



National Energy
Board

Office national
de l'énergie

2006 - 2007 Estimates

Part III - Report on Plans and Priorities

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Canada

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SECTION I – OVERVIEW

Chairman's Message

I am pleased to present the *2006-2007 Report on Plans and Priorities* for the National Energy Board (NEB or Board).

The NEB is a cost-recovered, independent federal agency whose purpose is to promote safety and security, environmental protection and economic efficiency in the Canadian public interest within the mandate set by Parliament in the regulation of pipelines, energy development and trade. The main functions of the NEB include regulating the construction and operation of pipelines that cross international or provincial borders, as well as tolls and tariffs. Another key role is to regulate international power lines and designated interprovincial power lines. The NEB also regulates natural gas imports and exports, oil, natural gas liquids and electricity exports, and some oil and gas exploration on frontier lands, particularly in Canada's North and certain offshore areas. The NEB also provides energy information and advice by collecting and analyzing information about Canadian energy markets through regulatory processes and monitoring. By constantly striving for excellence throughout this broad spectrum of activities, the NEB works hard to achieve its purpose of promoting safety and security, environmental protection and efficient energy infrastructure and markets in the Canadian public interest.

In delivering on its mandate, the NEB is guided by a strategic plan with clearly articulated goals and objectives. Priorities for the strategic plan are identified through continual environmental scanning, which includes input from stakeholders interested in, and affected by, energy regulation. Energy prices have hit record highs in the past year and indicators suggest they are likely to present challenges beyond the 2006-2009 planning horizon. Energy markets are responding to this new reality. As a result, this planning period will require the Board to develop and retain the capacity to respond to several, complex multi-billion dollar infrastructure applications while still delivering on the full spectrum of its activities, in an environment where the demand for experienced human resources is becoming increasingly competitive.

The Board's role in regulation in this context is twofold. First, we must protect the things that are important to Canadians: the integrity of the environment, respect of individual property; public safety and security; and effective market functioning. Second, we must ensure Canadians have access to sufficient energy supplies by enabling the timely development of appropriate energy infrastructure for projects found to be in the public interest. In order to fulfil our mandate in this complex, increasingly competitive environment, the NEB is addressing the following three priorities through our 2006-2009 strategic plan.

Our first priority is to provide a streamlined and efficient regulatory process. Efforts will focus on integrated decision-making, cost efficiencies, effective public participation, and harmonized processes delivered through increased transparency and accountability. In addition to continued emphasis on improvements to the flexibility and responsiveness of our own regulatory processes, renewed efforts with respect to cooperation and partnerships with other agencies engaged in the regulatory process will be applied.

The NEB is committed to introducing procedures in support of participant funding and to establishing the conditions under which it will be granted substitute authority for the *Canadian Environmental Assessment Act* thereby enhancing the timeliness and efficiency of the regulatory process while preserving the quality of the environmental assessment. These initiatives are directly aligned with the Government of Canada's *Smart Regulation Strategy*.

To ensure Canadians understand our rapidly changing energy environment, and that policy makers have access to independent, objective energy advice, our second priority is to inform Canadians on regulatory and energy related matters in a timely and relevant manner. Feedback from all stakeholders representing energy interests across Canada has shown us that the Board provides considerable value to Canadian decision makers through the integrity, independence and objectivity of the information and analysis it provides. Our commitment is to continue to provide energy information and advice that will effectively inform energy policy discussion and decision-making in Canada.

Our third priority, to enhance the NEB's capacity and culture, is critical to delivering on our first two priorities. The period covered by this strategic plan will present significant challenges to the Board's ability in the Calgary labour market to recruit, develop, and retain the technical and analytical expertise that is essential to deliver our expected business results. In this environment of high demand for expertise throughout the energy sector, the NEB will require the support of central agencies to define and implement strategies that may require enhanced flexibility as a cost-recovered separate employer or special operating agency.

In our 45 years of providing energy advice and monitoring Canada's energy market, we have listened to and recognized the needs of stakeholders from industry, public, NGOs and fellow regulatory agencies. The Board works hard to ensure that its decisions appropriately balance and integrate these views to arrive at decisions that are in the Canadian public interest. While this planning period will present significant challenges to the Board I am confident, if we are successful in resolving issues of capacity and delivering on this strategic plan, that Canadians will continue to benefit from the tremendous endowment of energy resources they possess.

Management Representation Statement

I submit for tabling in Parliament, the 2006-2007 Report on Plans and Priorities (RPP) for the National Energy Board.

This document has been prepared based on the reporting principles contained in the *Guide for the Preparation of Part III of the 2006-2007 Estimates: Report on Plans and Priorities and Departmental Performance Reports*:

- It adheres to the specific reporting requirements outlined in the TBS guidance;
- It is based on the department's approved Program Activity Architecture as reflected in the Management Resources and Results Structure;
- It presents consistent, comprehensive, balanced and reliable information;
- It provides a basis of accountability for the results achieved with the resources and authorities entrusted to it; and
- It reports finances based on approved planned spending numbers from the Treasury Board Secretariat.

Kenneth W. Vollman
Chairman

Summary Information

The Board's corporate purpose is to promote safety and security, environmental protection and efficient energy infrastructure and markets in the Canadian public interest¹ within the mandate set by Parliament in the regulation of pipelines, energy development and trade.

The NEB is an independent federal agency that regulates several aspects of Canada's energy industry. Its purpose is to promote safety and security, environmental protection and economic efficiency in the Canadian public interest within the mandate set by Parliament in the regulation of pipelines, energy development and trade. The main functions of the NEB include regulating the construction and operation of pipelines that cross international or provincial borders, as well as tolls and tariffs. Another key role is to regulate international power lines and designated interprovincial power lines. The NEB also regulates natural gas imports and exports, oil, natural gas liquids (NGL) and electricity exports, and some oil and gas exploration on frontier lands, particularly in Canada's North and certain offshore areas. The NEB also provides energy information and advice, by collecting and analyzing information about Canadian energy markets through regulatory processes and monitoring.

The main functions of the NEB are established in the *National Energy Board Act* (NEB Act). 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. In addition, Board 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 NEB is an independent regulatory tribunal established in 1959. The NEB reports to Parliament through the Minister of Natural Resources. The Board is a court of record and has certain powers of a superior court of record including those 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 NEB's regulatory responsibilities for public safety, security and protection of the environment are set out in the NEB Act and the COGO Act. The NEB is also required to meet the requirements of the *Canadian Environmental Assessment Act* (CEA Act) and the *Mackenzie Valley Resource Management Act* where the Board's environmental responsibilities span three distinct phases: evaluating potential environmental effects of

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 Board must estimate the overall public good a project may create and its potential negative aspects, weigh its various impacts, and make a decision.

proposed projects; monitoring and enforcement of terms and conditions during and after construction; and monitoring and regulation of ongoing operations, including decommissioning.

The sections of the *Public Safety Act, 2002* (Bill C-7) amending the NEB Act came into force on 20 April 2005 (through an Order of the Governor General in Council). The amendments provide the NEB with clear legislative authority for the security of pipelines and international power lines. The NEB has amended its corporate purpose statement to include the word *security* to reflect the amendments made to the NEB Act.

The Board's mandate also includes the provision of expert technical advice to the Canada-Newfoundland Offshore Petroleum Board (C-NOPB), the Canada-Nova 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.

Additional information on the background and operations of the NEB may be found at the Board's Internet site: www.neb-one.gc.ca.

