



ESTIMATES

National Energy Board

**2000-2001
Estimates**

Part III – Report on Plans and Priorities

Canada

The Estimates Documents

Each year, the government prepares Estimates in support of its request to Parliament for authority to spend public monies. This request is formalized through the tabling of appropriation bills in Parliament. The Estimates, which are tabled in the House of Commons by the President of the Treasury Board, consist of three parts:

Part I – The Government Expenditure Plan provides an overview of federal spending and summarizes both the relationship of the key elements of the Main Estimates to the Expenditure Plan (as set out in the Budget).

Part II – The Main Estimates directly support the *Appropriation Act*. The Main Estimates identify the spending authorities (votes) and amounts to be included in subsequent appropriation bills. Parliament will be asked to approve these votes to enable the government to proceed with its spending plans. Parts I and II of the Estimates are tabled concurrently on or before 1 March.

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The Estimates, along with the Minister of Finance's Budget, reflect the government's annual budget planning and resource allocation priorities. In combination with the subsequent reporting of financial results in the Public Accounts and of accomplishments achieved in Departmental Performance Reports, this material helps Parliament hold the government to account for the allocation and management of public funds.

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National Energy
Board

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2000 - 2001 Estimates

Part III - Report on Plans and Priorities

Mr. Kenneth W. Vollman
Chairman
National Energy Board

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

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Section I: Messages

Chairman's Message

The National Energy Board's corporate purpose is to promote pipeline safety, environmental protection and economic efficiency in the Canadian public interest while respecting individuals' rights and within the mandate set by Parliament in the regulation of pipelines, energy development and trade. In fulfilling this purpose, we aspire to be recognized as a leader in safety, environmental protection and economic efficiency.

The National Energy Board has been dedicated to providing service to the Canadian public for over 40 years. Although the Board's mandate has remained basically unchanged during this time, the challenges facing the Board have continually evolved along with the public interest issues associated with energy development.

The energy development environment in Canada has changed significantly over the past few years. New energy projects across the country are bringing many new communities and interests into contact with the Board's processes. The traditional monopoly positions of some Canadian pipelines are being challenged by new projects to connect supplies with markets. Canadians expect the Board's processes to be increasingly understandable and accessible. These new challenges require innovative thinking and active participation by the Board and its stakeholders.

To meet these challenges, the Board has set four overriding goals:

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

NEB-regulated facilities are built and operated in a manner that protects the environment and respects individuals' rights.

Canadians derive the benefits of economic efficiency.

The NEB meets the evolving needs of the public to engage in NEB matters.

To achieve these goals, the Board will be following a number of strategies. The Board will: continue to move towards goal-oriented regulation to improve the industry's ownership of safety performance; define and communicate its role and expectations on environmental protection; monitor energy market and business developments; proactively prepare for regulatory change and communicate its readiness to deal with major regulatory issues; and leverage the use of electronic technologies through the implementation of the Electronic Regulatory Filing initiative. Through these strategies,

the Board will achieve its vision of respected leadership in safety, environmental and economic regulation.

A key requirement for achieving these goals is effective communication with Canadians. It is through dialogue with the public, landowners, producers, consumers, and transporters of energy commodities, and all other interested parties that innovative solutions can be found. The Board is committed to seeking out these ideas and actively implementing them. We have formulated our strategic plan, embodied in this *Report on Plans and Priorities*, to meet all of the challenges we face in fulfilling the mandate set out for us by Parliament.

The Board is facing many new challenges but I believe that we are well placed to rise to them and to deliver the quality of service that Canadians demand from all their government agencies. The Board pledges to continue to make decisions which contribute to the well-being of our nation.

Kenneth W. Vollman
Chairman

Section II: Board Overview

A. Mandate, Roles and Responsibilities

The main functions of the Board are set forth in the *National Energy Board Act* (NEB Act). The Board has all the powers vested in a superior court of record¹ with regard to attendance at hearings, the swearing in and examination of witnesses, the production and inspection of documents and the enforcement of its orders. The NEB Act provides for up to nine permanent Board Members. Most oral hearings are conducted by three Members, who constitute a quorum of the Board, with one acting as Presiding Member. The Board's regulatory decisions and the reasons for them are issued as public documents.

The Board has regulatory powers under the NEB Act, the *Canada Oil and Gas Operations Act* (COGO Act) and 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's mandate includes the provision of expert technical advice to the Canada-Newfoundland and Canada-Nova Scotia Offshore Petroleum Boards, Natural Resources Canada (NRCan) and Indian and Northern Affairs Canada.

Furthermore, the Board has specific responsibilities under the *Northern Pipeline Act* and the *Energy Administration Act*. In addition, Board inspectors are appointed safety officers by the Minister of Human Resources Development Canada to administer Part II of the *Canada Labour Code* as it applies to facilities regulated by the Board.

The Board also has an advisory function and may, on its own initiative, hold inquiries and conduct studies on specific energy matters as well as prepare reports for the information of Parliament, the federal government and 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 carries out studies and reports at the request of the Minister of NRCan.

As a matter of key public interest, the Board has long been responsible for conducting environmental assessments of energy projects within its jurisdiction. Additionally, since 1995, the Board has specific responsibilities under the *Canadian Environment Assessment Act* (CEA Act). Pursuant to the NEB Act and the COGO Act, the Board's environmental responsibilities span three distinct phases: evaluating potential environmental effects of proposed projects; monitoring and enforcement of terms and conditions during and after construction; and, monitoring of ongoing pipeline operations.

