsibility and/or improved flexibility.

The changes associated with modernization are wide-sweeping and are driven by the timelines within which the various pieces of legislation will come into force. In order to respond effectively, the Board has fostered relationships with other separate, small federal agencies for the purpose of sharing information and workload. Through participating in the development of public service wide work plans, the NEB has been able to manage the change through an improved allocation of resources. The NEB has developed a plan to revisit existing human resource policies to ensure the language is current and reflects the legislative changes prior to organizing and/or sponsoring learning events for managers, employees and union representatives. As of 31 March 2005, the NEB fully met the requirements associated with the coming into force for both the *Financial Administration Act* and the *Public Service Labour Relations Act* (PSLRA).

As a separate employer, the NEB is not required to implement an Informal Conflict Management System. However, the NEB is committed to the principle of providing alternatives to employees with respect to workplace conflict, and has initiated the development of an informal conflict management system. The NEB has met with the Department of Justice to review a learning program that can be adopted to meet the needs of the NEB and has considered the potential of developing an internal facilitation team. The Professional Institute of the Public Service of Canada has expressed an interest in working with the employer on this initiative from a co-development perspective. Working toward a more collaborative, cooperative working relationship with unions is consistent with the changes prescribed by the PSLRA.

#### **5. Develop mechanisms to share knowledge more effectively.**

The process of coordinating and cataloguing corporate knowledge so that it can be easily retrieved was initiated in 2004-2005 through the NEB Knowledge Exchange officer. This work promotes knowledge and information sharing, and facilitates improved collective

and individual contributions to the NEB's success. The NEB will be well positioned to draw upon its corporate history as it encounters demands for change in the future.

**6. Initiate the renewal of records policy, processes and practices to ensure that the NEB's records meet the needs of the organization and the requirements of the Government of Canada.**

The NEB continued its efforts to work toward the goal of implementing an electronic records and document management system. To date, the NEB has developed functional file plans; revised the Records and Information Management policy and the associated business rules and procedures; and has provided guidance to staff on the appropriate identification and handling of sensitive information. The service model for internal records is under revision. Progress has been realized on the training program that will be delivered to all NEB employees.

Planned Spending (\$ millions)	2004-2005 Actual (\$ millions)
11.3	15.4

## Section III: Supplementary Information

### 3.1 Service Improvement Initiative

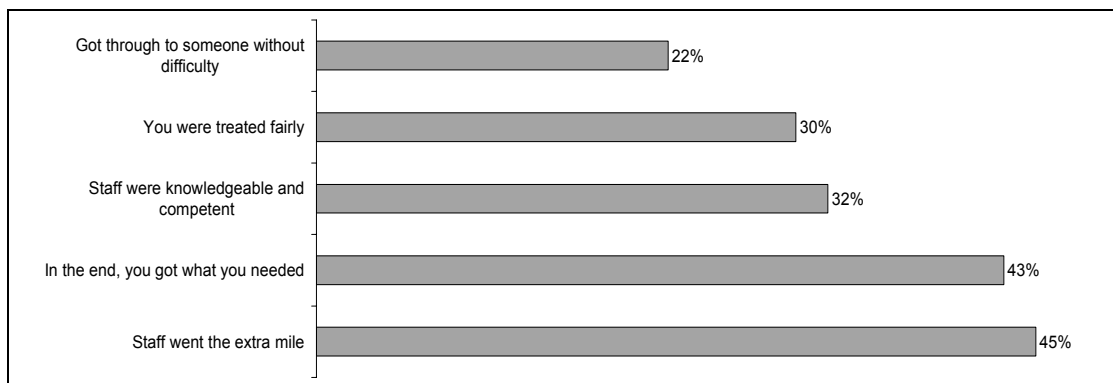
The National Energy Board is committed to measuring client needs and expectations with regard to the services it offers. These results assist the NEB in monitoring its service performance and modifying service aspects when necessary. In 2004-2005, the NEB adopted the Common Measurements Tool (CMT) as a method for evaluating client satisfaction.

The CMT Question Bank is a key of questions used in a number of feedback mechanisms undertaken during the year. The NEB has requested feedback in areas such as: the hearing process, publications, workshops and events. This year, a major research project was undertaken to obtain feedback from (1) landowners who have NEB-regulated pipelines on their land, and (2) from industry stakeholders.

CMT questions and survey methodology were used in the 2004 survey of landowners and industry stakeholders undertaken by a third party (Environics Research Group) on behalf of the NEB. From these surveys, the NEB was able to obtain information about respondents' experience with NEB services and their satisfaction levels in areas such as: the handling of issues pertaining to pipelines on their property, and NEB processes, staff and information.

Many of the landowners surveyed had relatively little direct contact with the NEB. However, those who had were asked a series of questions about their interaction with NEB staff to determine where, if any, service improvements were required. A gap analysis (Figure 16)<sup>6</sup> was completed to more clearly depict opportunities for service quality enhancements.

