

**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER G-181-08**

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IN THE MATTER OF
the Utilities Commission Act, R.S.B.C. 1996, Chapter 473

and

Terasen Gas Inc.
Customer Choice Program Enhancements and
Additional Customer Education Funding Application

BEFORE: L.F. Kelsey, Commissioner
A.A. Rhodes, Commissioner December 12, 2008

O R D E R

WHEREAS:

- A. In 2002 the Government of British Columbia issued its energy policy, "Energy Plan for our Future: A Plan for BC." Policy Action #19 stated, in part, that "The Utilities Commission Act will be amended in spring 2003 to allow direct natural gas sales to low-volume customers, and to require the licensing of marketers who serve those customers"; and
- B. In 2006 Terasen Gas Inc. ("Terasen Gas") applied for approval of a Certificate of Public Convenience and Necessity ("CPCN") for the Commodity Unbundling Project for Residential Customers pursuant to section 45 of the Utilities Commission Act (the "Application") , to implement effective November 1, 2007, unbundling for residential customers in its service territory (excluding Fort Nelson and Revelstoke); and
- C. Terasen Gas recommended in its Application for the Residential Commodity Unbundling Project (the "Project") that a post implementation review be undertaken to assess the effectiveness of the Project; and
- D. British Columbia Utilities Commission ("Commission") Order C-6-06 granted a CPCN to Terasen Gas for the Project effective November 1, 2007; and
- E. In its Decision dated August 14, 2006 the Commission directed that a post implementation review take place approximately six months after the projected November 1, 2007 start of the Project; and
- F. Article 32 of the Code of Conduct for Gas Marketers ("Code" or "Code of Conduct") states that, "The Code shall be reviewed and modified if required at an annual meeting to be held prior to May 1 of each year"; and

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- G. A group of gas marketers called the “Marketer Group” (which consists of Access Gas Services Inc., Active Energy ULC, Direct Energy Marketing Limited, Energy Savings B.C., MXenergy Inc., Summitt Energy BC LP, Superior Energy Management Gas LP, and Universal Energy Corporation) submitted a report to the Commission on March 3, 2008 entitled, “Report for the British Columbia Utilities Commission April 2008 Meeting” (“Submission”), that identified market design, operational and processing issues within the Gateway for Energy Marketers (“GEM”) system; and
- H. Commission staff conducted a meeting with representatives from Terasen Gas Inc., the gas marketers and the British Columbia Public Interest Advocacy Centre on behalf of the British Columbia Old Age Pensioners’ Organization et al. (“BCOAPO”) on April 8, 2008 to review the Marketer Group Submission and other issues including a draft revision to Article 12 of the Code of Conduct relating to Internet Marketing (“draft Article 12 revision”); and
- I. On July 18, 2008 Terasen Gas filed with the Commission the Customer Choice Post Implementation Review Report and Application for Program Enhancements and Additional Customer Education Funding which grouped proposed enhancements by release date (“Report and Application”); and
- J. By Order G-113-08 the Commission established a regulatory process to consider the Report and Application; and
- K. By letter dated August 15, 2008 the Marketer Group provided comments on the draft Article 12 revision which was added as an issue to be determined in the regulatory process for hearing the Report and Application; and
- L. The Commission and registered Intervenor completed a review of Release 1 and Release 2 according to the Regulatory Schedule as set out in Commission Order G-113-08; and
- M. By Commission Order G-140-08 the Commission approved the funding requirements for the implementation of Release 1 and Release 2; and
- N. The Commission has reviewed the information and representations made by Terasen Gas and registered Intervenor.

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NOW THEREFORE pursuant Section 71.1 of the *Utilities Commission Act* and Reasons for Decision attached as Appendix A to this Order, the Commission approves the Terasen Gas Report and Application except for the issues as follows:

1. The Customer Education Plan budget expenditures are limited to the following amounts; 2009 - \$750,000, 2010 - \$500,000 and 2011 - \$300,000. Capital expenditures for the phased implementation of the specified enhancements to GEM are approved. Implementation and operating cost recovery including Allowance for Funds Used During Construction is to use deferral account treatment. Operating costs are to be amortized over one year. Capital costs are to be amortized over a three year period and be recovered via a rate rider from all customers eligible to participate in the Customer Choice program.
2. The objectives of the Customer Education Plan are to be modified to:
 - Inform gas customers that there is a value distinction between a variable rate and a fixed rate for the gas commodity and provide them with information concerning the issues they could consider to determine which rate plan represents best value in their circumstances.
 - Identify the gas commodity marketplace as a competitive market and provide information on where and how the various product offerings may be compared.
3. Terasen Gas is to prepare and submit a Customer Education Plan based on these objectives for Commission review and approval by January 31, 2009.
4. The Standard Information Booklet is to be modified to become more generic with fewer references to Terasen Gas and the Terasen Gas logo will be removed from the document.
5. Terasen Gas is to include a reminder to customers of their option to purchase natural gas from a gas marketer in the form set out in the Reasons for Decision which accompany this Order on the residential monthly bill when there is space available.
6. Voice contracting for contract renewals is approved subject to Commission approval of a Voice Contracting Transcript from gas marketers at least 30 days before they wish to commence using voice contracting.
7. Voice contracting for new customers is not approved, pending a review of the applicability and desirability of voice contracting compared to other sales channels such as door-to-door sales.
8. Terasen Gas proposed changes to Articles 26 and 27 of the Code of Conduct are accepted.

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9. Contracts which commence more than one year into the future must conform to cancellation provisions outlined in the Business Practices and Consumer Protection Act S.B.C. 2004 Chapter 2, and a gas marketer must inform each customer who has entered into such a contract of the enhanced cancellation rights.
10. Contract terms are not to exceed five years. Contracts for terms greater than five years, signed prior to this Order and Reasons for Decision will be grandfathered.
11. An Operational Correction drop code is accepted with rules as identified by Terasen Gas.
12. The Terasen Gas technical workshop to explain the calculation of the Marketer Supply Requirement will be held at the next annual meeting.
13. The Price Depository is to be redesigned to allow a ready comparison between the gas marketers' offerings and the Terasen Gas variable rate.
14. Amendments to Article 12 of the Code of Conduct will be the subject of a further Decision of the Commission.

DATED at the City of Vancouver, in the Province of British Columbia, this 12th day of December 2008.

BY ORDER

Original signed by:

L.F. Kelsey
Commissioner

Attachment

Terasen Gas Inc.
Customer Choice Program Enhancements and Additional Customer Education Funding Application

REASONS FOR DECISION

The August 14, 2006 Decision of the British Columbia Utilities Commission (the “Commission”) in the Matter of Terasen Gas Inc. (“Terasen”, “Terasen Gas” or “TGI”) Commodity Unbundling Project for Residential Customers required a post implementation review of the effectiveness of the Customer Choice Program (“Program”). Commission staff concluded that it would be beneficial for gas marketers to prepare a report on issues from a marketer’s perspective that would be discussed at a general meeting and requested such a report. A group of gas marketers (“Marketer Group”) (which consisted of Access Gas Services Inc., Active Energy ULC, Direct Energy Marketing Limited, Energy Savings B.C., MXenergy Inc., Summitt Energy BC LP, Superior Energy Management Gas LP, and Universal Energy Corporation) submitted a report to the Commission on March 3, 2008 entitled, Report for the British Columbia Utilities Commission April 2008 Meeting (“Submission”), which identified market design, operational and processing issues within the Gateway for Energy Marketers (“GEM”) system.

