



# National Energy Board

## Performance Report

For the period ending  
March 31, 2001

Canada

## **Improved Reporting to Parliament Pilot Document**

Each year, the government prepares Estimates in support of its request to Parliament for authority to spend public monies. This request is formalized through the tabling of appropriation bills in Parliament.

The Estimates of the Government of Canada are structured in several parts. Beginning with an overview of total government spending in Part I, the documents become increasingly more specific. Part II outlines spending according to departments, agencies and programs and contains the proposed wording of the conditions governing spending which Parliament will be asked to approve.

The *Report on Plans and Priorities* provides additional detail on each department and its programs primarily in terms of more strategically oriented planning and results information with a focus on outcomes.

The *Departmental Performance Report* provides a focus on results-based accountability by reporting on accomplishments achieved against the performance expectations and results commitments as set out in the spring *Report on Plans and Priorities*.

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

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## Foreword

In the spring of 2000 the President of the Treasury Board tabled in Parliament the document “Results for Canadians: A Management Framework for the Government of Canada”. This document sets a clear agenda for improving and modernising management practices in federal departments and agencies.

Four key management commitments form the basis for this vision of how the Government will deliver their services and benefits to Canadians in the new millennium. In this vision, departments and agencies recognise that they exist to serve Canadians and that a “citizen focus” shapes all activities, programs and services. This vision commits the government of Canada to manage its business by the highest public service values. Responsible spending means spending wisely on the things that matter to Canadians. And finally, this vision sets a clear focus on results – the impact and effects of programs.

Departmental performance reports play a key role in the cycle of planning, monitoring, evaluating, and reporting of results through ministers to Parliament and citizens. Earlier this year, departments and agencies were encouraged to prepare their reports following certain principles. Based on these principles, an effective report provides a coherent and balanced picture of performance that is brief and to the point. It focuses on results – benefits to Canadians – not on activities. It sets the department’s performance in context and associates performance with earlier commitments, explaining any changes. Supporting the need for responsible spending, it clearly links resources to results. Finally the report is credible because it substantiates the performance information with appropriate methodologies and relevant data.

In performance reports, departments strive to respond to the ongoing and evolving information needs of parliamentarians and Canadians. The input of parliamentarians and other readers can do much to improve these reports over time. The reader is encouraged to assess the performance of the organization according to the principles outlined above, and provide comments to the department or agency that will help it in the next cycle of planning and reporting.

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This report is accessible electronically from the Treasury Board of Canada Secretariat Internet site:

<http://www.tbs-sct.gc.ca/rma/dpr/dpre.asp>

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# National Energy Board

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For the period ending  
March 31, 2001

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Kenneth W. Vollman  
Chairman  
National Energy Board

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



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## **Section 1: Chairman's Message**

As indicated in the Treasury Board publication *Results for Canadians, A Management Framework for the Government of Canada*, managing for results requires that an organization clearly define the results to be achieved, deliver the program or service, measure and evaluate performance and make adjustments to continually improve.

I am pleased to report that the National Energy Board (NEB, or Board) is becoming increasingly focussed on results for Canadians. This is the third year the NEB has reported on its performance on the basis of its four strategic goals. While our strategic plan has been updated from year to year, and the challenges have evolved in keeping with changes in our society, the goals of the Board remain that:

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

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

*Canadians derive the benefits of economic efficiency*

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

At the NEB, we are proud of the fact that all employees know and understand these goals and, therefore, are in a position to align their own work with the Board's direction. Four times a year, all employees take stock of how we are performing against these goals, identify the concrete actions we need to take to impact future results, and make the necessary adjustments to our strategies and business processes, as learning organizations must do on an ongoing basis.

This report on the Board's performance against its four strategic goals is therefore at the heart of the Board's management for results. It is in this report that we communicate to Canadians the value we believe we have created on their behalf, where we think we have succeeded, and what we know remains to be done.

This report communicates that we believe that the facilities we regulate in the Canadian public interest remain safe. This is evidenced by the low and declining number of incidents and the very low number of ruptures related to these facilities. The Board has set for itself the target of zero pipeline ruptures and will work with companies towards this target. Perception of public safety is more difficult to measure, but for the first time in 2000-2001, we obtained base line data, mostly in the form of public surveys, that will lay the foundation for the measurement of our progress in future years.

We also believe that the environment around NEB-regulated facilities is well protected, in keeping with modern standards of environmental excellence. In 2000-2001, we obtained base line data enabling us to measure future performance. Among these data, we

have some physical observations of the environmental end-state on and near over 1 400 km of recently constructed pipelines. The Board did not observe any major environmental issues after two to four growing seasons. The challenge in future years will be to strengthen our indicators of performance in this area, and to report consistently from year to year on our actual performance in delivering concrete results to Canadians.

Canadians continued to derive the benefits of economic efficiency in the energy sector. However, higher energy prices posed significant challenges for many homeowners and businesses throughout Canada. Nevertheless, we believe that the market responded to higher prices through reduced demand for some energy sources and increased upstream activity to develop supply.

The tight natural gas market has spurred interest in developing gas supplies in the offshore East Coast and in the North. The Board is preparing to hear applications to construct pipelines designed to bring these resources to market. We are working in partnership with other agencies in order to coordinate the several regulatory requirements applicable to these pipeline projects.

We began to see the effects of the restructuring of electricity markets, and started to prepare for the impact that this will have on the Board's workload in future years. We anticipate increased applications to the Board for electricity exports and for the construction and operation of international power lines.

We do not yet have an effective way of rigorously measuring our performance in meeting the evolving needs of the public to engage in NEB matters. We will develop performance indicators in 2001-2002 and begin to report on them in the next performance report. In the mean time, the Board has surveyed landowners affected by the construction and operation of pipelines. It has also surveyed participants in NEB proceedings. The results of these surveys will be used to identify the action we must take to improve the way Canadians engage in NEB matters. They will also provide essential base line data to objectively measure our future performance.

I trust this Report on Performance demonstrates that in 2000-2001, the Board continued to contribute in a significant way to the quality of life of Canadians.

Kenneth W. Vollman

## **Section 2: Agency Context**

### **2.1 Mandate**

The National Energy Board (NEB) is an independent tribunal with responsibilities under legislation such as the *National Energy Board Act*, the *Canada Oil and Gas Operations Act* (COGO Act) and the *Northern Pipeline Act*. Since 1959, the Board has been engaged in the delivery of its mandate in the regulation of pipelines, energy development and trade.

In working towards the NEB vision of being a respected leader in safety, environmental and economic regulation, the Board contributes to the realization of the overarching goals of the federal government. As outlined in the Speech From the Throne, the Government will continue to work with Canadians in creating and sharing opportunities to enhance the quality of life for all. A significant element of the concept of quality of life is protecting the public interest through safety, environmental and economic regulation. It is within this sphere that the Board has important contributions to make in terms of overall government objectives.

### **2.2 Social and Economic Factors**

#### ***High Natural Gas Prices***

Rapid increases in natural gas prices in the reporting period resulted in some consumers having to reduce consumption or switch to other fuels. Those with no option to reduce consumption sometimes experienced financial hardship. Natural gas prices rose in percentage terms more in western Canada than in the east. In December and January, prices in British Columbia disconnected from prices in the rest of the country and reached record highs. As the result of these events, in combination with developments in oil and electricity markets, energy moved to the forefront of the Canadian public's concerns.

The Board was called upon to explain the reasons for higher natural gas prices to the public, and to explain the operation of natural gas and electricity markets in Canada. This was accomplished through the publication of two reports, one on natural gas market dynamics, and the other on the near-term outlook for natural gas deliverability. These reports were preceded by the posting of questions and answers on these subjects on the Board Web site.

#### ***High Electricity Prices and Blackouts in California***

High prices and rolling blackouts in California resulted in high demand for Canadian exports of electricity. This caused increased export permit applications to the Board for electricity, along with plans to build more international power lines (IPLs) between the U.S. and Canada. Increased export permits and IPL applications (e.g., between

Abbotsford, B.C. and Sumas, Washington) have increased the Board's regulatory workload.