Financial Resources (million \$)

2006-2007	2007-2008	2008-2009
37.9	38.5	38.5

Human Resources (Full-time equivalents)

2006-2007	2007-2008	2008-2009
305.1	307.6	307.6

Departmental Priorities

	Type	Planned Spending (million \$)		
		2006-2007	2007-2008	2008-2009
Regulatory framework	Previously committed to	4.7	4.7	4.7
Energy information	Ongoing	1.9	1.9	1.9
Capacity and culture	Previously committed to	1.2	1.3	1.3

Departmental Plans and Priorities

The Board's vision is to be an active, knowledgeable partner in the responsible development of Canada's energy sector for the benefit of Canadians.

Operating Environment

The NEB follows an annual strategic planning cycle. The formal process begins with an analysis of external influences, including societal and economic trends. As part of this environmental scan, the NEB invites a cross-section of stakeholders interested in energy regulation to attend meetings and share ideas. The environmental scan is followed by the development of long-range strategic goals, resource, budget and work planning, performance measurement and reporting processes. The plans that are established are regularly updated throughout the year as required.

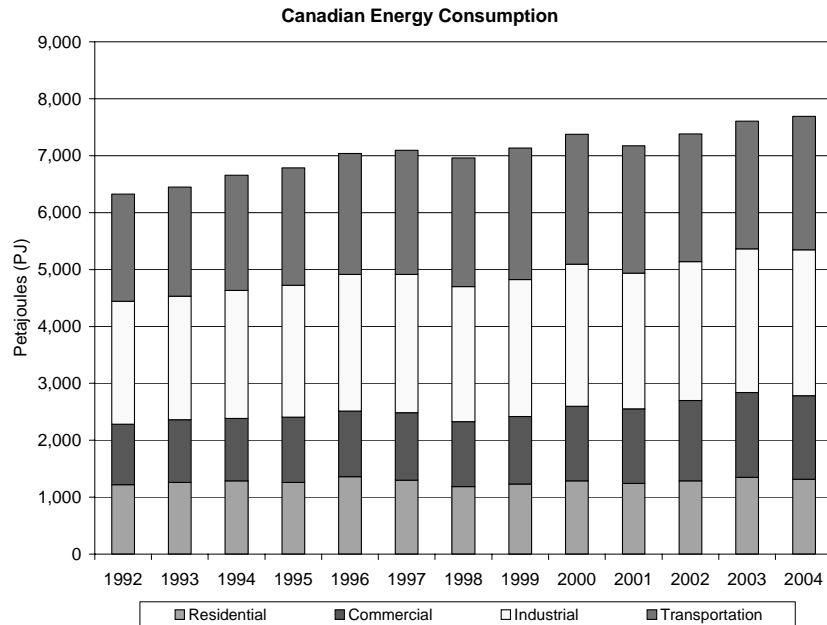
In establishing the priorities for 2006-2007, the NEB considered evolving trends, risks and challenges that might influence how it carries out its responsibilities and delivers results to Canadians. A few of these important developments are discussed below.

Energy Market Context

Energy prices hit record highs in the last year. World oil prices climbed to unprecedented levels, at least in nominal dollars, reflecting significant demand growth and limited spare production and refining capacity. Weather related events were also a major factor. The price of benchmark West Texas Intermediate crude oil rose through to the end of August, peaking in the \$US70 per barrel range, following the supply losses from Hurricane Katrina. By year-end 2005 prices retreated to \$US60 and are expected to remain strong in 2006.

Natural gas prices were strongly influenced by the price of crude oil and the loss of supply from the Gulf of Mexico, with the Henry Hub benchmark increasing through the year to the \$US6-\$7 per million BTUs in the January-February period to the \$US12-\$14 range toward year-end.

Canadian energy consumption has been steadily increasing over the past decade driven by economic growth and population increase. High prices send important signals to energy users to economize on their consumption, and to energy producers to find and develop new sources of energy. However, the consumer response is complex, and tends to play out over a long period of time. In the short-term, Canadians are experiencing increased heating and transportation costs and the Board will be challenged to increase the quality of information provided to the public on the functioning of energy markets.



The high price energy environment is encouraging industry to develop new and unconventional sources of oil and natural gas to meet Canada’s future energy needs. For its part, the exploration and production sector in Canada has responded. Over 24,000 oil and natural gas wells were drilled in 2005 and the sector invested close to \$40 billion in developing new supply sources, including oil from the oil sands in Alberta. With vast reserves in the oil sands and the development off the coast of Newfoundland, Canada is steadily increasing its oil production. Total Canadian oil production is expected to increase on the order of 10 percent by year-end 2006 and gas production is expected to increase less than one percent.

Canada recently became the number one exporter of crude oil to the United States and it is expected that Canadian exports will grow as production from the oil sands steadily grows over the coming decade. Considerable new investment in the pipeline transportation sector is required to transport the growing production to markets. The producing sector will have to make choices as to which markets it wishes to access as options include the U.S. south and mid-west markets, California and Asian markets that could be accessed via a pipeline to the west coast.

Canadian gas production is expected to increase slightly over the next few years as declining conventional gas production is more than offset by robust growth in natural gas from coal bed methane (CBM, also called natural gas from coal, or NGC). The resource base for CBM is large so there are grounds for optimism about future supply, but the outlook for production beyond a couple of years is still uncertain. The industry is attempting to develop frontier natural gas sources in the Mackenzie Delta and the Board has an application before it to build a major pipeline from the Delta down the Mackenzie Valley to markets in the south.

Recognizing that traditional sources of North American gas supply are unable to keep pace with the expected future growth in demand, there is growing momentum behind the development of northern gas and liquid natural gas (LNG) receiving terminals. Two LNG proposals, one in Nova Scotia and one in New Brunswick, received provincial site approvals during the last year. Other projects are being planned for Quebec. As well, options to expand infrastructure, such as storage and pipeline capacity, are being examined to balance the market.

In Canadian electricity markets a key issue is the concern about the adequacy of electric generation especially in the post-2007 period. An important trend is the emphasis on green and renewable resource development, but it is recognized that emerging technologies such as wind, small hydro and biomass can only be part of a diversified solution to address the challenges in achieving supply/demand balance. Furthermore, even these technologies, which may be attractive from the environmental standpoint and addressing longer term issues such as climate change, often face the same challenges as conventional technologies in obtaining siting approvals and grid access. Thus proposals for large hydro developments are being revisited, which implies expanded regional trade and potentially significant additions to long-distance transmission capacity. New nuclear capacity, as well as refurbishments, is also being considered.

In summary, industry is responding to the tight market situation by developing new large infrastructure projects, including oil pipelines, natural gas pipelines, LNG receiving terminals and power generation and transmission facilities. These projects could bring additional energy supplies to Canadians and help ensure future energy security. The NEB is responsible for reviewing many of these infrastructure projects and ensuring that, when they are found to be in the public interest, they proceed in ways that provide the greatest benefits to Canadians while minimizing any adverse impacts. In this context, there are a number of challenges with the current regulatory system that require solutions to ensure fair and effective regulatory processes. These challenges include providing a clear regulatory framework and modern tools, ensuring effective participation in regulatory processes, and maintaining the capacity to deliver in these areas.

Regulatory system

The NEB's mandate is to promote safety and security, environmental protection and economic efficiency in the Canadian public interest within the mandate set by Parliament in the regulation of pipelines, energy development and trade. Under this mandate, the Board's role is to both protect and enable in the public interest. In its enabling role, the Board meets its mandate through providing a clear regulatory framework and efficient regulatory processes and practices so that projects found to be in the public interest can proceed on a timely basis. At the same time, the Board must protect the things that are important to Canadians: the integrity of our environment, respect for individual property; public safety and security, and effective market function.

The *Speech from the Throne 2004* conveyed the federal government commitment to smart government, which includes a "transparent and predictable regulatory system that accomplishes public policy objectives efficiently while eliminating unintended impacts".

