



National Energy
Board

Office national
de l'énergie

Report on
Plans and Priorities
2007-2008



National Energy Board –

*an active, effective and knowledgeable partner in the
responsible development of Canada's energy sector
for the benefit of Canadians*



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Report on Plans and Priorities

2007 – 2008

Part III Estimates

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Chairman
National Energy Board

The Honourable Gary Lunn
Minister
Natural Resources

Canada

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Section I

Overview

Chairman's Message

I am pleased to present the National Energy Board's plan for 2007 – 2008, contained in the *Report on Plans and Priorities 2007 – 2008*.

The National Energy Board's (NEB or Board) vision is to be an active, effective and knowledgeable partner in the responsible development of Canada's energy sector for the benefit of Canadians. The NEB's purpose is to promote safety and security, environmental protection and efficient energy infrastructure and markets in the Canadian public interest within the mandate set by Parliament in the regulation of pipelines, energy development and trade. As a cost-recovered, independent federal agency, the NEB continually strives to provide excellent service and strong leadership in energy regulation to Canadians.

Canadians depend on a safe, reliable and efficient energy supply. NEB-regulated facilities, which include 45,000 kilometres (km) of interprovincial and international pipelines and related infrastructure, as well as 1,100 km of international power lines, are crucial elements for transportation, distribution and reliability in the Canadian energy system. The NEB, through its regulatory oversight, plays a critical role in ensuring that this is accomplished by infrastructure that is mostly invisible to consumers, which operates safely and with minimal environmental impact.

In the current environment of increasing global energy demand for safe and

secure supplies of energy and continuing high energy prices, the NEB's role as Canada's national energy regulator is more significant than ever. Concurrently, Canada is emerging as an important entity in the global energy spectrum, with increasing recognition of the importance of Canada's oil sands, the world's second largest petroleum resource. Investment in Canadian oil and gas has been running at record levels, and this trend is expected to continue over the next few years. To bring these new oil and gas supplies to market, tens of billions of dollars will likely be committed to projects such as long distance pipelines over the next 15 years. These large and complex projects require multi-year lead times to successfully complete all the development steps, including the application assessment process.

Our expectations for infrastructure applications include a substantially increased hearing load over the next three to five years, placing significant demands on the Board to provide expert knowledge and improvements to the regulatory framework. The NEB is thus challenged on two fronts at the same time: building and retaining a skilled and knowledgeable workforce in a competitive employment market, and an increasing volume of complex regulatory applications. The NEB will require a higher level of resourcing to meet these demands, and is preparing a submission to Treasury Board outlining the resources we will require in order to ensure that we can meet our mandate.

The anticipated high number of applications presents an opportunity to introduce change in the way that we provide regulatory oversight. To ensure that Canadians continue to have access to sufficient energy supplies, the NEB is focusing on three priority areas, which are reflected in our 2007 – 2010 strategic plan.

Our first priority is to continue to improve our regulatory processes and to provide effective and efficient regulatory outcomes. To increase clarity and predictability, the NEB has created and will report on service standards for all of its key services. Over the next planning period, we are implementing a number of improved regulatory instruments including an integrated compliance system, flexible, risk-based regulatory processes and a range of interest-based approaches. We will continue to build effective partnerships with industry, other regulatory and government agencies and key stakeholders to ensure that the overall regulatory process is more effective and efficient. The NEB remains committed to establishing the conditions under which it will be granted substitute authority for the *Canadian Environmental Assessment Act*, thereby improving the timeliness and effectiveness of the regulatory process, and preserving the quality of the environmental assessment. This includes developing mechanisms by which the Board can directly provide funding to qualified public participants.

Our second priority—to enhance the NEB’s capacity and culture—is critical to our on-going success in fulfilling our mandate. To address the challenges with attracting and retaining staff in the current labour market, the NEB has recently introduced compensation measures such as market allowances for key professions

and a pilot performance pay program for all staff. Throughout this planning period, it is critical to ensure that we can retain and attract staff essential to achieving our mandate. When infrastructure cannot be brought on line in a responsible, timely way, billions of dollars in revenue and capital investment are placed at risk with enormous impact on Canadians and their well-being.

To help Canadians understand our rapidly changing energy environment, our third priority is to inform Canadians about energy markets. Our consultations on Canada’s energy future over the past year have shown us that stakeholders value highly the Board’s independent, objective and timely energy information and analysis.

The Board works hard to ensure that it balances and integrates public safety, environmental interests and economic efficiency in arriving at decisions that are in the Canadian public interest. While the next planning period presents significant challenges to the Board, there are many opportunities for the Board to realize its vision to be an active, effective and knowledgeable partner as a national regulator. I am confident, as we succeed in resolving issues of capacity and delivering on our strategic plan, that Canadians will continue to benefit from the tremendous endowment of energy resources they possess.

Kenneth W. Vollman
Chairman

Management Representation Statement

I submit for tabling in Parliament, the 2007 – 2008 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 2007 – 2008 Estimates: Report on Plans and Priorities and Departmental Performance Reports*:

- It adheres to the specific reporting requirements outlined in the Treasury Board Secretariat guidance;
- It is based on the NEB's approved Strategic Outcome and Program Activity Architecture that were approved by Treasury Board;
- 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

NEB Mandate

The NEB'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 NEB regulates the construction and operation of pipelines that cross international or provincial borders, tolls and tariffs, international power lines and designated interprovincial power lines. The NEB also regulates natural gas, oil, and natural gas liquids imports and exports, electricity exports, and some oil and gas exploration on frontier lands, particularly in Canada's North and certain offshore areas. Finally, the NEB provides Canadians with information about Canadian energy markets.

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, established in 1959, is an independent regulatory tribunal guided by the principles of natural justice and procedural fairness. 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 the attendance, swearing and examination of witnesses, the production and inspection of documents, the enforcement of its orders and the inspection of property. 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 proposed projects; monitoring and enforcement of terms and conditions during and after construction; and monitoring and regulation of ongoing operations, including deactivation and abandonment.

Through the *Public Safety Act, 2002* (Bill C-7), amending the NEB Act, the NEB

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.

Summary of NEB Responsibilities

Regulatory	Advisory
<p>To regulate, in the public interest, those areas of the oil, gas and electricity, and various commodity industries relating to:</p> <ul style="list-style-type: none"> • construction and operation of international and inter-provincial pipelines; • construction and operation of international and designated interprovincial power lines; • transportation, tolls and tariffs of pipelines under its jurisdiction; • exports of oil, gas and electricity and imports of oil and gas; and • oil and gas activities on frontier lands not subject to a federal/provincial accord 	<p>To provide advice to the Minister of Natural Resources on the development and use of energy resources by:</p> <ul style="list-style-type: none"> • monitoring the energy sector; • issuing public reports; and • providing advice upon request to the Minister

has 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 includes the provision of expert technical advice to the Canada-Newfoundland Offshore Petroleum Board, the Canada-Nova Scotia Offshore Petroleum Board, Natural Resources Canada, and Indian and Northern Affairs Canada. Subsequent to devolution, the Board has a service agreement with the Yukon to provide technical advice. 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.

The NEB's vision describes the Board's direction in applying its mandate. The words **responsible development** reflect

the NEB's belief that the development of infrastructure by private interests within a competitive market framework serves the public interest. A key role of the regulator

NEB Vision

The NEB is an active, effective and knowledgeable partner in the responsible development of Canada's energy sector for the benefit of Canadians.

NEB Values

At the NEB we strive for excellence in all that we do. Excellence at the NEB is driven by organizational and personal commitment to three corporate values:

Integrity: We are fair, transparent, and respectful

Regulatory Leadership: We are responsive, proactive and innovative

Accountability: We support and hold each other accountable to deliver timely, high quality results in the Canadian public interest

is that it must have regard for the potential social and environmental impacts not fully dealt with by markets.

The NEB sees itself as a **partner** with all stakeholders and works with them to ensure that concerns are identified and understood and that the correct balance is achieved among economic, social and environmental factors. To support this approach, the NEB is committed to being **active, effective and knowledgeable**. This means, for example, anticipating and preparing for issues that come before the Board, being results oriented, and having the capacity to deal with the highly complex multi-disciplinary matters surrounding energy regulation.

NEB Planning Process

In order to remain relevant with a clear focus on emerging priorities, the Board engages in an annual strategic planning process, resulting in an updated strategic plan. The formal process begins with an analysis of external influences, including societal and economic trends. This environmental scan is followed by the development of long-range strategic goals; resources, budget and work planning; and performance measurement and reporting processes. The plans that are established are regularly updated throughout the year as required.

NEB's Quality Policy

The NEB strives to meet its goals through excellence in execution and continual improvement, facilitated by a Board-wide Quality Management System.

The NEB's Quality Policy is followed by the entire organization through its Quality Management System.

Link to the Government of Canada Outcome Areas

Though providing energy regulation and advice, NEB contributes to the following Government of Canada Outcome areas:

- strong economic growth
- a clean and healthy environment
- a fair and secure marketplace

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

Summary Information 2007 – 2008²

Financial Resources (million \$)		
2007-2008	2008-2009	2009-2010
38.1	38.1	36.6

Human Resources (Full-time equivalents)		
2007-2008	2008-2009	2009-2010
307.6	307.6	296.6

Departmental Priorities

Name	Type
1. Improve regulatory processes	Previously committed
2. Enhance NEB capacity and culture	Previously committed
3. Inform Canadians on energy markets	Ongoing

² This table shows a reduction in annual spending levels in 2009-2010. However, since these funding levels were set, the level of industry activity has increased rapidly and is expected to stay high. To respond to the substantial increase in the NEB's workload over the planning horizon, the NEB will be preparing a detailed submission to Treasury Board outlining its resource requirements.

Program Activities by Strategic Outcome				
	Planned Spending (million \$)			Contributes to priority
	2007-2008	2008-2009	2009-2010	
	38.1	38.1	36.6	
Strategic Outcome:	Safety, security, environmental protection and economic benefits through regulation of pipelines, power lines, trade and energy development within NEB jurisdiction.			
Program Activity:	Energy Regulation and Advice			1. Improve regulatory processes
Expected Results:	The expected results of the Energy Regulation and Advice activity are expressed in the NEB's Strategic Plan Goals, as follows:			2. Enhance NEB capacity and culture
	Goal 1. NEB-regulated facilities and activities are safe and secure, and are perceived to be so			3. Inform Canadians on energy markets
	Goal 2. NEB-regulated facilities are built and operated in a manner that protects the environment and respects the rights of those affected			
	Goal 3. Canadians benefit from efficient energy infrastructure and markets			
	Goal 4. The NEB fulfills its mandate with the benefit of effective public engagement			
	Goal 5. The NEB delivers quality outcomes through innovative leadership and effective support processes			

The NEB's priorities for 2007 – 2008 are implemented through the NEB's planned work to meet its Goals, which is explained in detail in Section II.