### ***Exploration and Development in Northern Canada and Offshore Nova Scotia***

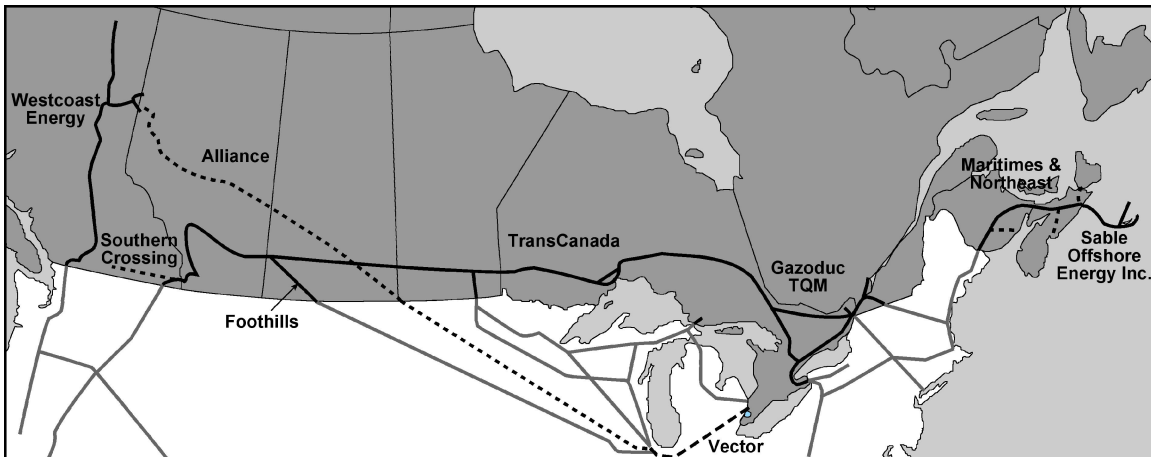
High prices and lack of supply growth in traditional basins is causing industry to increase exploration in Northern Canada and offshore Nova Scotia. Northern Activity also resulted in revived plans to bring natural gas from the Mackenzie Delta and Alaska to southern markets. The NEB is working in partnership with other northern regulators to coordinate regulatory processes for the review of northern pipeline applications. Activity offshore Nova Scotia suggests there will be a need over the next few years to expand the Maritimes and Northeast Pipeline (M&NP).

### ***Increased Pipeline Competition***

New pipelines have introduced more competition into the mainly monopolistic transportation market. The start-up of the Alliance and Vector pipelines, for example, provides an alternative to the TransCanada Pipelines Limited system for western Canadian producers selling into eastern Canadian and the U.S. markets, while providing eastern Canadians with an alternative transportation option for gas from western Canada (see Figure 1). The startup of the Southern Crossing Pipeline provided B.C. consumers with improved access to Alberta supplies.

The year 2000 marked the first time that the Maritime provinces have had access to natural gas. The Sable Island project, which commenced production in late 1999, has primarily served markets in the U.S. Northeast via M&NP. However, pipeline laterals that came into service in 2000 and 2001 allow for development of gas markets in Nova Scotia (Halifax, Point Tupper) and New Brunswick (Saint John).

**Figure 1 - Major Natural Gas Pipelines Regulated by NEB**



Note: Southern Crossing is not regulated by NEB.

## ***Increased Public Interest in Energy Matters***

Regions throughout Canada have been experiencing energy development projects. Canadians want to have a strong voice in the development of their resources and Canadians expect to be more involved in decisions that affect their environment. Thus, the NEB has spent more time understanding regional perspectives and has adapted its hearing practices to encourage effective citizen engagement that ultimately results in better Board decisions.

### **2.3 Regulatory Context**

The NEB has mandated regulatory powers under the legislation it administers and the associated regulations (see Appendix D). It also has advisory responsibilities arising from legislation and the Board's own initiatives. These two main responsibilities, summarized in the following table, comprise the NEB's business line.

**Table 1 - NEB Responsibilities**

<b>Regulatory</b>	<b>Advisory</b>
<p>To regulate, in the public interest, those areas of the oil, gas and electricity industries relating to:</p> <ul style="list-style-type: none"><li>• Construction and operation of pipelines</li><li>• Construction and operation of international and designated interprovincial power lines</li><li>• Transportation, tolls and tariffs of pipelines</li><li>• Exports of oil, gas and electricity and imports of oil and gas</li><li>• Oil and gas activities on frontier lands not subject to a federal/provincial accord</li></ul>	<p>To provide advice to the Minister of Natural Resources Canada on the development and use of energy resources by:</p> <ul style="list-style-type: none"><li>• Monitoring the energy sector</li><li>• Providing advice to the federal government</li><li>• Issuing public reports</li></ul>

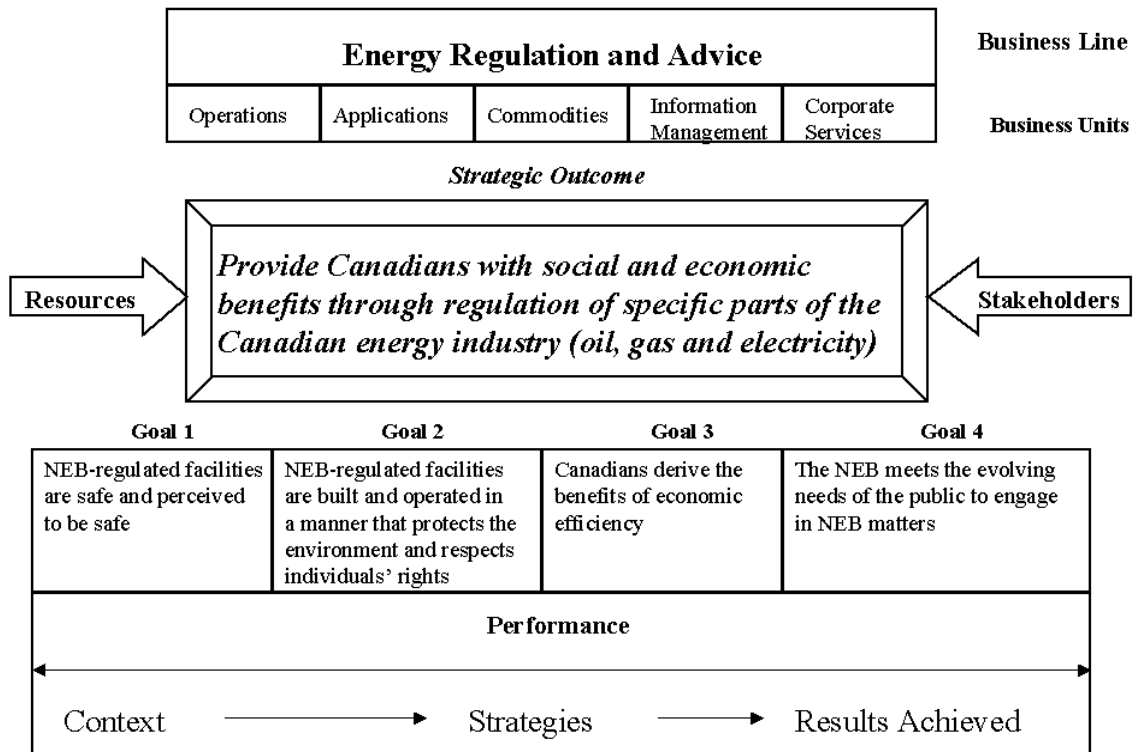
An effective regulatory framework is an important aspect of a well-functioning society. Protection of the public interest in safety, environmental protection and economic efficiency is a primary role of both government in general and the NEB specifically. Thus, the NEB has defined its corporate purpose: *We promote safety, environmental protection, and economic efficiency in the Canadian public interest while respecting individuals' rights and within the mandate set by parliament in the regulation of pipelines, energy development and trade.*

## 2.4 Results Framework

The NEB results framework involves the five Business Units contributing to the realization of the organization's overall strategic outcome, which is to provide Canadians with social and economic benefits through regulation of specific parts of the Canadian energy industry. This outcome is the expected result of all of the ongoing activities of the NEB. It represents a long-term result to be achieved through the collaborative efforts of various levels of government, industry and stakeholders. In support of the strategic outcome, the NEB has developed four strategic goals. The strategies and measures for each goal, as outlined in the *Report on Plans and Priorities (RPP)*, represent the focus for performance reporting at the NEB.

This framework is depicted in the following figure:

**Figure 2 - Managing for Results Framework**



Section 3.2 of this report presents the achievements of the NEB toward reaching the four strategic goals, for the period ending March 31, 2001. Section 3.3 contains performance information regarding horizontal themes and management initiatives.

## 2.5 Agency Spending

The National Energy Board program constitutes one business line – Energy Regulation and Advice – focussed on realizing a single strategic outcome. The resources used in working toward this outcome for fiscal year 2000-2001 are summarized in the following table:

**Table 2 - Resources Used**

<b>National Energy Board</b>		
Planned Spending	\$29,240,000	286 FTEs
Total Authorities	\$32,131,000	286 FTEs
<b>2000-2001 Actual</b>	<b>\$30,586,000</b>	<b>285 FTEs</b>

For a comparison with spending in previous years see Appendix A, Table 3.