The External Advisory Committee on Smart Regulation's (EACSR) 2004 report provides an outline for moving forward with a smart regulation strategy including principles and recommendations for improving the regulatory system. One of the key recommended elements is regulatory cooperation in order to create a more seamless regulatory environment in Canada. The NEB is continuing to operate on principles in line with those put forward by the EACSR including both protecting and enabling; more responsive regulation; and supporting interjurisdictional cooperation.

In the energy context, investors in major infrastructure projects look for clear and predictable regulatory processes in order to proceed with their investments. Stakeholders in energy system development look for simple, easily accessible processes to provide input as energy related projects come forward. A key challenge in the Canadian regulatory framework context for energy systems is jurisdictional fragmentation. For example, there are fourteen agencies with some type of regulatory authority with respect to the proposed Mackenzie Gas Pipeline. Similarly, a number of provincial and federal agencies have legal mandates to review elements of applications for offshore facilities and LNG terminals. Another example is the conduct of NEB and Canadian Environmental Assessment Agency (CEA Agency) legislated responsibilities with respect to environmental assessments of federal energy projects. This substantially increases the complexity in taking integrated decisions, in the Canadian public interest, that consider all relevant environmental, operational, social and economic factors.

The NEB is moving forward to provide regulatory clarity by outlining processes within its regulatory framework through its quality management system. The NEB continues to participate with other regulators and environmental assessment boards and agencies on initiatives to simplify regulatory processes and enable integrated decision-making. For example, the NEB is working actively with the CEA Agency to select a pilot for the Board processes to substitute for the environmental assessment process as provided for under the CEA Act.

Further to providing a clear regulatory framework, and supporting smart regulation, the NEB is continuing a number of initiatives over the next planning period. The Board continues to implement a goal-oriented approach to regulation as it reviews and updates its regulations and guidelines. With respect to risk-based approaches to regulatory oversight, the NEB is continuing to implement an integrated compliance system which will enable effective risk-based decision-making related to safety, security and environmental protection. This approach spans the entire life-cycle of facilities, from design and assessment through construction, operations and eventual abandonment. The integrated compliance approach builds on the regulated pipeline companies' response to goal-oriented regulation, which has been to develop, or strengthen, their existing internal management systems.

Northern Exploration and Development

Regulatory processes to review the proposed Mackenzie Valley Pipeline are underway. If approved, that project could be constructed within the next few years, requiring extensive regulatory oversight. In addition, interest in a possible gas pipeline from

Alaska remains strong. In both cases, coordination between a range of agencies and effective engagement of local communities are priorities. The Board is actively considering the potential for a permanent presence in the North during the construction of these major projects should they be approved.

In addition to pipeline infrastructure in the North, the NEB regulates frontier exploration and production. To support a clear, efficient regulatory framework in all areas under its mandate, the NEB has recently completed an independent evaluation of its frontier exploration and production regulatory function. NEB clients and stakeholders in the North are strongly of the view that the legislative framework within which they work, based on the CPR Act and the COGO Act, needs to be revised and modernized. Streamlining of regulations in the North can be achieved to a certain point, and the Board is working toward that goal. However, some amendments to three acts (NEB Act, COGO Act, CPR Act) are required, and efforts to modernize that regulatory framework will be a priority in this planning period.

Effective participation in NEB processes

The NEB's mandate is to protect Canadian interests associated with major energy infrastructure projects, including environmental, social and economic interests, as well as to enable responsible energy infrastructure development. The Board requires effective input from affected citizens and interest groups in order to ensure that it can render decisions that best capture the interests of Canada.

Public proceedings for federally regulated energy infrastructure may involve a wide range of stakeholders, including landowners, the general public, aboriginal communities, non-governmental organizations, energy producers, shippers, distributors and users. However, the NEB is one of the only major regulatory agencies in Canada that has no legal authority to grant intervenor funding to participants in its public hearing processes.

Another challenge for the Board is in understanding how the evolving law on aboriginal consultation affects its role as an arm's length quasi-judicial tribunal. The courts have not yet provided clear guidance on the impact of the principle of the honour of the Crown on independent tribunals. The Board will continue to monitor legal developments in this area and in the meantime will continue in its efforts to ensure that it has information regarding aboriginal interests that may be affected by proposed projects before rendering decisions that may affect those interests.

Recruitment and retention of skilled knowledge workers

The NEB faces an increasing challenge to recruit and retain staff in Calgary's extremely competitive employment market, with the demand for skilled knowledge workers escalating rapidly throughout the entire energy sector. In addition, the activation of new areas of energy development, such as liquid natural gas on the coasts and geotechnical work in the North, requires the recruitment of skilled staff to support NEB regulation in these areas.

The energy industry is experiencing increasing growth and is actively competing for individuals with the same technical skill sets that the NEB requires. As the demand for the technical skills tightens, the NEB finds that it is unable to compete with the responsiveness of the private sector in offering competitive wages and benefits. The Board's rate of attrition due to industry's active recruitment across the energy sector at the mid and senior levels is increasing. The Board is also competing with the private and public sector for the scarce resources graduating from post secondary institutions.

In addition, the NEB faces the same challenges as many other government departments and private sector companies with respect to demographics. The NEB has an aging staff complement with many impending retirements, which means that key staff expertise will be lost over the next few years.

The NEB's requirement to attract to Alberta and retain employees with sound technical skills who are also effective in both official languages adds to the significance of the challenge.

In response to these increasing attrition rates, and recruitment and retention challenges in the current labour market for skilled employees throughout the oil and gas sector, the NEB has identified Human Resource capacity as a critical issue over the next planning period and will be working with central agencies to redress this significant issue.

Priorities

Improve the regulatory framework.

In carrying out its mandate, the Board has a role to both protect and enable in the Canadian public interest. Key to fulfilling this role is the continuous improvement of the regulatory framework to set out clear regulatory rules and efficient processes that respect Canada's strategy on *Smart Regulation*. Through this approach the regulatory proceedings for projects found to be in the public interest will operate efficiently and proceed in a timely basis. The Board is working to improve its regulatory framework while ensuring that the environment is protected, individual rights are respected, public safety and security are ensured, and efficient market function is supported.

Transparent and efficient regulatory processes are important factors in supporting integrated decision-making, cost efficiencies, effective public participation, and clarifying jurisdiction. Regulatory streamlining, reducing jurisdictional fragmentation and simplifying processes require the cooperation and commitment of other agencies who can be held equally accountable to improve overarching processes on behalf of the Canadian people. Also, integrated and balanced decisions require effective and accessible public participation processes.

Aligned with the smart regulation initiative, the NEB is continuing with its goal-oriented approach to regulation and oversight, and the development and implementation of a risk-based integrated compliance system. The NEB is working to improve regulatory tools

and processes that can be adapted to the needs of each case while preserving transparency, accountability and responsiveness.

Plan to Achieve Priority

Through its quality management system, the NEB is consolidating its regulatory framework to provide clarity on the “how and what” of its mandate, and to enable efficient and responsive regulatory processes. The regulatory framework contains a regulatory philosophy, tools and instruments. Tools include a decision-making framework for determining the best fit between a given process and regulatory instruments, including Appropriate Dispute Resolution, Guidelines for Negotiated Settlements, and the NEB’s Hearing Toolkit. To support effective stakeholder engagement in harmonized regulatory processes, the NEB will be pursuing options for participant funding.

To achieve regulatory streamlining, the NEB is working with other regulatory agencies and government departments to develop environmental assessment harmonization agreements in order to minimize duplication of efforts and to ensure that the regulatory process meets expectations. The NEB continues to pursue substitution² as a means of demonstrating integrated decision making that allows for single-window environmental assessments and execution of the regulatory aspects of its mandate. To facilitate regulatory harmonization that delivers fully integrated decisions through a single window, the NEB will evaluate options and develop a regulatory submission in support of participant funding.