Departmental Plans and Priorities

Operating Environment

In establishing priorities for 2007 – 2008, the NEB considered evolving trends, risks and challenges that might influence how it carries out its responsibilities and delivers results to Canadians. A number of important elements are discussed below.

Economic context

Canadians depend on a safe, reliable and efficient energy supply. The 45,000 kilometres of interprovincial

and international pipelines regulated by the NEB are a crucial element in Canada's transportation and distribution system. These systems include large-diameter, cross-country natural gas, oil and oil products pipelines, small-diameter pipelines, and commodity pipelines. In 2006, approximately \$100 billion worth of products flowed through Canadian pipelines to markets at home and in the U.S. (7 percent of GDP). The cost in 2006 of providing these transportation services is estimated to be around \$5 billion through tolls regulated by the NEB, not including fuel costs paid by shippers on natural gas pipelines. This was accomplished by infrastructure that is mostly invisible to consumers and that operates with a low rate of failure and minimal environmental impact.

The 1,100 km of international power lines under NEB jurisdiction represent approximately 0.7 percent of all electric transmission lines in Canada. They account for virtually all the trade in electricity between Canada and the U.S. and provide important reliability benefits on both sides of the border. The value of electricity exports was about \$2.8 billion in 2006 and imports amount to \$1.1 billion.

Energy market context

World oil prices continue to be high and volatile. In 2006, reflecting geopolitical events, significant demand growth, and limited spare production and refining capacity, the price of benchmark West Texas Intermediate crude oil reached a record high in mid-July of \$US78.40 per barrel. Afterward, prices retreated and averaged around \$US60 for the remainder of the year due to high inventories and a slight softening in demand. Prices are expected to remain strong in 2007 in the face of an environment similar to that which prevailed in 2006. While prices are expected to remain volatile, a combination of factors is expected to keep prices in the (US\$55-US\$65) range during the next few years.

Natural gas prices have been extremely volatile. Following the peak reached in late 2005 (\$US15/MMBtu, NYMEX Henry Hub) in the aftermath of supply disruptions caused by hurricanes in the Gulf of Mexico, prices fell to around \$US4/MMBtu by fall 2006. Depending upon the severity of the upcoming winter, prices could average \$US5-7/MMBtu for the 2006 – 2007 heating season, with the potential for price spikes above this average. This past year demonstrated the substantial and unpredictable volatility that gas prices can experience because of changing market conditions.

Canadian energy consumption has been steadily increasing over the past decade, driven by economic growth and population increase. Recent higher prices have not had a great impact on overall consumption. The Board has improved the availability of price information to Canadians by posting up-to-date information on its website. Steadily increasing website “hits” suggests that the public is very interested in energy pricing information. Figure 1 illustrates the composition of Canadian energy demand.

The high price energy environment is encouraging the petroleum industry to develop new and unconventional sources of oil and natural gas to meet future energy needs. The exploration and production sector in Canada posted another record for drilling activity in 2006 with an estimated 25,700 wells, compared with the previous record of 23,700 in 2005. Investments in Canadian oil and gas in 2006 are estimated to be \$45 billion (Canadian Association of Petroleum Producers), similar to the amount in 2005, which was a record in Canada. High upstream activity is expected to continue over the planning period.

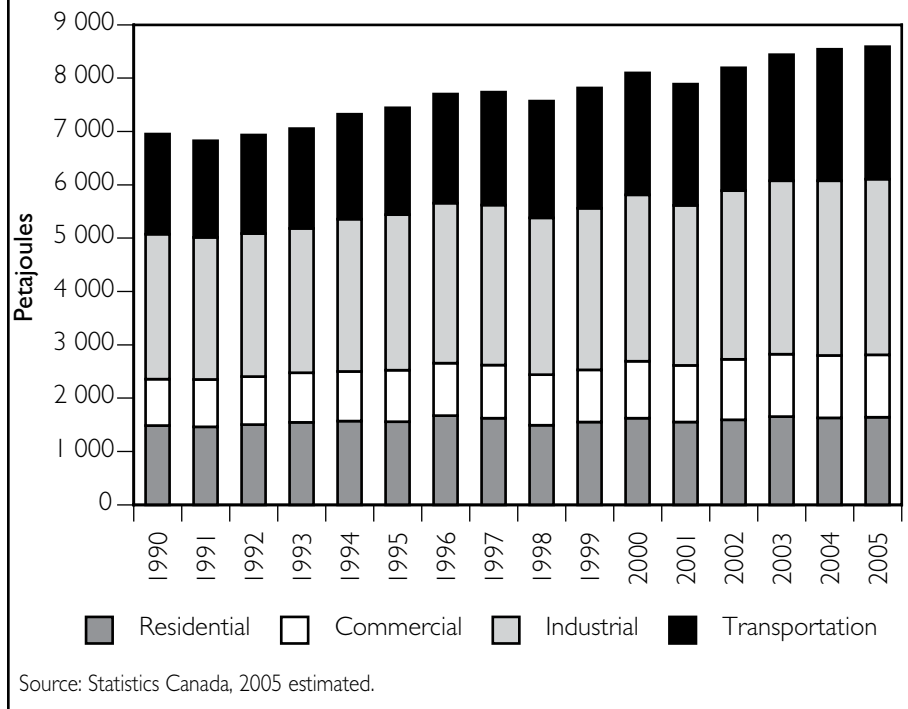
With vast reserves in the oil sands and development off the coast of Newfoundland, Canada is steadily increasing its oil production. For example, total Canadian production is expected to increase by about 69,000 cubic metres per day between 2005 and 2007, to a level of 464,000 cubic metres per day. Most of this growth is attributable to oil sands production. As oil production has grown, pipeline capacity has become an issue. In 2006, many of the major oil pipeline systems had to occasionally apportion their capacity, thereby limiting flows below market demand.

Canada is 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 increases over the coming decade. Considerable new investment in the pipeline transportation sector is required to transport increasing production to markets.

Inadequate capacity imposes costs on producers as they have to discount the price of their products. This situation may worsen over the next three years as pipeline proposals move through the regulatory process and before new capacity becomes available.

Canadian gas production is expected to remain largely unchanged over the next three years. It is anticipated that a slight decline in conventional gas production will be offset by robust growth in coal bed methane. Over the longer term, industry is pursuing the development of frontier gas resources in the Mackenzie Delta. The Board has an application before it to build a major pipeline from the Delta along the Mackenzie Valley to Alberta from which gas can access both domestic and export markets. Industry is also looking into maintaining production from offshore Nova Scotia through the enhanced development of currently producing fields and the potential development of the Deep Panuke field. In anticipation of a need for

**Figure 1
Canadian Energy Demand**

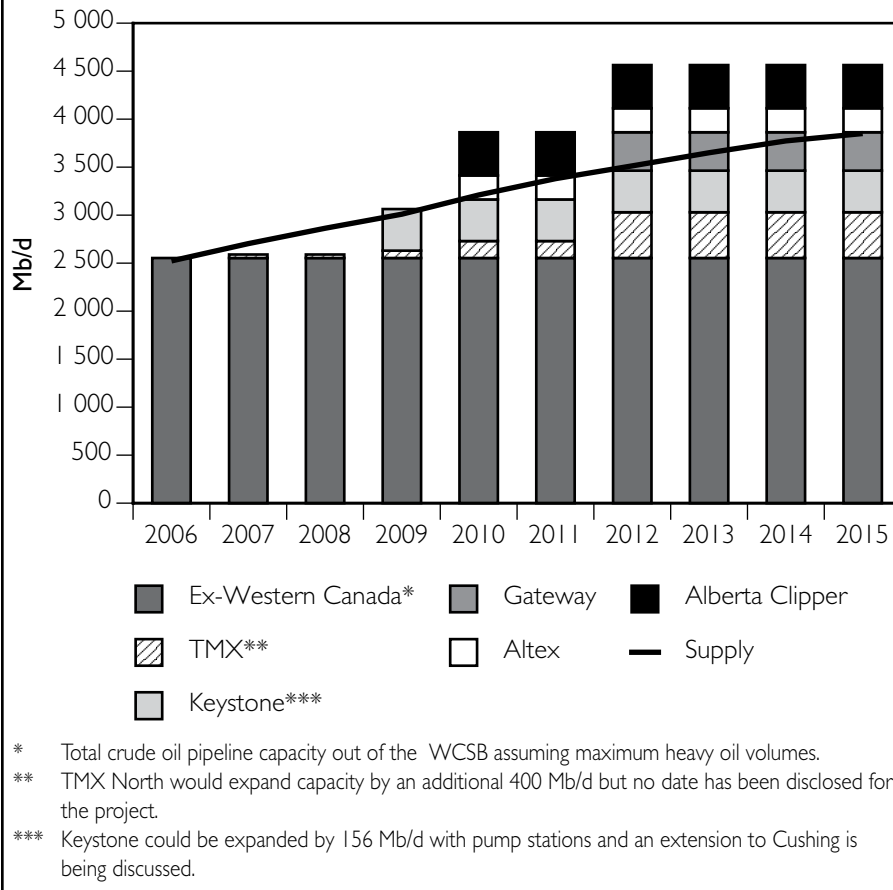


additional energy supplies for the North American market, developers have proposed liquefied natural gas (LNG) import terminals at sites located in the Maritimes, Quebec and British Columbia.

Over half of Canadian natural gas production is exported to the U.S. Exports in 2006 were the third highest on record, generating a record \$35.6 billion of revenue due to the high gas price environment that existed following hurricane-induced production disruptions in the U.S.

Changing dynamics in markets for Canadian gas include rising Canadian demand for gas-fired power generation, especially in Ontario, and for oil sands production in Alberta. Canadian export markets may also be impacted by new pipelines intended to move gas from the U.S. Rockies to eastern U.S. markets and by growing LNG import volumes into the U.S. As the shape of the

**Figure 2
Supply Forecast and Proposed Pipeline Projects**



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.

Changing NEB Business Environment

The NEB's workload is expected to increase substantially over the planning horizon for three main reasons.