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

Purpose

We promote safety, environmental protection and economic efficiency in the Canadian public interest while respecting individuals' rights and within the mandate set by Parliament in the regulation of pipelines, energy development and trade.

Vision

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

Structure

The structure of the Board is shown in detail on in Section VI-C Structure and Personnel on page 27 of this report.

B. Objectives

1. To regulate, in the public interest, those areas of the oil, gas and electricity industries relating to:
 - the construction and operation of pipelines;
 - the construction and operation of international and designated interprovincial power lines;
 - traffic, tolls and tariffs of pipelines;
 - exports of oil, gas and electricity and imports of gas and oil; and
 - oil and gas activities on frontier lands not subject to a federal/provincial accord.
2. To provide advice to the Minister of Natural Resources Canada on the development and use of energy resources.

C. External Factors Influencing the Board

The Canadian economy has been performing well over the last year. In the natural gas and oil production sector, natural gas prices were about 25 percent higher in 1999 than in 1998, and oil prices have more than doubled since the lows of late 1998 and early 1999.

The higher prices are symptomatic of tighter supply conditions. In the oil sector, the high prices are driven by conditions on the world oil market. Nonetheless, the higher prices are encouraging further development of the oil sands deposits in Alberta, as well as increased offshore exploration efforts on the East Coast.

The natural gas market is a continental market, with prices being determined primarily by supply and demand conditions in the United States (U.S.) and Canada. A

large percentage of existing natural gas wells in both countries are being rapidly depleted, thereby requiring large drilling efforts just to maintain production levels. Canadian producers have been required to extend their exploration efforts to deeper and more remote sources, including northeastern British Columbia (B.C.) and the southern parts of the Yukon and Northwest Territories. Robust natural gas prices, along with the development of the Sable Offshore Energy Project, have encouraged the industry to increase offshore exploration efforts.

Pursuant to the COGO Act, the NEB is responsible for approving exploration and development activity in frontier areas that are not subject to a separate agreement between a provincial or territorial authority and the federal government. Consequently, the increased activity in areas north of the 60th parallel is translating into an increased workload for the Board.

It is widely expected that natural gas will capture an increasing share of the electricity generation market in North America. If this is to happen, natural gas production will need to increase considerably from current levels. Thus, the expectation is that drilling will continue at high levels and increases in pipeline capacity eventually will be required to accommodate higher production.

The increased exploration activity in the North is also expected to translate into plans for pipeline projects to carry northern gas to markets. Indeed, the Board has already approved applications for new pipelines from the southern Northwest Territories.

Recently, the pipeline sector has not been faring as well as the upstream sector. Share prices of some of the largest pipeline companies in Canada, including TransCanada PipeLines Limited (TransCanada) and Westcoast Energy Inc. (Westcoast), have dropped considerably in the latter part of 1999. The market's lack of confidence in these companies may be due to both more attractive investments in other sectors of the economy as well as the increased competition that these pipeline companies are facing in their core markets and supply sources.

On 1 April 1999, a number of shippers notified TransCanada that they would not be renewing their long-term transportation contracts as of 1 November 1999. Although TransCanada managed to recontract some of the capacity, it was unable to achieve full contract levels. The expectation is that TransCanada will face a much larger decontracting problem in 2000 as the Alliance Pipeline Ltd. (Alliance) project comes onstream and a number of shippers move their gas over to Alliance from TransCanada. At the same time, Westcoast is facing the prospect of competition from BC Gas Utility Ltd.'s Southern Crossing project, which will provide an alternative delivery route to the lower mainland area and connect Alberta supply to that market. In both cases, there is increased competition between pipelines and between supply sources.

When constructed, the Alliance pipeline will carry natural gas from northeastern B.C. and Alberta to the midwestern U.S. market. Through connections to other pipelines, shippers will be able to deliver natural gas to points east of Chicago, including deliveries

to eastern Canada via the planned Vector Pipeline Limited Partnership project. This will mark the first time in the industry's history that shippers and consumers of western Canadian gas will have an alternative to TransCanada's previous monopoly on transportation to eastern Canada.

As a consequence of the entry of new pipeline projects, the incumbent pipelines are being challenged to respond to the new competition. This changing market structure raises many issues for the NEB, including:

- Do the changing risk profiles of the incumbent pipelines imply that changes to their capital structure and/or their return on equity should be considered?
- Should the incumbent pipelines be allowed greater price and service flexibility to respond to the competition?
- What is the optimal distribution of risk between the pipeline companies and their shippers?
- How should rates change as levels of contracting on the pipeline change?
- What is the appropriate balance between socially beneficial competition and excess pipeline building?

With the construction and commencement of operation in late 1999 of the Maritimes & Northeast Pipeline Management Ltd. (M&NP) project in Nova Scotia and New Brunswick, the natural gas pipeline network is taking on a national scope. Development on the East Coast and in the North will bring new challenges to the Board as new groups are engaged for the first time in pipeline construction. Among other things, development will bring local communities and aboriginal groups into increasing contact with both large and small energy projects.

Provincial, territorial and regional authorities are generally interested in maximizing the benefits to the local communities from pipeline construction. Provincial and regional authorities are naturally interested in having some degree of control over development within their boundaries. The mix of federal and provincial/territorial legislated responsibilities can often result in confusing approval procedures, particularly for major projects. In this environment, the project proponents are primarily interested in clear, predictable regulatory procedures.