To meet the need to modernize the regulatory framework for the North, recommendations for revisions to the CPR Act and the COGO Act will be developed, for delivery to process owners (NRCan and INAC). For public and aboriginal engagement in the North, the NEB will conduct a needs assessment to provide a basis for developing regulatory processes resulting from applications in the North.

Performance Indicators

- NEB regulatory framework consolidated
- Participant funding options reviewed
- Public engagement needs for the North assessed
- Recommendations proposed for revisions to the CPR Act and COGO Act
- Framework and agreements for substitution developed
- Project specific environmental assessment harmonization agreements completed

2 Under the CEA Act, the Minister of 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 the substitute authority greater control over the design and the broader regulatory approval process. Substitution could make the review processes more efficient and timely without reducing the quality of the environmental assessment or compromising the public’s ability to participate.

Inform energy policy debate.

The Board is required to monitor and regularly report on Canadian energy markets pursuant to Part II of the NEB Act. In addition, the Board must stay abreast of energy market developments in order to fulfil its role as an expert energy regulatory tribunal. The Board must have a thorough understanding of the markets that it affects through its decision-making.

In 2003, the Board conducted a comprehensive review of its role in providing energy market information and analysis to Canadians. Last year, the Board conducted a regulatory improvement workshop at which it received feedback from a wide spectrum of parties representing energy interests across Canada. The feedback from these and other fora is that the Board provides considerable value to Canadian decision makers through the integrity, independence and objectivity of the information and analysis it provides. Many parties believe that the Board is uniquely positioned to provide timely and relevant advice on regulatory and energy related matters to assist policy makers in the conduct of their duties.

Given the current high price energy environment and need to develop new energy supply sources, Canadians in both the public and private sectors are required to make choices about energy sources for the future. The electric power sector must make decisions about which energy sources to invest in, oil producers about which markets to target, governments about which technologies to invest in, and consumers about which vehicles and home heating systems to purchase. Through its regulatory mandate, the Board maintains expertise and knowledge about energy in Canada. To ensure Canadians understand our rapidly changing energy environment, and that policy makers have access to independent, objective energy advice, the Board will continue to undertake its activities in this regard as one of its main priorities.

Plan to Achieve Priority

The NEB produces a number of reports, known as Energy Market Assessments (EMAs), which provide Canadians with an update on developments and key issues in specific energy markets. These include reports on electricity, natural gas and oil markets, oil and natural gas supply, the long-term outlook for Canada's energy future and topics such as emerging technologies. In order to better inform Canadians on regulatory and energy related matters, the Board is undertaking a number of initiatives. A variety of information products and communications services will be developed to meet stakeholder needs and to support informed decision-making. The Board will also respond to opportunities to promote discussion of short and long-term issues affecting Canada's energy future. In order to launch its next study of Canada's energy future, the Board will undertake a cross-country consultation with stakeholders across energy sectors.

Performance Indicators

- Feedback from users of energy market information products
- Input received from stakeholders regarding Canada's energy future

Enhance NEB capacity and culture.

The NEB is widely recognized as a knowledge-based organization and is working hard to create and reinforce a results-based culture of excellence. By investing in and challenging our people, we seek to establish their commitment and loyalty which is essential to achieving our mandate. As energy prices hit and sustain record highs in response to the global demand for energy, competition for experienced human resources throughout the Canadian energy sector, especially in Calgary, is reacting accordingly. We are already becoming increasingly challenged to recruit and retain qualified personnel. The importance to Canadians of the work performed by NEB staff clearly substantiates the need for a skilled, knowledgeable workforce. Given this environment in which we will continue to operate, the ability to attract, develop, and retain technical and analytical expertise will be critical to our success.

The NEB has implemented a number of initiatives to foster a results-based approach including an ISO-based integrated management systems framework, a knowledge exchange function, a 360 degree results-based performance management system, leadership training, and employee development plans. In addition to continued effort in all areas the NEB will engage central agencies to define strategies designed to ensure that the NEB has the necessary capacity to fulfil its mandate.

Plan to Achieve Priority

In order to maintain the necessary capacity to meet the organization's mandate, the NEB will continue implementing its People Strategy, a long-term human resource plan. This three year rolling human resource plan is integrated with the NEB's business plan. One of the People Strategy's key priorities is attracting and retaining highly qualified people. A critical step being taken to meeting this priority is the identification and resolution of capacity gaps arising within the planning horizon, including bilingual capacity and appropriate representation. As the People Strategy is implemented, the NEB will also continue to advance organizational learning to better meet current and future business needs, and to improve mechanisms to share knowledge more effectively.

To ensure the delivery of effective processes, the NEB will continue to improve its quality management system by improving its performance measurement and improvement processes, and by coordinating work to bring several key processes to an audit ready stage under the provisions of ISO 9001.

To meet the Government of Canada's Management of Government Information Policy and to support the NEB's quality management system, the NEB will complete the design of its records management program, and commence implementation and training.

Performance Indicators

- Strategic HR plan is revised and implemented
- Central agencies engaged to resolve the NEB's capacity challenges
- Quality management system is ISO certified and operational

**SECTION II – ANALYSIS OF PROGRAM ACTIVITIES BY
STRATEGIC OUTCOME**

Analysis by Program Activity

Strategic Outcome

Safety, security, environmental protection and economic benefits through regulation of pipelines, power lines, trade and energy development within NEB jurisdiction.

Program Activity Name: Energy Regulation and Advice

Financial Resources: (million \$)

2006-2007	2007-2008	2008-2009
37.9	38.5	38.5

Human Resources:

2006-2007	2007-2008	2008-2009
305.1 FTEs	307.6 FTEs	307.6 FTEs

The NEB's main business is energy regulation and the provision of energy market information. The companies that are regulated by the Board create wealth for Canadians through the transport of oil, natural gas and natural gas liquids, 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 occur when they are in the public interest.

The Energy Regulation and Advice activity is achieved through the following five goals.

Goal 1 – NEB-regulated facilities and activities are safe and secure, and are perceived to be so.

Financial Resources: (million \$)

2006-2007	2007-2008	2008-2009
5.9	6.0	6.0

The NEB's commitment to safety and security encompasses the full lifecycle of energy projects within its jurisdiction. The NEB's involvement with the safety of a project begins when a company files an application to construct and operate a pipeline, processing plant or power line. Each application is reviewed from a safety perspective to ensure the project or other facility complies with safety regulations at every stage.

During construction, NEB inspectors address safety by verifying compliance with regulations and approval conditions, and with emergency response plans. Once the facility is operating, the NEB is concerned about its ongoing safety, including compliance with occupational safety regulations, security, integrity, damage prevention, and emergency response and contingency plans. The NEB ensures the safety of operating facilities by conducting inspections, investigating safety-related incidents and ruptures, and conducting management system audits.

The sections of the *Public Safety Act*, 2002 (Bill C-7) amending the NEB Act came into force on 20 April 2005 (through an Order of the Governor General in Council). The amendments provide the NEB with clear legislative authority for the security of pipelines and international power lines. The NEB has amended its corporate purpose statement to include the word *security* to reflect the amendments made to the NEB Act. The NEB will use information gathered through Pipeline Security Management Assessments conducted in 2004-2005 to develop appropriate security management initiatives. Security has been integrated into the NEB's safety performance measures to reflect its expected addition to the NEB's mandate.