1. With the current favourable investment conditions and the steady increase

industry changes, the Board will be faced with new and innovative proposals. For example, the provision of short notice pipeline services for power generators and the removal of pipeline capacity from gas service for conversion to oil service have come in front of the Board this year and equally complex issues may continue to come before the Board in the future.

In summary, industry is responding to market needs 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

in energy demand, the submission of infrastructure applications to the NEB is predicted to be the highest in the past decade (Figure 2). The NEB will be required to address the increased filing for extra facilities, and also to deal with the increase in market issues with respect to capacity allocation.

2. The Board must undertake significant pre-application work related to major facilities applications. There are two significant components to this work:
 - a. Changes to federal responsibilities mean that the Board must enter into negotiations with other government departments to clarify and agree on the process that will be followed.

- This can often be a complicated and time-consuming effort.
- b. Public expectations have increased and the Board is responding by engaging the public affected by major projects. This means that the Board must allocate resources to town hall meetings, correspondence, information bulletins, etc. to ensure that affected members of the public can effectively participate in project review processes.
3. The Board is moving to a goal-oriented approach to regulation. Under this approach, companies can benefit from expedited approval processes which enable them to develop their projects on a more timely and economic basis. In turn, they are subject to increased scrutiny during the construction and operations phases.

The Board is dedicating more resources to audits and inspections to ensure compliance with safety and environmental objectives. The goal-oriented integrated compliance approach also requires extensive database management of companies' performance.

The sum result of these three influences is that the Board expects it will require an increase of up to 20 percent in its funding over the planning period. The Board will be making a detailed submission to Treasury Board regarding its resource requirements.

The current and projected project proposals include:

- New pipelines connecting northern gas supplies to existing gas infrastructure
- Natural gas expansions in the east to facilitate market development in eastern Canada and the U.S. Northeast

- Pipeline capacity connecting existing infrastructure to proposed LNG receiving terminals in Nova Scotia, New Brunswick and Quebec
- Oil pipeline expansions and new pipeline proposals to facilitate the expected growth in the next decade in oil sands production
- New pipelines to provide needed diluent for growing oilsands production

Regulatory efficiency and effectiveness

These projects will involve issues relating to Canadian energy supply and demand, environmental impacts, Aboriginal considerations and a wide range of societal and cultural expectations and interests. Under the existing regulatory framework, a complex and fragmented approval process involving a number of departments and regulatory agencies is typically triggered by proposals for energy infrastructure development. 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. This regulatory complexity affects the timing for bringing infrastructure capacity on stream, and the energy sector is indicating that delays in developing infrastructure will result in delays in bringing on new supplies with attendant costs to Canadians. For example, Canadian Energy Pipeline Association (CEPA) estimates that a two year lag in the time new pipelines are brought into operation could cost Canadians an additional \$57 billion in terms of higher energy prices over the period of 2006 – 2025.³

³ The Importance of Timely Construction of New Pipeline Infrastructure to Canada and Canadians, CEPA, October 2005

On the other hand, Canadians who are affected by these projects require clarity in order to effectively participate and influence the outcomes.

Both project proponents and affected stakeholders are looking for more effective and efficient regulatory processes that will help enable the responsible development of desirable infrastructure on a timely basis.

Another challenge for the Board is in understanding how the evolving law on Aboriginal consultation affects its role as an independent 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.

Northern exploration and development

In addition to pipeline infrastructure in the North, the NEB regulates frontier exploration and production. NEB clients and stakeholders in the North have communicated that the current legislative framework, based on the CPR Act and the COGO Act, needs to be modernized. Oil and gas activity in the near North is small scale and conventional, but is subject to regulation under frontier legislation that was designed for large, offshore projects. As the level of drilling increases in response to demand, it is becoming increasingly difficult to address this growth with the current regulatory process. The NEB is working to streamline regulation where possible. 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.

Energy sector employment market

The rapid growth in the energy industry is expected to continue to 2020. Transmission pipeline projects representing tens of billions of investment dollars over the next 15 years are under consideration. When production exceeds pipeline capacity, this creates a situation where billions of dollars of capital investment in exploration and production are at risk. With this kind of economic reality and the cost of infrastructure, companies require multi-year lead times. The environmental and regulatory assessments of applications form just one step of many in the development process. A skilled, knowledgeable workforce is required by both industry and the regulator to develop and consider projects in the Canadian public interest in a timely way.

The energy industry is actively competing for individuals with the same technical skill sets that the NEB requires. The Board's rate of attrition due to industry's active recruitment across the energy sector at the mid and senior levels is increasing and retention is expected to continue to be a challenge throughout the 2007 – 2008 planning period. The annual attrition rate has risen from seven percent in 2003 to 14.5 percent in 2005 – 2006, compared to a mean turnover rate for the large energy companies that compete for talent with NEB of eight percent, and an even lower attrition rate across the federal government.

NEB Priorities in 2007 – 2008

I. Improve regulatory processes.

The NEB is committed to providing efficient and effective regulatory processes delivered in a transparent, accountable and responsive

manner. With the projected increased hearing workload in 2007 – 2008, there is an opportunity to increase efficiency and effectiveness of the Board's processes. These changes require an integrated approach that fully utilizes the NEB's suite of regulatory tools and NEB leadership in coordinating efficient assessment processes.

Plan to Achieve Priority

The Board is focusing on opportunities to improve regulatory processes, while making decisions in the Canadian public interest. Results are oriented toward improved efficiency and effectiveness, which can be described in the following way:

- **Efficiency:** making regulatory processes clearer, faster and more cost-effective
- **Effectiveness:** producing higher quality results

Specific initiatives in the next planning period to improve regulatory processes include:

Integrated compliance

The NEB's direction is to employ a risk-based life cycle approach to regulation, incorporating the principles of management systems covering each phase of a facility's life cycle. The NEB's integrated compliance approach will enable regulatory oversight to be based on company performance and implemented through tools such as management system reviews and audits. Integrated compliance will also enable the NEB to adjust regulatory processes to fit the scope and risk of applications and other regulated activities. For example, companies with a good track record that are building low risk facilities can expect an expedited approval process.

Effective environmental assessment processes

The NEB continues to participate with other regulators and environmental assessment boards and agencies to simplify regulatory processes and enable integrated decision-making. For example, the NEB is working actively with the CEA Agency on initiatives such as substitution pilots, where Board processes can substitute for the environmental assessment process as provided for under the CEA Act.

Efficiencies in application processing

In order to have available more flexible processes and to reduce cycle times, the NEB will develop a suite of process options that reflect the complexity of the project and extent of the public interest issues associated with applications. Elements of these processes include high level criteria for determining the types of regulatory processes that best suit the different applications it receives and refined assessment oversight tools. This streamlining approach will be applied, for example, to small pipeline applications submitted under section 58 of the NEB Act. This objective will be implemented in conjunction with the NEB's integrated compliance approach.

Using interest-based processes

For those applications and processes under the Board's control, the NEB plans to use interest-based processes where possible and, generally, to explore their use prior to relying on adjudicative processes. This will provide parties with a wide range of options for resolving issues. In many cases, with more opportunities for negotiated settlements, processes should become more efficient. This should also result in fewer matters requiring formal hearing processes thus expediting resolutions and

reducing costs. There will remain instances where a hearing is the most effective and appropriate approach; therefore, interest-based approaches and hearings together form a range of process options which the Board can use according to the specifics of the application.

Quality Management System continuous improvement cycle

By implementing a Quality Management System (QMS) in all the Board's processes, the NEB engages in a cycle of continuous improvement. In the next planning period, the Board will review its suite of corporate measures to support continuous improvement toward effective and efficient regulatory processes. QMS also provides a framework through which we ensure we meet the needs of our stakeholders, today and in the future. QMS provides the foundation and continuity required to improve the Board's regulatory processes, ensuring that the Board maintains its regulatory oversight role in an effective manner.

Performance Indicators

- Reduced cycle times
- Regulatory processes that are transparent and responsive
- NEB able to conduct regulatory oversight based on company management systems

2. Enhance NEB capacity and culture.

The NEB is 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. The importance

to Canadians of the work performed by NEB staff clearly substantiates the need for a skilled, knowledgeable workforce.

Plan to Achieve Priority

The Board is developing a strategy and proactive processes for attracting and retaining people with the skills necessary to our success. The focus is on supporting career management through development plans, mentoring and challenge opportunities. Also, the Board has taken steps, with support from Treasury Board, to improve its compensation package, which includes market-based compensation and a pilot performance pay program.

In light of the projected substantial increase in the NEB's workload over the planning horizon, the NEB will be preparing a detailed submission to Treasury Board outlining its resource requirements. Based on workload projections, it is anticipated that the Board will require an increase of up to 20 percent in its funding over the planning period and through projections into the further future.

The NEB has updated its human resource plan—the People Strategy, to reflect a pro-active approach for maintaining its workforce. The NEB People Strategy is integrated into the NEB's business planning process and has been updated to immediately address:

- Recruiting and retaining key talent
- Leadership development
- Employee engagement
- Performance management
- Staffing levels
- Training effectiveness
- Succession planning

Key elements of the NEB's People Strategy include:

- Transforming the organizational culture with greater emphasis on a results-based culture of excellence, using tools such as performance management and succession planning
- Implementing the changes to human resource management accountabilities resulting from the *Public Service Modernization Act*
- Attracting and retaining highly qualified people based on the NEB's human resources plan
- Evolving organizational learning to better meet current and future business needs
- Improving mechanisms to share knowledge more effectively across the organization

To maintain capacity to fulfill its mandate, and to ensure a results-based culture, the NEB continues to implement its Quality Management System. The system of repeatable process with a cycle of continuous improvement helps the NEB to adapt to a quickly changing labour market.

Performance Indicators

- New compensation package in place
- Rate of attrition
- Recruitment and retention tools adapted to the current and projected labour market
- Staff are leadership and results oriented

3. Inform Canadians on energy markets.

The Board will focus on informing Canadians on energy market developments and issues related to the Board's regulatory mandate (primarily gas, oil and electricity market developments). Given the current high price

energy environment and growing energy demand, 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, consumers about which vehicles and home heating systems to purchase, and industry about which technologies, processes and types of energy to adopt.

The Board will focus its role in advising policy makers on providing input and advice on matters directly related to its regulatory role.