On April 8, 2008, Commission staff held a general meeting to review the Submission and other issues. The meeting was open to representatives from Terasen Gas, registered Intervenor, (British Columbia Public Interest Advocacy Centre on behalf of the British Columbia Old Age Pensioners’ Organization et al. (“BCOAPO”) was the only party registered as an Intervenor), and all licenced gas marketers operating in British Columbia. The objective of the meeting was to discuss and consolidate issues so that Terasen could assemble them into a report and application that would respond to Order C-6-06, item 13 that directed Terasen Gas to provide a final report to the Commission after completion of the Commodity Unbundling Program according to the following:

“Terasen Gas will file with the Commission quarterly progress reports on the Residential Commodity Unbundling Project schedule and costs, followed by a final report on project completion. Terasen Gas will determine the form and content of the reports in consultation with Commission staff.”

As a result, Terasen Gas filed the “Customer Choice Post Implementation Report and Application for Program Enhancements and Customer Education Funding” (“Report and Application”) with the Commission on July 18, 2008.

In Exhibit B-1, Section 7, page 96, Recommended Enhancements, Terasen Gas outlines the total cost of the proposed enhancements and requests Commission approval for the following:

| Table No. 1 - Recommended Enhancements (Ex.B-1, p.96) | |
|--|--|
| Customer Education 2009 – 2011 | \$3.25 million annually (operating and maintenance cost) |
| Program and Application Enhancements | |
| Release 1 | \$14,600 (capital cost) |
| Release 2 | \$859,700 (capital cost) |
| Release 3 | \$54,300 (capital cost) |
| Release 4 | \$298,200 (capital cost) |
| Total | \$1,226,800 |

The Recommended Enhancements shown in Table 1 can be broken down as shown in Table No. 2 as Customer Education, Terasen Recommended Enhancements, Commission Requested Enhancements and Gas Marketer Enhancements as follows:

| Table No. 2 - Recommended Enhancements (Ex. B-6, Dated October 1, 2008 Erratum to Application , p. 91) | |
|---|--|
| Customer Education 2009 – 20011 | \$3.25 million annually (operating and maintenance cost) |
| Program and Application Enhancements | |
| Terasen Recommended Enhancements | \$819,200 |
| Commission requested enhancements | \$55,100 |
| Gas Marketer Enhancements | 352,500 |
| Total | \$1,226,800 |

1.0 CUSTOMER EDUCATION PLAN

Terasen Gas recommends a customer education campaign for the next three years; 2009, 2010 and 2011 at \$3.25 million annually (Exhibit B-1, pp. 90-91). The Customer Education Plan (the “Plan”), as proposed, includes a combination of bill inserts, direct mail, and television and radio advertising in order to maintain consumer awareness at a minimum level of 70-75 percent (Exhibit B-1, p. 86).

1.1 Customer Choice Operation and Maintenance Costs (Exhibit B-1, pp. 91-92)

Operating and Maintenance (“O&M”) costs in support of Program activities such as call handling, billing, system support and program administration net of transaction fees from gas marketers are accumulated in a deferral account (Commission Order C-6-06 directed that operating costs to the extent possible would be recovered from gas marketers through transaction fees). These costs are then recovered through a rate rider from all customers eligible for participation in the Program. A month-by-month report for May 2007 to July 2008 outlined O&M costs, Recoveries from Marketers and Net Program Costs (Exhibit B-3, BCUC IR 7.1).

2.0 TERASEN RECOMMENDED ENHANCEMENTS

Commission Order G-140-08 approved Release 1 (\$14,600) and Release 2 (\$859,700) as shown in Table No. 1. These two releases form the foundation for enhancements that must be made in the future. Release 1 includes Commission requested improvements to the GEM system to allow the display of dispute information. Release 2 includes further dispute handling improvements requested by Commission staff as well as certain system updates to facilitate the integration of the Program into Terasen’s regular billing system. Terasen will test the Customer Choice system to ensure there is proper support for the Energy CIS program upgrade. This will enable the proper billing of all customer contracts signed through Customer Choice. A further system update includes the replacement of the current “SQLite”¹ database that is used for dispute processing and for processing of daily reports used in GEM.

¹ SQLite – The Customer Choice Portal (GEM website) was deployed with a SQLite data base engine which contains datasets to populate data fields in the Customer Disputes Screen, Customer Disputes Details Screen, Submit BCUC Ruling Screen, and other pages of the GEM website (Exhibit B-1, p. 97).

3.0 COMMISSION ENHANCEMENTS

The Commission identified nine enhancements that will be implemented by Terasen Gas as follows:

- Add ability to classify a new dispute by “Dispute Type”
- Display related disputes before a new dispute is created
- Move the “Other” field display to the left
- Change the list of questions asked when logging a dispute
- Add the full name of the filer to the “Filed By” field
- Display the cancellation (cooling-off) deadline
- Add a field to allow the BCUC to enter a record number
- Automatically create “Reconsideration Requests”
- Automatically “lock” dispute documents when the dispute status changes to closed

4.0 MARKETER GROUP ENHANCEMENTS

The Marketer Group requested a number of additional enhancements in the following areas:

- Stakeholder Input into Customer Education Campaign
- Voice Contracting
- 90 to 120 Day Rule & Validity of Contract Start Dates
- Courtesy Drops (Operational Correction Drops)
- Notice of Appointment of Marketer
- Terasen Gas Communication
- Confirmation Letters
- Contracts with Start Dates Greater than One Year
- Enhancements Review Operational Issues

- Validation of DCQ
- Criteria for Balancing
- Price Depository
- Customer Moves
- Enhancements Review GEM Issues
 - System Security and Response – Security
 - System Security and Response – Receiving Response files
 - System Security and Response – Daily File Loading
 - Disputes Operation Correction/Dispute Resolution
 - Disputes Moving Between Forms
 - Disputes – Delayed Viewing for Disputes
 - System Codes and Efficiency – Create New Reason Code
 - System Codes and Efficiency – Electronic Access to Marketer Group ID
 - System Codes and Efficiency – Remittance Reports
 - System Codes and Efficiency – Automation of File Transfers
 - System Codes and Efficiency – Access to Historical Report Data
 - System Codes and Efficiency – Limit Daily Files to Current Transactions
 - System Codes and Efficiency – Customer’s address
 - System Codes and Efficiency – Effective Date
 - System Codes and Efficiency – Uploading Files into GEM
 - System Codes and Efficiency – XML
 - System Codes and Efficiency – Data Importing
 - System Codes and Efficiency – File Archives
 - System Codes and Efficiency – Time Stamping Transactions

Commission Determination

The Commission approves the recommended enhancements as presented in the Report and Application except for the following proposals:

1. **Customer Education**
2. **Stakeholder Input into the Customer Education Plan**
3. **Voice Contracting (Voice Contracting for New Contracts or Contract Renewals)**
4. **90 to 120 day Rule and Validity of Contract Start Dates**
5. **Contracts with start dates greater than one year in the future**
6. **Operational Correction Drops/ Courtesy Drops**
7. **Validation of DCQ/Marketer Supply Requirement**
8. **Price Depository**
9. **Other issues – Commission Draft Revision to Article 12 of the Code of Conduct for Gas Marketers - Internet Marketing**

These matters will be discussed in the following Sections of this Decision.