The safety risks associated with facilities and activities regulated by the NEB are managed through competent design, construction, operation and maintenance practices. The NEB plays a significant role in safety and security by ensuring a regulatory framework is in place that encourages companies to maintain or improve their safety and security performance. The Board ensures that safety and security risks associated with construction and operation of regulated facilities are identified and managed by pipeline companies.

Performance Measures

- Number of fatalities per year
- Number of pipeline ruptures and incidents per year
- Public perception of safety
- Number and significance of security infractions

It has been determined that Goal 1 (addressing safety and security) and Goal 2 (addressing the environment) are linked goals, each with its own focus. For this reason the objectives of the two goals are identical and will therefore be stated once. Goals 1 and 2 will focus on the following objectives over the planning period.

Objectives

The NEB has a fully operational integrated compliance system enabling effective risk-based decision-making related to safety, security and environmental protection.

The aim of the NEB's priority to develop an integrated compliance system is to better integrate its application, audit and inspection processes and to optimise the use of resources in the delivery of its mandate. The integrated compliance initiative will incorporate an improved prioritisation tool for conduct of the NEB inspection and audit

programs. Using risk-based tools, inspections and audits will be focused on facilities and companies that will benefit the most from an NEB inspection or audit. Elements of the initial stages of the integrated compliance program include the application of safety and compliance components; the development of influence diagrams and data components for socio-economic matters, lands and security; and the development of action plans to address compliance issues with emergency management, security management, and unauthorized right of way activities.

Ultimately, the NEB will have tools and resources in place that optimise regulatory oversight, efficiency, and effectiveness throughout the lifecycle of regulated facilities.

The NEB, in partnership with federal and provincial/territorial agencies, has in place harmonized environmental assessment processes.

To achieve regulatory streamlining, the NEB is working with other regulatory agencies and government departments to develop environmental assessment harmonization agreements in order to minimize duplication of efforts and to ensure that the regulatory process meets expectations. In conjunction with the CEA Agency, the NEB will explore mechanisms such as substitution that allow for effective, single-window environmental and regulatory assessments of NEB-regulated projects. The Board continues to work to ensure it is well positioned along with its regulatory partners to address emerging issues and future applications.

The NEB has in place mechanisms to collect and disseminate best practices and ensure continual improvement in the design, construction and operation of regulated facilities.

The NEB promotes the complementary goals of safety and environmental protection throughout the lifecycle of projects within its jurisdiction. Each application is assessed from a safety and security, and environmental perspective to ensure the project will be constructed and operated in an appropriate manner. This is followed by inspection and monitoring of approved projects during construction and operation, auditing of safety and environmental protection programs, and investigation of reportable incidents. As the number of facilities nearing the end of their lifespan increases, the NEB will increasingly be called upon to ensure that the abandonment of facilities is done so that safety and environmental protection are maintained.

The NEB's full lifecycle responsibilities mean that it collects a significant amount of information on the safety and environmental performance of its regulated companies. This lifecycle responsibility also provides the Board with ongoing, practical lessons about safety and environmental best practices which the NEB applies internally.

The NEB influences the use of new technology by raising awareness through meetings, partnerships, consultation and communication with industry. The NEB continues to consult with industry and interested parties to identify opportunities for improvement in areas such as emergency and security management through participation in the Canada Standards Association. The Board will continue to expand its public reporting to include

pipeline integrity, environmental performance indicators, safety and security, and environmental protection and assessment best practices. The Board also continues to seek new forums for communication and sharing these learnings.

Goal 2 – NEB-regulated facilities are built and operated in a manner that protects the environment and respects the rights of those affected.

Financial Resources: (million \$)

2006-2007	2007-2008	2008-2009
4.8	4.9	4.9

Goal 2 expresses the NEB's commitment to protect the environment and respect the rights of those affected by the construction and operation of regulated facilities and activities. The NEB promotes environmental protection throughout the lifecycle of a project, starting with environmental and socio-economic assessment of proposed projects at the application stage, inspection and monitoring of approved projects during construction and operation, auditing environmental protection programs, investigating spills and releases, and ensuring that the abandonment of projects is carried out properly to protect the environment.

The NEB has worked diligently within the complex and dynamic regulatory framework in which environmental assessments are conducted. This includes the challenge of navigating environmental assessments through overlapping jurisdictions and different legislative Acts (notably the NEB Act, the COGO Act and the recently amended CEA Act), coordinating with other regulatory agencies and conducting environmental assessments and regulatory processes that are increasingly complex and technically demanding. To address this, the NEB continues to work with other regulatory agencies, including the CEA Agency, federal departments, provinces and Northwest Territory Boards to improve Environmental Assessment and the coordination of regulatory processes to improve quality, transparency, timeliness and consistency.

As part of the Goal 2 mandate to respect the rights of those affected, the NEB requires regulated companies to engage those people potentially affected by proposed projects. The NEB also ensures that interested parties can become involved in the NEB hearing process. Following project approval, the NEB actively follows up on issues brought forward by landowners, and if necessary acts as a facilitator between landowners and companies to ensure issues are resolved.

The construction and operation of facilities within the NEB's jurisdiction have the potential to adversely impact the environment and the rights of those affected by an NEB-regulated project. The NEB has in place and will continue to improve regulations, policies, tools, and procedures that efficiently and effectively ensure that its regulated facilities are designed, built and operated so that the environment is protected and the rights of individuals are respected.

Performance Measures

- Percent of environmental conditions that achieve their desired end results (DER)
- Number of major releases³ into the environment per year

Objectives

The same objectives apply to Goal 2 as applied in Goal 1. Please refer to Goal 1 objectives for a description.

Goal 3 – Canadians benefit from efficient energy infrastructure and markets.

Financial Resources: (million \$)

2006-2007	2007-2008	2008-2009
10.3	9.5	9.5

The Board strives to ensure that Canadians benefit from efficient energy infrastructure and markets. The Board contributes to this goal through two main mechanisms: regulatory decisions around the construction and operation of energy infrastructure, and the provision of energy market information.

Pipeline infrastructure is essential to carry energy products from producers to Canadian consumers and export markets. The NEB-regulated pipeline system carried over \$100 billion in oil, oil products, natural gas and natural gas liquids in the last year. The pipeline structure provides enormous economic benefits to Canadians by transporting these products in a safe and environmentally responsible manner.

Investment in pipeline infrastructure is important to meet the needs of Canadians for energy and can present risk to the investor given the long lead time before the investment is recovered. Investors require some certainty with respect to the regulatory process and regulatory timelines and reasonable returns on investment.

The Board enables the development of responsible infrastructure through efficient and responsive regulatory processes. The NEB works to provide a transparent and predictable regulatory system in keeping with the federal government's smart regulation strategy and the NEB's commitment to goal-oriented regulation.

The Board is also responsible for ensuring that appropriate tolls and tariffs are in place on pipelines. The Board strives to promote efficient outcomes that meet the requirements of shippers, while providing energy companies a fair return on capital invested. The Board has encouraged shippers and pipelines to negotiate as many issues as they can in order to reduce regulatory costs and to avoid adversarial public hearings. However, the Board

³ Major releases are defined as >100 m³ of liquid hydrocarbon.

recognizes that for negotiations to be fair, there has to be reasonable access to information to enable fair outcomes. Hence, the Board regularly conducts financial audits of individual pipeline companies, and publishes information on shipper satisfaction and the overall working of the hydrocarbon transportation system. The Board also monitors financial indicators to assure itself that pipelines have adequate financial strength to effectively carry on business and invest in needed pipeline infrastructure.