Canadians should be satisfied that Board decisions on facilities and energy exports are supported by an informed view on the outlook for energy markets. This view requires the expertise of Board staff and information obtained from public consultation and other sources. The Board publishes such information in its *Energy Market Assessments* (EMAs), including its periodic report on the outlook for energy supply and demand. It also monitors and publishes information on energy exports and prices pursuant to its regulatory responsibilities (examples of this are requirements derived from the *Market-Based Procedure* and the federal/provincial *Agreement on Natural Gas Markets and Prices, October 1985*).

In 1999, over 2 150 kilometres of pipeline were constructed under NEB jurisdiction. We are anticipating another high level of construction activity in 2000 with the completion of the Alliance pipeline and the construction of laterals on the M&NP pipeline. The Board has the obligation to oversee this construction, to audit for compliance with the regulations and the terms and conditions of approval, and to address any environmental or safety issues which may arise.

A critical component of public interest in new and operating pipeline systems is environmental protection. Effective assessment of environmental and socio-economic effects, as well as enhanced public participation, is critical. The Canadian public's expectations with respect to environmental management have been increasing. Canadians want to know that industrial projects only proceed and operate under strict safeguards and that the quality of the environment is not compromised.

Over the past decade environmental assessment and management practices have advanced. The NEB needs to ensure that project proponents understand these expectations and that proponents' accountabilities for project planning, construction and operation are met effectively on an ongoing basis. The NEB's responsibilities for environmental protection extend beyond assessment to encompass implementation of mitigative measures, should these be necessary, as well as effective operating management practices. Increasingly, it is recognized that good regulation includes both rigorous assessment and follow up, as well as clear communication of the desired end results and expectations regarding the role of project proponents in achieving these goals.

The public expects the Board to provide assurances that its practices are protecting the integrity of the environment. Increasingly, the NEB is being challenged to ensure that the public understands that adequate protection is being provided.

The CEA Act five year review will be undertaken this year. The results of that review may lead to changes in the regulatory or procedural framework. However, sustainable development, participation and coordination are expected to remain the substantive objectives.

The Board continues to see safety issues playing a significant role in NEB hearings because the public is often concerned about perceived safety and environmental issues associated with new pipelines. Goal-oriented regulation is essential to reinforce the accountabilities of pipeline operators (effective operating and quality management systems) and the regulator (review and audit programs and outcomes).

An important aspect of the Board's operating context is the increased accountability that Canadians expect from all government institutions. Citizens expect the Board's processes to be transparent and accessible. They expect their participation in Board proceedings to be considered in the Board's decision-making process. The Board is a quasi-judicial regulatory agency, and it recognizes that its formal procedures may be creating barriers to full participation by all impacted citizens.

Canadians also expect their national organizations to keep pace with technological developments, including modern forms of communication. The Board is developing an electronic regulatory filing system to reduce the costs of doing business in a paper form. The Board is also providing all of its publications on-line through its web site.

Finally, the Board operates in a very dynamic labour market in Calgary. Wage and job fulfilment expectations are very high in this market and place strains on the Board's ability to attract and retain high quality staff. The Board is striving to be an employer of choice in this marketplace by offering a mix of competitive compensation, flexibility in work arrangements and other attractive benefits.

D. Planned Spending

Table 2.1: Planned Spending

(\$ millions)	Forecast Spending 1999-2000	Planned Spending 2000-2001	Planned Spending 2001-2002	Planned Spending 2002-2003
Budgetary Main Estimates	30.9	29.2	29.2	29.2
Total Main Estimates	30.9	29.2	29.2	29.2
Less: Non-responsible revenue	27.2	30.5	28.4	28.4
Plus: Cost of services received without charge	4.7	4.7	4.7	4.7
Net Cost of Program	8.4	3.4	5.5	5.5

Table 2.2: Full Time Equivalents

Full Time Equivalents	286	286	286	286
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Section III: Plans, Results and Resources

A. Planned Spending and Full Time Equivalents (FTE)

Business Line: Energy Regulation and Advice

Table 3.1: Net Planned Spending (\$ millions) and Full Time Equivalents (FTE)

Forecast Spending 1999-2000	Planned Spending 2000-2001	Planned Spending 2001-2002	Planned Spending 2002-2003
30.9	29.2	29.2	29.2
286 FTE	286 FTE	286 FTE	286 FTE

B. Business Line Objective

1. To regulate, in the public interest, those areas of the oil, gas and electricity industries relating to:
 - the construction and operation of pipelines;
 - the construction and operation of international and designated interprovincial power lines;
 - traffic, tolls and tariffs of pipelines;
 - exports of oil, gas and electricity and imports of gas and oil; and
 - oil and gas activities on frontier lands not subject to a federal/provincial accord.
2. To provide advice to the Minister of Natural Resources Canada on the development and use of energy resources.

C. Business Line Descriptions

Energy Regulation and Advice

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.

D. Key Results Commitments, Planned Results, Related Activities, and Resources

This section links each Planned Result to its objectives and measurements and lists the key related activities over the planning period. The NEB's Planned Results are broad in nature. The activities related to each Planned Result represent the quantifiable outcomes that, if accomplished, will move the Board towards its Planned Results. The extent to which these outcomes are achieved will be reported on in the Board's *Departmental Performance Report*.

The NEB's planned spending in 2000-2001 is \$29.2 million. The Board's accounting systems are currently not designed to report by Planned Results. However, work is in progress to modify these systems and all future reports will include resources allocated to each Planned Result.