Plan to Achieve Priority

To ensure Canadians understand our rapidly changing energy environment, and have access to independent, objective energy information, the NEB is implementing an energy information program that focuses on emerging market issues and regulatory challenges. The energy information program includes:

- Energy Market Assessments, which provide Canadians with an update on developments and key issues in energy markets related to the NEB's regulatory oversight (e.g. electricity, natural gas and oil markets, oil and natural gas supply and demand, long-term outlook for Canada's energy future)
- Energy pricing website
- Short-term energy market outlooks
- Topical briefing notes to Board Members and the public on emerging issues

Performance Indicators

- Frequency of NEB information products being accessed
- Feedback from stakeholders regarding NEB information products

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 \$)		
2007-2008	2008-2009	2009-2010
38.1	38.1	36.6

Human Resources (Full-time equivalents)		
2007-2008	2008-2009	2009-2010
307.6	307.6	296.6

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 other commodities, 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

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

Goal 3. Canadians benefit from efficient energy infrastructure and markets

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

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

The NEB delivers its programs under these Goals, as outlined in the following sections.

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 but with common outcomes. For this reason the intent of each Goal is described first, followed by the objectives of the two goals, which are identical and stated once.

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

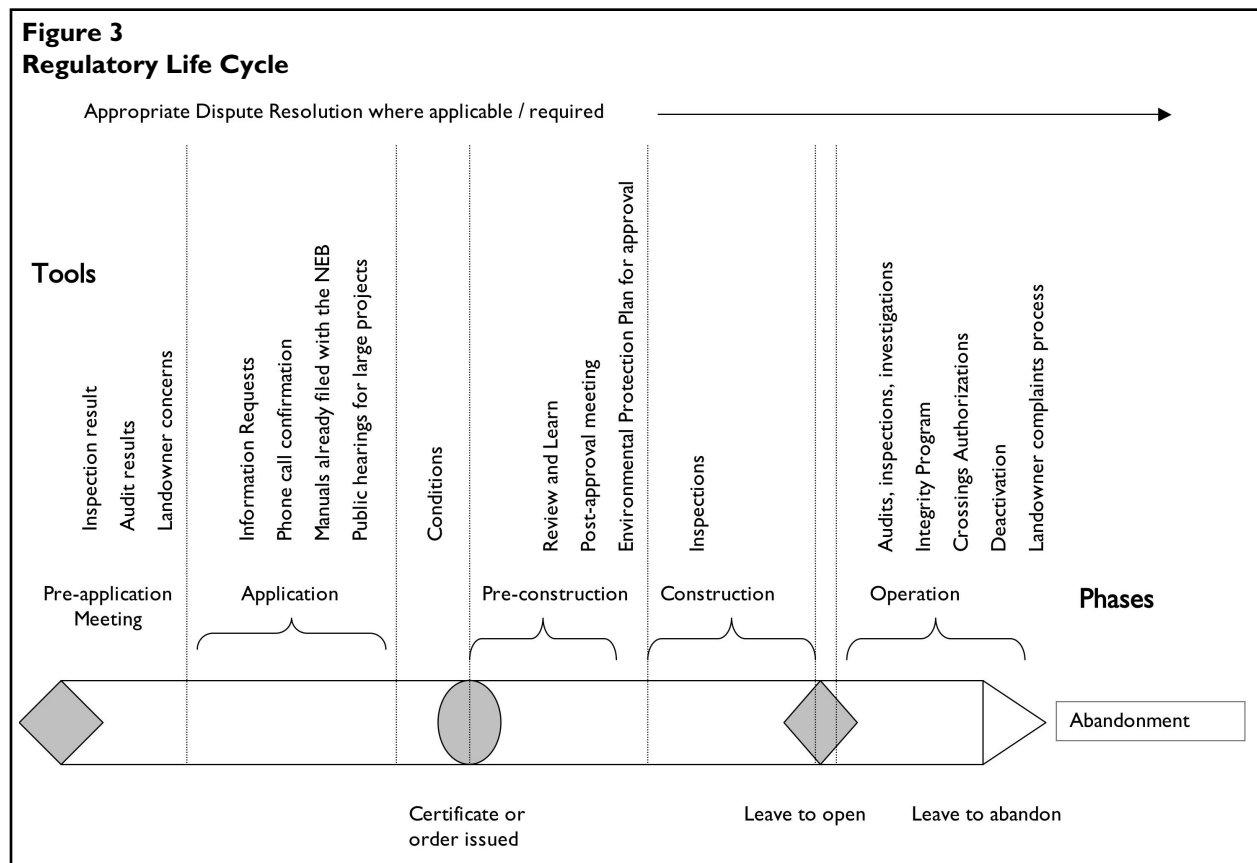
Financial Resources (million \$)		
2007-2008	2008-2009	2009-2010
5.7	5.7	5.5

The NEB's regulatory oversight encompasses the full life cycle of energy infrastructure projects within its jurisdiction (Figure 3). This includes the design, construction, operation and abandonment of oil and gas pipelines that cross provincial or international borders. The NEB's mandate also includes oversight for the security of pipelines and international power lines, reflecting amendments made to the NEB Act that came into effect in April 2005.

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 complies with safety regulations.

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's regulatory oversight covers 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 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.

Goal Measures

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

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 \$)		
2007-2008	2008-2009	2009-2010
4.6	4.6	4.4

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 life cycle 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 operates in a complex regulatory framework for environmental assessments. This includes the challenge of navigating environmental assessments through overlapping jurisdictions and various legislation (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 the environmental assessment process and the coordination of regulatory processes.

To achieve the goal of respecting 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.

Goal Measures

- Percent of environmental conditions that achieve their desired end results
- Number of major releases into the environment per year⁴
- Indicators that the rights of those affected are respected

Goals 1 and 2 will focus on the following objectives over the planning period.

Objective 1: The NEB employs a life-cycle approach to the regulation of energy infrastructure.

The NEB's mandate requires the regulation of the design, construction, operation and abandonment of hydrocarbon pipelines that cross provincial or international borders. In applying regulatory oversight, the NEB strives to take a "life-cycle approach" through which: 1) no single life-cycle stage of energy infrastructure is considered in isolation from the others, and 2) the NEB addresses project risks using the appropriate regulatory tool at the appropriate stage of the project life-cycle.

Integrated compliance

As part of the Board's goal-oriented regulation approach, the NEB is implementing an integrated compliance system. This system supports effective and efficient decision-making with respect to where the NEB directs its compliance resources for safety, integrity, emergency, security and environmental management.

The end state for integrated compliance is a process which delivers a risk-based, life-cycle approach to regulation. It encompasses

the full life-cycle of a project, including design, construction and operation. It also incorporates two elements in the risk evaluation process: 1) risk posed by a project (project details, location and public concerns), and 2) risk posed by the operating company, based on compliance performance.

The project risk model is being developed through the small pipeline streamlining project (see Goal 3). Prioritization within the risk model is based on the traditional risk equation: risk = probability x consequence.

Regulatory risk is a measure of compliance performance, with probability indicative of the adequacy, implementation and effectiveness of an operating company's management system and programs. Consequence is measured through an evaluation of the probability of an event impacting safety, security or the environment, and the severity of such an impact.

The NEB's approach to ensuring the effective management of pipeline safety, security and environmental matters requires that regulated companies implement a comprehensive management system consisting of core programs for such matters as:

- Safety (Construction and Operation)
- Environmental Protection
- Pipeline Integrity
- Security
- Emergency Preparedness and Response

Through this initiative, compliance performance of a company will be directly linked to the adequacy and implementation

⁴ Major releases are defined as >100 m³ of liquid hydrocarbon.

of its programs to achieve the desired outcomes as set out within a goal-based regulatory requirement. By implementing an integrated compliance risk-based approach, inspections and audits will be focused on facilities and companies that will benefit the most from an NEB inspection or audit.

Elements required to operationalize integrated compliance and prioritized decision-making include improved data management, assessment tools, and performance measures. An integral component of the integrated compliance project is a set of leading indicators for measuring effectiveness with respect to safety, security and protection of the environment. Such measures consider the operating company's commitment to continual improvement and its ability to develop a management system culture.

The NEB expects to expand the integrated compliance project to include information from socio-economics, lands, and toll and tariff regulation in the process dedicated to a risk-based, life-cycle approach to regulation. Ultimately, the NEB will have tools and resources in place that optimise regulatory oversight, efficiency, and effectiveness throughout the life-cycle of regulated facilities.

Outcomes

- Effective resource management with compliance activities focused on prioritized areas
- NEB-regulated companies understand what is required to meet compliance requirements, and proactively meet them through management systems
- Regulated industry operates in a manner that protects the employee, contractor, public and the environment

Objective 2: The NEB, in partnership with federal and provincial/territorial agencies, has in place effective environmental assessment processes.

The Board is committed to developing efficient processes for completing the requirements of the CEA Act for NEB regulated projects. These projects often involve more than one responsible authority or federal authority. Dedicated partnerships with key regulatory and government agencies and stakeholders are required to facilitate both efficient application assessments and regulatory oversight during infrastructure life cycle.

Environmental assessment coordination program

Through the NEB's environmental assessment (EA) coordination program, the NEB is working with federal and provincial government departments to produce an environmental assessment process that meets all departments' EA obligations. Features of the EA coordination program include:

- NEB providing leadership in facilitating efficient and effective outcomes for EA processes
- Proactively communicating with government departments about the NEB's mandate and processes
- Working with government departments to coordinate EA processes and requirements
- Early coordination on appropriate signals of upcoming applications
- Review and learns with other departments after EA processes completed

Lead agency substitution

The NEB continues to pursue substitution as a way of conducting joint panel reviews. Under the CEA Act, the Minister of Environment may approve substitution of an NEB environmental assessment process for an environmental assessment by a review panel under the CEA Act. 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. Substitution of the NEB's hearing process for the CEA Agency's Joint Panel Review Process for large NEB regulated projects will achieve the NEB's objective for a more efficient process by reducing process uncertainty, reducing upfront coordination times and reducing the number of parties required in decision making.

Outcomes

- Clearly established process and timelines for coordination prior to receipt of a particular application
- Other regulatory authorities understand the NEB's mandate and process and cooperate effectively in the review and approval of applications
- NEB is the lead on all joint panel projects for large NEB regulated projects
- Clarity and better predictability for applicants

Objective 3: The NEB promotes sharing of information and best practices from pre-application to abandonment.

Part of the NEB's regulatory philosophy around goal-oriented regulation is to encourage the adoption of best practices for all periods of the facility life cycle. The NEB's full life-cycle responsibilities mean that it collects a significant amount of

information on the safety and environmental performance of its regulated companies. This life-cycle responsibility also provides the Board with ongoing, practical lessons about safety and environmental best practices which the NEB applies internally. The NEB continues to expand its information sharing through public reporting on pipeline integrity, environmental performance indicators, safety and security, and environmental protection and assessment best practices. The NEB also 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 through participation in bodies such as the Canadian Standards Association (CSA).