The Board monitors energy markets and provides Canadians with a broad suite of information and analysis. One of the key enablers for improving the efficiency of energy markets is the availability of objective, timely and accurate information. The Board is in a position to supply decision makers (e.g. individuals, corporations, politicians, tribunals) with market information. The Board regularly consults with industry and interested Canadians and analyzes regional, national and international energy markets to determine the implications and issues facing Canadians. The Board works to ensure that energy exports do not occur to the detriment of Canadian energy users by satisfying itself that Canadians have access to domestically produced energy on terms and conditions at least as favourable as those available to export buyers. The Board also advises the Minister of key energy market developments and provides recommendations from time to time.

Performance Measures

- Evidence that the Board's regulatory processes are efficient and effective
- Evidence that Canadian energy and transportation markets are working well
- Evidence that advice and information products benefit Canadians

Goal 3 will focus on the following objectives over the planning period.

Objectives

NEB regulatory processes are efficient, seamless and responsive.

The Board is working to provide clear regulatory rules and efficient processes so that projects found to be in the public interest can proceed on a timely basis. The NEB has adopted a quality management system to improve its processes by supporting greater transparency and clear accountabilities, all of which contribute to the Board's ability to enable positive outcomes for Canadians. The Board is improving its regulatory framework to provide a clear integrated statement of the underlying philosophy and principles, strategies (e.g. goal-oriented regulation), guidance, regulations, and tools to achieve its mandate. This work will be fundamental to identifying further process efficiencies.

The Board will continue to develop and implement current regulatory efficiency initiatives and tools, such as the smart regulation strategy and lead agency solutions. The NEB will also continue to develop approaches that enable processes to be adapted to the needs of each case, that are as efficient and flexible as possible, and that incorporate a risk-based management approach. The Board continues to pursue efforts to implement a goal-oriented approach to regulation as it reviews and updates its regulations and

guidelines. Current projects include the *Damage Prevention Regulations*, the *Canada Oil and Gas Diving Regulations*, the *Canada Oil and Gas Drilling and Production Regulations* and the *Submerged Pipeline Regulations*.

In response to the need to provide for an appropriate regulatory regime in the North, the Board will be providing recommendations to modernize relevant legislation. The Board will work with the legislation process owners—INAC and NRCan—to develop a plan to provide recommended revisions to modernize the CPR Act and the COGO Act. These recommendations will address the provision of regulatory processes suited to the circumstances and nature of production in the North.

Policy-makers, industry and the Canadian public are better informed on regulatory and related energy matters.

The NEB collects and analyses information about Canadian energy markets through regulatory processes and market monitoring in order to support the Board’s regulatory program and to provide public information to support better decisions by policy makers, industry and the public. The Board currently produces a number of publications, statistical reports and speeches that address aspects of all the major energy commodities including oil, natural gas, natural gas liquids and electricity.

The Board will continue to produce Energy Market Assessments to provide Canadians with updates on developments and key issues in specific energy markets. In addition to providing analysis and observations, the Board will seek to draw attention to policy choices and, where appropriate, provide recommendations for action. In addition the Board will continue to improve its website to ensure that all Canadians have access to timely information and data on energy prices and key energy market developments.

In order to better meet stakeholder needs and support informed decision-making, the NEB is developing a suite of differentiated products and communications services for its energy market analysis and observations. These include media briefings on energy market reports, targeted correspondence, speaking opportunities, and participating in energy related discussions. The Board will also respond to or create opportunities to promote discussion of issues affecting Canada’s energy future (e.g. conferences, roundtables, speeches, discussion papers).

As part of the Board’s next study of Canada’s long-term energy supply and demand, it will undertake a cross-country consultation with key stakeholders. The Energy Futures Report will integrate the analysis of energy sector markets undertaken at the Board into a single “all energy” market analysis and outlook. It provides a link between the short-term and the long-term analysis undertaken by the NEB.

The NEB is proactive in providing fair outcomes for stakeholders regarding infrastructure investments.

Both investors and interested parties require clarity and predictability around regulatory review processes. The NEB is continually working to improve this clarity and to this end

will be updating the financial portion of its Filing Manual. The NEB is beginning work to implement an integrated compliance approach to its toll and tariff regulatory program. This will ensure that there is an integrated approach to the regulation of tolls and tariffs, including clear identification of outcomes, monitoring of success and a systematic mechanism for improvement of processes.

The Board continues to monitor financial markets and consult with pipelines and representatives of the investment community to ensure that pipelines continue to be financially viable. The Board will assess the functioning of the hydrocarbon system and will continue to report publicly on its findings.

Goal 4 – The NEB fulfils its mandate with the benefit of effective public engagement.

Financial Resources: (million \$)

2006-2007	2007-2008	2008-2009
2.2	2.2	2.2

Throughout its history, the Board has provided opportunities for the public to participate in the regulatory decision-making process. In recent years, the scope of these opportunities has grown to include broad consultation on new processes, an increased number of meetings and hearings in affected communities, and a wider range of tools for the public to access information about the NEB’s operations. This trend of increased participation has occurred in government decision-making at all levels.

Effective citizen engagement requires a commitment by all stakeholders for open, honest and transparent communication. Parties affected by proposed projects have much at stake and in order to make decisions in the public interest it is critical that the NEB ensures appropriate public engagement.

The quasi-judicial nature of NEB hearings assures fairness and transparency, but can initially be somewhat overwhelming for Canadians not accustomed to tribunal or judicial processes. Simplified processes, information sessions, Internet accessible regulatory documents and Appropriate Dispute Resolution⁴ are methods being used by the Board to address this issue.

The absence of funding for individuals who wish to participate as intervenors during NEB public hearing processes may be a deterrent in some cases; the NEB is seeking to address this issue. Hearing participants, and landowners in particular, have argued that this lack of support puts them at a disadvantage during specific hearings as many cannot

⁴ Appropriate Dispute Resolution (ADR) is a tool that can be used to resolve differences outside of hearings and court proceedings. Various approaches can be used including negotiation, mediation and workshops, leading to increased understanding of interests and perspectives, and an increased likelihood of a “win - win” outcome.

afford to hire technical experts or lawyers to represent them or take unpaid leave to participate.

By offering opportunities for interested Canadians to be effectively engaged, NEB processes become more accessible to a broad range of stakeholders. These deliberations will be enriched by having involvement from a broad spectrum of perspectives and ideas.

Performance Measures

- Stakeholders are involved effectively in the Board's public processes

Goal 4 will focus on the following objectives over the planning period.

Objectives

Engagement and communication practices for NEB matters meet the needs of stakeholders.

Stakeholder expectations of regulators have risen in recent years and the NEB is responding to this change. Canadians are expecting openness, transparency, responsiveness, efficiency and accountability from departments and agencies that are put in place to govern and regulate in the public interest. Key to providing efficient regulatory processes and practices is enabling all parties impacted by projects that are before the Board for approval to provide input.

The NEB is continuing its work to develop a range of approaches to improve engagement and communication. A framework is being developed to implement effective engagement and communication practices. This includes the development of tools to help assess each situation and choose the best approach for that case. Following on last year's progress, the NEB will engage key stakeholders to strengthen relationships, will refine public engagement approaches to improve responsiveness, and will continue to offer options such as Appropriate Dispute Resolution as effective tools. Public and aboriginal engagement plans, including objectives and measures, and follow-up satisfaction surveys will be implemented. The NEB also promotes engagement best practices of regulated companies; the NEB cannot fulfil its mandate without the cooperation and efforts of regulated companies to build effective consultation programs.

In the area of aboriginal consultation and engagement, the NEB will assess needs and implement updated processes and systems. The NEB will consult on, clarify and communicate processes and expectations for aboriginal consultation within NEB processes. Results of aboriginal consultation initiatives will be evaluated and changes will be made as appropriate over the following years. Based on work started in 2005, new options for effectively incorporating aboriginal interests in NEB processes will be explored. Measures for reviewing aboriginal consultation will be developed and aboriginal engagement initiatives will be reviewed to ensure they align with aboriginal consultation needs.