1. NEB-regulated facilities are safe and perceived to be safe.

Context

Pipelines in Canada carry a number of commodities such as natural gas and petroleum products at high pressures and pipeline incidents can have significant adverse effects on safety and the environment. The risk from pipelines is effectively managed through competent design, construction, and maintenance practices.

The federally-regulated pipeline infrastructure has steadily increased since the Board came into existence forty years ago. As a result, half of the oil pipelines and one quarter of the gas pipelines that the Board regulates are more than 30 years old.

The number of ruptures on NEB-regulated pipelines (that is, those incidents which pose a significant risk to the public or the environment) have been few and trending downwards in recent years. In 1994, there were six such incidents while only one incident occurred in 1998 and 1999.

Canadian pipelines are complex systems which increasingly rely on advanced technology to operate efficiently and safely. The reduction in major pipeline failures has been due to a variety of factors which include: increased attention to preventive maintenance by the industry; new technology to monitor and repair pipelines; and a decrease in ruptures caused by slope failures. The Board's evolving regulatory program promotes the use of new technology, encourages proactive management systems and, through the inspection and audit of new and existing pipelines, ensures that pipelines meet the criteria of quality required by the Canadian Standards Association as well as requirements identified and imposed by the Board through the application process. Given the diverse characteristics of the pipeline systems, each with its own risk issues, the Board has adopted a goal-oriented regulatory approach. This approach refrains from

prescribing how risks should be managed but requires companies to develop management programs tailored to their systems.

The inspection of numerous pipeline construction projects posed a significant challenge to the Board's resources in 1999-2000 with the most prominent projects being the Alliance and M&NP pipelines. The Board expects a continued high level of construction activity in 2000-2001 related to pipelines north of the 60th parallel, the Alliance pipeline project and activity in the Maritimes. Activity levels in the upstream sector north of the 60th parallel, for which the NEB has regulatory responsibilities, are increasing as the economics of northern development improve. As a consequence, the potential for incidents in these areas will also rise. The Board's safety and environmental monitoring program is designed to ensure that risks are identified and managed by operators.

The public expects pipelines to be safe. The Board is continually looking for ways to involve the public and encourages the pipeline companies to provide information on pipeline safety performance. Over the past year, the Board has been working to develop a set of key safety indicators, which it will begin to track in the current year. The Board's approach of diligently working with the pipeline industry and key stakeholders in a cooperative manner should lead to continued improvements in regulatory compliance and safety levels over time.

Gaps

- Lack of shared information and understanding among the public, industry and the NEB regarding the safety performance of pipelines and the NEB's evolving role.
- The NEB needs to improve its collection and use of information related to pipeline safety, and to better document pipeline performance through the better use of information and partnerships with other regulatory agencies, government departments and industry.

Strategy

- Leverage the NEB's progression towards goal-oriented regulation to improve the industry's ownership of safety performance by promoting the use of safety and environmental management systems.

Measures

- Maintain or improve key safety indicators.
- Maintain or improve public confidence as measured by key indicators.

Related Activities

2000-2001

- Revise regulations to progress towards goal-oriented regulation. Regulations such as the *Processing Plant Regulations*, *Pipeline Crossing and Damage Prevention Regulations*, *Canada Oil and Gas Diving Regulations*, *Canada Oil and Gas Drilling, Production, and Conservation Regulations* need to reflect a goal-oriented approach and increased emphasis on maintenance and risk management.
- Plan and initiate implementation of a NEB Safety Management Program including a Safety Policy to clarify the NEB's role in safety regulation, and a management system for optimal future results, efficiency and quality.
- Implement the new *Onshore Pipeline Regulations (OPR99)* and adjust the Board's existing approach to its compliance and audit programs to promote the use of safety and environmental management systems.
- Confirm safety components of the Environment and Safety Information Management System (ESIMS), and expand the capability of the ESIMS to better integrate information on environment and safety.

2001-2002

- Implement NEB Safety Management Program
- Enhance ESIMS to better integrate information on environment and safety.
- Continue to revise regulations to progress towards goal-oriented regulation.

2002-2003

- Continue progress made towards goal-oriented regulation.

2. NEB-regulated facilities are built and operated in a manner that protects the environment and respects individuals' rights.

Context

The Board's second operating goal is to ensure environmental protection and respect for individuals' rights in the construction and operation of pipelines under NEB jurisdiction. The public has expressed increasing interest in the environmental effects of pipeline construction and operation. Landowners directly affected by pipeline projects have been increasingly concerned about their rights being protected in NEB processes and that their interests are heard and considered in NEB decisions. The NEB and other agencies remain concerned about regulatory efficiency and are working through various review processes to ensure that a balance is maintained that is fair to all participants. In 1999-2000, a Landowner Rights Project was initiated to develop strategies to ensure maintenance and enhancement of respect for landowner rights.

To make this happen, it is vital that all parties share an understanding of environmental expectations, requirements and outcomes. Through a series of corporate projects begun in 1999-2000, the Board undertook to clarify desired outcomes for environmental protection and to define key performance indicators. As a result of these initiatives, the Board embarked on development of an internal Environmental Management Program within which these efforts can be consolidated and integrated. This program is modelled on ISO 14000 and will move into its implementation phase in 2001. Through the Environmental Management Program, the NEB undertakes to clarify its role, expectations, and responsibilities for environmental protection for all interested parties.