## **Section 3: Performance Accomplishments**

### **3.1 Introduction**

This section describes the outcomes resulting from strategies implemented in 2000-2001. These outcomes either are direct or may be inferred from the measures indicating progress toward the achievement of the four corporate goals.

### **3.2 Strategic Goals**

#### **3.2.1 Goal 1**

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

#### **Context**

As designer, constructor and operator of their facilities, NEB-regulated companies have the primary responsibility and accountability for their safety. In this context, the NEB's role is to emphasize and promote safety by delivering a comprehensive regulatory program which develops regulations; assesses new facilities applications for associated safety and environmental issues; monitors safety and compliance through inspections and audits; and investigates accidents to determine whether its regulations need to be modified and whether regulatory action is required to ensure safety.

Pipeline safety levels measured today are the results of current maintenance and repair efforts as well as the impacts of decisions and actions taken in the past during design and construction of the facilities. Since a variety of products are shipped on NEB-regulated pipelines, which traverse varying environments and topographies, a flexible regulatory framework is needed. While maintaining a consistent level of safety, the adoption of goal-oriented regulations facilitates the management of the unique risks and issues associated with each pipeline segment. Management systems provide a framework for planning activities, responsibilities, practices, procedures, processes and resources and for developing, implementing, achieving, reviewing, and maintaining the organization's policies, goals and objectives. Regular internal reviews, which are incorporated in management systems, result in continual improvement of the management framework to achieve better results and value.

#### **Strategy**

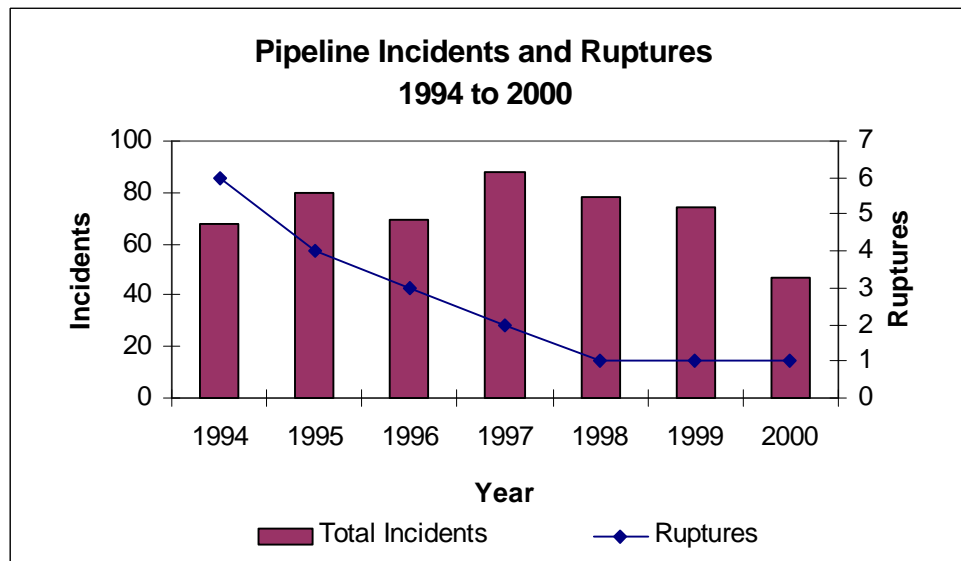
- Leverage the NEB's progression toward goal oriented regulation to improve the industry's ownership of safety performance by promoting the use of safety and environmental management systems.

## Results Achieved

### *Safety Performance Indicators*

The NEB uses a number of indicators to measure its progress in meeting Goal 1. For pipeline systems, the NEB uses the number of incidents, the number of pipeline ruptures and the number of fatalities which have occurred in the calendar year for measuring safety. The Board's *Onshore Pipeline Regulations, 1999* (OPR) require pipeline companies to provide this information.

**Figure 3 - Safety Indicators**



Forty-seven pipeline incidents were reported in 2000, which is significantly lower than the average of 76 incidents for the previous six years (Figure 3). One factor that may have contributed to the reduction of incidents is the somewhat lower level of construction activity on NEB-regulated pipelines in 2000 than in the previous year. There was one rupture in British Columbia and no fatalities on NEB-regulated pipelines in 2000.

With respect to oil and gas resource development operations north of the 60<sup>th</sup> parallel, which the NEB also regulates, performance indicators are the number of hazardous occurrences, as defined by the *Canada Oil and Gas Occupational Safety and Health Regulations*, the number of well blowouts and the number of fatalities. The number of hazardous occurrences increased from 22 in 1999 to 64 in 2000. Most of this increase resulted from minor spills such as hydraulic fluid and diesel fuel at construction sites in the Fort Liard area. There were no well blowouts or fatalities in 2000. However, a fatality did occur in March 2001 when a driller's helper became entangled in a seismic drilling rig and died from his injuries. An investigation into this incident is underway.

### ***Perception of Pipeline Safety***

The second aspect of Goal 1 is that pipelines are perceived to be safe. There are measurement issues associated with gauging public confidence in pipeline safety and specifically, confidence in the NEB to ensure safety. Nevertheless, the Board has established baseline data from a survey conducted in March 2001 (see *Landowner Survey* under Goal 4) to serve as the basis for future performance. The survey suggested that about two-thirds of respondents felt safe working and living near the pipeline and that the NEB will monitor the pipeline companies' performance effectively.

### ***Key Activities***

As regulated companies continue to adopt a safety management systems approach and increase their awareness, understanding and ownership of safety performance, it is expected that associated safety indicators will continue to reflect progress toward achieving the strategic goal.

The NEB identified a number of key activities in this reporting period which supported its strategy with respect to Goal 1. These are outlined below:

- Revise regulations to progress toward goal-oriented regulations.

In contrast to traditional and more prescriptive forms of safety regulation, goal-oriented regulation emphasizes maintenance and encourages the owners and managers of facilities to develop safety management systems tailored to their unique operations. In the reporting period, NEB completed drafts of new Processing Plant Regulations, Canada Diving Regulations and Canada Oil and Gas Drilling, Production and Conservation Regulations and these are currently under review by Justice Canada. The NEB has completed its initial consultation with respect to new Pipeline Damage Prevention Regulations and is preparing the initial draft.

- Plan and initiate implementation of a Safety Management Program.

The scope of the NEB Safety Management Program (SMP) has been confirmed and a framework defined. The SMP will leverage the framework of the NEB Environmental Management Program (EMP), which is based on the internationally recognized International Standards Organization (ISO) 14001 management system standard, and incorporates requirements of the British occupational health and safety management system - Specification OHSAS 18001:1999. The SMP will encompass all aspects of NEB work activities which define how the Board and Board staff manage safety. It is anticipated that aspects of the SMP and EMP will be integrated.

- Confirm the safety components of the Board's Environmental and Safety Information Management system (ESIM) and expand its capability

A key sub-project linked to the development of both the Environmental and Safety Management Programs is ESIM. This project is aimed at developing a database for recording and tracking environmental and safety issues relating to the construction and operation of NEB-regulated facilities. The first module of this system was implemented in May 2000. In this module, conditions placed on Board approvals relating to new facilities are tracked for compliance. Additional modules related to other environmental and safety matters such as crossing violations and pipeline incidents were added by year-end.

- Implement the new OPR and adjust the Board's existing approach to its compliance and audit programs.

The NEB undertook a series of four gap analyses in mid-2000. The purpose was to develop and test appropriate audit procedures and protocols using the new goal-oriented OPR. In October 2000, the NEB began conducting management system audits on four companies which focussed on the companies' emergency response, continuing education and pipeline integrity programs. The audits were completed in early 2001. Over the next year, the NEB will be expanding the scope of future audits to include additional program elements.

*For more detailed performance information pertaining to compliance monitoring, incident investigation and the development of goal-oriented regulations, please refer to the NEB Annual Report 2000, pp. 27-33.*

### 3.2.2 Goal 2

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

#### Context

Goal 2 expresses the Board's strong commitment to protection of the environment and respect for individuals' rights in the construction and operation of regulated pipelines and facilities. In 2000-2001 the Board assessed the environmental and socio-economic impact of well over 100 facilities-related projects which were submitted for approval pursuant to Part III of the NEB Act, as well as an increasing number of applications for exploration and production activity in frontier areas submitted under the COGO Act.

In addition to these increasing activity levels, the public's awareness and interest in the environmental effects of pipeline construction and operation has heightened. Landowners directly affected by facilities projects have become increasingly concerned about the protection of their rights and consideration of their concerns in NEB processes and

decisions. Additionally, aboriginal groups are becoming more involved in applications for new facilities that are filed with the Board.