5.0 CUSTOMER EDUCATION

Terasen Gas (Exhibit B-3, BCUC IR 1.1)

Terasen Gas considered the appropriate objective of the Plan should be focused on raising consumer awareness of the Program so that consumers can make knowledgeable decisions on gas marketers' offers. In TGI's view, customer education cannot be structured where the primary objective is the reduction in the number of disputes and complaints as this would impair the viability of the program itself. Complaints and disputes that result from the business practices of gas marketers should be addressed through Commission enforcement of the Code of Conduct for Gas Marketers ("Code of Conduct"). Terasen notes that, in fact, the current campaign has resulted in consumers having very high levels of awareness of the Program and, at the campaign's peak, 86 percent of gas users in qualifying areas were aware of it.

In the next three years, TGI recommends shifting the focus of the campaign from developing broad market awareness to developing deeper awareness of the Program within an interested audience (Exhibit B-1, p. 85). TGI considers that continued or sustained communication is essential to prevent a decline in awareness levels for seasonal programs such as natural gas marketing. A drop in awareness will make the marketing efforts of gas marketers more difficult as customers will have to be re-educated to the Program and be reminded that gas marketers are legitimate Program participants.

Therefore, TGI developed the immediate communication objectives of the 2009-2011 Plan as follows (Exhibit B-1, pp. 85-86):

1. Maintain customer awareness of the Program at a minimum level of 70 percent-75 percent throughout 2009 and ongoing (natural gas users only).
2. Increase consumer knowledge of the defined Program details, specifically delivery vs. commodity, to 50 percent of natural gas users while the detailed campaign is running.

Although Terasen Gas has used a variety of print materials to communicate the difference between delivery and commodity to its customers, such as newspaper advertising, regular bill inserts and newsletters, the knowledge level among consumers continues to be low. In the spring of 2007 only 18 percent of those customers surveyed recognized the difference but it is TGI's opinion that addressing this issue in radio and television commercials will eventually achieve a 50 percent awareness target (Exhibit B-3, BCUC IR 1.7).

Terasen Gas proposes that key messaging in 2009-2011 would not change from 2008 and all messages will direct the reader to the Terasen Gas website for more detailed information concerning the Program. There are three key messages to be addressed in the short term consisting of: the definition of delivery versus commodity, supplier choice and price. The broader goal is to promote long term awareness of the Program. Terasen Gas intends to fulfill these objectives through a combination of complementary media channels as outlined in Table No. 4 such as bill inserts combined with more intrusive channels such as direct mail, television and radio advertising. The campaign's effectiveness will then be evaluated by measuring key message recall exhibited by customers and not impact on the market share of gas marketers (Exhibit B-3, BCUC IR 4.1).

The proposed media advertising components and proposed annual budget are outlined in Table No. 4 (Exhibit B-6, Erratum to Application, p. 91) as follows:

| Table No. 4 - Customer Education Plan - Proposed Annual Budget 2009 - 2011 | | |
|---|--|--------------------|
| Bill Inserts (2 pieces) | | |
| Production | | \$70,000 |
| Direct Mail (2 pieces) | | |
| Production and Mailing | | \$750,000 |
| Television | | |
| Production | | \$200,000 |
| English Media | | \$950,000 |
| Ethnic Media | | \$60,000 |
| Radio | | |
| Production | | \$10,000 |
| English Media | | \$920,000 |
| Ethnic Media | | \$60,000 |
| Research | | |
| Tracking | | \$230,000 |
| Total | | \$3,250,000 |

Terasen Gas does not support the view that gas marketers should be promoting awareness of products approved under the Program exclusively and does not accept that consumer awareness will increase based on this strategy (Exhibit B-3, BCUC IR 1.2). Although gas marketers can make a significant contribution to creating awareness, they should not assume all the responsibility for communicating product knowledge to the customer. Terasen Gas provides a trustworthy source of information to potential Program customers since it is indifferent as to whether a customer accepts or rejects the Program options, unlike gas marketers who have a vested interest in having a customer commit to a fixed price contract. Terasen Gas considers that it should have the primary responsibility for raising consumer awareness about the Program and its continued visible lead is the best way to ensure that consumers are aware of the Program and receptive to participating (Exhibit B-3, BCUC IR 1.4). Terasen Gas considers that it is best able to provide awareness advertising in the most impartial manner and therefore should continue its involvement in this form of communication (Exhibit B-3, BCUC IR 1.5).

In the current advertising campaign called “2008 Comfort Expert” the creative package consists of three separate themes:

1. Creating awareness of the Customer Choice Program.
2. Highlighting that fixed rate commodity contracts are not a guarantee of savings.
3. An introduction for customers to the Terasen Gas website for further information.

Overall, in TGI’s view, it is also able to promote a positive influence for the use of natural gas to expand the market which Terasen Gas claims is in the interest of all rate payers, the utility and gas marketers (Exhibit B-3, BCUC IR 1.3).

TGI admits that other jurisdictions limit customer education programs to three to five years but stresses that results at this point suggest that such a limitation will not properly serve the existing consumer base. Marketing studies to date indicate that many more years of customer education are required to shift consumers from Program awareness to Program knowledge. Any decision to scale back expenditures in this area should be based on market research measurement techniques (Reply Argument, p. 12).

The proposed Plan focuses on communication and seeks to improve customer satisfaction, product preference for natural gas, and long term Program sustainability. The measurable awareness-based objectives are primarily designed to:

- Ensure Terasen Gas has a presence in the overall marketing strategy for the Program;
- Limit customer confusion with the Program;
- Ensure customer satisfaction and product preference is protected from undue influence of unprofessional sales tactics used by some sales agents;
- Ensure most customers are aware of the product and that the awareness of it shifts to a more fundamental understanding of the product;
- Assist in the establishment of a stable competitive marketplace that is attractive for competition among gas marketers.

At present, Terasen Gas does bear some of the cost to explain the difference between delivery and commodity charges in the customer bill. Terasen Gas also includes this information in rate communications including radio commercials, bill inserts, and media releases as well as providing permanent information on its website. Terasen Gas acknowledges that it is important for customers to understand that the utility does not mark up the cost of natural gas but it is also imperative that a customer understands the gas marketer contract. It is for this reason that it is appropriate to fund this communication through the Program (Exhibit B-3, BCUC IR 5.2).

However, Terasen Gas does suggest that some printed material such as the Standard Information Booklet should be modified to become more generic and distanced from TGI so customers would not be misled into thinking that the sales agent at the door is connected to the utility. Terasen Gas will design a revised booklet for comment from the Commission and gas marketers (Exhibit B-3, BCUC IR 2.1).