To support improved engagement and communication, the NEB is providing better access to regulatory and energy information through an updated NEB Internet site. The Board's Internet site is the preferred point of contact for many of our stakeholders. Communication improvement features of the NEB Internet site include a plain language overview that informs Canadians about who we are and what we do, an expanded e-filing system for applicants and intervenors, and an enhanced Commodities Tracking System.

The NEB pursues participant funding in support of harmonized processes.

NEB public proceedings involve a wide range of stakeholders affected by energy infrastructure. NEB stakeholders include landowners, the general public, aboriginal communities, non-governmental organizations, and energy producers, shippers, distributors and users. Presently, the NEB is able to provide participant funding only for landowners participating in detailed route hearings, under s. 39 of the NEB Act. Funding for participation is not available for project assessments under Part III (construction and operation of pipelines) and Part IV (tolls and tariffs) of the NEB Act. Participant funding is a service widely considered to be a prerequisite for fair, open public access to quasi-judicial and other regulatory processes. Other Canadian regulatory tribunals (e.g. British Columbia Utility Commission, Alberta Energy and Utilities Board, Ontario Energy Board, Régie de l'énergie du Québec, Canadian Radio-television and Telecommunications Commission) have programs to support participation in their proceedings. Public participants in federal environmental assessments (panel reviews, comprehensive studies) are entitled to participant funding through the CEA Agency. The NEB will evaluate options and develop an action plan to address participant funding. This will include approaches to harmonize processes for federal environmental assessments. Options reviewed will include types of participants and processes eligible for funding; details of cost recovery mechanisms (e.g. whether participant costs are charged to the applicant or shared by all regulated companies); and applicability to northern and frontier regulatory processes under the COGO Act.

Goal 5 – The NEB delivers quality outcomes through innovative leadership and effective processes.

Financial Resources: (million \$)

2006-2007	2007-2008	2008-2009
14.7	15.9	15.9

The purpose of Goal 5 is to emphasize the importance of leadership and management accountabilities in order to support the creation and sustainability of a high performance organization that delivers on its commitments. This goal is about sound business management and effective decision-making.

The NEB's core work includes, but is not limited to: processing of oil, gas, electricity, commodity, and exploration and development applications within the NEB's mandate;

safe, secure, economic, and environmentally sound construction and operation of approved projects; provision of energy and energy market advice; and support of these activities through human resources, financial, facilities and assets, communication, and information technology infrastructure and systems. Appropriate elements of the government-wide Modern Comptrollership, including sound risk management practices and integration of financial and non-financial information, have been incorporated into the above core work. Core work utilizes approximately 80 percent of NEB resources.

An important focus for the NEB over the next planning period will be to address the challenge of recruiting, developing and retaining the technical and analytical expertise that is essential to delivering on expected business results. In a highly competitive employment market, and at a time of high demand for expertise throughout the energy sector, the NEB has identified ensuring the capacity to deliver on its mandate as a critical issue over the next planning period.

The NEB is continuing to implement an ISO-standard quality management system (QMS) as part of our commitment to remain a respected leader in energy regulation. The business environment has been changing rapidly in recent years with the move toward goal-oriented regulation and the Government of Canada's smart regulation strategy, and the shifts these entail. A QMS will assist the NEB in establishing a culture of continuous improvement and ensure consistency in direction and results. Service level agreements are under development for regulatory processes and corporate service functions. We will evaluate our efficiency through a comparison of per capita cost of regulation for selected jurisdictions.

The NEB continues to enhance its performance management system in order to foster a results-based culture of excellence. Other performance and leadership tools include regular employee opinion surveys to gather information on employee satisfaction; a Leaders Forum to support information and knowledge exchange; and the development of a leadership model and competencies.

Performance Measures

- Evidence that the Board's processes are efficient and effective
- Employee satisfaction
- Per capita cost of regulation
- Progress against planned activities

Goal 5 will focus on the following objectives over the planning period.

Objectives

The NEB has the necessary capacity to fulfil its mandate.

The period covered by the NEB's current People Strategy will be a time of great change and challenge, both outside and inside the NEB. Staff will face increasing demands as a result of globalization, shifts in resource supply and technology changes. Leaders will be

required to implement a results-based approach emphasizing innovation, accountability and risk taking, while dealing with an increasingly diverse workforce. The NEB will experience intense competition for a smaller pool of knowledgeable, competent employees required to carry out its mandate.

The NEB is currently in an environment where it must compete with the responsiveness of the private sector in offering competitive wages and benefits. The rate of attrition due to industry's active recruitment within the energy sector, and due to impending retirements means that retaining staff at mid and senior levels will become increasingly important to our success.

To meet these challenges, the NEB requires strong leadership, a sustained commitment to creating a highly desirable workplace for all qualified candidates, and an on-going long-term strategy to ensure that the organization has the necessary capacity to fulfil its mandate..

The NEB has created a People Strategy that outlines its long-term needs and approach for recruiting and retaining qualified employees. A first step in implementing this strategy is the assessment of competencies and identification of capacity gaps within the planning horizon, including bilingual capability and appropriate representation. This will support succession planning and strategies to help ensure capacity to meet the organization's mandate.

The NEB lives a results-based culture of excellence.

The NEB is committed to demonstrating excellence in all aspects of its work. In addition to following the Government of Canada's management direction for accountable government that is responsive to the needs of Canadians, the NEB invests in people, processes, systems and information needs to improve results.

The NEB has implemented an employee performance management system based on competencies and the delivery of results through a full spectrum performance assessment. The NEB will implement a scheduled performance management system that links accountabilities with the organization's priorities. In order to realize success, accountability statements will be refined and well communicated throughout the organization. The performance management system is designed to provide employees with feedback to improve on performance through competency assessment and development plans.

The NEB will continue to place an emphasis on leadership and management accountabilities that support the creation of a high performance organization that delivers on its commitments. The NEB has focused on creating an organizational culture that demands leadership of all employees, in order to meet the requirement of a high degree of agility and adaptability for today's work environment. Investments in learning and development continue to be an important priority for the NEB.

As part of ongoing culture change the NEB has revitalized its organizational values. These values reinforce the focus on results and performance. Implementation of these revised values will be a priority in this planning cycle.

The NEB has a fully operational quality management system.

Since January 2004, the NEB has been working toward the design and implementation of a QMS consistent with the ISO 9001-2000 standard. An effective QMS will help the organization achieve all of its goals more efficiently. The documentation of key business processes and associated performance measures will assist our employees in delivering improved service on a consistent basis to our clients. The QMS will influence a number of other strategic projects at the NEB, such as smart regulation, stakeholder-based planning, goal-oriented regulation, integrated compliance, records renewal program and the development of information technology solutions.

Through QMS, the NEB's processes and controlling documentation to facilitate repeatable processes have been documented and assessed. An improved planning process has been implemented, and work has started to improve the measure and improve processes at the NEB. Further work is required to complete the planned QMS implementation, including ensuring that all major processes and critical processes meet audit standards. Communication and change management tools are being developed to support an environment of continual improvement throughout the organization.

Records and information management policies, practices and technology systems will be improved to better support the quality management system and reflect records management systems consistent with those prescribed by the Government of Canada.