Information sharing and best practices

The NEB is undertaking to first identify gaps for sharing best practices regarding safety, security, the environment, emergency management, integrity management, socio-economic and engagement practices of regulated companies. Next, the NEB will develop processes to address the gaps, and disseminate best practices information in these areas through targeted delivery venues. Disseminating best practices to industry allows industry as a whole to benefit from the accumulated knowledge of other industry participants.

Pipeline security management

In 2004, the NEB Act was amended to include the concept of security. In 2005, the NEB issued a Notice of Proposed Regulatory Change communicating its expectation that companies would have a Security Program. A tool that will assist both the Board and companies is a consensus-based guidance document explaining the elements of an

effective security program. The NEB is chairing a CSA sub-committee with industry participants. The committee's deliverables will include determining the elements of the standard as well as deciding whether the standard will be mandatory or serve as guidance.

Outcomes

- Regulated companies have an increased awareness of best practices and can make informed decisions about their implementation
- Standards and guidance document held and maintained by CSA for effective security program requirements

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

Financial Resources (million \$)		
2007-2008	2008-2009	2009-2010
9.9	9.9	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 about \$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. The Board regulates the tolls and tariffs of

pipelines to ensure that there is a fair and adequate return to encourage investment and allow for effective maintenance.

High energy prices are a signal to producers to develop new energy sources, including frontier sources and alternative sources such as oil sands. Procedures also require investments in infrastructure to carry new production to energy users. Unnecessary delays in building new infrastructure imposes costs on producers as they cannot bring their new production to market. It also imposes costs on consumers because delays in bringing on new supplies perpetuate tight market conditions, leading to higher prices. Thus, it is important that the Board provide timely and predictable regulatory processes. The Board works to meet this commitment to clients through service standards which have been defined for many of the NEB's regulatory functions and associated services (Table 1).

The Board monitors energy markets and provides Canadians with a broad suite of information and analysis in areas primarily related to its regulatory mandate: natural gas, oil and electricity. The Board publishes a major outlook for Canada's energy future which serves as a basis for planning for many industry sectors. The Board will publish its next 25-year outlook in 2007. The Board monitors energy exports to ensure that Canadian energy users have access to domestically produced energy on terms and conditions at least as favourable as those available to export buyers, and to analyze whether energy markets are functioning properly. The Board also advises the Minister of Natural Resources of key energy market developments upon request and may provide recommendations on policy matters related to its regulatory role from time to time.

Goal Measures

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

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

Objective 1: Regulatory processes fit the scope and risk of applications and other regulated activities.

Efficient application processing

To more efficiently consider facilities applications, a process will be established to determine what the appropriate areas

Table I NEB Service Standards	
Reasons for Decision	Financial audits
<ul style="list-style-type: none"> • 80% of Reasons for Decision completed within 12 weeks following a public hearing 	<ul style="list-style-type: none"> • 80% of draft financial reports sent to the audited company within 8 weeks of completing field work • 80% of final financial audit reports sent to company within 3 weeks of receiving the audited company’s comments on draft financial report
Export/import authorizations	Non-hearing Section 58 application cycle times
<ul style="list-style-type: none"> • Short term export orders for oil, gas and natural gas liquids: 2 working days • Natural gas import and export orders 2 working days • Electricity export permits: 80% in 75 days 	<ul style="list-style-type: none"> • Category A (complexity of issues considered minor): 80% of decisions released in 40 calendar days • Category B (complexity of issues considered moderate): 80% of decisions released in 90 calendar days • Category C (complexity of issues considered major): 80% of decisions released in 120 calendar days
Electricity export permits	COGOA applications
<p>Category A (complexity – minor)</p> <ul style="list-style-type: none"> • Applicant Notification: 100% within 10 calendar days • Decision Release: 80% within 40 calendar days <p>Category B (complexity – moderate)</p> <ul style="list-style-type: none"> • Applicant Notification: 80% within 10 calendar days • Decision Release: 80% within 90 calendar days <p>Category C (complexity – major)</p> <ul style="list-style-type: none"> • Applicant Notification: 80% within 10 calendar days • Decision Release: No service standard 	<p>Well drilling applications</p> <ul style="list-style-type: none"> • Decisions rendered within 21 calendar days of receiving a complete application <p>Geological and geophysical applications</p> <ul style="list-style-type: none"> • Decisions rendered within 30 calendar days of receiving a complete application
Onshore pipeline regulation (OPR) audits	CPRA applications
<ul style="list-style-type: none"> • 80% of draft OPR reports sent to the audited company within 8 weeks of completing field work 	<ul style="list-style-type: none"> • 80% of decisions for Significant Discovery and Commercial Discovery Applications on Frontier lands rendered within 90 calendar days from the day that all information is available to begin the evaluation process
Landowner Complaints	
<ul style="list-style-type: none"> • Respond with initial course of action: 100% within 10 calendar days • Resolve the complaint: 80% within 60 calendar days 	

and depth of assessment should be. The process will include development of high level criteria for determining the types of regulatory processes that best suit the different applications it receives. Factors impacting the risks to safety, environment, people and markets of building pipelines will be examined as part of the risk assessment.

Expected results include a suite of process options that reflect the complexity and extent of the public interest issues associated with applications. This will result in more flexible processes that reduce cycle times, and reduce the number of applications required to be submitted for review. This objective will be implemented in conjunction with the NEB's integrated compliance approach.

Streamlined application processing

The NEB is working to streamline the application and assessment process for low-risk NEB Act section 58 facility applications. At the same time, the NEB will ensure that assessment scrutiny increases in a controlled manner with increasing application risk or uncertainty.

Small pipeline application streamlining

Using a simplified assessment process for low-risk facility application will reduce the time required for regulatory decisions on small, routine pipeline facilities, reduce industry's application costs related to small pipelines, and reduce industry avoidance of federal regulation for small pipelines. The process will include the following elements:

- Technically uncomplicated, straightforward application
- +
- Satisfactory company compliance record
- +

Life-cycle compliance tools available for any required project or company follow-up
 =
 Streamlined application assessment

A satisfactory company compliance record is verified using inspection reports, audit reports and condition compliance.

Objective 2: The NEB's energy information program focuses on emerging market issues and regulatory challenges.

Energy information program

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 information to support better decisions by policy makers, industry and the public. In its energy information program, the Board will focus on informing Canadians on energy market developments and issues related to the Board's regulatory mandate, which includes primarily gas, oil and electricity market developments.

The Board's energy information program is comprised of Energy Market Assessments, which provide detailed analyses of aspects of Canada's energy system, concise briefing notes, energy pricing information on the NEB website and semi-annual energy market outlooks.

NEB's Energy Information Program

- Energy Market Assessments
- Briefing notes
- Energy pricing information website
- Energy market outlooks

From time to time, the Board facilitates the provision of information in updated formats. Over the next planning period, the Board will be developing a process to convert Frontier Information Office reports, prepared under the COGO Act, from microfiche to a web-based digital format. This is a valuable service provided to industry. This data is used as an evaluation tool for industry to help determine their exploration and production interests in the federal non-accord lands. Without access to existing data on well data and geoscience data, companies could be forced into undertaking expensive exploration programs just to predetermine what is already known. As an example of a tangible benefit, \$5 million over five years for the electronic conversion of data will reap considerable returns in savings in exploration costs to industry. It should also reduce unnecessary exploration activity, thereby reducing the environmental impact of exploration activities. The microfiche conversions is currently unfunded and requires the support of central agencies before it can be undertaken.

Report on Canada’s energy future

Part of the Board’s energy information program, the Energy Futures project is a study of Canada’s long-term energy supply and demand. The Board has undertaken cross-country consultations with key stakeholders and the report will integrate the analysis of energy sector markets into a single “all energy” market analysis and outlook. The Energy Futures project will describe plausible energy futures for Canada with a view to inform interested Canadians on how the energy system could evolve over the next 25 years to 2030. The report will include a range of potential scenarios for energy supply, demand, and air emissions. This report meets the Board’s mandate under Part VI of the NEB Act section 118.

The Energy Futures Report will contain a reference case and scenarios that yield choices related to concrete options over a 25 year timeframe. Feedback from consultations indicates that Canadians want to see more frequent Energy Futures reports that are firmly grounded in sharing of information and increased dialogue like that conducted in the recent cross-Canada consultations. The value of energy information was emphasized for effective decision making. Energy Futures consultation reports can be found on the NEB website at www.neb-one.gc.ca/energy/EnergyFutures/2006/index_e.htm.

Outcomes

- Efficient, streamlined applications processes; reduced cycle times
- Project proponents are clear about the timeframe and process involved for their applications
- Canadians are able to make informed choices about energy market options

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

Financial Resources (million \$)		
2007-2008	2008-2009	2009-2010
2.7	2.7	2.6

The NEB’s focus on effective public engagement processes is key to making decisions in the public interest, and to providing efficient regulatory processes and practices. Processes are designed so that decision makers are presented with the complete range of views required to make fully informed decisions in the Canadian public interest. This enables parties impacted by projects that are before the

Board to provide effective input into the Board's decision-making process.

In recent years, there has been a trend of increased public participation in government decision-making, as more and more Canadians want to be involved in decisions that affect their lives. The Board has responded by adapting its processes to accommodate participation in Board processes for parties to Board matters. The Board's objective is to maintain the implementation of its mandate while providing ease of participation.

Accordingly, the Board is continually implementing new approaches to make the Board's processes accessible to all Canadians. For example, the accommodations made to NEB processes in the review of the Mackenzie Gas Project in 2005 – 2006 were welcomed by intervenors. Further, simplified processes, information sessions, and Internet accessible regulatory documents are some of the innovations that have been introduced by the Board. Stakeholder feedback has been positive in response to the Board's efforts to enable effective participation.

Looking forward, the Board has committed to reviewing options for interest-based approaches. The NEB has already had success with promoting negotiated settlements where possible, and sees room for increased use of non-hearing approaches.

One obstacle to full and effective participation is the Board's lack of authority to grant funding to qualified public participants. The Board's objective is to find a mechanism by which the Board can obtain participant funding. The NEB is evaluating options and developing an action plan to address this concern.

Goal Measure

- Board processes provide for effective participation by parties to Board matters

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

Objective 1: Engagement and communication practices for NEB matters meet the needs of stakeholders

The purpose of the engagement portion of this objective is to ensure that both the Board's and public stakeholders' needs are met by effective participation in Board processes. The Board will implement its new public engagement program which will proactively assist Canadians to effectively participate in Board matters (Table 2).