In addition to the advertising package outlined in Table No. 4, Terasen Gas, in the past, has sent out periodic releases of information to the media in support of the Program's education campaign to create awareness. However, the release of this information has no guarantee of publication and the content may be only partially covered or open to interpretation. The media will only cover public awareness activities when the information supports a newsworthy event (Exhibit B-3, BCUC IR 6.5).

In addition, Terasen Gas acknowledges that there would be some value in including a message on the residential customer monthly bill (providing space is available) since this could be done at no additional cost.

Marketer Group

The Marketer Group generally supports the Plan, along with this initiative being the primary responsibility of Terasen Gas. However, it did identify several issues in four categories which include: participant roles in the customer education program, content review and rebuttal, key elements of the Plan and the defined education campaign end date (Argument, pp. 11-16).

The Marketer Group considers that the Commission, TGI and gas marketers are partners in the education program and Terasen Gas and gas marketers are jointly responsible for providing information on various rate options to consumers. In this capacity, each party bears a responsibility to ensure that customers have sufficient information to make informed decisions.

Therefore, the Customer Choice logo should be prominent in all messages alongside that of Terasen Gas. The Marketer Group supports TGI's proposal that its branding be removed from the Standard Information Booklet and replaced with the name and logo of the Commission or gas marketers.

The Marketer Group also agrees with TGI that the customer education program was not intended to decrease the number of complaints and disputes. These activities are better controlled through the Commission's application of the Code of Conduct as it provides a full range of investigative powers and penalties.

BCOAPO

BCOAPO agrees with TGI's objectives which include maintaining a minimum awareness level of 70 to 75 percent throughout 2009 and defining the difference between delivery and commodity components for 50 percent of consumers. In addition, BCOAPO agrees with the key messages set out in Exhibit B-1, Section 4.8.3, and pages 41-42 and finds that it would be more appropriate to apply enforcement of the Code of Conduct to reduce disputes and complaints rather than the customer education program.

BCOAPO also considered it appropriate to apply a customer education program at the introduction stage of the Program but it stressed that this should not go on indefinitely as cost is an important consideration. Information taken from Exhibit B-3, BCUC IR 1.6 suggests that, of the seven markets where an education program can be identified, the majority of the campaigns ran from two to five years. Therefore, an extension of a customer education program beyond 2011 would require an inquiry into the effectiveness of the program. BCOAPO expressed the opinion "that it is appropriate for a portion, if not all of the [customer education] costs to be recovered from marketers who will benefit from the long term success and exposure of the Customer Choice Program" (Argument, p. 4).

Commission Determination

The 2002 Energy Plan (“Energy Plan”) entitled “Energy for the Future; A Plan for BC” Article #19 states that “*Natural gas marketers will be allowed to sell directly to small volume customers, and will be licensed to provide consumer protection.*”

Section 71.1 of the *Utilities Commission Act* was enacted and received Royal Assent on May 29, 2003. This section recognized gas marketers and made provision for their regulation by the Commission. The Commission subsequently established a Code of Conduct and Rules for Gas Marketers which set the parameters for market participation.

Consumer awareness of the Program has been as high as 86 percent and the Commission believes it will continue at a reasonably high level. At this point, it is the Commission’s view that the product introduction phase has been completed, and with consumer awareness at a reasonably high level, gas marketers now have a market growth opportunity to expand their present market share. Energy Plan Article #19 does not state or imply any entitlement to a gas marketer regarding market share nor does it contemplate that an advertising program would be funded, as it has been, by consumers to promote a marketplace. The Commission is of the view that communications expenditures, funded by customers who are eligible to participate, should introduce the customer implications of this energy policy directive, and this has now occurred. The Commission does not support a longer term investment as applied for by Terasen Gas. The Commission does not agree that a customer education objective should be to promote or communicate ‘product preference for natural gas.’ If an ongoing market for gas marketers’ products exists, it should develop under initiatives presented by gas marketers through promotion, competitive pricing, product innovation, market conduct and customer service.

It is the Commission’s view that, having allowed gas marketers to sell directly to small volume customers, if there is a value proposition that is attractive to these customers, the gas marketers should leverage that opportunity to develop market share. It is up to gas marketers to develop or modify their products to create the value proposition and to create product awareness. In effect, they will select the appropriate advertising vehicles to promote a competitive product targeted at a consumer who wants price certainty on a one to five year natural gas commodity contract. If the value proposition promoted by a gas marketer does not resonate with consumers it will have a difficult time competing with the variable price offering of the host utility and the fixed price offering of other gas marketers.

The Commission agrees with BCOAPO that customer education should not go on indefinitely. Currently, there are no similar customer education programs in Canada that are funded by the customer base which makes up the potential market. The present budget of \$3.25 million per year for three years is, in effect, precedent setting as the cost to the customer base of over \$4.00/customer/year is extremely high if compared to other funding initiatives in the United States (Exhibit B-3, BCUC IR 1.6).

To this point in time, the expenditures on customer education have not provided consumers with the necessary tools to be educated in quantifying the potential benefit of a fixed price contract. The Plan as proposed by Terasen Gas strives to maintain consumer awareness of the Program. However, it does little to educate the customer to formulate appropriate questions to analyze the product presented by a gas marketer. If certainty of gas prices through one to five year contracts is the product, then the question becomes: "What premium should a particular customer be willing to pay for price certainty over the risk presented with a natural gas rate that may change quarterly?" It is the Commission's view that the Plan should be designed so the customer is prepared to ask appropriate questions of the gas marketer to determine the value premium on risk. The prospective customer also needs to understand the gas marketer's competitive position in the marketplace. The prospective customer can then either accept or reject the gas marketer's proposal based on this analysis and understanding. Having achieved a consumer awareness level of 86 percent, the Commission considers these to be the emerging two objectives of the Plan.

Therefore, the Plan as proposed is not approved. The Commission directs that the objectives of the Customer Education Plan will be as follows:

- **Inform gas customers that there is a value distinction between a variable rate and a fixed rate for the gas commodity and provide them with information concerning the issues they could consider to determine which rate plan represents best value in their circumstances.**
- **Identify the gas commodity marketplace as a competitive market and provide information on where and how the various product offerings may be compared.**

With this shift in customer education objectives and a focus on known gas customers, the Commission is of the view that a more targeted and customer-specific communication program is possible. The Commission agrees with the opinion of BCOAPO that if it is in the interests of the gas marketers to continue to build awareness

and/or communicate a company-specific message, the initiative and the related expense should be undertaken by the gas marketer or by the gas marketers collectively.

With the objective of scaling back the customer funded customer education program to be more in line with industry practice and opening up a window for gas marketer funded advertising, the customer education budget expenditures are limited to the following amounts; 2009 - \$750,000, 2010 - \$500,000, 2011 - \$300,000 and the advertising vehicles will be open for Terasen Gas to develop. TGI is to prepare and submit a plan based on the objectives as directed and within these funding limits for Commission review and approval by January 31, 2009.