**Figure 16: Gap Analysis of Service Quality**

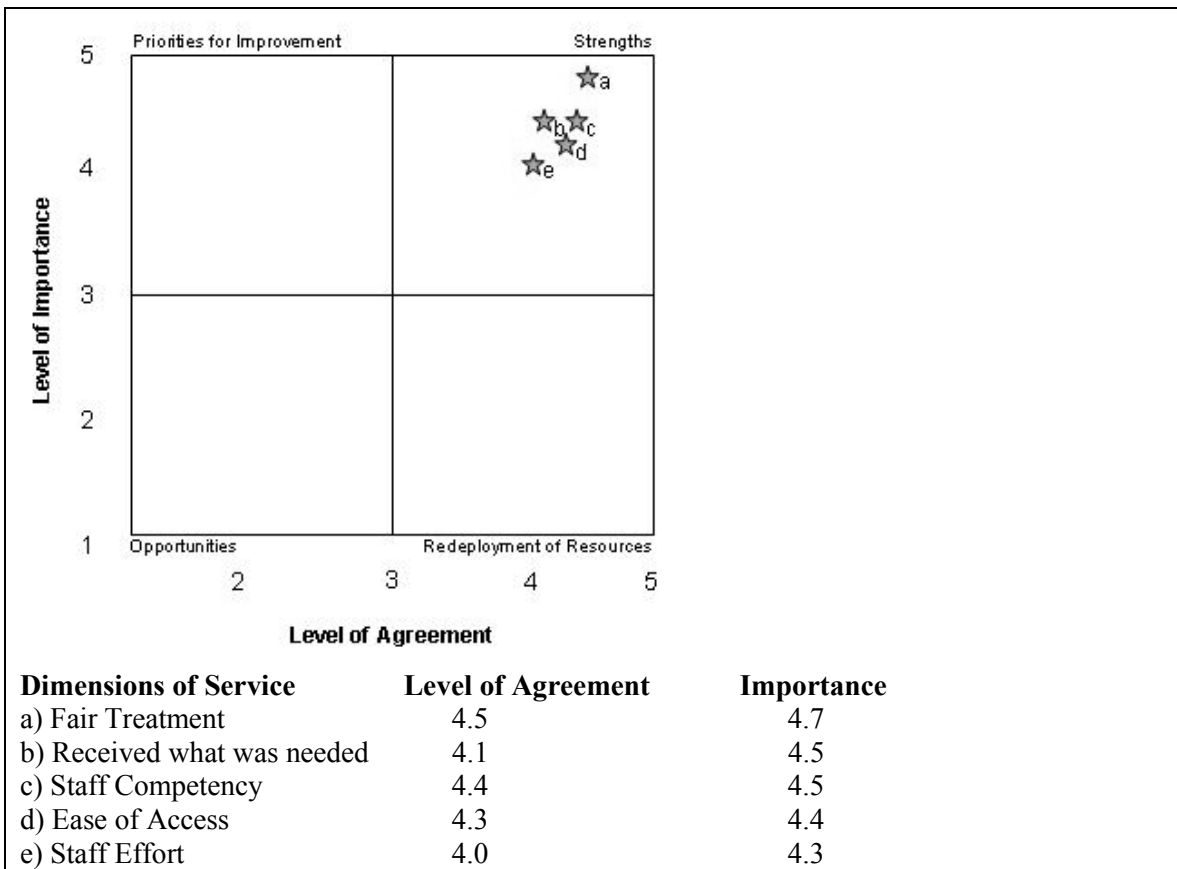


<sup>6</sup> Gap analysis is calculated as the percentage of landowners who consider this aspect of service to be very important and who do not think that the NEB has delivered on it during their most recent contact (N=33-45). N.B. These results are based on a small sub-sample of landowners, and should therefore be interpreted as directional rather than conclusive.

In the survey of industry stakeholders, a slightly different process to measure satisfaction was used. Respondents were asked to rate their level of agreement to questions regarding service aspects as well as the level of importance they placed on these aspects.

This resulted in an Agreement/Importance Matrix (Figure 17) which shows that all the aspects of service asked about were of high importance to industry respondents. Respondents also had a high level of agreement when asked about the quality of services provided by the NEB. Overall, this portrays a positive outcome. However, there are still opportunities for improvement, especially in the area of the stakeholders receiving what they need (b) and NEB staff going the *extra mile* in their service renderings (e). It is interesting to note that these are also the areas where the widest gap in service to landowners was shown.

**Figure 17: Agreement/Importance Matrix**



### 3.2 Government of Canada On-Line

The National Energy Board's Internet site is becoming the preferred channel as more Canadians seek information or choose to conduct business on line. The NEB's Internet site currently welcomes more than 41,000 visitors per month. The most requested portion of the site is Regulatory Documents, which is a repository of more than 7,000 documents that have been filed on-line by regulated companies, intervenors and the NEB itself since

the service was launched in 2002. The e-filing forms are a key means to effectively engage with parties (including the public) wishing to intervene or comment on a project before the Board.

In 2004-2005, the NEB continued its efforts to ensure that its Internet site is accessible to all Canadians by complying with Government On-Line and Common Look and Feel standards set by the Treasury Board Secretariat. Key projects included:

- Planning and contracting for a major redesign of the NEB Internet site to be completed in 2005-2006 to better meet stakeholder needs and expectations and to increase the efficiency of site maintenance.
- On-line proactive disclosure of Travel and Hospitality Expenses and Contracts in compliance with Treasury Board policy ([www.neb-one.gc.ca/AboutUs/Disclosure/index\\_e.htm](http://www.neb-one.gc.ca/AboutUs/Disclosure/index_e.htm)).
- Major improvements to e-filing in December 2004 based on feedback received from users ([www.neb-one.gc.ca/efile/help/WhatsNewV1\\_5\\_e.htm](http://www.neb-one.gc.ca/efile/help/WhatsNewV1_5_e.htm)).
- Preliminary analysis and implementation of an e-business framework leveraging ePass Canada to secure online transactions and support official electronic records as per the *Secure Electronic Signature Regulations*. The launch of *My Account* is planned for the fall of 2005 and will enable representatives of organizations mandated by a Propane/Butanes Export Order to file their Commodity forms securely.
- Review and revision of the NEB's Web site's important notices to comply with new guidelines and to better reflect NEB privacy and security practices.

### **3.3 Modern Comptrollership**

The NEB remains committed to initiatives related to the management improvement agenda of the federal government. The NEB is an active partner with the Treasury Board Secretariat on major change initiatives aimed toward the development of citizen-focused government through initiatives such as modern comptrollership and the Management Accountability Framework (MAF).

Performance measures are fully entrenched in NEB results measurement (see section 2.5). Work on performance indicators begun in previous years is maturing and the NEB is now in a position to trend some results and to challenge some performance indicators by trying to find an appropriate balance of leading and lagging indicators. In addition, the NEB is collecting, analyzing and publishing information on safety performance of companies regulated by the NEB. When areas of concern become apparent the NEB responds immediately with further information collection and analysis. For example, from 2003 data, contractor injury frequency appears to be increasing. The NEB will be spending some time at the June 2005 NEB Workshop consulting with regulated companies to increase understanding of NEB processes, regulatory requirements and expectations while collaborating on regulatory improvements that may be used to address this issue.

The Quality Management System (formerly Management System Framework) initiative continued in 2004-2005 (discussed in section 2.5). This initiative involves the documentation and development of business processes intended to move the NEB toward an ISO-based management framework.

The NEB places high regard on supporting employees through the active demonstration and adherence to its values and ethics. Previous concerns that not all of the organizational values were actively being demonstrated led to an employee survey on organization value renewal late in the year. These actions clearly demonstrate the sincere commitment of the Chairman and the entire management team to continued improvement in the understanding and day-to-day application of NEB values.

### **3.4 Alternative Service Delivery**

N/A

### **3.5 Sustainable Development**

The NEB promotes sustainable development on the basis of the generally accepted principle that sustainable development means “meeting the needs of the present without compromising the ability of future generations to meet their own needs”. This in turn requires integrating environmental, economic and social considerations.

For example, section 52 of the NEB Act states that the Board shall, in making its decisions on the issuance of certificates to construct pipelines, be “...satisfied that the pipeline is and will be required by the present and future public convenience and necessity...” and that “...the Board shall have regard to all considerations that appear to it to be relevant...” including “any public interest that may be affected...”. The Board typically assesses environmental, economic, market and social considerations in making decisions, as well as matters pertaining to safety.