In 1999, the NEB considered applications for developments and pipeline projects in the southern Mackenzie Valley, indicating renewed interest in resources north of the 60th parallel. These applications were dealt with under the NEB Act or COGO Act as appropriate. Environmental protection was a key component of these applications, and it is clear that the changes in the regulatory context of the Northwest Territories have made assessment processes increasingly complex. In 1999-2000, the industry showed interest in revival of major gas pipeline projects from the North to southern markets. Clarifying the assessment processes and stakeholder expectations, and preparing for the potential filing of an application for a northern pipeline are key components of the NEB's agenda in 2000-2001.

Gaps

- Knowledge of the effectiveness in practice of various measures used to protect the environment in pipeline construction and operation.
- Lack of clarity and shared understanding of acceptable environmental protection outcomes.
- Showing appropriate respect for participants in the environmental assessment process, including the need for public participation, clear expectations and timeliness, while striving for regulatory efficiency.

Strategies

- Implement the NEB's Environmental Management Program.
- Define and communicate the NEB's role and expectations on environmental protection.

Measures

- Maintain or improve environmental performance based on key indicators
- Maintain or improve performance of environmental assessment process and routing process based on key indicators.

Related Activities

2000-2001

- Communicate the Board's Environmental Policy and develop the Board's Environmental Management Program (including confirmation of environmental outcomes and performance indicators).
- Confirm environmental protection components of the Environment and Safety Information Management System (ESIMS), including baseline performance data and expand the capability of the ESIMS to better integrate information on environment and safety.
- Implement recommendations arising from the Landowner Rights Project.
- Complete development and implement processes to streamline non-hearing proceedings.
- Prepare for renewed activity in northern frontier areas.

2001-2002

- Implement the Board's Environmental Management Program.
- Communicate results of the non-hearing streamlining project to regulated companies and the public.

2002-2003

- Monitor and measure the effectiveness of the Environmental Management Program in enhancing the Board's environmental performance.
- Evaluate the effectiveness of the implementation of OPR99 and implement improvements.

3. Canadians derive the benefits of economic efficiency.

Context

The Board's third corporate objective is to ensure, to the extent that it influences economic outcomes, that Canadians derive the benefits of economic efficiency.

In the context of the pipeline industry, this means that the Board strives to ensure that pipelines are operated in an efficient manner, that the range of services available to shippers are comparable to those that would be offered in a competitive market, and that market participants can do business within a clear regulatory framework. Regulatory uncertainty causes risk for market participants, and risk translates into increased business costs.

There are some fundamental changes occurring in the Canadian natural gas pipeline industry. In 1998, TransCanada and Nova Gas Transmission Ltd. (NOVA) pooled their assets, thereby creating the largest natural gas transportation system in North

America. As NOVA was a principal owner of Foothills Pipe Lines Ltd. (Foothills) and TransCanada had previously purchased Alberta Natural Gas, this merger has resulted in TransCanada controlling almost all of the existing pipeline capacity exiting Alberta.

However, recent expansions of the Foothills and TransCanada systems have resulted in some excess capacity exiting the Western Canada Sedimentary Basin (WCSB). Consequently, some shippers have elected not to renew their transportation contracts on TransCanada. This exposes the rest of the shippers to the risk that rates will be raised to recover TransCanada's fixed costs and it exposes TransCanada to the risk that it will not recover all of its costs.

In November 1998, the Board approved the construction of the Alliance pipeline system, a new natural gas pipeline designed to transport natural gas and natural gas liquids from the WCSB to markets in the U.S. Midwest. When Alliance comes into operation, expected 1 November 2000, the situation of excess pipeline capacity may be exacerbated.

Prior to the last round of expansions on the Foothills and TransCanada systems, there was inadequate pipeline capacity exiting the WCSB. Consequently, there was an excess supply of gas in the west, and prices were depressed relative to other market centres in North America. Since these systems were expanded in the fall of 1998, Alberta gas prices have risen substantially.

Higher gas prices and the existence of spare pipeline capacity are expected to stimulate gas exploration and development. Indeed, exploration and production companies are expanding into the Northwest Territories and have made a number of commercial discoveries in recent years. The Board is receiving applications to build pipelines which will link the gas fields in the Territories with the pipeline grid in B.C. and Alberta. In addition, there have been renewed exploration efforts further north in the Mackenzie Delta area. Large gas deposits are known to exist in the Delta area and the industry is discussing the possibility of building a major pipeline from the Delta within the next 10 years.

The processes for applications under COGO Act and the CPR Act were developed in consideration of major Arctic projects whereas much of the activity is an extension into the Territories of exploration activities in Northern B.C. and Alberta. There are also new stakeholders in these areas and new environmental assessment legislation and processes. The Board's processes must be efficient without compromising safety or environmental protection or opportunities for public engagement.

In the context of the electricity industry, the Board's mandate relates to the construction of international power lines and the export of electricity. A current challenge is presented by the significant ongoing changes in the structure of the Canadian electricity industry. The Board has to be aware of the changes and their potential impacts, while continuing to carry out its legislated regulatory obligations.

The NEB is challenged to ensure that it is ready to provide effective regulatory solutions which satisfy the changing demands of the marketplace. In addition, the Board has an important role to play in the provision of information which will further promote efficient market solutions. Given the ongoing changes in its operating context, the Board must ensure that it makes the right investments in meeting the market's needs and its own internal needs for information.