The Standard Information Booklet is to be modified to become more generic and to eliminate, where possible, references to TGI. The Standard Information Booklet should reference the Commission only in the context of its dispute resolution role. Terasen Gas will design a revised booklet for review by the Commission by February 27, 2009. In addition, beginning with the first customer bill after the release of this Commission Order, Terasen Gas will include a message on future residential customer monthly bills (provided space is available) as follows:

“CUSTOMER CHOICE

Customers may purchase natural gas at a long term fixed commodity price from independent gas marketers under the CUSTOMER CHOICE Program as an alternative to buying gas from Terasen Gas at a variable regulated rate. Under both purchase options, Terasen Gas provides delivery of gas to customers. While a fixed price contract will give greater price certainty over the term of the contract, a fixed price may be lower or higher than the Terasen Gas regulated variable rate. To learn more and compare fixed and variable prices visit www.terasengas.com.”

The Commission also recommends that, to increase transparency and customer understanding, Terasen Gas modify its monthly bill to clearly separate the Midstream charges from the Commodity portion of the bill.

6.0 STAKEHOLDER INPUT INTO CUSTOMER EDUCATION

Marketer Group

It is the Marketer Group's view that being presented with a completed communication plan without an opportunity for review is not efficient or fair to parties, principles or processes. The Marketer Group asserts that it must have the opportunity to review all material in advance to ensure the message is fair, unbiased and focused on Customer Choice. In cases where there are differences with TGI, a dispute resolution mechanism should be applied to resolve the issue.

The Marketer Group views the annual Commission staff review meeting as the ideal forum for all interested parties to evaluate the communications plan. Messages should contain unbiased, factual information relevant to the Program. The Marketer Group recognizes TGI's role but has difficulty with its delving into consumer protection as this is considered the purview of the Commission and BCOAPO but not the host utility (Argument, pp. 12-14).

Terasen Gas

Terasen Gas considers that it has a critical role in consumer protection just as all stakeholders have a responsibility to ensure that consumers are provided with correct information and standards of consumer protection are met. TGI states that this role is a key element in the Essential Service Model and a responsibility that TGI is charged with as customers must have knowledge of their rights and methods available for recourse if the delivered message is misleading. This involvement is demonstrated through the TGI website and call centre, mailing of the Confirmation Letter, and the development of the Standard Information Booklet (Reply Argument, pp. 11-12).

Terasen Gas submits that current customer information material has been neutral in tone and informational in nature. Terasen Gas will seek input from market participants on this material before the production of new primary advertising (Exhibit B-4, BCUC IR 14, Reply Argument, p. 9). However, as gas marketers contemplate a greater role in the customer education campaign and advocate a dispute resolution process to arbitrate disagreements over content, Terasen Gas contends that it would be inappropriate to expand the role of this stakeholder group to permit interference in the delivery of customer education material or change the content

of this material to promote self interest goals. Gas marketers have a significantly different responsibility that is driven by an incentive to engage in business practices that maximize their returns at the expense of properly protecting customers (Reply Argument, pp. 8-9).

TGI submits that the process as outlined by the Marketer Group would restrict TGI's flexibility to respond to changes in the program based on market research and exogenous factors. Although it is reasonable to review plans annually, TGI must be allowed to adjust communication plans as events unfold and the market responds to specific inputs. Maintaining flexibility is critical to the effectiveness of customer education. A more formal review and dispute resolution process may cause delays in the approval and impact the Program (Reply Argument, pp. 8-9).

Commission Determination

The Commission Panel is of the view that a process needs to be in place to allow gas marketers to engage in the development of customer education material to address the objectives approved by the Commission. The Commission recognizes the independent role of Terasen Gas and the fact that Terasen Gas is charged to provide unbiased, clear and comprehensive information to customers, but also recognizes that the gas marketers have an economic interest in the outcome. **Therefore, Terasen Gas is to seek and consider input from gas marketers and Commission staff in advance of making decisions as to customer communication content. If a consensus cannot be reached, Terasen Gas will have the authority to proceed on an interim basis on terms it considers appropriate. However, gas marketers will have the right to apply to the Commission for a review of the matter.**

7.0 VOICE CONTRACTING (VOICE SIGNATURES FOR NEW CONTRACTS AND CONTRACT RENEWALS)

Marketer Group

The Marketer Group believes that Voice Contracting should be considered as a marketing channel as it has significant advantages. It reduces the many ambiguities inherent in door-to-door sales and presents a less costly marketing vehicle to reach remote communities. At this time, the residential market has matured to a point such that it is ready for the introduction of telephone sales on new contracts and renewals using "electronic signatures." This is especially true for contract renewals as consumers have experience with the products

offered and the Program. As a result of implementing Voice Contracting, there would a number of benefits to the overall Program:

1. Recording of the sales interaction process strengthens consumer protection as it removes many of the ambiguities inherent in door-to-door sales.
2. The digitally recorded conversation allows the interchange between the gas marketer and the potential customer to be audited.
3. Voice Contracting enables the Program to cover a greater geographical area.

(Exhibit B-1, p. 112; Reply Argument, pp. 2-6)

Access Gas Services Inc. was not in agreement with this marketing method. In its view, customer fatigue is prevalent in today's marketplace given the number of gas marketers operating in the Province and time is needed for customers to recover from this sales activity (Exhibit B-1, p. 112).

However, considering that the majority of the Marketer Group supports this initiative, the Marketer Group proposed that a stakeholder group be created that would include gas marketers, Terasen Gas, Commission staff and consumer representatives to begin discussions on this issue in November, 2008 with a proposed implementation date of January 2, 2009.

Contract Renewals - In the case of contract renewals, since the customer will have already been with the gas marketer for at least one year, the customer is to be considered knowledgeable about the product.

As the Code of Conduct requires the gas marketer to provide the customer with contract information before a telephone call, a customer is in a position to consider all the options before contact from a gas marketer is initiated.

However, in order to strengthen this process even further, the Marketer Group proposed a number of additional consumer protection measures as follows:

- The Code of Conduct is to be amended to require a digital recording of the call that would be maintained by the gas marketer for the duration of the marketing contract. It would be available upon request by either the customer or the Commission.
- The gas marketer must state that the telephone call is being recorded and confirm that the customer is the account holder.
- Additional elements of voice recording would include a description of the product offered, price, term, cancellation rights, renewal provisions, penalties or other changes to the terms and conditions of service so that the customer is aware of all the contract conditions.
- The Electronic Transactions Act would apply to the electronic signature.
- The Confirmation Letter would be the same as a door-to-door sale.
- The gas marketer would send the renewal package to the customer in advance of the telephone call so that all documents are available to the customer beforehand.

Since customers have experience with fixed price contracts and have been with the gas marketer for a considerable length of time, there would be no need to define terms such as cancellation, renewal or penalties. In addition, the validation call need not mention that the gas marketer has no affiliation with Terasen Gas or that there is no guarantee of savings (Argument, p. 4).

New Contracts - The Marketer Group proposed the implementation of a number of consumer protection measures. Confirmation with a customer would be required through a telephone call which would include the following:

- The telephone call would be digitally recorded and the recording retained by the gas marketer for the duration of the marketing contract. It would also be available to either the customer or the Commission if requested. It is incumbent on the gas marketer to explain, verify or include the following information:
 - The identification of the gas marketer.
 - The fact that the gas marketer has no affiliation with Terasen Gas or the Provincial Government.

