

REGULATORY HARMONIZATION

Current Practice and Future Direction

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Regulatory Harmonization Presentation Overview

- Setting the Context
- Benefits
- Potential Challenges
- Current Initiatives
- Where Harmonization is Needed
- Outstanding Questions

Regulatory Harmonization

Setting the Context

- Regulatory harmonization should provide consistent application of regulatory principles and symmetry in the type of regulation
- Harmonization can apply to:
 - International agreements and regulatory mandates
 - Municipal, provincial and federal government policies, legislation and regulatory mandates
 - Regulators of different sectors or different aspects of the same sector
 - Regulatory processes and approaches
 - Treatment of competing energy sources

Regulatory Harmonization Benefits

- Reduces market distortion and helps develop more efficient energy markets
- Encourages competitiveness and investment in the industry
- Promotes increased trade and greater inter-jurisdictional collaboration
- Focuses on long term regulatory objectives
- Improves effectiveness and efficiency of regulatory systems and reduces duplication
- Reduces costs to applicants and ultimately to consumers

Regulatory Harmonization Potential Challenges

- Consistency can impede adjudicator's independence for specific proceedings
- Consistency does not always provide fair treatment for every affected party
- Demographics and history may mean harmonization cannot easily be achieved
- Unequal regulatory powers may mean one regulator prevails over others or regulatory priorities become unclear
- Sectoral differences cannot easily be addressed where harmonization is attempted

Regulatory Harmonization

Current Initiatives

- NAFTA, RTOs
- Joint jurisdiction processes
 - Joint Statement of OEB, IMO and Competition Bureau
 - NEB/AEUB MOU on Pipeline Incident Response
 - Cooperation Plan for environmental impact assessment and regulatory review of Northern Gas Pipeline
 - NEB/C-NS Offshore Petroleum Board MOU to coordinate regulatory review of EnCana Deep Panuke Offshore Gas Development Project

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Current Initiatives (cont.)

- Federal-Provincial Pipeline Jurisdiction Committee to delineate federal and provincial jurisdiction with regard to primarily Alberta gas pipelines (TCPL-NOVA)
- Rulemaking authority and Codes of Conduct
- Standard PBR requirements for 94 electric LDCs in Ontario

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Where is it Needed?

- Customer Protection
 - Standardization of customer rights and obligations
- Gas and Electricity Rate Regulation
 - More consistent approaches to regulating converging energy markets
- Investment Incentives
 - Canada must compete in North American capital market

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Where is it Needed? (cont.)

■ Climate Change

- Tax changes to incent energy efficient capital expenditures in line with climate change policy

■ Innovation

- Regulatory treatment of R&D costs to be consistent with Canada's Innovation Strategy and to recognize benefits to customers

■ Distributed Energy

- Standardized interconnection requirements, consistent generator codes and standards, net metering costs and utility tariff changes

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Outstanding Questions

- How important is regulatory symmetry and consistency between jurisdictions? Between gas and electricity regulation?
- How do you balance respective sovereignty issues and effective project development?
- How do you develop meaningful and comparable benchmarks & appropriate PBR mechanisms?
- How can you measure the savings from harmonization and otherwise evaluate it?