The NEB has furthered its commitment to sustainable development by developing and implementing an all-encompassing quality management system, based on ISO 9001 principles. This fully integrated management system follows a continuous improvement cycle to focus on operating more efficiently and improving decision making for all functions of the organization.

The NEB discharges its responsibilities by the Market-Based Procedure for long-term gas exports and Fair Market Access tests for oil and electricity. The concept underlying these mechanisms is that efficient (competitive) markets will best ensure that the current and future needs of Canadians are met. Toward this end, the Board monitors energy markets and provides information on the current state and outlook for these markets in the form of Energy Market Assessments and notably, in the Board’s periodic long-term outlook for Canadian energy supply and demand.

Implementing the principles of sustainable development is also illustrated through the NEB's daily activities. Over the past twelve years NEB staff have participated enthusiastically in the annual Calgary Transit Commuter Challenge, often winning in their corporate category.

### 3.6 Purchasing and Contracting

The procurement and contracting functions are the responsibility of the Supply Management Team within the Corporate Services Business Unit.

In 2004-2005, there were some 900 procurement instruments issued for a total contract value of \$2.7 million. Of these, 18 contracts/local purchase orders were issued under the auspices of the Procurement Strategy on Aboriginal Business program for a total value of \$343,300.

Also during this year, Supply Management applied for and obtained accounts in the MERX electronic tendering system in order to increase efficiency in the contract tendering process.

### 3.7 Travel Policies

The NEB became a separate employer under the *Public Service Staff Relations Act* effective 31 December 1992 under Order in Council (OIC) (P.C. 1992-2595). Through the OIC, personnel management, as defined by the *Financial Administration Act*, was delegated to the Chairman of the NEB. For unionized employees, the NEB has agreed to adopt the policies of the National Joint Council, as amended from time to time, as part of the conditions of employment.

### 3.8 Regulatory Initiatives

Regulatory Instrument	Expected Result
<i>National Energy Board Damage Prevention Regulations</i>	Less prescriptive, more goal-oriented regulations for NEB-regulated facilities, to more effectively address safety in the proximity of pipelines. Will replace the <i>National Energy Board Pipeline Crossings Regulations, Parts I and II</i> .
<i>National Energy Board Onshore Pipeline Regulations (OPR-99) and National Energy Board Processing Plant Regulations</i>	Revise regulations to include concept of decommissioning.

Regulatory Instrument	Expected Result
<i>Canada Oil and Gas Diving Regulations; Newfoundland Offshore Area Petroleum Diving Regulations; and Nova Scotia Offshore Area Petroleum Diving Regulations</i>	Less prescriptive, more goal-oriented regulations for activities under the <i>Canada Oil and Gas Operations Act</i> and under the Accord implementation acts <sup>7</sup> . Updated and harmonized regulations for diving activities in support of oil and gas programs in frontier lands.
<i>Canada Oil and Gas Drilling and Production Regulations; Newfoundland Offshore Area Oil and Gas Drilling and Production Regulations; and Nova Scotia Offshore Area Oil and Gas Drilling and Production Regulations</i>	Less prescriptive, more goal-oriented regulations for drilling and production activities on frontier lands and the areas covered by the Accord implementation acts. Amalgamation of <i>Production and Conservation Regulations</i> and <i>Drilling Regulations</i> for each jurisdiction.
<i>Oil and Gas Occupational Health and Safety Regulations</i>	Updated regulations to conform with the <i>Canada Occupational Safety and Health Regulations</i> under the <i>Canada Labour Code</i> .
<p>Regulations made under the <i>Canada Oil and Gas Operations Act</i></p> <ul style="list-style-type: none"> <li>• <i>Production and Conservation Regulations</i></li> <li>• <i>Certificate of Fitness Regulations</i></li> <li>• <i>Geophysical Operations Regulations</i></li> <li>• <i>Installations Regulations</i></li> </ul>	Incorporation of recommendations made by the Standing Joint Committee for the Scrutiny of Regulations.
<p>Regulations made under the Accord implementation acts</p> <ul style="list-style-type: none"> <li>• <i>Newfoundland Offshore Area Petroleum Production and Conservation Regulations</i></li> <li>• <i>Newfoundland Offshore Area Petroleum Drilling Regulations</i></li> <li>• <i>Newfoundland Offshore Area Petroleum Installations Regulations</i></li> <li>• <i>Nova Scotia Offshore Area Petroleum Geophysical Operations Regulations</i></li> <li>• <i>Nova Scotia Offshore Area Petroleum Production and Conservation Regulations</i></li> <li>• <i>Nova Scotia Offshore Petroleum Installations Regulations</i></li> <li>• <i>Nova Scotia Offshore Petroleum Diving Regulations</i></li> <li>• <i>Nova Scotia Offshore Petroleum Drilling Regulations</i></li> </ul>	Incorporation of recommendations made by the Standing Joint Committee for the Scrutiny of Regulations.

---

<sup>7</sup> Accord implementation acts refers to the *Canada-Newfoundland Atlantic Accord Implementation Act* and the *Canada-Nova Scotia Offshore Petroleum Accord Implementation Act*.



Regulatory Instrument	Expected Result
Submerged Pipeline Regulations under the <i>National Energy Board Act</i>	A new goal-oriented regulation for offshore pipelines. This regulation is being created to fill a gap in the NEB's regulatory structure.
<i>National Energy Board Cost Recovery Regulations</i>	Amendment to these regulations to adjust the mechanism for allocating costs to companies within the electricity industry.
<i>National Energy Board Onshore Pipeline Regulations (OPR-99)</i>	Review of this regulation five years after promulgation. The review will update it and address areas that are not working as intended.

### 3.9 Regulatory Reporting

The following two tables present a summary of NEB Public Hearings and Non-Hearing Applications from 1 April 2004 to 31 March 2005.

Oral Hearings	Results	Outcomes
TransCanada Pipelines Limited - Tolls Phase I (RH-2-2004)	Hearing held from 14 to 25 June in Ottawa, Ontario. Decision issued on 10 September 2004.	Approved net revenue requirement and rate base for new tolls it may charge for the period 1 January to 31 December 2004.
TransCanada PipeLines Limited North Bay Junction (RH-3-2004)	Hearing held from 16 August to 10 September 2004 in Montreal, Quebec and Calgary, Alberta. Decision issued on 16 December 2004.	Approved a new receipt and delivery point at the North Bay Junction.
TransCanada Pipelines Limited - Tolls Phase II (RH-2-2004)	Hearing held from 29 November 2004 to 4 February 2005 (22 days) in Calgary, Alberta. Decision pending as of 31 March 2005.	Approval of tolls for the period 1 January to 31 December 2004. Phase II dealt with cost of capital.
Enbridge Pipelines Inc. (RH-1-2005)	Hearing scheduled to commence on 29 March, postponed to 7 April 2005.	Applications to recover costs in the Canadian mainline for two pipeline reversals in the U.S. – Spearhead Pipeline and 20" Reversal Pipeline.