## **Strategies**

The Board identified two strategies for Goal 2 in its 2000-2001 RPP:

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

## **Results Achieved**

In line with its Goal 2 commitments, the Board continually strives to improve its processes for assessing and tracking the impacts of new projects and existing facilities under its jurisdiction. The Board has identified and uses key performance indicators to measure its progress in maintaining and improving both environmental performance and the environmental assessment and routing processes.

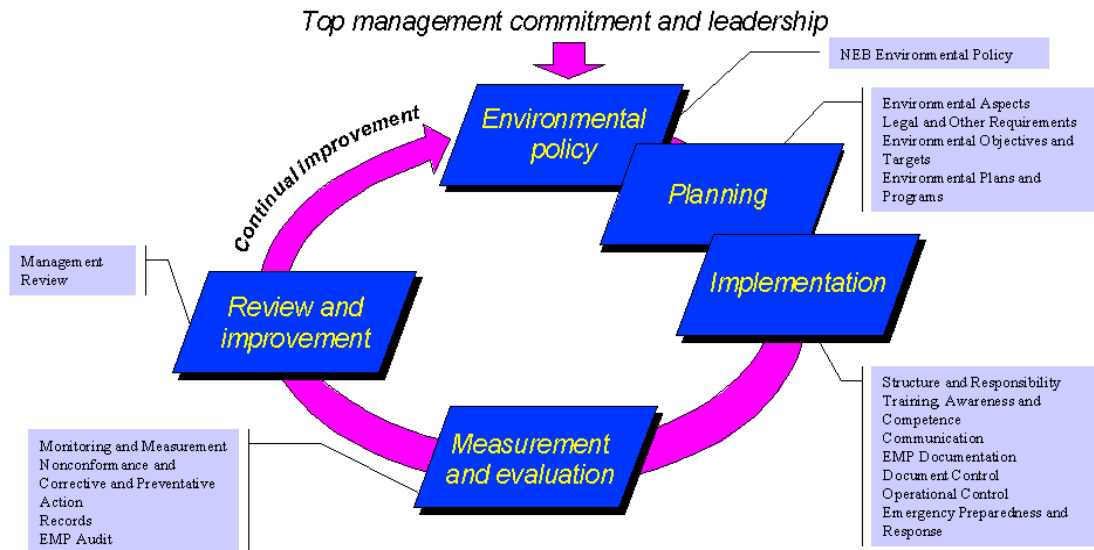
In 2000-2001, the Board continued and enhanced its work on two corporate projects, which were initiated in 1999-2000 - *Environmental Management Program* and *Environment and Safety Information Management System*. The Board also engaged in a number of other key activities related to achieving its Goal 2 commitments.

### ***Environmental Management Program***

Continued development and implementation of the NEB's internal Environmental Management Program (EMP) is serving to contribute to the achievement of Goal 2. The EMP is based on ISO 14001 principles, an internationally recognized standard for environmental management systems.

Comprising five core elements, the EMP is helping to focus and integrate the Board's environmental efforts and clarify its role, expectations and responsibilities regarding environmental protection for all interested parties. Figure 4 displays the core EMP elements and associated sub-elements within the continual improvement cycle.

**Figure 4 - Environmental Management Program**



The first main element of the EMP, the Board-approved and supported Environmental Policy, was communicated to Board staff in September 2000 and made available to all external parties via the NEB web site. The policy serves as a guidance document to describe the Board’s values, environmental aspirations and principles. It sets the overall direction and aligns the Board’s management and staff with common principles of operation.

The second main element, planning, enabled the Board to define specific environmental objectives, targets and performance indicators and move towards measuring and improving the NEB’s environmental performance. Six NEB environmental objectives were identified with associated performance indicators. The environmental objectives focussed on improving internal operating processes in environmental assessment, inspection, auditing and compliance monitoring as well as confirming the environmental effectiveness of conditions placed on facilities approved by the NEB.

Positive results to date include streamlining of non-hearing applications, improved clarity of inspection and auditing functions, and improved tracking and use of conditions. The Board also developed initial corporate environmental performance indicators to measure the degree of success in contributing towards environmental protection, such as the number of information requests to applicants for clarification and providing additional information regarding deficiencies in an application.

The Board will fully implement the EMP in 2001-2002 and use it as the basis for setting priorities, work planning and continual improvement.

## ***Environment and Safety Information Management System***

The Environment and Safety Information Management (ESIM) system is aimed at developing a database for recording and tracking environmental and safety issues relating to the construction and operation of NEB-regulated facilities. The first module of this system was implemented in May 2000. In this module, conditions placed on Board approvals relating to new facilities are tracked for compliance. Additional modules added throughout the fiscal year relate to:

- tracking of pipeline crossing violations
- tracking of pipeline incidents
- follow-up of environmental remediation to spills or releases
- capturing of field inspections and management system audits
- tracking of NEB-regulated company submissions (manuals, programs, specifications, procedures, etc.)
- tracking of landowner complaints
- recording of leave-to-open
- tracking of compliance with NEB tools such as Assurance of Voluntary Compliance (AVC),<sup>1</sup> Inspector Officer Orders and Audit Findings

The ESIM project was initially developed under the auspices of NEB Goal 2, and is providing a tool to measure the success of the Board's commitments to that goal. However, it has also developed into an integral component to measure the NEB's success in its commitment to safety in the construction and operation of NEB-regulated facilities. Analyzing the information stored in the database will be one of the ways that the NEB will verify that the companies under its jurisdiction are managing their facilities in a manner that is safe, protects the environment and respects individuals' rights.

### ***Other Key Activities***

- Applications Assessment Process Improvements

In 2000-2001, the NEB completed the development of an internal Assessment Process for Non-Hearing Facilities Applications (NHA Procedures) which incorporates the concept of oral team analysis and standardized documentation. Oral team analysis is a practice whereby the working group meets shortly after an application is received to review the proposed project, discuss issues related to it, and prepare an action plan. The meetings promote synergy, eliminate duplication of effort and identify up front whether there are potential problem issues and, if so, how they will be dealt with. They also ensure that applications that do not require additional information are processed without unnecessary

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<sup>1</sup> Minor areas of non-compliance that cannot be corrected immediately are recorded by the NEB inspector by receiving an AVC letter from the pipeline company. When a situation could jeopardize the environment or safety, the inspector issues a field order; these situations must be corrected immediately.

delay. The NHA Procedures include a list of standard issues to be evaluated for every application, and a template for recording the Board's assessment. This process has improved the efficiency and consistency of the Board's assessment process.

Work on developing the NHA Procedures highlighted the necessity of identifying the Board's broader information needs and establishing standard technical and environmental information requirements for facilities applications submitted to the Board. Stemming from this work, and from the first three objectives of the Board's EMP Implementation Plan, the Board has undertaken steps to clarify its information requirements in order to improve the effectiveness and efficiency of its regulation of physical facilities. In 2000-2001, the Board has achieved better clarity regarding its information needs at various stages in its regulatory process. Clearer role statements and a set of principles used for evaluating the quality of environmental and safety assessments have been developed. These tools have been used to refine internal Board processes. They are also currently being used for the creation of guidance materials that are meant to assist project proponents, in their applications, to consistently provide the Board with information that is necessary, focussed, and relevant.

- Revision of the Board's Streamlining Order

The Board's Streamlining Order reduces the regulatory oversight of routine facilities-related projects for which there would be no environmental, engineering, safety, or public concerns. The first Streamlining Order, XO/XG-100-94, reflected the *Exclusion List Regulations* that were attached to the *Canadian Environmental Assessment Act* (CEA Act) at that time. In 1998-1999 the Board participated in an initiative lead by the Canadian Environmental Assessment Agency to amend regulations under the CEA Act. Several categories of routine gas and oil pipeline projects for which environmental assessment under the CEA Act was not warranted were identified and included in the amendments to the *Exclusion List Regulations*. The Board considered the types of projects captured under the amended *Exclusion List Regulations* and redrafted its Streamlining Order accordingly. The revised Streamlining Order XG/XO-100-2000 was approved by the Board on 18 October 2000.

- Preparation for Renewed Activity in Frontier Areas

Over the past year the Board began to prepare for the anticipated increase in activity in Canada's North. A program was initiated to ensure that staff members have the relationships, processes and skills that will be required to successfully advise the Board in its consideration of applications under the NEB Act for pipeline facilities connecting supply sources in northern Canada with southern markets.

During the summer of 2000, delegations of Board Members and staff visited the Yukon, Northwest Territories and Alaska. The purpose of the Yukon and Northwest Territories trip was for Board Members and staff to become more familiar with this region, where the NEB regulates oil and gas resource development activities, and to meet with local



representatives in order to better understand issues and opportunities from northern and aboriginal perspectives. Similarly, the purpose of the Alaska trip was to learn about potential natural gas developments and to develop a working relationship with key parties.