Northern engagement

A number of drivers contribute to the NEB's work to define and establish its northern engagement program. They include:

- Anticipated increase in oil and gas activity in the North
- Role of NEB often not understood in the North
- Northern community and advisory board members are requesting that the NEB take a more active role through increased local presence in discussions and decision-making on resources

In 2007 – 2008, the NEB will work to develop approaches for northern engagement based on community research conducted in 2006 – 2007 (Figure 4). The participatory research approach, which includes Community Assistants advising on community protocols and wishes, will yield an understanding and sensitivity of the community context.

Table 2**Elements for effective participation in Board processes****Principles**

- Engagement supports effective regulatory oversight
- Each situation must be assessed and the best tools chosen for the case

Tools

- Templates for public presentations
- Process for initiating engagement process
- Public engagement portal (toolkits, issue tracking, information sources, practitioners, databases)
- Public and Aboriginal engagement plans, including objectives and measures
- Follow-up satisfaction surveys

Processes

- Pre-application engagement
- Landowner engagement
- Appropriate Dispute Resolution

Outcomes

- Improved responsiveness to stakeholder needs and situations
- Strengthened relationships with stakeholders
- All relevant information comes before the Board in hearing matters
- NEB mandate fulfilled with the benefit of public involvement

Based on understanding developed through community interviews and feedback, the NEB will identify and implement engagement practices for meeting the unique needs of northern communities. This will provide a foundation for the NEB's regulatory oversight work in the North (Figure 5). Outputs include a northern engagement toolbox for staff, along with training and communication for how and when to use the tools. Ultimately, by proactively engaging northern communities prior to the expected increase in oil and gas activities, the Board will facilitate responsible and timely development of these resources.

Outcomes

- NEB's engagement approaches meet the needs of the NEB and northern communities

- Responsible and timely development of northern oil and gas resources

Proactive communications strategy

The NEB is following a proactive communication strategy focusing on communicating the NEB's role, enabling participation in Board matters as required, and providing key energy information. Key elements for delivering on this strategy include information tools for Canadians who wish to obtain accurate, relevant energy market information (e.g. Energy Pricing page on the NEB website); support in early public engagement initiatives to better inform Canadians as new projects get underway in targeted areas; and a new branding strategy to better incorporate NEB vision and values.

Improved website and electronic communication

Over the next year the NEB will be updating its website in order to make the Board more accessible, and to pro-actively explain its role to Canadians.

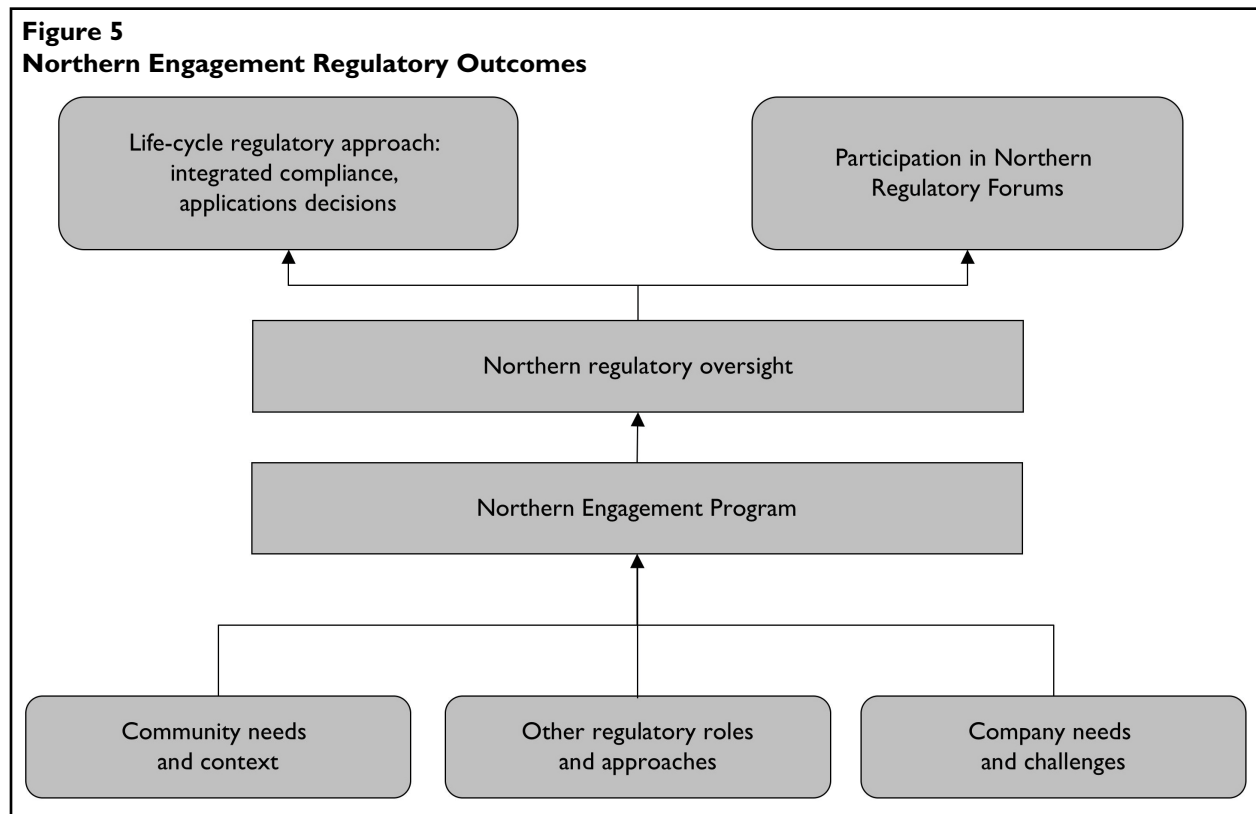
Electronic communication will be developed to the level of a tool that stakeholders can use to inform themselves about the Board’s mandate and, if they are affected, how to be involved in the Board’s processes.

The website will reflect the direction and branding of an updated NEB communications strategy, so that it meets audience informational and navigational needs, is more efficient to maintain and is compliant with Government Online and Common Look and Feel standards as set by Treasury Board.



Outcomes

- Canadian public has easy access to appropriate information about the NEB’s directives, processes and its mandates, including how to participate effectively in NEB matters



- NEB proactively engages stakeholders through targeted communications, outreach programs and activities, with a focus on evaluation and continual improvement

Objective 2: The NEB has a range of interest-based approaches to fulfill its regulatory mandate.

For those applications and processes within the NEB’s control, the Board’s direction is to use interest-based processes where possible and, generally, to explore their use prior to relying on adjudicative processes. This should also result in more efficient processes, reduced cycle times and costs. At the same time, there are instances where a hearing is the most effective and appropriate approach. Interest-based approaches and hearings together form a range of process options which the Board can use according to the specifics of the application. Over the next year, the NEB will develop a suite of interest-based processes for regulatory processes.

Outcomes

- Improved regulatory cycle times
- Better outcomes for proponents and society

Examples of interest-based approaches

- Appropriate Dispute Resolution (negotiation, mediation, workshops to increase understanding)
- Negotiated settlements (market participants make their own decisions instead of imposing the judgements and decisions of the regulatory agency)
- Collaborative regulatory development between industry and different levels of government

Objective 3: The NEB has and employs participant funding for infrastructure applications.

NEB public proceedings involve a wide range of stakeholders affected by energy infrastructure. Participant funding is widely considered to be a prerequisite to enable members of the public to effectively participate in quasi-judicial regulatory processes. Public participants in federal environmental assessments such as panel reviews and comprehensive studies are entitled to participant funding through the CEA Agency.

A key driver for the NEB to establish a participating funding program is regulatory efficiency and effectiveness. Having participant funding will help enable the NEB to effectively use the substitution provision under the CEA Act. Through this provision, the NEB can be designated by the Minister of Environment to act as the lead agency in applications directly related to its mandate. This provision allows the substitute authority to design and implement the regulatory environmental approval process. This arrangement reduces the duplication of regulatory and administrative requirements between different agencies that would otherwise need to be involved, without reducing the quality of the environmental assessment or compromising the public’s ability to participate.

The inability to designate participant funding is an impediment to the NEB fully taking on the role of lead agency in a case of substitution. The intent of this objective is to find a mechanism by which the Board can obtain participant funding along a model similar to that employed by the CEA Agency.

Outcomes

- NEB able to function fully as a lead agency when designated substitution under the CEA Act
- Outcomes that reflect the public interest

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

Financial Resources (million \$)		
2007-2008	2008-2009	2009-2010
15.2	15.2	14.6

Goal 5 focuses on the leadership and management accountabilities needed to support a high performance organization that delivers on its commitments. This goal is about sound business management and effective decision-making, to ensure that the organization has the people, technology, facilities, records management procedures, and financial resources available to carry out its mandate.

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; regulatory oversight for safe, secure, economically and environmentally sound construction and operation of approved projects; and provision of energy and energy market information. Core work utilizes approximately 80 percent of NEB resources.

An important focus for the NEB over the next planning period continues to be addressing 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's strategy for building capacity includes recruitment and retention strategies, succession planning, leadership development, and a development and performance management system.

The NEB continues to implement an ISO-standard Quality Management System as part of our commitment to remain a respected leader in energy regulation. This will assist the NEB in establishing a culture of continuous improvement and ensure consistency in direction and results.

Goal Measures

- Employee satisfaction
- Per capita cost of regulation
- Progress against planned activities

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

Objective 1: The NEB has the necessary capacity to fulfill its mandate

The period covered by the NEB's current People Strategy (human resources plan) continues to 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 are 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.

Recruitment, retention, succession planning

Given the unique role that the NEB plays on behalf of the Canadian public, the greatest challenge is to attract and retain the people needed to enable the NEB to fulfill its mandate. The NEB's People Strategy outlines its long-term needs and approach for recruiting and retaining qualified employees. Through this plan, the NEB is updating and improving recruitment and retention strategies and success planning on a number of fronts (Figure 6). The NEB's goal is to foster the commitment and dedication of individual employees through:

- Greater flexibility and use of various staffing mechanisms
- Ensuring our human resource systems and processes support incentives and flexible work arrangements
- Provision of appropriate and timely learning and development programs
- Well-crafted, comprehensive accountabilities and measurement criteria

Tools that will help the NEB achieve this goal include standards for human resources services, employee opinion surveys, NEB branding literature for post-secondary recruitment, employment equity outreach, a leadership competency model and development program, and a project management training program.