Non-Hearing Applications and Other Matters	Number of Decisions
Electricity Matters	33
Frontier Matters	32
Natural Gas Matters	105
Natural Gas Liquids Matters	35
Oil Matters	88
Pipeline Matters	150
Traffic, Tolls and Tariff Matters	46

### 3.10 Financial Information

**Table 6: Comparison of Planned to Actual Spending**

Departmental Planned versus Actual Spending (\$ millions)						
	2002-03 Actual	2003-04 Actual	2004-2005			
			Main Estimates	Planned Spending	Total Authorities	Actual
Energy Regulation and Advice	35.4	35.2	35.5	35.8	39.0	38.1
<b>Total</b>	35.4	35.2	35.5	35.8	39.0	38.1
Less: Non-Respendable revenue	(35.9)	(39.6)	(38.0)	(38.0)	(38.0)	(42.8)
Plus: Cost of services received without charge	5.3	5.5	5.4	5.4	5.4	5.6
<b>Net cost of Department</b>	<b>4.8</b>	<b>1.1</b>	<b>2.9</b>	<b>3.2</b>	<b>6.4</b>	<b>0.9</b>

<b>Full-time Equivalents</b>	287	295.8	299.6
------------------------------	-----	-------	-------

**Table 7: Summary of Voted Appropriation**

Financial Requirements by Authority (\$ millions)					
Vote	Voted Appropriation	2004-2005			
		Main Estimates	Planned Spending	Total Authorities	Actual
30	Program expenditures	30.5	30.8	34.7	33.9
(S)	Contributions to employee benefit plans	5.0	5.0	4.3	4.2
	<b>Total</b>	<b>35.5</b>	<b>35.8</b>	<b>39.0</b>	<b>38.1</b>

**Table 8: Net Cost of Department**

Net Cost of Department 2004-2005	(\$ millions)
Total Actual Spending	38.1
Plus: Services Received without Charge	
Accommodation provided by Public Works and Government Services Canada (PWGSC)	3.6
Contributions covering employers' share of employees' insurance premiums and expenditures paid by TBS (excluding revolving funds)	1.9
Worker's compensation coverage, cost recovery audit costs and miscellaneous costs provided by other departments	0.1
Less: Non-respendable Revenue	42.8
<b>2004-2005 Net cost of Department</b>	<b>0.9</b>

**Table 9: Sources of Non-Respendable Revenue**

Non-Respendable Revenue (\$ millions)						
	Actual 2002-03	Actual 2003-04	2004-2005			
			Main Estimates	Planned Revenue	Total Authorities	Actual
Energy Regulation and Advice	35.9	39.6	38.0	38.0	38.0	42.8
<b>Total Non-Respendable Revenue</b>	<b>35.9</b>	<b>39.6</b>	<b>38.0</b>	<b>38.0</b>	<b>38.0</b>	<b>42.8</b>

The NEB is an independent regulatory agency, established in 1959 under the NEB Act. The NEB Act authorizes the Board to charge those companies it regulates costs attributable to the NEB's operations in carrying out its related responsibilities.

### 3.11 User Fee Reporting

#### A. Energy Regulation and Advice – *National Energy Board Act*

Fee Activity	Description	Amount (\$ millions)
<b>Energy Regulation and Advice – <i>National Energy Board Act</i></b>		
The NEB regulates in the public interest those areas of the oil, gas, non-hydrocarbon and electricity industries relating to: Construction and operation of pipelines; Construction and operation of international and designated interprovincial power lines; Transportation, tolls and tariffs of pipelines; and Exports of oil, gas and electricity and imports of oil and gas.		
<b>Fee Type</b>	Regulatory	
<b>Fee Setting Authority</b>	The NEB External Charging is in accordance with sub-section 24.1 (1) of the NEB Act. As of 1 January 1991 under the <i>NEB Cost Recovery Regulations</i> the NEB recovers the cost of operations of the companies that it regulates. The NEB has the delegated authority to determine what costs will be excluded from program expenditures for cost recovery purposes.	
<b>Date Last Modified</b>	<i>NEB Cost Recovery Regulations</i> last amended on November 6, 2002.	
<b>2004-2005 Forecast Revenue</b>	Regulatory	41.4
<b>2004-2005 Actual Revenue</b>	Regulatory	42.7
<b>Estimated Full Cost</b>	Regulatory a) NEB costs 34.0 b) Other Departments' costs 5.0	39.0

Fee Activity	Description	Amount (\$ millions)
<b>Forecast Revenue</b>	Sub-Total (2005-2006)	40.5
	Sub-Total (2006-2007)	39.0
	Sub-Total (2007-2008)	38.0
	Total	117.5
<b>Estimated Full Cost</b>	Sub-Total (2005-2006)	39.4
	Sub-Total (2006-2007)	38.0
	Sub-Total (2007-2008)	36.8
	Total	114.2

Performance Standards <sup>8</sup>	Performance Results 2004-2005
<b>Reasons for Decision</b> <ul style="list-style-type: none"> <li>80% of Reasons for Decision completed within 12 weeks following a public hearing</li> </ul>	<b>Reasons for Decision:</b> 3 hearings: 100% completed in 12 weeks
<b>Export/import authorizations</b> <ul style="list-style-type: none"> <li><b>Short term export orders</b> for oil, gas, and natural gas liquids: 2 working days</li> <li><b>Natural gas import and export orders:</b> 2 working days</li> <li><b>Electricity export permits:</b> 80% in 75 days</li> </ul>	<b>Export/import authorizations</b> <p><b>Short term export orders:</b> 206 in 2004 calendar year: all completed in 48 hours</p> <p><b>Natural gas import/export orders:</b> 113 in 2004-2005: all completed in 48 hours</p> <p><b>Electricity export permits:</b> 9 received: 75% in 75 days (see section 2.3 for details)</p>
<b>Onshore pipeline regulation (OPR) audits</b> <ul style="list-style-type: none"> <li>80% of draft OPR reports sent to the audited company in 8 weeks of field work completion</li> </ul>	<b>Onshore pipeline regulation audits:</b> 2 received: 100% of draft OPR audit reports were delivered within 8 weeks
<b>Financial audits</b> <ul style="list-style-type: none"> <li>80% of draft financial reports sent to the audited company in 8 weeks of field work completion</li> </ul>	<b>Financial audits:</b> 3 received: 100% of draft financial audit reports were delivered within 8 weeks
<b>Non-hearing Section 58 application cycle times</b> <ul style="list-style-type: none"> <li><b>Category A</b> (complexity of issues considered minor): 80% of decisions released in 40 calendar days</li> <li><b>Category B</b> (complexity of issues considered moderate): 80% of decisions released in 90 calendar days</li> <li><b>Category C</b> (complexity of issues considered major): 80% of decisions released in 120 calendar days</li> </ul>	<b>Non-hearing Section 58 applications</b> <p><b>Category A:</b> 31 received: 87% in 40 days</p> <p><b>Category B:</b> 20 received: 100% in 90 days</p> <p><b>Category C:</b> none received</p>

<sup>8</sup> NEB service standards tracked in 2004-2005 are listed here; for reporting on service standard development see section 2.4.