Gaps

- Actual and demonstrated preparedness of the NEB to ensure that the regulatory framework allows market participants to manage their business risk.
- NEB's understanding of the operation of energy markets and the business implications of NEB decisions.

Strategies

- Monitor energy market and business developments and ensure that the acquired knowledge is shared as appropriate internally and externally.
- Proactively prepare for regulatory change and ensure that all of its internal resources are actively and efficiently engaged.
- Develop and implement a plan to communicate, internally and externally, its ability and preparedness to deal with major regulatory issues.

Measures

- Pipeline companies and shipper representatives are satisfied with the environment and processes created by the Board in which issues concerning traffic, tolls and tariffs are resolved.
- Shipper satisfaction with the level of pipeline tolls, and with the range and choice of services.
- Board Member and external party satisfaction with Board-produced information.
- Maintain or improve key indicators of regulatory efficiency.

Related Activities

2000-2001

- Monitor, analyse and report on key market and regulatory developments on an ongoing basis.
- Pro-actively prepare for regulatory change and specific major upcoming regulatory events (e.g., an anticipated filing for a new regulatory framework for TransCanada in 2000-2001 and an application for a major pipeline from the North in 2001-2002).
- Drawing on the information from the above activities, develop a communication plan demonstrating the Board's preparedness to deal with upcoming major regulatory events.

- Define its internal information needs and the needs of market participants for NEB-generated information, and deliver that information.
- Assess application processes for northern land-based developments and identify efficiencies.

2001-2002

- Devise, plan and initiate analysis for a comprehensive report on the outlook for energy supply and demand in Canada.

2002-2003

- Publish an updated outlook for energy supply and demand in Canada.

4. The NEB meets the evolving needs of the public to engage in NEB matters.

Context

An important aspect of the Board's operating context is the increased accountability that Canadians expect from all government institutions. Citizens expect the Board's processes to be easily understandable and accessible. They expect their participation in Board proceedings to make a difference in the outcomes of the Board's decision-making process. As a quasi-judicial regulatory agency, the Board recognizes that its formal procedures may be creating barriers to full participation by all affected citizens.

The Board has over the past year(s) initiated informal public information sessions as part of the pre-hearing process. These sessions are held to meet with people interested in a particular application and hearing process to inform them of the process, their rights and how to participate. These sessions have been well attended and are a proactive means of assisting the Board's various stakeholders to understand and have confidence in the Board's processes. As a result of these early meetings, the Board is building new relationships and must continue these initiatives as applications are processed for new pipeline construction. The challenges that will have to be met in Canada's north, if pipeline development in the Mackenzie Valley takes place, highlight the importance of this ongoing work.

In addition to public information sessions, the Board must develop a broad public communications strategy that includes outreach projects covering most of the Board's activities. Through these outreach strategies, the Board hopes to promote public understanding and citizen engagement in its processes.

Improvements to the Board's information management and information technology resources are being made to better engage the public through improvements to its web site and the coming launch of the ERF initiative. These activities are in keeping

with Canadians' expectations of government to keep pace with technological advancements. Progress towards improving electronic document production and dissemination in an efficient and effective manner is an important objective under this goal.

Gaps

- Simple and effective means for the public to be engaged in NEB events, processes and procedures.
- Public confidence in the degree to which the Board's processes enable the consideration of all input.

Strategies

- Leverage the use of electronic technologies through the implementation of the ERF initiative.
- Continue to communicate proactively with key groups of the public in anticipation of engagement needs.
- Develop and implement evolving processes to facilitate public engagement.

Measures

- Maintain or improve the level of public awareness of, and satisfaction with, the Board's information services and the assistance available to participants in the Board's regulatory proceedings.
- Improve effective citizen engagement as measured by key indicators.

Related Activities

2000-2001

- Develop and implement a communication strategy for the Board that will meet the needs and expectations of stakeholders. A specific focus will be increasing the Board's presence in frontier areas.
- Building on the results of landowner surveys, implement improvements to the landowner communication process.
- Complete implementation of the ERF Initiative.
- Evaluate the effectiveness of the Alternative Dispute Resolution initiative and modify as required.

2001-2002

- Maintain and enhance the ERF technology.
- Continue implementation of communications strategy.
- Review the hearing process to identify opportunities for improvement.

2002-2003

- Implement and align strategies, practices and procedures to reflect work undertaken in 2001-2002.
- Ongoing maintenance of the ERF technology.

Section IV: Horizontal Initiatives

A. Regulatory Initiatives

Table 4.1: Regulatory Initiatives¹

Regulatory Instrument	Expected Result
<i>Processing Plant Regulations</i>	<ul style="list-style-type: none"> • Less prescriptive, more goal-oriented regulations for NEB regulated facilities. • More onus placed on companies for facility safety and increasing the importance of audits by the regulator.
<i>National Energy Board Pipeline Crossing Regulations, Parts I & II; and the Damage Prevention Regulations</i>	<ul style="list-style-type: none"> • Less prescriptive, more goal-oriented regulations for NEB regulated facilities.
<i>National Energy Board Cost Recovery Regulations</i>	<ul style="list-style-type: none"> • Consensus among the Cost Recovery Liaison Committee members on the proposed changes to the Regulations. • More equitable allocation of costs incurred in the operations of the NEB.
<i>Canada Oil and Gas Diving Regulations; Newfoundland Offshore Area Petroleum Diving Regulations; and Nova Scotia Offshore Area Petroleum Diving Regulations</i>	<ul style="list-style-type: none"> • Less prescriptive, more goal-oriented regulations for activities under the <i>Canada Oil and Gas Operations Act</i>. • Mirror Regulations under the Accord Implementation Acts. • 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>	<ul style="list-style-type: none"> • Amalgamation of <i>Canada Oil and Gas Production and Conservation Regulations</i> and <i>Canada Oil and Gas Drilling Regulations</i>. • Updated and streamlined administration.