Considerable progress has been made towards streamlining the regulatory processes in the North. The approaches developed to date have application to both a Mackenzie Valley and a Beaufort offshore route from Alaska. Two significant events highlight the accomplishments attained in 2000-2001:

- On 4 December 2000, a joint Memorandum of Understanding (MOU) was signed between the NEB and the Mackenzie Valley Environmental Impact Review Board to cooperate on environmental assessments of northern resource development projects.
- On 2 March 2001, a document entitled *Guidance on Provision of a Preliminary Information Package for Gas Development in the NWT* was released. This document was issued jointly by the chairs of Boards and Agencies with regulatory and environmental assessment responsibilities in the Mackenzie Valley (there were 12 signatories, including the NEB). The information provided in response to the information package will assist the Boards and Agencies in a timely evaluation of potential approaches for a coordinated review process.

*For more detailed information regarding the development of environmental and safety management programs and regulatory decisions and environmental assessments, please refer to the NEB Annual Report 2000, pp. 24-27.*

### 3.2.3 Goal 3

**Goal 3: Canadians derive the benefits of economic efficiency.**

#### **Context**

As explained in Section 2.3, the Board is responsible for approving natural gas and electricity exports and for approving construction, operation and the tolls and tariffs on interprovincial and international pipelines. The basis of the Board's approach to export regulation is to ensure that Canadians have access to natural gas and electricity on fair market terms and conditions, i.e., that the market is functioning properly.

With respect to pipeline regulation, the Board believes that, where possible, market solutions generally provide the lowest possible cost and broadest consumer choice.

Where market solutions are not possible, regulatory solutions should strive to provide outcomes that provide the benefits normally associated with competitive markets.

The Board also informs the public about energy market trends on an ongoing basis. Providing and interpreting energy market information contributes to the efficient operation of energy markets and thus helps the Board achieve its goal that Canadians derive the benefits of economic efficiency. Finally, in the context of the NEB's operations, economic efficiency embodies regulatory efficiency by eliminating regulatory barriers and striving to minimize costs incurred by parties.

### Strategies

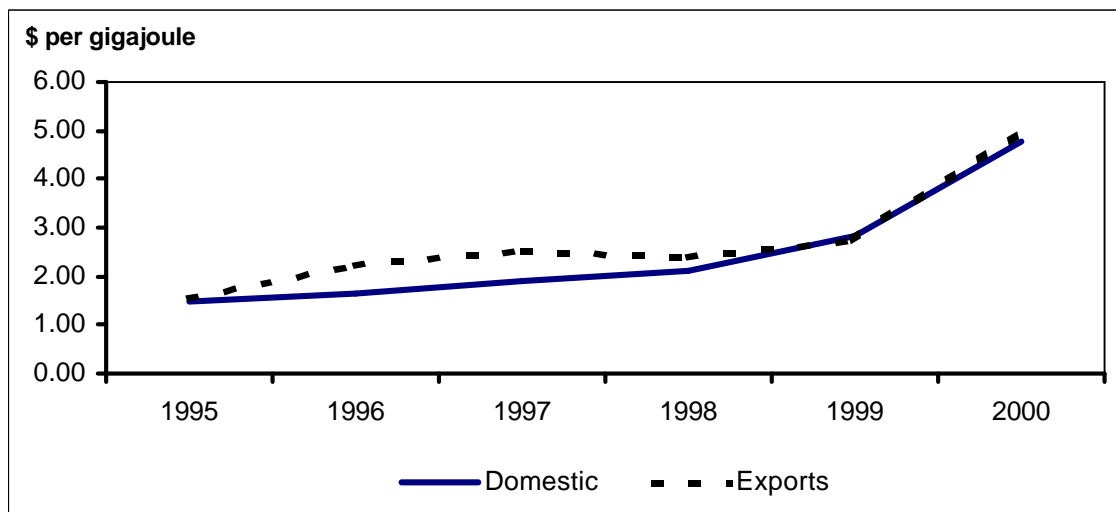
- Monitor energy market and business developments and ensure that the acquired knowledge is shared as appropriate internally and externally.
- Pro-actively prepare for regulatory change and ensure that all of its internal resources are actively and efficiently engaged.
- Develop and implement a plan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

### Results Achieved

To gauge the success of the Goal 3 strategies, the Board has designed a number of specific measures.

A key indicator that Canadians are receiving the benefits of economic efficiency is that Canadians pay fair market prices for natural gas. In the context of the North American market this means that prices paid for gas in the domestic market should be the same as for gas sold into the export market. Recent price trends suggest that domestic and export prices are converging (see Figure 5).

**Figure 5 - Natural Gas Prices at the Alberta Border**



Additional measures and the Board's performance in 2000-2001 are discussed below.

*Pipeline companies and shipper representatives are satisfied with the environment and processes created by the Board in which issues concerning traffic, tolls and tariffs are resolved.*

For several years the Board has encouraged and supported the establishment of tolls and tariffs on the basis of negotiated settlements. This streamlined process has resulted in cost savings to all parties involved by reducing the number of costly and confrontational public hearings. A pipeline may negotiate with its shippers and other stakeholders to reach agreement on toll and tariff issues, for example the level of tolls, the range of services to be offered, the mechanism for adjusting tolls and the duration of the agreement. Settlements are subject to approval under guidelines set out by the Board. In the event a settlement cannot be reached, there is still the alternative of a public hearing before the Board. This process has been very successful, with only the most difficult-to-resolve toll and tariff issues coming before the Board for arbitration.

In 2000-2001, the TransCanada (TCPL) settlement, in force since 1996, was subject to re-negotiation. While the pipeline and the shippers were not able to arrive at a settlement, TransCanada filed with the Board a tolling structure which was agreed to by many of its stakeholders.

*Shipper satisfaction with the level of pipeline tolls, and with the range and choice of services.*

As indicated in the previous measure, the difficulty that TCPL and its shippers faced in reaching a settlement may indicate dissatisfaction with tolling and services. However, this dissatisfaction did not result in a complaint to the Board, indicating that parties were satisfied with the process, if not the results achieved to date. In the case of other pipelines, the Board did receive one complaint from shippers that tolls were too high (the Milk River Pipeline) and the Board addressed that issue in a written proceeding.

*Board Member and external party satisfaction with Board-produced information.*

During the year the Board produced a number of documents pursuant to its responsibility to monitor and report on energy market developments. The Board produced three Energy Market Assessments (EMAs), two on natural gas and one on oil (brief summaries appear below). An important aspect of the EMA program is that the Board augments its analysis by consulting parties with an interest in the respective subject areas, thus ensuring that the reports are timely and relevant.

The Board staff has at least two indications that the Board and the public are satisfied with the information produced in these publications. Regular formal and informal discussions with Board Members ensures their market information needs are met and provides ample opportunity for feedback. Direct feedback from the public, in the form of

telephone discussions, e-mail inquiries and face-to-face meetings, indicates significant interest and a high level of satisfaction with the Board's EMA program. A survey of stakeholders, to be completed in 2001-2002, will establish a more formal baseline of the public's information needs and their opinions of the Board's work in this area.

*Canadian Natural Gas Market Dynamics and Pricing* was released in November 2000. The report concluded that the natural gas market had been functioning so that Canadian requirements for natural gas were being satisfied at fair market prices.

*Short-term Natural Gas Deliverability from the Western Canada Sedimentary Basin 2000-2002* was released in December 2000. This report examined the factors that affect natural gas supply over the short term and presented a deliverability outlook to 2002.

*Canada's Oil Sands: A Supply and Market Outlook to 2015*. This was the Board's first EMA focussing specifically on crude oil. The main result of this study, which was released in October 2000, was a forecast of the supply and markets for bitumen and synthetic crude oil derived from Canada's oil sands.

In response to concerns among the Canadian public about the level and volatility of natural gas prices, the Board published a series of Frequently Asked Questions (FAQs) and answers on the subject along with the Board's role in approving natural gas exports. The Board published similar information on electricity prices and markets, including information on restructuring of electricity markets in Canada.

More information on the EMAs and FAQs is available at the Board's Web site, at [www.neb-one.gc.ca](http://www.neb-one.gc.ca).