- The authority of the account holder to enter into a gas marketer agreement.
- The absence of any obligation to switch from Terasen Gas.
- The fact that the customer may not save money under a gas marketer contract.
- The customer has a copy of the agreement.
- Product, price and term of the agreement.
- The customer's cancellation rights.
- Renewal provisions.
- Penalties for early termination of the contract.

In addition, the gas marketer would ensure that the electronic signature is compliant with the Electronic Transactions Act and the Confirmation Letter continues to be part of the process for both new contracts and renewals. The gas marketer would provide the customer with all documentation including: Notice of Appointment of Marketer sheet, completed contract and Standard Information Booklet. All telemarketing activities would conform to the Canadian Radio Television and Telecommunication Commission "Do Not Call" list (Argument, pp. 4-6).

Terasen Gas

In Terasen Gas' opinion, this sales channel should be considered for implementation as gas marketers should be permitted a variety of methods to contact a potential customer. However, this optional strategy should be accompanied by an updated Code of Conduct to ensure adequate consumer protection which would include script approval by the Commission. If properly designed so that consumer protection requirements are contained in the voice contracting process, there may not be a need for a third party verification call.

TGI also recognized that that the restriction on Voice Contracting for new contracts may be different from contract renewals but is of the view that both cases should be permitted. A renewal letter may be an alternative method for contacting an existing customer but this correspondence would have to be reviewed and approved by the Commission.

TGI also noted that if Voice Contracting were approved this would result in an increased number of voice files uploaded to GEM. This may impact system performance resulting in further need for system refinements. Call centre agents would also have to be trained to answer questions on this feature (Exhibit B-1, pp. 113-114).

BCOAPO

BCOAPO expressed concern about harassing and unethical sales tactics used by gas marketers, and Voice Contracting was viewed as contributing to this problem. BCOAPO has reservations given the absence of any detailed provincial legislation contemplating telephone contracting in energy marketing and expressed strong opposition to Terasen Gas' support of this marketing channel.

BCOAPO pointed out that there are no laws or regulations that require gas contracting to be provided in the customer's language of choice and no verification process required of a customer's response to questions from a telemarketer. As a result, there is less protection for customers with language difficulties, cognitive issues or hearing problems. In conclusion, BCOAPO considered it to be impossible to endorse this contracting method without a legislative framework that offers protection for the consumer (Reply Argument, pp. 1-2).

Commission Determination

Contract Renewals – The Commission agrees that, with respect to contract renewals, the customer has experience with the product. There is awareness of the benefits and key components of a fixed price contract. However, since fixed price contracts can have terms ranging from one to five years, customers may not necessarily remember or be familiar with terms relating to cancellation, renewal or penalties. Therefore, the Commission is of the view that all contract terms should be defined in a similar manner to a new contract and the customer should receive this contract renewal information before a telephone solicitation call is made by the gas marketer.

Voice Contracting for contract renewals is approved subject to gas marketers presenting a script to the Commission for acceptance at least 30 days before they wish to start using Voice Contracting. The script should include all matters that are required in the Third Party Verification call (“TPV”). Providing all the requirements of the TPV are met, there is no need for a second TPV. The Customer must receive comprehensive and complete contract renewal information in the form of a renewal package before a

telephone solicitation call is made. Before the renewal may proceed, the customer must confirm that the renewal information has been received.

New Contracts – The Commission generally agrees that Voice Contracting may have advantages over door-to-door sales. It facilitates direct control of the verbal exchange between a sales agent and a customer as the entire sales process is digitally recorded. In fact, it presents a significant advantage over door-to-door sales as the actions of the sales agent, even with the Code of Conduct and the Rules for Gas Marketers in place, cannot be controlled and there is no way to monitor the dynamics of the sales meeting directly. The digitally recorded telephone call offers a method of identifying misinformation and/or correct information. The party at fault in the event of a customer dispute can be more easily identified and ambiguities inherent in customer complaints resulting from a door-to-door sale may be dramatically reduced. Potential customers may also avoid being disturbed by an unwanted marketing call by taking advantage of the “Do Not Call” list.

BCOAPO expressed concern over continuing complaints related to door-to-door sales (Argument, p. 2). The level of complaints and disputes related to the activities of door-to-door sales agents continues at a high level and remains a major concern for the Commission. Simply adding sales channels in addition to door-to-door sales may only result in a higher number of customer complaints and disputes for the Commission to arbitrate.

Although there appear to be benefits associated with Voice Contracting, the Commission is reluctant to proceed with this method of marketing in addition to door-to-door marketing without a more thorough review of the strengths, weaknesses and risks associated with both methods and a review of the effectiveness of the Code of Conduct in ensuring a sense of responsibility towards the customer and towards the general public by all those engaged in the marketing of gas to low volume customers.

Therefore, the Commission denies the request for approval of Voice Contracting for new customers pending a review of its applicability and desirability relative to door-to-door sales and other sales channels. The Commission intends to undertake a review of the sales channels that are in use in British Columbia, as well as in other jurisdictions, and anticipates that the review will inform a hearing on this subject. The hearing will likely also consider changes to the Code of Conduct and methods and processes to provide consumer protection.

8.0 90 TO 120 DAY RULE AND VALIDITY OF CONTRACT START DATES

Marketer Group

Clarification was requested for the applicability of the Notice Period as set out in Article 27 of the Code of Conduct for contract agreement renewals for new and incumbent gas marketers. Currently, this period is defined as no more than 120 days and no less than 90 days prior to the renewal date, but its application as between new and incumbent gas marketers and its application post termination of a contract is unclear.

The Marketer Group agreed that the change suggested by TGI is acceptable and in addition recommends including a definition of 'renewal.'

In Exhibit B-4, BCUC IR 12, the Marketer Group stated that TGI defines 'renewal' as the re-contracting of a customer at the expiry of a contract with the same gas marketer where the terms, conditions and price remain largely unchanged. This differs from the Marketer Group definition, which views the renewal as using an existing contract with the same gas marketer but for a new term and possibly a new price. The renewal contract may also include minor revisions and may reflect changes in law (Argument, pp. 6-7).

Terasen Gas

TGI proposed a change to Article 27 to remove the phrase "...no more than 120 days and..." which, it notes, creates the ambiguity (Reply Argument, p. 4). TGI proposed that Article 27 be constructed as follows:

Article 27

"The renewal date shall be such that it coincides with a LDC program entry date. Notice periods for contract renewal shall require the Gas Marketer to give notice to the Consumer ~~no more than 120 days and~~ no less than 90 days prior to the applicable renewal date."

TGI submits that the inclusion of a definition of renewal in the Code of Conduct is not required. However if the Commission chooses to adopt a definition of 'renewal' it should include price as a factor in whether an offer is a renewal or a new contract such as the following (Exhibit B-4, BCUC IR 12): *"Re-contracting of a customer at the expiry of a contract by the same gas marketer and where the terms, conditions, and price remain largely unchanged."*

A definition of a new contract should reflect a substantial change from an existing contract as follows:

"The signing of a contract by a gas marketer either for the first time, or where a period of time has passed since the expiry of a previous contract or where the terms, conditions, and price are largely changed after the expiry of the previous contract."