## B. Energy Regulation and Advice – *Canada Oil and Gas Operations Act*

Fee Activity	Description	Amount (\$ millions)
<b>Energy Regulation and Advice – <i>Canada Oil and Gas Operations Act</i></b>		
Under the COGO Act, the NEB regulates oil and gas activities on frontier lands not subject to a federal/provincial accord.		
<b>Fee Type</b>	Regulatory	
<b>Fee Setting Authority</b>	<i>Canada Oil and Gas Operations Act</i>	
<b>Date Last Modified</b>	1992	
<b>2004-2005 Forecast Revenue</b>	Regulatory	The annual revenue is less than \$1000.
<b>2004-2005 Actual Revenue</b>	Regulatory	The annual revenue is less than \$1000.
<b>Estimated Full Cost</b>	Regulatory a) NEB costs 3.7 b) Other Departments' costs 0.5	4.2
<b>Forecast Revenue</b>	Sub-Total (2005-2006) Sub-Total (2006-2007) Sub-Total (2007-2008) Total	The annual revenue is less than \$1000.
<b>Estimated Full Cost</b>	Sub-Total (2005-2006) Sub-Total (2006-2007) Sub-Total (2007-2008) Total	4.2 4.2 4.2 12.6

The NEB collects fees and provides services under the *Access to Information Act*. Information about these fees and service standards is found in the annual reports pursuant to *Access to Information Act* and *Privacy Act* that are located on the NEB's Web site at [www.neb-one.gc.ca/Publications/index\\_e.htm](http://www.neb-one.gc.ca/Publications/index_e.htm).

## C. Consultation and Analysis

When the NEB Cost Recovery Liaison Committee (CRLC) was established in July 1990, the composition of the committee ensured that there was representation from each of the industry's major associations and companies. The CRLC was established for on-going consultation and communication regarding cost recovery methodology, regulations and new initiatives affecting cost recovery processes. In addition, the NEB tables and discusses its financial statements and anticipated expenditures with the CRLC. The NEB's performance results are presented to the CRLC at regularly scheduled meetings.

## **D. Dispute Management**

The NEB has a Dispute Management Process, as per the Treasury Board External Charging Policy, to ensure that disputes and issues raised by stakeholders related to external charging are addressed and resolved fairly and efficiently. This process is described on the NEB Web site at [www.neb-one.gc.ca/AboutUs/ExternalChargingPolicy/DisputeManagementProcess\\_e.htm](http://www.neb-one.gc.ca/AboutUs/ExternalChargingPolicy/DisputeManagementProcess_e.htm).

In this process, there are three hierarchical levels to resolve a dispute. The first level of resolution rests with the Chair of the CRLC. If the dispute is unresolved at the first level, the issue will be passed on to the second level where a committee is formed. Where the first level and the second level fail to result in a resolution, the matter will be referred to the Chairman of the Board. Each level is given 90 days from the date of receipt of notification or escalation to resolve the dispute.

The disputes and issues may include but shall not be limited to:

- a) failure to meet the agreed standard of services or products;
- b) negotiated charges are perceived to be unreasonable;
- c) issues regarding specifications and descriptions of the required services or products;
- d) cancellation of the negotiated services or products; or
- e) failure to meet deadlines.

## **E. Other Information**

In addition, the NEB has developed its own External Charging Policy for external charges of a non-regulatory nature. This policy can be found at [www.neb-one.gc.ca/AboutUs/ExternalChargingPolicyNonRegulatory\\_e.htm](http://www.neb-one.gc.ca/AboutUs/ExternalChargingPolicyNonRegulatory_e.htm).

## **3.12 Evaluations and Reviews**

Evaluations and reviews conducted under the auspices of the NEB Audit and Evaluation Committee and completed in 2004-2005:

- NEB Organizational Design and Structure Review
- Evaluation of Goal-oriented Regulation
- Audit of Time Information Management (TIME) System
- Testing of TIME System for 2002-2003
- Audit of Contracting Practices

The final reports can be found at [www.neb-one.gc.ca](http://www.neb-one.gc.ca) under *Publications, Internal Audit Reports*.

### **3.13 Organizational Information**

The NEB is structured into five business units, reflecting major areas of responsibility: Applications, Commodities, Operations, Corporate Services and Information Management. In addition, the Executive Office includes four teams that provide specialized services: Legal Services<sup>9</sup>, Professional Leadership, Regulatory Services and Communications.<sup>10</sup>

#### **Business Unit Descriptions**

##### ***Applications***

The Applications Business Unit is responsible for processing and assessing most regulatory applications submitted under the NEB Act. These fall primarily under Parts III and IV of the NEB Act, corresponding to facilities, and tolls and tariffs applications. It is also responsible for other matters such as the financial surveillance and financial audits of companies under the NEB's jurisdiction and for addressing landowner concerns. The Business Leader of Applications is accountable for this Unit.

##### ***Commodities***

The Commodities Business Unit is responsible for energy industry and marketplace surveillance, including the outlook for the demand and supply of energy commodities in Canada, updating guidelines, and regulations relating to energy exports as prescribed by Part VI of the NEB Act. It is also responsible for assessing and processing applications for oil, natural gas and electricity exports, and for the construction and operation of interprovincial and international electric power lines. The Business Leader of Commodities is accountable for this Unit.

##### ***Operations***

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. It conducts safety and environmental inspections and audits, investigates incidents, monitors emergency response procedures, regulates the exploration, development and production of hydrocarbon resources in non-accord frontier lands, and develops regulations and guidelines with respect to the above. The Business Leader of Operations is accountable for this Unit.