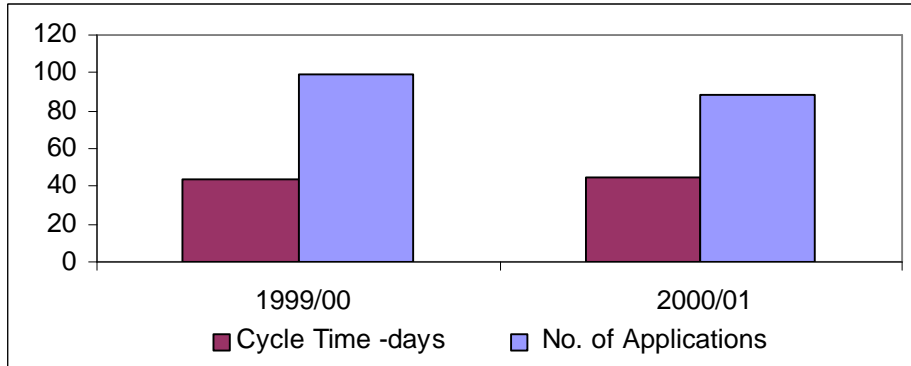
*Maintain or improve key indicators of regulatory efficiency.*

In 2000-2001, the Board focussed on two indicators of regulatory efficiency, cycle times (the time it takes to process an application) and proactive preparation for a possible northern pipeline application by coordination of regulatory processes.

The Board uses cycle times data to track the number, type and processing times of applications it receives. It also analyses the data to help pinpoint areas where it would be beneficial to focus its attention.

In 2000-2001, the Board received nearly 100 applications for small facilities filed under section 58 of the NEB Act, slightly less than the previous fiscal year. Similar to the previous year, the average processing time in 2000-01 was approximately 46 days (Figure 6).

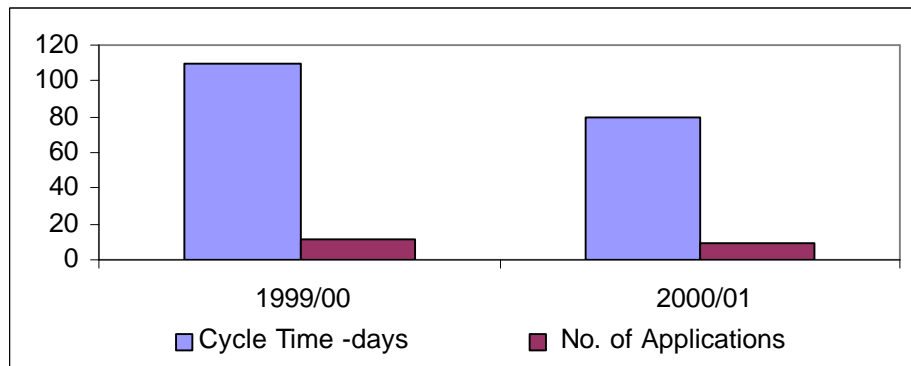
**Figure 6 - Cycle Times for Non-Hearing Facilities Applications (Section 58)**



Analysis of the 2000-2001 data indicated that approximately 53 percent of all small facilities applications required the filing of additional information before processing could be completed. These applications took an average of 24 days longer to process than applications that did not require additional information. These data point to the potential for improvement in efficiency that could be achieved if the number of requests for information were reduced, or if applications to the Board were sufficiently complete. Fewer deficiencies in applications would result in fewer requests for additional information; this is one of the anticipated benefits that will be achieved as a result of the Board's work on its Goal 2 initiative aimed at creating guidance materials for applicants.

Cycle times for non-hearing electricity export applications declined to 82 days from 109 days in 1999-2000 (Figure 7). Reduced processing times reflect continued efforts on the part of the Board to ensure that applicants understand filing requirements, thus avoiding delays, and continued management focus on efficiency in processing applications.

**Figure 7 - Cycle Times for Non-Hearing Electricity Export Applications**



Cycle times were also reduced for applications on frontier lands pursuant to the Board's responsibilities under the COGO Act. For the calendar year 2000 the average was 22 days for 65 applications compared with 32 days for 48 applications in 1999.

Steps taken toward rationalization of the regulatory processes for a potential northern pipeline application are included in the performance in Goal 2, including partnering with other agencies to reduce overlap and preparing for unique issues to be addressed.

It is expected that the Board's Electronic Regulatory Filing system (referred to under Goal 4) will increase regulatory efficiency by expediting the treatment of information pertaining to applications, thus reducing the costs for all participants in these proceedings. *More comprehensive information regarding economic efficiency is presented in the NEB Annual Report 2000, pp. 34-37.*

### 3.2.4 Goal 4

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

#### Context

The Board continued its efforts over the year to improve communication with outside parties and to enhance the ability of interested individuals and organizations to participate in NEB matters. To achieve this goal, Board Members and staff participated in events and initiatives designed to increase understanding and improve access to regulatory processes.

#### Strategies

Three strategies were identified in the Board's 2000-2001 RPP to achieve this goal.

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

#### Results Achieved

##### *Electronic Regulatory Filing (ERF)*

The Electronic Regulatory Filing (ERF) initiative provides the Board and interested parties with a means to create, exchange, use and re-use regulatory information in an electronic form. Officially launched on 1 April 2001, companies may now file their applications electronically. All regulatory documentation, submitted electronically or produced by the Board associated with such an application, is available on-line through the Internet.

Testing of the ERF system in 2000-2001 indicated that there would be more expeditious treatment of information related to an application, including the subsequent information requests from intervenors in the proceeding and the public at large. Participants have demonstrated support for the system which enables increased and improved access to important regulatory information.

In addition to increasing access to regulatory information and expanding opportunities for public engagement, ERF is expected to reduce costs and improve regulatory efficiency. In 2001-2002, the Board will continue the development of full ERF capabilities in cooperation with the Ontario Energy Board and the regulated energy industry.

### ***Board Member Visits to Northern Canada and Montreal***

In order to make themselves more accessible to the many organizations and agencies that share common interests with the NEB, Board Members and staff visited two regions of Canada this past year. As discussed under Goal 2, Board Members and staff held discussions in the Yukon and Northwest Territories to better understand energy issues and opportunities from northern and aboriginal perspectives. Meetings were held in Montreal with representatives of government, industry, aboriginal and non-governmental organizations.

Feedback from participants in these discussions indicates they are appreciative of the Board's efforts to engage them and feel the Board has a better understanding of their perspectives. The result is improved confidence that the Board will consider these perspectives in its decision-making.

The Board intends to build on these types of outreach activities in the future to improve communication with key groups in anticipation of engagement needs.

### ***Landowner Survey***

As new facilities are proposed, landowners along pipeline or power line routes are affected. Board decisions include whether or not the project should proceed and, if it does, where it should be located and how it should be constructed and operated. Therefore, it is essential that the Board engage landowners during the decision-making process. It is also important to monitor and evaluate landowner attitudes and opinions to confirm that their evolving needs to engage in NEB matters are being met.

The Board developed a standard survey instrument that will be used over time, across pipeline and power line projects, and with multiple samples of landowners. In March 2001, an independent consultant administered a 54-question telephone survey, on matters pertaining to pipeline safety, the environment, socio-economic concerns and the Board's communication processes, to over 350 randomly-selected landowners along pipeline routes across Canada. The results will establish a baseline for a reliable database of

information that will provide an on-going measure of issues falling within the NEB mandate.

### ***Public Engagement Program***

The Board is increasingly aware of changing expectations for meaningful public engagement. In recent years, the Board has attempted a number of new approaches in the way it interacts with the public through pre-hearing information sessions, an Alternate Dispute Resolution pilot project, Public Awareness workshops, post-hearing questionnaires, improved landowner communication and increased field inspections.

One demonstration of a change to its public hearing process to enhance public participation was in the Sumas Energy 2 proceeding (an application to construct an international power line between Abbotsford, B.C. and Sumas, Washington). In this case, for the first time, the Board accepted email submissions. This greatly expanded public access to the proceeding and enhanced the ability of the public to express their views for consideration by the Board and other participants.

A new initiative in 2001-2002 is the development of a Public Engagement Program that will eventually guide all of the Board's future interactions with the public. Based on a set of guiding principles, this project will focus the Board's public engagement efforts. It provides a forum for continuous learning so that it meets the evolving needs of the public to be involved in NEB matters. Indicators such as client surveys and other community liaison mechanisms will be used to develop baseline information to assess the effectiveness of this program.

***More information regarding public information services, public consultation and landowner engagement is presented in the NEB Annual Report, pp. 38-42.***

## **3.3 Horizontal Themes and Management Issues**

### **3.3.1 Sustainable Development**

The NEB is not one of the federal government departments and agencies required by legislation to prepare a sustainable development strategy, and thus the NEB has not formally defined sustainable development in the context of its operations. However, it can be shown that the NEB promotes sustainable development, on the basis of the generally accepted principle that sustainable developments means "meeting the needs of the present without compromising the ability of future generations to meet their own needs," and that this in turn requires integrating environmental, economic, and social considerations.