Business Continuity Plan

Treasury Board's Government Security Policy requires departments to establish a business continuity planning program to provide for the continued availability of critical services and assets, and of other services and assets when warranted by a threat and risk assessment. Critical services and associated assets must remain available in order to assure the health, safety, security and economic well-being of Canadians, and the effective functioning of government.

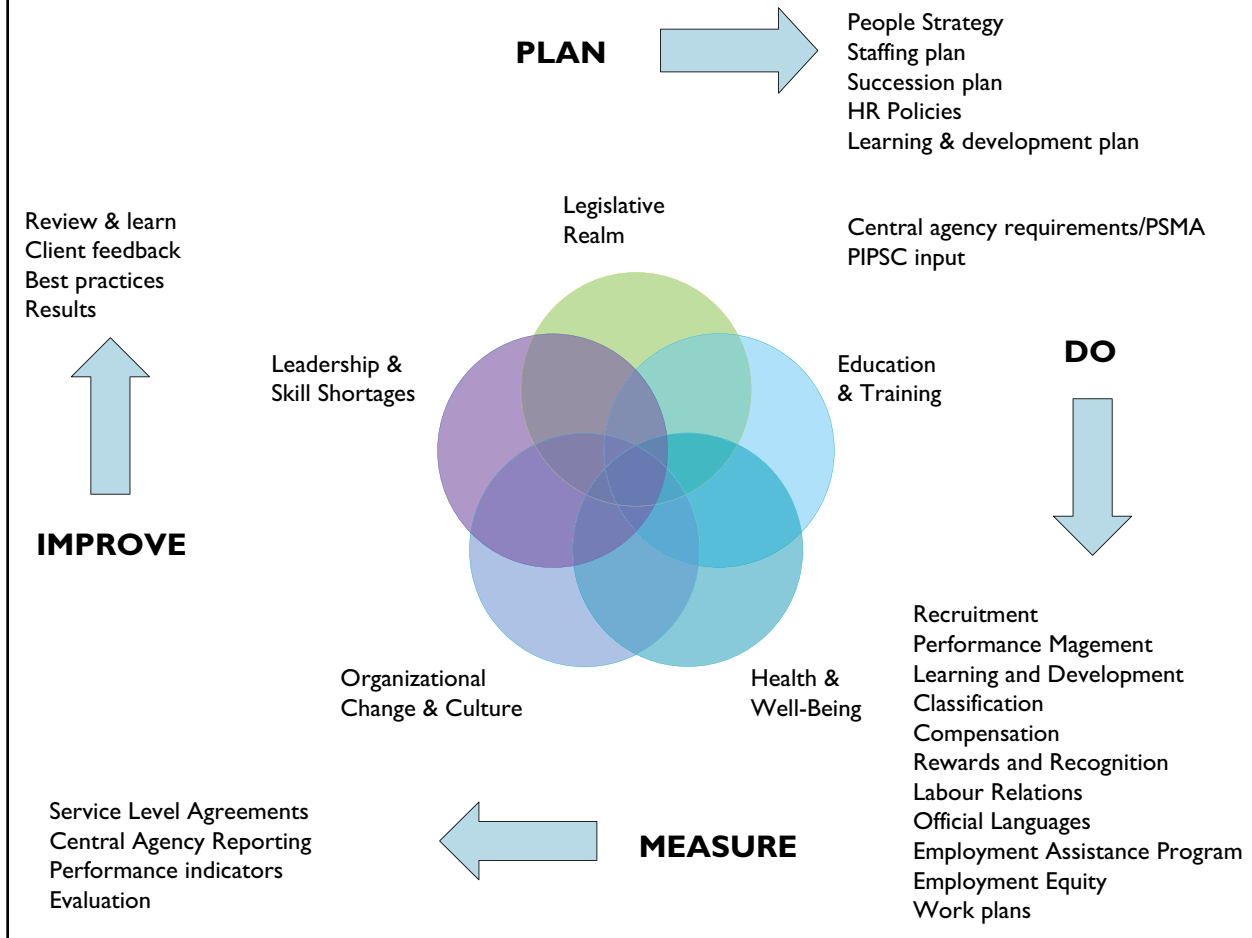
The NEB's Business Continuity Plan will be updated to meet organizational and policy requirements, enabling the allowing the NEB to recover and operate in an emergency situation. The Business Recovery objectives and documentation will be updated, and training provided for staff who would be involved in carrying out the plan.

Resource management

The NEB follows government-wide modern comptrollership practices, including sound risk management practices and integration of financial and non-financial information. Over the next planning period, the NEB will introduce improvements to resource management processes to make them more value added and timely:

- Complete revitalized business planning process
- Establish a business plan quarterly review process

**Figure 6
NEB People Strategy Framework**



- Enhance accounting system for reporting purposes
- Develop NEB cost matrix to cost major processes and activities
- Revise Time Reporting System to reflect business plans
- Train NEB management in resource management
- Rebuild analytical structure and capacity in financial services
- Introduce improved forecasting and reporting process
- Document key processes for Quality Management System

Information Management Renewal

This initiative is a series of inter-related projects to update information management practices at the NEB. The purpose of the renewal project is to manage our information assets in a way that improves their accuracy, availability, and ultimately value to the organization. Effectiveness in information management will assist in improving the capacity of the organization in carrying out its business.

Outcomes

- Current recruitment and retention strategies that meet the business needs

- of the organization and labour market trends of the region / country
- The right people are in the right place at the right time
- Current Business Continuity Plan in place ready to be executed by trained staff
- Value added resource management process
- Staff have the tools and training to carry out their information management responsibilities

Objective 2: 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’s focus is on supporting career management through development plans, mentoring and challenge opportunities. Tools and processes related to performance will be further enhanced including other forms of formal recognition and awards.

Leadership and development programs

The NEB is developing a Learning Framework which promotes NEB culture and proactively addresses NEB employee attraction, engagement and transition challenges.

- The NEB’s on-boarding program will be enhanced to actively uphold NEB culture and reduce new employee settling-in time requirements.
- Individual learning plans will develop fundamental skill for delivering service and for understanding NEB’s unique work.

- Government-specific learning events will be delivered to ensure that employees and leaders fully understand their legal responsibilities and unique roles as public servants. This includes a NEB specific management tools training course currently under development.
- The NEB’s Leadership Development program will be expanded to include criteria for evaluating high potential employees into the leadership stream and for communicating these Board-wide.
- Activities for facilitating the proactive transfer of knowledge will be implemented (e.g. formal mentoring program).

Recognition and reward programs

With the current labour market in Alberta and more particularly, Calgary, the importance of recognition as a means of increasing employee retention has been recognized. The leadership of the NEB has identified a revised rewards and recognition program as a priority. The NEB Rewards and Recognition Policy will be updated, incorporating new means of recognizing our employees and their achievements that support our strategic plan.

Corporate performance measures

The NEB will review its suite of corporate measures to consolidate and establish clear linkages between the NEB’s regulatory program and strategic outcomes. Appropriate measures at every level will enable all to see the line of sight along the results chain between their work, their program outcomes, and the Board’s strategic goals (Figure 7). This process ultimately enables the NEB to make continuous improvements toward efficient and effective regulatory processes. The NEB’s regulatory framework will form the basis for the suite of corporate performance measures.

Outcomes

- Skilled and well-trained workforce; strengthened organizational leadership and culture
- Timely recognition for performance; support for innovation
- Organization able to implement results-based approach; increased value-added in regulatory processes

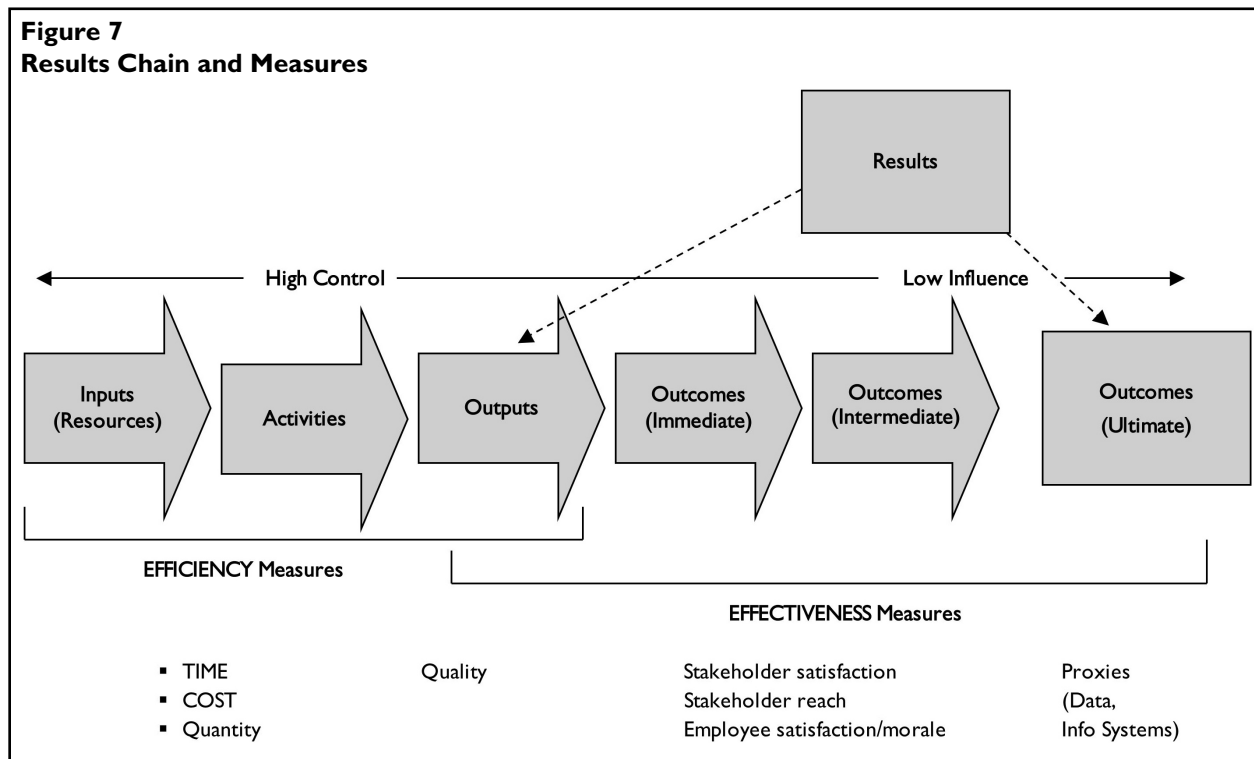
Objective 3: The NEB has a fully operational quality management system

The NEB's Quality Management System (QMS) is the framework of processes and accountabilities by which we ensure we

meet the needs of our stakeholders, today and in the future. The documentation of key business processes and associated performance measures assists our employees in delivering improved service on a consistent basis to our clients. The NEB will be completing the basic building blocks of our QMS, including process documentation, updating internal communication processes, monitoring and measuring process performance, audits and continual improvement.