Commission Determination

The Commission accepts TGI's changes to the Code of Conduct for Article 27 and amends it to remove "...no more than 120 days and..."

Article 27 now reads, in part:

"The renewal date shall be such that it coincides with a LDC program entry date. Notice periods for contract renewal shall require the Gas Marketer to give notice to the Consumer no less than 90 days prior to the applicable renewal date".

The Commission determines that the following definition of a renewal contract be added to the Code of Conduct.

"Renewal: A renewal is the replacement of an existing contract with a further contract with the same Gas Marketer which will have a new term; may have a different price than the Consumer's previous contract; and may also include revisions as a result of changes in law, the Code of Conduct or Rules for Gas Marketers".

9.0 CONTRACTS WITH START DATES GREATER THAN ONE YEAR IN THE FUTURE

Terasen Gas

The position of Terasen Gas is that the development of a competitive marketplace would be stimulated if gas marketers were permitted to offer contracts well before the scheduled start date as this would allow the supplier greater flexibility to secure lower priced gas. The Code of Conduct provides sufficient protection for consumers, but an easily understood contract is needed (Exhibit B-1, p. 114).

The renewal period as described in Article 27 of the Code of Conduct was intended to ensure that a contracted customer receives a renewal notice with sufficient time to make a decision before the contract is evergreened, pursuant to the Code of Conduct. The time limit was not set up to prevent an incumbent or new gas marketer from contracting with a customer outside the 90-120 day renewal period. However, there is a five year limit on the maximum contract length that a customer can be committed for at any one time. In effect, this limit could be made up of a number of separate contracts with different gas marketers as long as the total duration of commitment was five years or less.

However, the current structure of the Program system is not designed to enforce the five year contracting rule and it is recommended that the Customer Choice application include an additional validation of enrollment request (to be included in Release #4). The enrollment request will be considered valid if the contract term of the new future contract combined with the time remaining on the active contract is less than or equal to five years. If this rule were applied, gas marketers would be able to write contracts more than one year before a contract is scheduled to start but the five year contract rule would remain valid.

At this point, gas marketers have submitted enrollments for contracts that are not scheduled to commence until some time well in the future. TGI recommends that these enrollments be grandfathered if the validation enhancement is implemented.

TGI recommends that Article 26 be changed to clarify the maximum period of time a customer may be contracted before the contract expiration date. In Article 26, the following condition should be added:

Article 26, in part:

“A customer may be contracted for by any Gas Marketer, or combination of Gas Marketers, for a period of up to five years at any time. No customer may be contracted for a period in excess of five years at any time.”

In addition, TGI submits that it is inappropriate to provide notice to all members of the Marketer Group that a customer has signed a contract to start more than one year in the future so that other marketers may provide a competing offer. Consumer privacy issues would prevent this information from being made available for dissemination.

Marketer Group

The Marketer Group asked whether customers are able to commit to contracts with start dates greater than one year in the future. The Marketer Group also acknowledged that not all members were in agreement that there should be a limit on their ability to contact customers well in advance of the scheduled start date of a contract.

It is the view of the Marketer Group that residential consumers cannot reasonably acquire sufficient information to assess the suitability of contracts with a start date greater than one year in the future. There are no competitive offers posted for this type of contract and until a market for long term contracts is developed the Marketer Group recommends that for residential customers, contracts that start greater than one year in the future not be permitted (Argument, p. 8).

However, if the Commission directs that this type of contract be permitted, then the Marketer Group suggests the following changes to the Code of Conduct to protect consumers: the first page of the agreement between the gas marketer and a customer must accurately summarize the essential elements of the contract, including cancellation provisions, and the Marketer Group is to be notified of such contracts so a competitive offer can be made to the customer.

The Marketer Group viewed TGI's modification of Article 26 of the Code of Conduct as unnecessary and takes the position that it should be disregarded.

The Marketer Group's concern lies with the TGI validation process that may reject a contract if considered in GEM to have a term of more than five years. If that is the case, the Marketer Group recommends that the GEM rule be set for six years and customer's have the ability to sign a five year contract in the fifth year, otherwise the maximum term available is actually less than five years (Reply Argument, pp. 10-11).

Commission Determination

Although the Business Practices and Consumer Protection Act ("BPCPA") allows this type of future contract, the consumer has more liberal cancellation provisions which must be communicated to the consumer. Article 21 of the BPCPA states that:

"Direct sales contract – cancellation

21 (1) A consumer may cancel a direct sales contract by giving notice of the cancellation to the supplier not later than one year after the date that the consumer receives a copy of the contract if one or more of the following applies:..

(c) the goods or services to be supplied under contract are not supplied to the consumer within 30 days of the supply date."

In such a case, the cancellation provisions afforded to a customer are as set out above, and the ten day cancellation rule does not apply.

The Commission Panel recognizes the concern of the Marketer Group that there is insufficient information available at present to allow a customer to adequately assess the pros and cons of entering into a fixed price contract for the purchase of natural gas which is not scheduled to start for a year or more. However, given the ability of a consumer to contract for the purchase of natural gas for a five year term, the Commission Panel accepts that customers should also be able to sign a contract which is not scheduled to commence for a year or more in the future. **The Commission directs that gas marketers with signed contracts for gas flow starting more than one year in the future are to send letters approved by the Commission to such customers informing them of the cancellation provisions provided under the BPCPA. Where this type of contract has been enrolled prior to the date of the Reasons for Decision (even if it did not comply with the five year rule) it will be**

allowed on a grandfathered basis providing those customers have been informed of the cancellation provisions under the BPCPA and wish to proceed with their contracts. New renewal contracts may be signed and enrolled more than one year in the future provided the customer is fully informed of the cancellation rights and the five year rule is followed.

For reasons of confidentiality, TGI will not inform other gas marketers that a customer has signed a contract that starts more than one year in the future.

The Commission also determines that Article 26 is to be amended to state, in part:

“A Consumer may enter into an Agreement with any Gas Marketer, or a combination of Gas Marketers, for a maximum period of five years of gas flow.”

10.0 OPERATIONAL CORRECTION DROP CODE

Gas Marketers

The Marketer Group’s definitions for both ‘Operational Correction Drops’ and ‘Courtesy Drops’ are as follows (Argument, pp. 10-11):

- *Operational Correction Drops:*
“Encompass drop requests from gas marketers where the customer is not questioning the validity of the contract but includes drops where either in[sic] extenuating circumstances or as[sic] a customer service gesture forms the basis for the drop request. These drop requests are submitted to Terasen Gas through the uploading of a transaction request and not by logging a GEM dispute.”

- *Courtesy Drops:*

“Encompass drop requests from gas marketers in cases where the marketers and the customer validate that the contract is invalid and was incorrectly enrolled with Terasen Gas.”

The Marketer Group proposes that no fee be applied to process the operational correction drop and that the use of this instrument will not be used in the calculation of complaint statistics (Reply Argument, p. 11).