¹ The regulations noted here are those that are being currently being worked upon at the National Energy Board and are expected to come into force over the three-year (2000 to 2003) reporting period of this Report on Plans and Priorities.

<p><i>Nova Scotia Offshore Area Petroleum Safety Regulations; and Newfoundland Offshore Area Petroleum Safety Regulations</i></p>	<ul style="list-style-type: none"> • New Regulations that are acceptable to the Accord Area provinces regarding occupational health and safety. • Harmonization with the <i>Oil and Gas Occupational Safety and Health Regulations</i>.
<p><i>Oil and Gas Occupational Safety and Health Regulations</i></p>	<ul style="list-style-type: none"> • Updated regulations to conform with the <i>Canada Occupational Safety and Health Regulations</i> under the <i>Canada Labour Code</i>. • Harmonization with the Offshore Safety Regulations.
<p>Omnibus Changes to Frontier Regulations</p>	<ul style="list-style-type: none"> • Incorporation of recommendations made by the Standing Joint Committee for the Scrutiny of Regulations on numerous regulations under the COGO Act and under the Accord Implementation Acts.
<p><i>Canada oil and Gas Certificate of Fitness Regulations; the Nova Scotia Offshore Certificate of Fitness Regulations; and the Newfoundland Offshore Certificate of Fitness Regulations</i></p>	<ul style="list-style-type: none"> • Updated regulations to include an additional certifying authority and definitions for onshore and offshore areas.
<p><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></p>	<ul style="list-style-type: none"> • New Regulations that are acceptable to the Accord Area provinces regarding qualification of Offshore Installation Manager.

Section V: Financial Information

Table 5.1: Non-responsible Revenue

(\$ millions)	Forecast Revenue 1999-2000	Planned Revenue 2000- 2001	Planned Revenue 2001- 2002	Planned Revenue 2002-2003
National Energy Board	27.2	30.5	28.4	28.4
Energy Regulation and Advice				
Total Non-Responsible Revenue	27.2	30.5	28.4	28.4

Table 5.2: 2000-2001 Net Cost of Program

(\$ millions)	Total
Planned Spending (Budgetary and Non-budgetary Main Estimates plus adjustments)	29.2
<i>Plus: Services received without charge</i>	
Accommodation provided by Public Works and Government Services Canada (PWGSC)	3.5
Contributions covering employer's share of employees' insurance premiums and expenditures paid by TBS	1.1
Workmen's compensation, cost recovery audit costs and miscellaneous costs provided by other departments	0.1
	4.7
<i>Less: Non-responsible Revenue</i>	30.5
2000-2001 Net Program Cost (Total Planned Spending)	3.4

Section VI: Other Information

Program Evaluation

The NEB conducted a program review in 1999 in response to a recommendation from the 1998 Report of the Auditor General of Canada.¹ The overall objective of this evaluation was to provide information, analysis and recommendations on the effectiveness of the NEB's programs and services. A draft of the report was received by the Board in November 1999. The views expressed by stakeholders and the recommendations included in this draft report were considered by the Board in its 2000-01 strategic planning process. The review found that the Board is well-respected for its expertise. However, the Board has some challenges in effectively engaging citizens across the country. The Board is assessing the report and will incorporate the findings into its ongoing planning. The final version of the report was completed in February 2000.

List of Acts and Regulations

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

Acts

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

Regulations Pursuant to the *National Energy Board Act*

<i>Cost Recovery Regulations</i>	SOR/91-7
<i>Export and Import Reporting Regulations</i>	SOR/95-563
<i>Gas Pipeline Uniform Accounting Regulations</i>	SOR/83-190
<i>Oil Pipeline Uniform Accounting Regulations</i>	CRC, Vol. XI, c. 1058

¹ The Auditor General's report can be found at http://www.oag-bvg.gc.ca/domino/reports.nsf/html/98menu_e.html.

<i>Oil Product Designation Regulations</i>	SOR/88-216
<i>Onshore Pipeline Regulations</i>	SOR/99-294
<i>Part VI (Oil and Gas) Regulations</i>	SOR/96-244
<i>Part VI Regulations, Electricity</i>	SOR/97-130
<i>Pipeline Crossing Regulations, Part I</i>	SOR/88-528
<i>Pipeline Crossing Regulations, Part II</i>	SOR/88-529
<i>Power Line Crossing Regulations</i>	SOR/95-500
<i>Substituted Service Regulations</i>	SOR/83-191
<i>Toll Information Regulations</i>	SOR/79-319

Regulations Pursuant to the Canada Oil and Gas Operations Act

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

Regulations Pursuant to the Canadian Environmental Assessment Act

<i>Law List Regulations</i>	SOR/94-636
<i>Inclusion List Regulations</i>	SOR/94-637
<i>Comprehensive Study List Regulations</i>	SOR/94-638
<i>Exclusion List Regulations</i>	SOR/94-639
<i>Federal Authorities Regulations</i>	SOR/96-280
<i>Regulations Respecting the Coordination by Federal Authorities of Environmental Assessment Procedures and Requirements</i>	SOR/97-181

Structure and Personnel

The Board is structured into five business units, reflecting major areas of activity: Applications, Operations, Commodities, Information Management and Corporate Services. These units are the equivalent of service lines in Treasury Board terminology. Three other units, Legal Services, Professional Leadership, and the Secretary of the Board, provide specialized services to the five business units.