##### ***Corporate Services***

The Corporate Services Business Unit provides those services necessary to assist the NEB in its management of human, materiel and financial resources. Its responsibilities

---

9 Legal Services is accountable to the Chairman and Board Members for the provision of legal advice. It is accountable to the Chief Operating Officer for administrative matters.

10 Following an organizational review in 2004-2005 (as reported in section 2.5.1), changes to the NEB's Business Unit structure are effective 1 April 2005.

include corporate policy and planning activities, materiel and facilities management, staffing, training, compensation and benefits, procurement, inventory control, physical security and union/management activities. The Business Leader of Corporate Services is accountable for this Unit.

***Information Management***

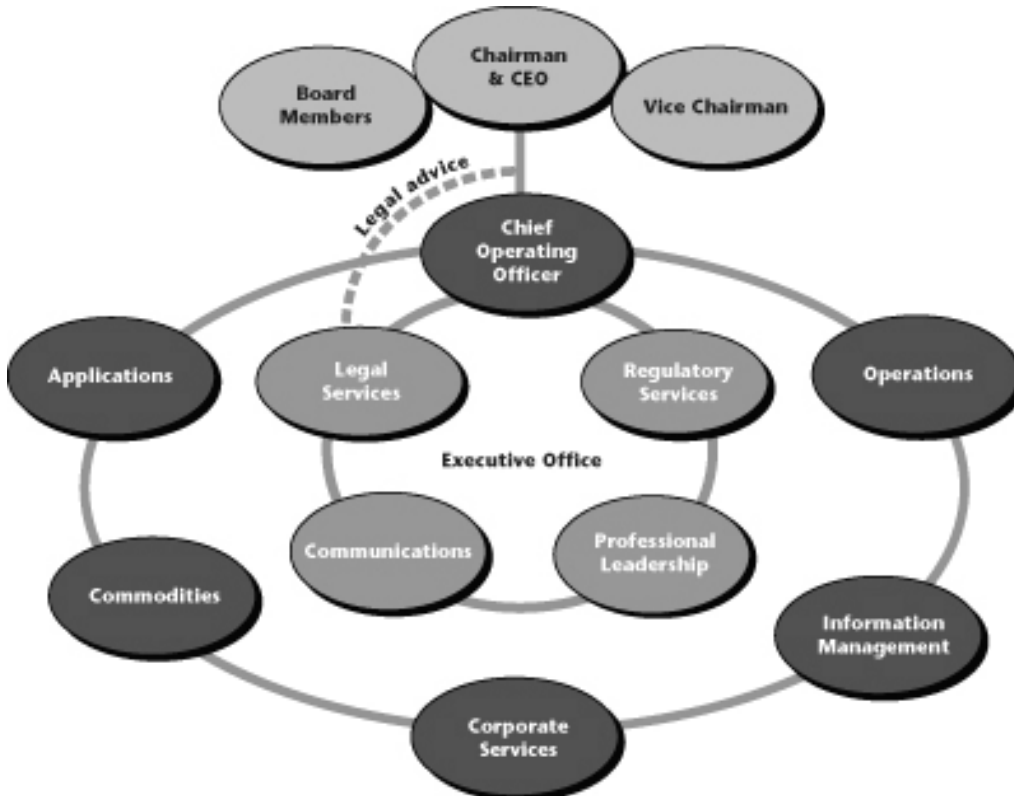
The Information Management Business Unit is responsible for developing and implementing an information management strategy for the NEB and distributing the information required by internal and external stakeholders. Its responsibilities include corporate records management, library, mail services, access to information, document production services and computer services. The Business Leader of Information Management is accountable for this Unit.

***Executive Office***

The Executive Office is responsible for the NEB’s overall capability and readiness to meet strategic and operational requirements including internal and external communications, legal advice for both regulatory and management purposes, maintaining and enhancing technical expertise within the NEB in the economic, environmental and engineering fields, and hearing administration and regulatory support.

The reporting structure to the Chairman and CEO is as follows for 2004-2005:

**Figure 18: NEB Organizational Structure**





## **Section IV: Other Items of Interest**

### **4.1 Legislation under which the National Energy Board has named responsibility**

#### **Acts**

*National Energy Board Act*  
*Canada Labour Code, Part II*  
*Canada Oil and Gas Operations Act*  
*Canada Petroleum Resources Act*  
*Canadian Environmental Assessment Act*  
*Energy Administration Act*  
*Mackenzie Valley Resource Management Act*  
*Northern Pipeline Act*  
*Species at Risk Act*

#### **Regulations and Orders Pursuant to the *National Energy Board Act***

*Gas Pipeline Uniform Accounting Regulations*  
*National Energy Board Act Part VI (Oil and Gas) Regulations*  
*National Energy Board Cost Recovery Regulations*  
*National Energy Board Electricity Regulations*  
*National Energy Board Export and Import Reporting Regulations*  
*National Energy Board Order No. M0-62-69*  
*National Energy Board Pipeline Crossing Regulations, Part I*  
*National Energy Board Pipeline Crossing Regulations, Part II*  
General Order No. 1 Respecting Standard Conditions for Crossings by Pipelines  
General Order No. 2 Respecting Standard Conditions for Crossings of Pipelines  
*National Energy Board Processing Plant Regulations*  
*National Energy Board Rules of Practice and Procedure, 1995*  
*National Energy Board Substituted Service Regulations*  
*Oil Pipeline Uniform Accounting Regulations*  
*Oil Product Designation Regulations*  
*Onshore Pipeline Regulations, 1999*  
*Pipeline Arbitration Committee Procedure Rules, 1986*  
*Power Line Crossing Regulations*  
Section 58 Streamlining Order XG/XO-100-2002  
*Toll Information Regulations*

#### **Guidelines and Memoranda of Guidance pursuant to the *National Energy Board Act***

Appropriate Dispute Resolution Guidelines (18 July 2003)  
Consultation with Aboriginal Peoples: National Energy Board Memorandum of Guidance  
(4 March 2002)  
Filers Guidelines to Electronic Submissions (1 December 2004)  
*Filing Manual* (2004)

Filing of Supply Information in Compliance with the Board's Part VI (Oil and Gas) Regulations (16 May 1997)

Filing Procedures for Section 104 Right of Entry Order Applications (27 October 1999)

Financial Regulatory Audit Policy of the National Energy Board (23 February 1999)

Guidance Notes for the *Onshore Pipeline Regulations, 1999* (7 September 1999)

Amendment I (20 January 2003)

Guidance Notes for Pressure Equipment under National Energy Board Jurisdiction (8 August 2003)

Guidance Notes for the *Processing Plant Regulations* (28 July 2003) including:

Appendix I – Guidance Notes for the Design, Construction, Operation and Abandonment of Pressure Vessels and Pressure Piping (3 July 2003) and