For example, Section 52 of the NEB Act states that the Board shall, in making its decisions on the issuance of certificates to construct pipelines, be "... satisfied that the pipeline is and will be required by the present and future public convenience and necessity..." and that "... the Board shall have regard to all considerations that appear to it



to be relevant ... ” including “any public interest that may be affected ...” The Board typically assesses environmental, economic, market and social considerations in making decisions, including matters pertaining to safety. Safety and environmental inspections and audits are conducted during the construction and operation of these facilities.

The NEB has committed within its Environmental Policy to promote sound environmental decision-making throughout its activities, consistent with the principles of sustainable development. Furthermore, as a step toward sustainable development (as noted in the discussion under Goal 2) the Board has developed the EMP program, based on ISO 14001 principles. As described earlier, the EMP is used to: set priorities; establish work plans; and promote continual improvement in achieving positive environmental results.

Another example of how the Board promotes sustainable development is with respect to applications to the Board to export crude oil or natural gas. Section 118 of the NEB Act directs the Board to “satisfy itself that the quantity of oil or gas to be exported does not exceed the surplus remaining after due allowance has been made for the reasonably foreseeable requirements in Canada.” The NEB discharges its responsibilities by the Market-Based Procedure for gas exports and Fair Market Access tests for oil and electricity (Section 119 of the NEB Act pertains to electricity). The concept underlying these mechanisms is that efficient (competitive) markets will best ensure that the current and future needs of Canadians are met. Toward this end, the Board monitors energy markets and provides information on the current state and outlook for these markets in the form of Energy Market Assessments and notably, in the Board’s periodic long-term outlook for Canadian energy supply and demand.

Implementing the principles of sustainable development is also illustrated in the NEB’s internal activities. This includes the Board’s participation in the Alberta Common Services Council Committee on Sustainable Development, toward the development of sustainable operating practices. For the past several years the Board staff has participated in the annual Calgary Transit Commuter Challenge and have won that event each year in its corporate category.

### **3.3.2 Partnerships**

The NEB cooperates with other government regulatory departments and agencies to reduce regulatory overlap and augment knowledge and skills of the NEB staff, thus leading to more efficient decisions and provision of energy market information. A list of these arrangements, including brief descriptions, is contained in Appendix E.

### **3.3.3 Management Initiatives**

The NEB is an active partner with Treasury Board Secretariat on major change initiatives of the Government of Canada. During 2000-01, progress has been made in management change initiatives such as the Service Improvement Initiative, Government of Canada On-Line, Modern Comptrollership, Improved Reporting to Parliament, Program Integrity and Development of an Exemplary Workplace.

The NEB has taken steps toward improving the services we provide to Canadians. The long-term goal is to be able to effectively measure the public's level of satisfaction with NEB services and their interaction with NEB staff.

As an initial step in this process, staff attended the Service Improvement Initiative Learning Event sponsored by the Treasury Board of Canada. Following up on this initiative, the NEB named a representative to serve on the Alberta Service Committee, a sub-committee of the Alberta Federal Council. This committee is mandated to improve the delivery of federal services in Alberta with a goal of at least a 10 percent improvement in client satisfaction by 2005.

In the meantime, the NEB is currently reviewing the questionnaire it uses to obtain feedback on the extent of satisfaction of clients, particularly individuals who participated in hearings, public information sessions or other Board events. In addition, the Board established a baseline for measuring the satisfaction of landowners living along pipeline routes through a nation-wide telephone survey.

The NEB is also nearing completion of a review of its public information bulletins toward facilitating understanding by readers.

The Board is committed to improving Canadian's access to services through the Internet. This year, the Electronic Regulatory Filing (ERF) initiative was launched providing companies seeking approval for energy projects with an opportunity to file their applications electronically. Members of the public interested in participating in the application process can now access project information and all Board documents related to the application on-line.

They may also submit their comments regarding an application electronically. Work continues on the redesign of the Board's Web site in order to meet Government On-Line and Common Look and Feel standards.

Under the Modern Comptrollership and Improved Reporting to Parliament initiatives, the focus was on staff development, policy and systems resulting in the successful implementation of the Financial Information Strategy (FIS) on April 1, 2001. In order to best position the organization for success in the FIS component, the capacity check phase of the Comptrollership initiative was deferred to a future fiscal period. Within the Comptrollership initiative the ground work was laid in 2000-01 for an Integrated

Management Systems project at the NEB to commence in 2001-02 with a view to integrating financial and non-financial data.

The NEB's energy regulation and advice program has been reviewed within the context of the Treasury Board Program Integrity initiative. This review identified a need to develop competencies in specific skill sets: it also identified clear development aspects for staff. A project to define competencies was initiated and competency frameworks for the job families in the program delivery Business Units were completed in 2000-01. This project will continue in the next fiscal year for the program support Business Units.

To contribute to the management initiative of developing an exemplary workplace, the Board has introduced additional flexibility in managing employee work-time for an appropriate work/life balance. In addition, the Board has collaborated with unions and employees in resolving workplace issues such as harassment, recognition, and currently, alcohol in the workplace. Fairness, trust and honesty remain the cornerstone of employee relations at the Board.

### **3.3.4 Procurement**

Where possible, the NEB purchases a portion of the supplies for its operations from aboriginal companies. Consistent with the Procurement Strategy for Aboriginal Business Achievements, the NEB establishes annual performance targets and assesses and seeks out opportunities to increase these purchases. In 2000, the Board surpassed its objective for the dollar value of contracts awarded by 17 percent.

### **3.3.5 Follow-up to the Auditor General's Report, December 1998**

The Office of the Auditor General (OAG) conducted a comprehensive audit of the NEB in 1998 (OAG report, Chapter 13). This audit identified several areas for improvement and made seven recommendations. All of these recommendations were accepted by the NEB and action plans were implemented. In December 2000 (OAG report, chapter 28), in a follow-up to the 1998 audit, the OAG reported "The Board has made a good effort to meet its commitments and implement the recommendations. Progress has been slower than anticipated in some areas but is on track for full implementation of recommendations in the near future. The Board has taken the tasks seriously and assigned senior staff to ensure successful completion." Subsequent to that report, the OAG advised that they have concluded that all outstanding items are completed.



## **Appendix A: Financial Information**

### **A. Financial Overview**

The National Energy Board continually strives to improve the efficiency and effectiveness of its operations and to rationalize costs related to agency performance. The Board's operating budget is directly affected by activity levels in the Canadian energy sector. During the last fiscal year, hearing-related activities experienced a decrease, while Northern-related activities increased due to market conditions and energy demand. In addition to the Board's planned expenditures of \$29.2 million, the Board received supplementary funding in the amount of \$2.9 million for a total of \$32.1 million in appropriations.

The supplementary funding of \$2.9 million was required to cover \$1.4 million for additional operating resources, \$1.0 million for compensation for collective bargaining, and \$0.5 million to cover adjustments to the Employee Benefit Plan (EBP).

The list of Financial Tables that follows presents an overview of the National Energy Board's 2000-2001 financial performance. It should be noted that the Contingent Liabilities Table is not included in this year's report since there were no significant liabilities as of March 31, 2001.

Table 1 - Summary of Voted Appropriations

Table 2 - Comparison of Total Planned to Actual Spending

Table 3 - Historical Comparison of Total Planned Spending to Actual Spending

Table 4 - Revenue

**B. Financial Tables**

**Table 1 - Summary of Voted Appropriations**

<b>Financial Requirements by Authority</b>				
<b>(\$millions)</b>				
		<b>2000-2001</b>		
<b>Vote</b>	<b>National Energy Board</b>	<b>Planned Spending</b>	<b>Total Authorities</b>	<b>Actual</b>
30	Operating Expenditures	25.3	27.7	26.2
(S)	Employee Benefit Plan (EBP)	3.9	4.4	4.4
<b>Total NEB</b>		<b>29.2</b>	<b>32.1<sup>(1)</sup></b>	<b>30.6</b>

1 The difference between planned spending and total authorities is attributable to: \$1.4 million for additional operating resources; \$1.0 million for compensation for collective bargaining; and \$0.5 million for EBP adjustments.