Outcomes

- A firmly entrenched culture of quality



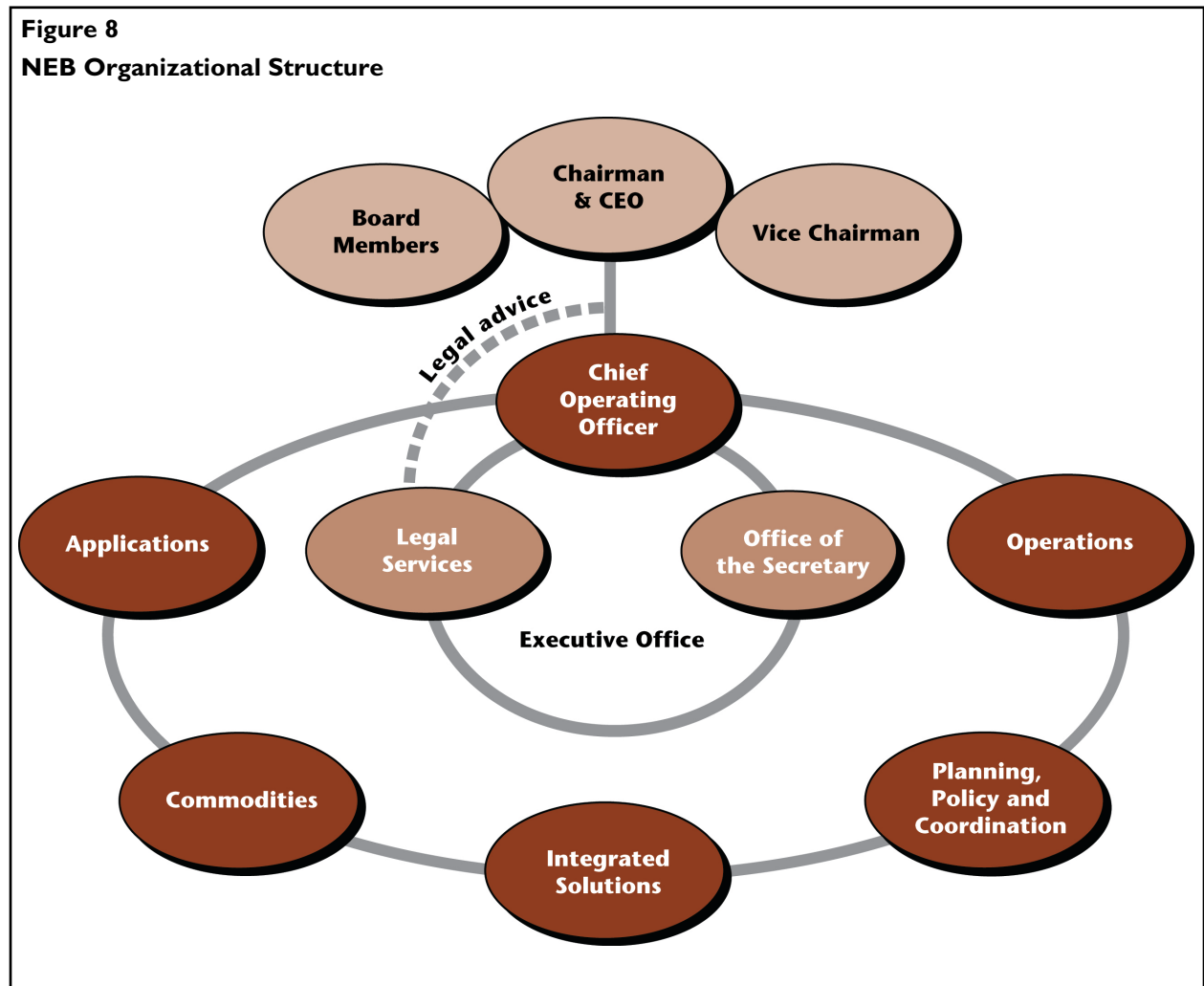
Section III

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:



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.

Financial Information

(\$ millions)	Forecast Spending 2006-2007	Planned Spending 2007-2008	Planned Spending 2008-2009	Planned Spending 2009-2010
Energy Regulation and Advice	37.9	38.1	38.1	14.6
Budgetary Main Estimates (gross)	37.9	38.1	38.1	36.6
Total Main Estimates	37.9	38.1	38.1	36.6
<i>Adjustments:</i>				
Supplementary Estimates:				
Operating budget carry forward	0.7			
Other				
Treasury Board Vote 15				
Employee Benefit Plan				
<i>Total Adjustments</i>	0.7			
Total Planned Spending	38.6	38.1	38.1	36.6
Total Planned Spending	38.6	38.1	38.1	36.6
Less: Non-Respendable revenue	40.1	39.6	39.6	38.3
Plus: Cost of services received without charge	6.0	5.9	5.9	5.9
Net cost of Program	4.5	4.4	4.4	4.2
Full Time Equivalents	305.1	307.6	307.6	296.6

Government of Canada Outcomes

The NEB's Program Activity: Energy Regulation and Advice, contributes to the achievement of the following Government of Canada's Outcome areas: strong economic growth, a clean and healthy environment and a fair and secure market place.

Annual Spending Levels

This table shows a reduction in annual spending levels in 2009 – 2010. However, since these funding levels were set, the level of industry activity has increased rapidly and is expected to stay high. To respond to the

substantial increase in the NEB's workload over the planning horizon, the NEB will be preparing a detailed submission to Treasury Board outlining its resource requirements. Based on workload projections, it is anticipated that the Board will require an increase of up to 20 percent in its funding over the planning period and through projections into the further future. The Board will also be preparing a submission to Treasury Board for resources to cover the cost of conversion of data to from microfiche to a web-based digital format to make it accessible to industry. The NEB is a cost recovery organization.

Table 4**Program by Activity**

Program Activity	2007-2008		Total Main Estimates	Total Planned Spending
	Program	Budgetary Gross		
Energy Regulation and advice	38.1	38.1	38.1	38.1
Total	38.1	38.1	38.1	38.1

Table 5**Voted and Statutory Items Listed in Main Estimates**

Vote or Statutory Item	2007-2008		Current	Previous
			Main Estimates	Main Estimates
			2007 – 2008	2006 – 2007
30 Program expenditures			33.3	33.3
(S) Contributions to employee benefit plans			4.8	4.9
Total Department or Agency			38.1	38.2

Table 6**Voted and Statutory Items Listed in Main Estimates**

(million \$)	2007-2008		Energy Regulation and Advice	Total
Total Planned Spending			38.1	38.1
<i>Plus: Services Received without Charge</i>				
Accommodation provided by Public Works and Government Services Canada			3.7	3.7
Contributions covering employers' share of employees' insurance premiums and expenditures paid by Treasury Board (excluding revolving funds)			2.1	2.1
Worker's compensation, cost recovery audit costs and miscellaneous costs provided by other departments			0.1	0.1
			5.9	5.9
<i>Less: Non-responsible Revenue</i>			39.6	39.6
2007-2008 Net cost of Department			4.4	4.4

Table 7**Sources of Responsible and Non-Responsible Revenue**

(million \$)	Non-Responsible Revenue			
	Forecast Revenue	Planned Revenue	Planned Revenue	Planned Revenue
	2006-2007	2007-2008	2008-2009	2009-2010
Energy Regulation and Advice	40.1	39.6	39.6	38.3
Total Non-Responsible Revenue	40.1	39.6	39.6	38.3

Table 8**NEB Program Activity Architecture**

Department	National Energy Board			
Strategic Outcome	Safety, security, environmental protection and economic benefits through regulation of pipelines, power lines, trade and energy development within NEB jurisdiction.			
Program Activity	1.0 Energy Regulation and Advice		2.0 Support Governance	
Description	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 which allows these economic activities to occur when they are in the public interest.		The Support Governance activity enables the NEB's regulation and advice mandate by providing, managing and maintaining necessary support services. These include infrastructure and facility management, financial and human resource services and, information systems and management services. In addition, the activity includes overseeing and administering the application of legislation and regulations associated with the provision of these supporting services.	
Program Sub-Activities	1.a) Decide in the Public Interest	1.b) Assure Compliance	1.c) Provide Energy Advice	
	Assess and process regulatory applications submitted under the Acts administered by the National Energy Board; engage and liaise with stakeholders; address landowner complaints, and provide appropriate dispute resolution services.	Conduct safety, security and environmental inspections and audits, incident investigation, monitoring of emergency response procedures; regulate exploration and development of hydrocarbon resources in non-accord frontier lands; develop regulations and guidelines with respect to the above and conducts financial surveillance and financial audit of companies under the NEB's jurisdiction. Responsibilities are pursuant to the NEB Act, COGO Act, CPR Act and <i>Canada Labour Code</i> .	Conduct energy industry and market surveillance, including the outlook for the supply and demand of energy commodities in Canada; and provide energy advice to the Minister.	

Department's Regulatory Plan

The NEB plans to address the following regulatory changes and updates in the 2007 – 2008 planning period.

Regulations	Expected Results
<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.
<i>National Energy Board Cost Recovery Regulations</i>	Updated and streamlined administration.
<i>National Energy Board Damage Prevention Regulations</i>	Modifications to the existing regulations arising from a request from the electricity industry.
<i>National Energy Board Pipeline Regulations, 1999</i>	Less prescriptive, more goal-oriented regulations for NEB-regulated facilities, to more effectively address safety in the proximity of pipelines.
<i>National Energy Board Onshore Pipeline Regulations, 1999</i>	Will replace the <i>National Energy Board Pipeline Crossings Regulations, Parts I and II</i> .
<i>National Energy Board Onshore Pipeline Regulations, 1999</i>	Consider reviewing and modifying the existing regulations and guidance notes based on experience gained regarding the effectiveness of the NEB's move towards goal based regulation.
<i>National Energy Board Onshore Pipeline Regulations, 1999</i>	Incorporate new provisions pertaining to security, decommissioning, incident reporting and operations and maintenance.