Appendix II – Security and Emergency Preparedness and response Programs (24 April 2002)

Guidelines for Negotiated Settlement of Traffic, Tolls and Tariffs (12 June 2002)

Guidelines Respecting the Environmental Information to be Filed by Applicants for Authorization to Construct and Operate Gas Processing and Straddle Plants, Liquid Natural Gas (LNG) Plants and Terminals, Natural Gas Liquids (NGL), Liquid Propane Gas (LPG) and Butane Plants and Terminals, under Part III of the *National Energy Board Act* (26 June 1986)

Investigative Digs and Related Pipeline Repairs/Replacements (2 December 2002 and 26 February 2003)

Pre-Application Meetings Guidance Notes (26 February 2004)

Memorandum of Guidance – Electronic Filing, National Energy Board Rules of Practice and Procedure, 1995 (21 March 2002)

Memorandum of Guidance - Concerning Full Implementation of the September 1988 Canadian Electricity Policy (Revised 26 August 1998)

Memorandum of Guidance - Fair Market Access Procedure for the Licensing of Long-term Exports of Crude Oil and Equivalent (17 December 1997)

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 Pipeline Uniform Accounting Regulations (30 November 1994)

Performance Measures filed as part of Year-end Quarterly Surveillance Reports (26 January 1996)

Security and Emergency Preparedness and Response Programs (includes document entitled Expected Elements for Emergency Preparedness and Response Programs) (24 April 2002)

### **Regulations Pursuant to the *Canada Oil and Gas Operations Act***

*Canada Oil and Gas Certificate of Fitness Regulations*

*Canada Oil and Gas Diving Regulations*

*Canada Oil and Gas Drilling Regulations*

*Canada Oil and Gas Geophysical Operations Regulations*

*Canada Oil and Gas Installations Regulations*

*Canada Oil and Gas Operations Regulations*

*Canada Oil and Gas Production and Conservation Regulations*

*Oil and Gas Spills and Debris Liability Regulations*

**Guidelines and Guidance Notes pursuant to the *Canada Oil and Gas Operations Act***

Guidance Notes for the *Canada Oil and Gas Drilling Regulations*

Guidelines Respecting Physical Environmental Programs during Petroleum Drilling and Production Activities on Frontier Lands

Notice of Revised Offshore Waste Treatment Guidelines (21 August 2002)

**Regulations Pursuant to the *Canada Petroleum Resources Act***

*Environmental Studies Research Fund Regions Regulations*

*Frontier Lands Petroleum Royalty Regulations*

*Frontier Lands Registration Regulations*

*Lancaster Sound Designated Area Regulations*

*Order Prohibiting the Issuance of Interests at Lapierre House Historic Site in the Yukon Territory*

*Order Prohibiting the Issuance of Interests at Rampart House in the Yukon Territory*

**Guidelines and Guidance Notes Pursuant to the *Canada Petroleum Resources Act***

*Northwest Territories – Nunavut – Guidance Notes for Applicant – Applications for Declaration of Significant Discovery and Commercial Discovery (January 1997)*

*Applications for Declaration of Significant Discovery and Commercial Discovery – Directly Affected Persons (17 November 2003)*

**Regulations Pursuant to the *Canadian Environmental Assessment Act***

*Comprehensive Study List Regulations*

*Exclusion List Regulations*

*Federal Authorities Regulations*

*Inclusion List Regulations*

*Law List Regulations*

*Projects outside Canada Environmental Assessment Regulations*

*Regulations Respecting the Co-ordination by Federal Authorities of Environmental Assessment Procedures and Requirements*

**Regulations Pursuant to the *Canada Labour Code, Part II***

*Canada Occupational Health and Safety Regulations*

*Oil and Gas Occupational Safety and Health Regulations*

*Safety and Health Committees and Representatives Regulations*

**Regulations Pursuant to the *Mackenzie Valley Resources Management Act***

*Exemption List Regulations*

*Mackenzie Valley Land Use Regulations*

*Preliminary Screening Requirement Regulations*

## **Regulations Pursuant to the *Northern Pipeline Act***

### *Northern Pipeline Notice of Objection Regulations*

Northern Pipeline Socio-Economic and Environmental Terms and Conditions for Northern British Columbia

Northern Pipeline Socio-Economic and Environmental Terms and Conditions for the Province of Alberta

Northern Pipeline Socio-Economic and Environmental Terms and Conditions for the Province of Saskatchewan

Northern Pipeline Socio-Economic and Environmental Terms and Conditions for Southern British Columbia

Northern Pipeline Socio-Economic and Environmental Terms and Conditions for the Swift River Portion of the Pipeline in the Province of British Columbia

Order Designating the Minister of Natural Resources as Minister for Purposes of the Act Transfer of Duties, in Relation to the Pipeline, of Certain Ministers under Certain Acts to the Member of the Queen's Privy Council for Canada Designated as Minister for Purposes of the Act

Transfer of Duties, in Relation to the Pipeline, of the National Energy Board under Parts I, II and III of the *Gas Pipeline Regulations* to the Designated Minister for Purposes of the Act

Transfer of Powers, Duties and Functions (Kluane National Park Reserve Lands) Order

Transfer of Powers, Duties and Functions (Territorial Lands) Order

## **Guidelines and Guidance Notes pursuant to the *Species at Risk Act***

The Coming into Force of Specific Sections of the *Species at Risk Act*, S.C. 2002, c. 29 and its Effect on Applications before the National Energy Board (letter dated 11 September 2003)

## **4.2 Cooperation with Others**

The National Energy Board co-operates with other agencies to reduce regulatory overlap and provide more efficient regulatory services.

### **Alberta Energy and Utilities Board (EUB)**

The NEB has a Memorandum of Understanding (MOU) with the EUB for pipeline incident response. The agreement provides for mutual assistance and a faster and more effective response by both Boards to pipeline incidents in Alberta. The NEB and the EUB maintained their commitment to using the common reserves database for oil and gas reserves in Alberta. Both Boards are also committed to developing more efficient methods for maintaining estimates of reserves and to exploring other opportunities for co-operation. In 2004-2005, the Boards completed their assessment of conventional gas resources in Alberta and published the results in March 2005.

### **British Columbia Ministry of Energy and Mines (BCMÉM)**

The NEB and BCMÉM maintained their commitment to using a common reserves database for oil and gas reserves in British Columbia. Both agencies are committed to developing more efficient methods for maintaining estimates of reserves and to exploring

other opportunities for cooperation. In 2004-2005, the two agencies agreed to work on a joint assessment of natural gas resources in B.C.