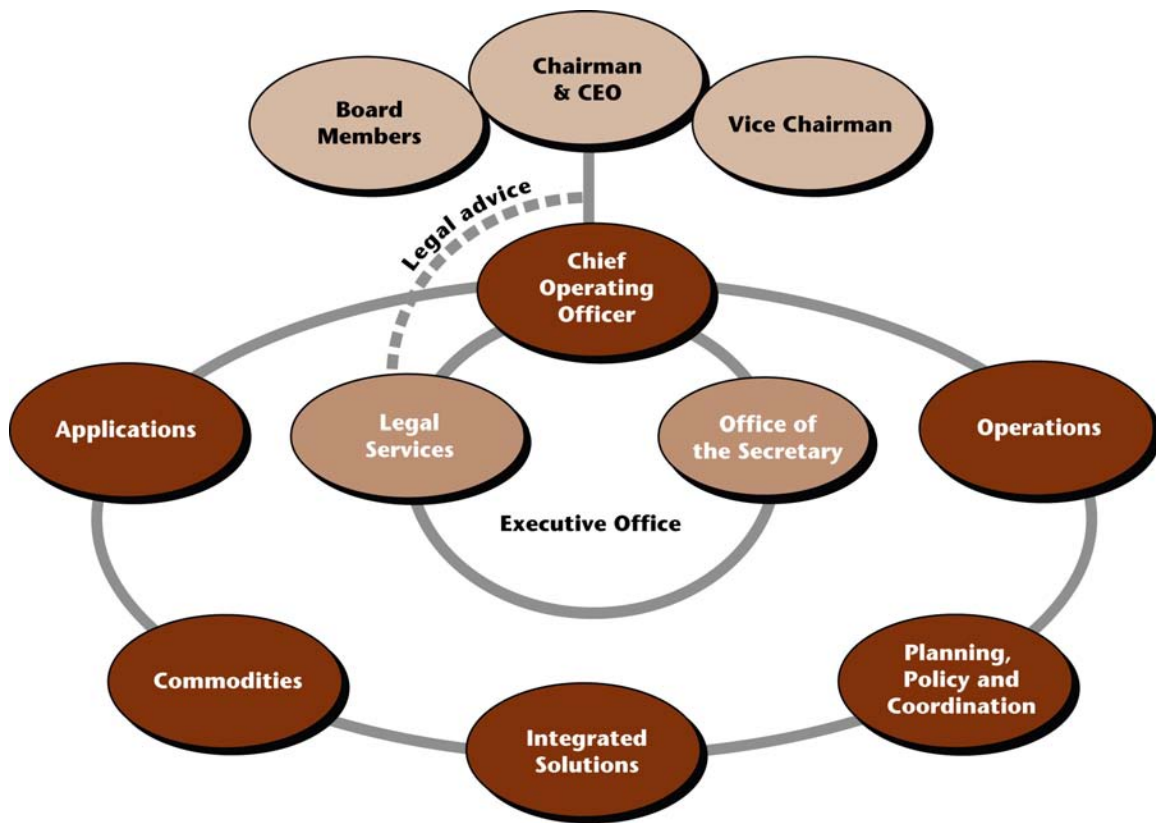
All of these activities advance progress toward a results-based culture of excellence. Through working to address capacity issues, effective leadership, a continual improvement quality management system, and efficient utilization of resources aligned with corporate priorities, the NEB will continue to deliver quality outcomes in meeting its mandate.

SECTION III – SUPPLEMENTARY INFORMATION

Organizational Information

The Board is structured into five business units, reflecting major areas of responsibility: Applications; Commodities; Operations; Planning, Policy and Coordination; and Integrated Solutions. In addition, the Executive Office includes the specialized services of Legal Services⁵ and Regulatory Services. The reporting structure to the Chairman and CEO is as follows:

NEB Organizational Structure



5 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 its operations and administrative matters.

Table 1: Departmental Planned Spending and Full Time Equivalents

(\$ millions)	Forecast Spending 2005-2006	Planned Spending 2006-2007	Planned Spending 2007-2008	Planned Spending 2008-2009
Energy Regulation and Advice	38.3	37.9	38.2	38.2
Budgetary Main Estimates (gross)	38.3	37.9	38.2	38.2
Total Main Estimates	38.3	37.9	38.2	38.2
<i>Adjustments:</i>				
Supplementary Estimates:				
Operating budget carry forward	0.8			
Other				
TB Vote 15	0.4			
Employee Benefit Plan (EBP)	0.1			
<i>Total Adjustments</i>	1.3			
Total Planned Spending	39.6	37.9	38.2	38.2
Total Planned Spending	39.6	37.9	38.2	38.2
Less: Non-Respendable revenue	40.5	39.4	39.9	39.9
Plus: Cost of services received without charge	5.9	5.8	5.8	5.8
Net cost of Program	5.0	4.3	4.1	4.1
Full Time Equivalents	305.6	305.1	307.6	307.6

Table 2: Program by Activity

2006-2007				
Program Activity	Budgetary		Total Main Estimates	Total Planned Spending
	Program	Gross		
Energy Regulation and advice	37.9	37.9	37.9	38.2
Total	37.9	37.9	37.9	37.9

Table 3: Voted and Statutory Items listed in Main Estimates

2006-2007			
Vote or Statutory Item		Current Main Estimates	Previous Main Estimates
30	Program expenditures	33.0	33.3
(S)	Contributions to employee benefit plans	4.9	5.0
	Total Department or Agency	37.9	38.3

Table 4: Net Cost of Department for the Estimates Year

2006-2007		
(million \$)	Energy Regulation and Advice	Total
Total Planned Spending	37.9	37.9
<i>Plus: Services Received without Charge</i>		
Accommodation provided by Public Works and Government Services Canada (PWGSC)	3.8	3.8
Contributions covering employers' share of employees' insurance premiums and expenditures paid by TBS (excluding revolving funds)	1.9	1.9
Worker's compensation, cost recovery audit costs and miscellaneous costs provided by other departments	0.1	0.1
	5.8	5.8
<i>Less: Non-responsible Revenue</i>	39.4	39.4
2006-2007 Net cost of Department	4.3	4.3

Table 5: Sources of Respendable and Non-Respendable Revenue

Non-Respendable Revenue

(million \$)	Forecast Revenue 2005-2006	Planned Revenue 2006-2007	Planned Revenue 2007-2008	Planned Revenue 2008-2009
Energy Regulation and Advice	40.5	39.4	39.9	39.9
Total Non-Respendable Revenue	40.5	39.4	39.9	39.9

Table 6: Major Regulatory Initiatives

Regulations	Expected Results
<i>Canada Offshore Oil and Gas Installation Manager Regulations; Newfoundland Offshore Oil and Gas Installation Manager Regulations; and Nova Scotia Offshore Oil and Gas Installation Manager Regulations</i>	Presently evaluating if the NEB needs to develop these regulations.
<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 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>	Amalgamation of <i>Canada Oil and Gas Production and Conservation Regulations</i> and <i>Canada Oil and Gas Drilling Regulations</i> . Rewrite to a goal-oriented style. Updated and streamlined administration.
<i>National Energy Board Cost Recovery Regulations</i>	Modifications to the existing regulations arising from a request from the electricity industry.
<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> .

Regulations	Expected Results
<i>National Energy Board Onshore Pipeline Regulations, 1999</i>	<p>Review and modify the existing regulations and guidance notes based on experience gained regarding the effectiveness of the NEB's move towards goal based regulation.</p> <p>Incorporate new provisions pertaining to security, decommissioning, incident reporting and operations and maintenance.</p>
<i>Oil and Gas Occupational Safety and Health Regulations</i>	Updated regulations to conform to the <i>Canada Occupational Health and Safety Regulations</i> under the <i>Canada Labour Code</i> .
<i>National Energy Board Submerged Pipeline Regulations</i>	New regulations to cover pipelines under the NEB's jurisdiction in offshore areas.