Unit Descriptions

Applications

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

Commodities

The Commodities Business Unit is responsible for assisting the Board in fulfilling its mandate through energy industry and marketplace surveillance, including the outlook for the demand and supply of energy commodities in Canada, the updating of guidelines, and regulations relating to energy exports as prescribed by Part VI of the NEB Act. It is also responsible for the disposition of applications for short-term exports of gas, oil and natural gas liquids, imports of natural gas and the disposition of applications concerning electricity exports and international 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 accidents, monitors emergency response procedures, regulates the development 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 is responsible for providing those services necessary to assist the Board in its management of human, materiel and financial resources. 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 Board and disseminates the information required by external stakeholders. The Business Leader of Information Management is accountable for this Unit.

Legal Services

The Legal Services Team provides legal advice for both regulatory and management purposes. General Counsel is accountable for this Team.

Professional Leadership

The Professional Leadership Team has the responsibility for maintaining and enhancing technical expertise within the Board in the economic, environment, and engineering fields. Each of the three leaders is accountable for his or her respective professional field.

Secretary of the Board

The Regulatory Operations Team provides high-level administrative and regulatory support. The Secretary of the Board is accountable for this Team.

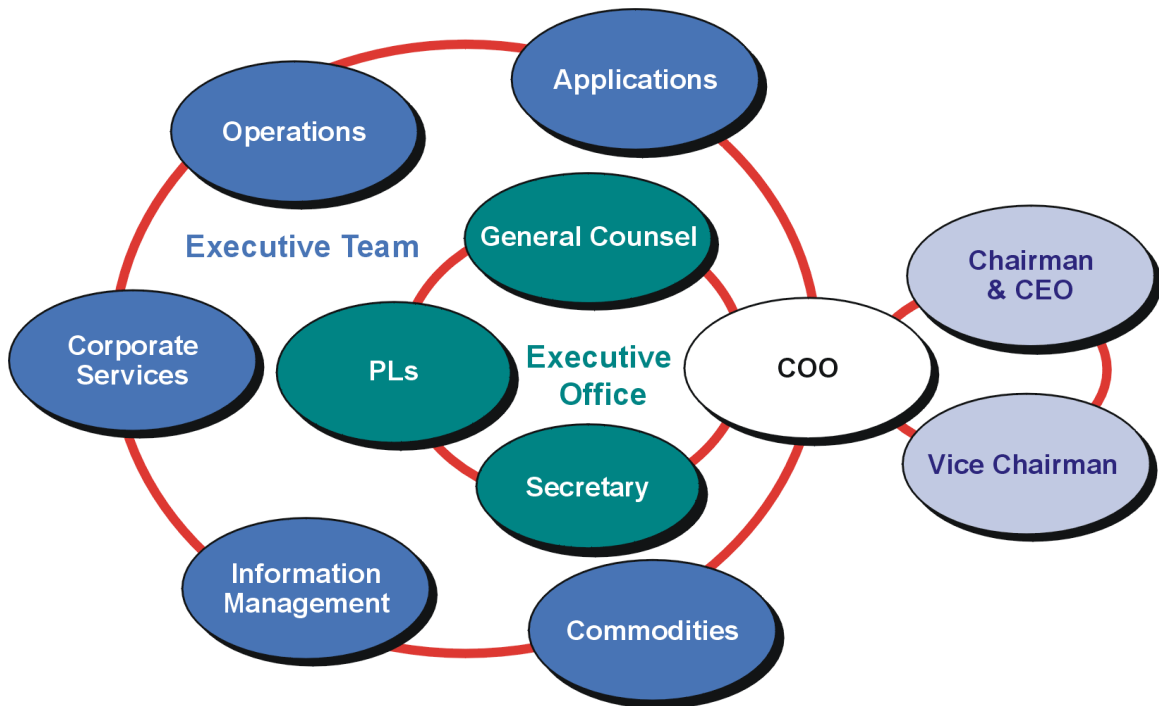


Figure 1 NEB Organizational Structure

References

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Terrance Rochefort	Business Leader, Commodities
Byron Goodall	Business Leader, Information Management
Valerie Katarey	Business Leader, Corporate Services
Judith Hanebury	General Counsel
Michel Mantha	Secretary of the Board
Peter Schnell	Team Leader, Planning and Reporting

Clients and Stakeholders

Companies under the Board's jurisdiction

Group 1 Pipeline Companies

Group 2 Pipeline Companies

Commodity Pipelines

Licence, order and permit holders

Federal Agencies

Canadian Environmental Assessment Agency

Environment Canada

Fisheries and Oceans Canada

Human Resources Development Canada

Indian and Northern Affairs Canada

Natural Resources Canada

Northern Pipeline Agency

Transportation Safety Board of Canada

Mackenzie Valley Environmental Review Board

Provincial Agencies

Policy departments and energy regulatory agencies in all Canadian provinces.

Offshore Boards

Canada-Newfoundland Offshore Petroleum Board

Canada-Nova Scotia Offshore Petroleum Board

General Public

Landowners affected by pipeline construction and operations

Shippers

Industry Associations