### **Canada-Newfoundland and Labrador Offshore Petroleum Board (C-NLOPB) and Canada-Nova Scotia Offshore Petroleum Board (C-NSOPB)**

The Chairs of the NEB, the C-NLOPB and the C-NSOPB, together with executives from the Newfoundland and Labrador and Nova Scotia Departments of Energy and NRCan, form the Oil and Gas Administrators Advisory Council (OGAAC). The OGAAC membership discusses and decides on horizontal issues affecting their respective organizations to ensure convergence and collaboration on oil and gas exploration and production issues across Canada.

The NEB, C-NLOPB and C-NSOPB staff also work together to review, update and amend regulations and guidelines affecting oil and gas activities on Accord Lands.

NEB staff also provide technical expertise to NRCan, C-NLOPB and C-NSOPB on technical matters of mutual interest, such as reservoir assessment, occupational safety and health, diving, drilling and production activities.

### **Canadian Association of Members of Public Utility Tribunals (CAMPUT)**

CAMPUT is a non-profit organization of federal, provincial and territorial boards and commissions which are responsible for the regulation of the electric, water, gas and pipeline utilities in Canada. The NEB also provides support to CAMPUT by providing information and assisting in conference organization.

### **Canadian Environmental Assessment Agency (CEA Agency)**

NEB staff are actively engaged with CEA Agency matters, participating in the CEA Agency's Senior Management Committee and acting as an observer on the Regulatory Advisory Committee. This involvement ensures effective coordination of regulatory responsibilities relating to environmental assessments.

### **Comisión Reguladora de Energía (CRE) of Mexico**

Staff at the NEB and CRE maintain an ongoing relationship, sharing regulatory experiences and information on North American energy markets. In September 2003, the CRE, the U.S. Federal Energy Regulatory Commission and the NEB signed an agreement regarding cooperation. The agreement allows for the staff of the three regulatory agencies to share information on regulatory matters and current events and to seek to provide comparable regulatory approaches. Both organizations are committed to continuing and strengthening this relationship, which includes inter-agency staff visits.

### **Cooperation on the Environmental Impact Assessment and Regulatory Review of a Northern Gas Pipeline Project through the Northwest Territories**

In 2002, the NEB, in collaboration with the boards and agencies responsible for environmental impact assessment and regulatory review of a major natural gas pipeline through the Northwest Territories, issued a Cooperation Plan. The Plan describes how the

agencies propose to coordinate their activities to ensure an efficient, flexible and timely process that reduces duplication and enhances public and northern participation in the review of a major pipeline application. The NEB's partners in the Plan include the Mackenzie Valley Land and Water Board, the Sahtu and Gwich'in Land and Water Boards, the NWT Water Board, the Mackenzie Valley Environmental Impact Review Board, the Environmental Impact Screening Committee and the Environmental Impact Review Board for the Inuvialuit Settlement Region, the Inuvialuit Game Council, the Inuvialuit Land Administration, the Canadian Environmental Assessment Agency, the Indian and Northern Affairs Canada, and observers from the Deh Cho First Nation, the Government of the Northwest Territories, and the Government of Yukon.

### **Indian Affairs and Northern Canada (INAC)**

The NEB has an MOU with INAC concerning the provision of advice on rights management and the exchange of information with respect to oil and gas activities on northern frontier lands.

### **Human Resources and Skills Development Canada (HRSDC)**

The NEB has an MOU with HRSDC to administer the *Canada Labour Code* for NEB-regulated facilities and activities and to co-ordinate these safety responsibilities under the COGO Act and the NEB Act.

### **Mackenzie Valley Environmental Impact Review Board (MVEIRB)**

In late 2004, the NEB and the MVEIRB renewed a joint MOU to establish a cooperative framework for environmental impact assessment in the Mackenzie Valley. In the case of transboundary pipeline projects, the NEB has responsibilities under both the *Mackenzie Valley Resource Management Act* and the CEA Act. This MOU facilitates the cooperation of two boards to reduce duplication and increase effectiveness of the environmental review process.

### **National Association of Regulatory Utility Commissioners (NARUC)**

Board Members regularly participate in meetings of the U.S. NARUC, particularly with respect to developments in U.S. gas markets that may affect cross-border trade in natural gas.

### **Northern Pipeline Agency (NPA)**

The NEB provides technical assistance to the NPA, which, under the *Northern Pipeline Act*, has primary responsibility for overseeing the planning and construction of the Canadian portion of the Alaska Natural Gas Transportation System by Foothills Pipe Lines Ltd.

### **Pipeline Technical Regulatory Authorities of Canada Council (PTRACC)**

The NEB chairs a staff committee of federal and provincial technical regulators. PTRACC meets regularly throughout the year to discuss pipeline safety and environmental initiatives.

### **Transportation Safety Board of Canada (TSB)**

While the NEB has exclusive responsibility for regulating the safety of oil and gas pipelines under federal jurisdiction, it shares the responsibility for investigating pipeline

incidents with the TSB. The roles and responsibilities of each body with regard to pipeline accident investigations are outlined in an MOU between the two boards.

### **U.S. Federal Energy Regulatory Commission (FERC)**

NEB and FERC executives maintain a regular dialogue on their respective regulatory experiences and exchange information available in the public domain in order to keep one another informed about current and upcoming issues which may affect both organizations, and to mutually benefit from knowledge about best regulatory practices.

In May 2004 the NEB and FERC signed an MOU recognizing the potential need to appropriately coordinate their efforts, where practicable, in future regulatory proceedings and other related matters.

### **Government of Yukon**

The NEB provides the Government of Yukon with technical advice with respect to oil and gas activities in the Yukon Territory in accordance with a service agreement.

## **4.3 Contact Information**

For further information about the National Energy Board, contact:

National Energy Board  
444 Seventh Avenue SW  
Calgary, Alberta T2P 0X8

Telephone: (403) 292-4800  
Toll free: 1-800-899-1265

Facsimile: (403) 292-5503  
Toll free: 1-877-288-8803

E-mail: [info@neb-one.gc.ca](mailto:info@neb-one.gc.ca)  
Internet site: [www.neb-one.gc.ca](http://www.neb-one.gc.ca)

### **Key Contacts as of 31 March 2005**

Kenneth W. Vollman	Chairman
Gaétan Caron	Vice-Chairman
Jim Donihee	Chief Operating Officer
Sandy Harrison	Business Leader, Applications
John McCarthy	Business Leader, Commodities
Gregory Lever	Business Leader, Operations
Valerie Katarey	Business Leader, Corporate Services
Byron Goodall	Business Leader, Information Management
Judith Hanebury	General Counsel
Michel Mantha	Secretary of the Board
Dan Philips	Team Leader, Finance