Terasen Gas

TGI submits that there are several drawbacks to the Operational Correction Drop approach. For example, it may allow a contract to be terminated after inclusion in the final Marketer Supply Requirement (“MSR”) calculation and result in additional costs being imposed on rate payers as customers move back to the default rate offering. It could also be used by gas marketers to conceal violations of the Code of Conduct that would normally show up in disputes or complaint statistics, and as a method of avoiding legitimate dispute resolution fees.

Terasen Gas is prepared to implement an Operational Correction Drop code that would be available to terminate enrollments where there are unusual circumstances. It would be applied where the contract cancellation deadline has passed but before the contract volume is included in the final MSR calculation.

Therefore, Terasen proposes specific rules for the application of this Code as follows:

- Gas marketers are to use the Code only in exceptional circumstances.
- No enrollment should be terminated after the ten-day Contract Cancellation Period simply for missing this deadline, to evade payment of the dispute resolution fee, mask violations of the Code of Conduct or as a means of avoiding legitimate dispute resolution fees.
- No enrollment should be dropped once the enrollment is included in the final Marketer Supply Requirement calculation. If this event transpires, then the dispute resolution process is engaged and the Commission must review the merits of the request.

Terasen Gas does not agree with the definition of 'Operational Correction Drop' or 'Courtesy Drop' as proposed by the Marketer Group, and in TGI's view the definition should be consistent with the Exhibit B-1, page 115. The definition of 'Operational Correction Drop' should be confined to processing enrollment terminations that may be necessary as a result of situations that involve delays in receiving Confirmation Letters, an inability to cancel contracts during the cancellation period because of customer illness, or system delays in the processing of Cancellation Requests. In these circumstances, all requests should be submitted using the enrollment handling process and not by logging a dispute. If the code use is valid, it should not attract a fee or be included in the calculation of complaint statistics.

In TGI's view, the Marketer Group's definition of Courtesy Drops is already included in Cancellation Requests and therefore a definition is not required. A Cancellation Request that is logged using the dispute resolution process is available to terminate a contract that has already been included in the MSR as a goodwill gesture (Reply Argument, pp. 5-6).

BCOAPO

BCOAPO opposes the use of an Operational Correction Drop if it allows a contract to be terminated after the expiry of the cooling-off period but before the delivery requirements are finalized. It argues that this has the potential of impacting rate payers with a significant cost if TGI is forced into the gas market to purchase short term expensive supply to meet the load of these returning customers.

This mechanism could also potentially be used to undermine consumer protection by masking violations of the Code of Conduct and serve as a method of avoiding legitimate dispute resolution fees. Therefore, the Commission would have to monitor these activities closely if Courtesy Drops are permitted (Argument, pp. 2-3).

Commission Determination

The Commission Panel concludes that an Operational Correction Drop Code should be implemented to address situations where there are extenuating circumstances that prevented the cancellation of a contract, as long as the correction can be implemented before the contract is included in the Marketer Supply requirement.

The Commission directs Terasen Gas to provide an Operational Correction Drop code that is to be applied under the following guidelines:

- The Operational Correction Drop code is to be used only in exceptional circumstances.
- No enrollment should be terminated after the ten-day Contract Cancellation Period simply for missing this deadline, to mask violations of the Code of Conduct or as a means of avoiding legitimate dispute resolution fees.
- No enrollment will be dropped once the enrollment is included in the final Marketer Supply Requirement calculation. If this event transpires, then the dispute resolution process is engaged and the Commission must review the merits of the request.
- The use of the Operational Correction Drop code will not be included in the calculation of complaint statistics.
- No fee is to be applied to process the Operational Correction Drop.
- Terasen Gas will provide a monthly report to the Commission on instances where the Operational Correction Drop code was used.

The Commission believes that the need for and benefit of a separate category for 'Courtesy Drops' is unclear, and denies the request for this classification.

11.0 VALIDATION OF DAILY CONTRACT QUANTITY ("DCQ")/Marketer Supply Requirement

Gas Marketers

The Marketer Group submits that the technical workshop to explain the calculation and forecast accuracy of the MSR does not have to coincide with the annual meeting but could be held at an earlier time (Argument, p. 17).

Terasen Gas

Terasen Gas maintains that the calculation of the MSR should have a forecast accuracy range of +/-15 percent and this should remain in effect. (This range is a comparison of volume changes from one MSR to the next after adjusting for changes in the number of customers (Exhibit B-3, BCUC IR 11.1)). This level of accuracy was first communicated to gas marketers in the Commodity Unbundling Workshop held in 2005 and was intended to

provide gas marketers with an appreciation of the changes that may be required for delivery requirements as forecasts are updated and as process improvements are made. In order to assist gas marketers further to assess risk in this area, Terasen Gas provided additional information through daily updates in advance of the finalization of the MSR calculation (Exhibit B-3, BCUC IR 11.2).

However, Terasen Gas does agree that additional information should be provided so that gas marketers understand the process for determining the monthly delivery requirement. Therefore, a technical workshop should be held at the time of the next annual meeting. There are a number of enhancements planned for the next six to nine months and changes to the resulting program should be reviewed in the next technical workshop. Coordination with the next annual meeting will provide greater value to the participants (Reply Argument, p. 13; Exhibit B-3, BCUC IR 11.5).

Commission Determination

Considering the number of enhancements planned for the Program, a delay in the technical review workshop to coincide with the annual meeting is not unreasonable. However, Terasen Gas is directed to provide a written description of the calculation method one month before the annual meeting date.

12.0 PRICE DEPOSITORY

Terasen Gas

The purpose of the price depository is to provide customers with a means of comparing pricing and product offers when contemplating participation in the Program. A gas marketer posts a price to the Terasen Gas website that a customer can contract for in the upcoming month. It does not force suppliers to continue to offer the price if it is no longer available nor are all prices required to be posted (Exhibit B-1, pp. 125-126). In TGI's view the current practice serves all participants well and no changes are planned (Reply Argument, p. 13).

Marketer Group

The gas marketers questioned whether monthly posted prices could be updated more frequently on the Terasen Gas website and it was proposed that posting be made at the discretion of the gas marketer (Exhibit B-1, p. 125). Marketer Group later supported the updating of new market prices on an ad hoc basis as is currently applied by TGI (Argument, p. 17).

Commission Determination

The Program allows for competition among gas marketers and the Commission is concerned that there is little price information available for customers to compare price and term offerings. The pricing depository website is not only to be informative but should be designed to facilitate a comparison of offerings of gas marketers. In effect, this information should be an integral element of a customer education plan that customers find prominently displayed and easy to access on the Terasen Gas website and possibly in other public media on a regular basis. Factors that a gas customer might consider in making a value comparison might also be included.

Therefore, the Commission directs TGI to submit a proposal by January 31, 2009 to provide an update to its website that permits current information on gas marketers' offerings and its own variable rate to be displayed in a format that permits a ready comparison. TGI may also wish to include changes to the website to incorporate the customer education objectives approved elsewhere in this Decision.

13.0 OTHER ISSUES –Draft Revision to Article 12 of the Code of Conduct - Internet Marketing

This matter will be addressed in a subsequent Order to be issued in due course.