**Table 2 - Comparison of Total Planned to Actual Spending**

<b>Agency Planned versus Actual Spending</b>				
<b>(\$millions)</b>				
		<b>2000-2001</b>		
<b>National Energy Board</b>		<b>Planned</b>	<b>Total Authorities</b>	<b>Actual</b>
FTEs		286.0	286.0	<b>284.6</b>
Operating		29.2	32.1	<b>30.6</b>
Capital		-	-	-
Voted Grants & Contributions				
<b>Total Gross Expenditures</b>		<b>29.2</b>	<b>32.1</b>	<b>30.6</b>
Less:				
Respendable Revenues <sup>(1)</sup>		-	-	-
<b>Total Net Expenditures</b>		<b>29.2</b>	<b>32.1</b>	<b>30.6</b>
Other Revenues & Expenditures				
Non-respendable Revenues <sup>(2)</sup>		(30.5)	(30.5)	<b>(30.7)</b>
Cost of Services Provided by Other Departments		4.7	4.7	<b>4.8</b>
<b>Net Cost of Program</b>		<b>3.4</b>	<b>6.3</b>	<b>4.7</b>

1 These revenues were formerly called "Revenues Credited to the Vote".

2 These revenues were formerly called "Revenues Credited to the General Government Revenues (GGR)".

**Table 3 - Historical Comparison of Total Planned Spending to Actual Spending**

<b>Agency Planned versus Actual Spending by Business Line (\$millions)</b>					
	<b>Actual 1998-99</b>	<b>Actual 1999-00</b>	<b>2000 - 2001</b>		
			<b>Planned Spending</b>	<b>Total Authorities</b>	<b>Actual</b>
National Energy Board	53.1 <sup>(1)</sup>	31.5	29.2	32.1	30.6
<b>Total</b>	<b>53.1</b>	<b>31.5</b>	<b>29.2</b>	<b>32.1</b>	<b>30.6</b>

1 In 1998 the NEB made payments of \$22.2 million attributable to settlements with the energy industry relating to relocation costs of the NEB on the move from Ottawa to Calgary. Of the payments made, \$21.7 million was for out-of-court settlements and \$0.5 million was court awarded.

**Table 4 - Revenue**

<b>Non-respondable Revenues (\$millions)</b>					
	<b>Actual 1998-99</b>	<b>Actual 1999-00</b>	<b>2000 - 2001</b>		
			<b>Planned Revenues</b>	<b>Total Authorities</b>	<b>Actual</b>
National Energy Board	25.8	28.2	30.5	30.5	30.7
<b>Total Non-respondable Revenues<sup>(1)</sup></b>	<b>25.8</b>	<b>28.2</b>	<b>30.5</b>	<b>30.5</b>	<b>30.7</b>

1 These revenues were formerly called "Revenues Credited to the General Government Revenues (GGR)".





## Appendix B: Regulatory Initiatives

Regulatory Instrument	Expected Result and Status
<i>Processing Plant Regulations</i>	<ul style="list-style-type: none"> <li>• Less prescriptive, more goal oriented regulations for NEB regulated facilities.</li> <li>• Under review by the Department of Justice Canada.</li> </ul>
<i>Pipeline Damage Prevention Regulations</i>	<ul style="list-style-type: none"> <li>• Less prescriptive, more goal oriented regulations for NEB regulated facilities.</li> <li>• Initial consultation complete, draft being developed.</li> </ul>
<i>Canada Oil and Gas Diving Regulations</i>	<ul style="list-style-type: none"> <li>• Less prescriptive, more goal-oriented regulations for activities under the <i>Canada Oil and Gas Operations Act</i>.</li> <li>• Mirror Regulations developed under the Accord Implementation Acts.</li> <li>• Under review by the Department of Justice Canada</li> </ul>
<i>Canada Oil and Gas Drilling, Production, and Conservation Regulations</i>	<ul style="list-style-type: none"> <li>• Amalgamation of <i>Canada Oil and Gas Production and Conservation Regulations</i> and <i>Canada Oil and Gas Drilling Regulations</i>.</li> <li>• Under review by the Department of Justice Canada.</li> </ul>
<i>Nova Scotia and Newfoundland Offshore Safety Regulations</i>	<ul style="list-style-type: none"> <li>• New Regulations that are acceptable to the Accord Area provinces regarding occupational health and safety.</li> <li>• Under review by the Department of Justice Canada.</li> </ul>
<i>Canada Oil and Gas Occupational Safety and Health Regulations</i>	<ul style="list-style-type: none"> <li>• Updated regulations to conform with the <i>Canada Occupational Safety and Health Regulations</i> under the <i>Canada Labour Code</i>.</li> <li>• Under review by the Department of Justice Canada.</li> </ul>
<i>Omnibus Changes to Frontier Regulations</i>	<ul style="list-style-type: none"> <li>• Incorporation of recommendations made by The Standing Joint Committee for the Scrutiny of Regulations on numerous regulations under the COGO Act and under the Accord Implementation Acts.</li> <li>• Under review by the Department of Justice Canada</li> </ul>
<i>Certificate of Fitness Regulations</i>	<ul style="list-style-type: none"> <li>• Updating of these regulations to include an additional certifying authority and definitions for onshore and offshore areas.</li> <li>• Under review by the Department of Justice Canada</li> </ul>
<i>Offshore Installation Manager Regulations</i>	<ul style="list-style-type: none"> <li>• New Regulations that are acceptable to the Accord Area provinces regarding qualification of Offshore Installation Manager.</li> <li>• Under review by the Department of Justice Canada</li> </ul>

## Appendix C: Regulatory Reporting

These tables present a summary of NEB Public Hearings and Non-Hearing Applications from 1 April 2000 to 30 March 2001.

Oral Hearings	Results	Outcomes
<ul style="list-style-type: none"> <li>TransCanada PipeLines Limited (RH-1-99)</li> </ul>	Decision issued on 13 April 2000, hearing held in Calgary, Alberta from 18 January to 1 February 2000.	Denied a request for amendments to the Interruptible Transportation and Short Term Firm Transportation Toll Schedules
<ul style="list-style-type: none"> <li>AEC Suffield Gas Pipeline Inc. (GH-2-2000)</li> </ul>	Decision issued on 22 August, hearing held in Calgary, Alberta from 26 to 29 June 2000.	Approved the construction of 97 kilometres (60 miles) of natural gas pipeline at an estimated cost of \$22.3 million.
<ul style="list-style-type: none"> <li>Maritimes &amp; Northeast Pipeline Limited Partnership (RH-1-2000)</li> </ul>	Decision issued on 27 September 2000, hearing held from 26 June to 7 July 2000.	Approved tolls for transportation of natural gas for the period 1 December 1999 to 30 September 2000.
<ul style="list-style-type: none"> <li>Trans-Northern Pipelines Inc. (MH-3-2000)</li> </ul>	Decision issued on 30 November 2000, hearing held in Toronto, Ontario from 24 to 26 October 2000.	Approved a request to suspend service of a 20 kilometre (12 mile) long products pipeline from Cummer Junction to Trans-Northern's Toronto Harbour Meter Station.
<ul style="list-style-type: none"> <li>Ricks Nova Scotia Co. (GH-3-2000)</li> </ul>	Decision issued on 22 December, hearing held on 6 and 7 December 2000.	Approved the construction of 12 kilometres (7.5 miles) of natural gas pipeline from northeast British Columbia to Alberta at an estimated cost of \$3 million.
<ul style="list-style-type: none"> <li>Murphy Canada Exploration Ltd. (GH-1-2001)</li> </ul>	Decision issued on 22 February, hearing held in Calgary, Alberta from 15 to 22 February 2001.	Approved the construction of 17.2 kilometres (10.3 miles) of natural gas pipeline from northeast British Columbia to Alberta at an estimated cost of \$4.7 million.
<ul style="list-style-type: none"> <li>Sumas Energy 2, Inc. (EH-1-2000)</li> </ul>	Preliminary hearing held from 18 to 20 January and 19 February. The Board adjourned the hearing <i>sine die</i> at the request of the applicant and other parties.	Application to construct an international power line from Sumas, Washington to Abbotsford, British Columbia. The hearing adjourned until further notice.
Written Hearings	Results	Outcome
<ul style="list-style-type: none"> <li>Husky Oil Operations Limited (GWH-1-2000)</li> </ul>	Decision issued on 14 April 2000.	An existing gas export licence was extended by one year and the volumes increased accordingly.

The Board completed the following applications and other matters which did not require a public hearing:

<b>Completed Applications without Public Hearings</b>	
Pipeline Matters	632
Frontier Matters	69
Traffic, Tolls and Tariff Matters	32
Natural Gas Matters	114
Electricity Matters	23
Oil Export Matters	126
Natural Gas Liquids Export Matters	107
Other Matters	15

## **Appendix D: Legislation Administered**

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

### **Acts**

<i>National Energy Board Act</i>	RS 1985, c. N-7
<i>Canada Oil and Gas Operations Act</i>	SC 1992, c. 35
<i>Canada Petroleum Resources Act</i>	RS 1985, c. 36 (2nd Supp.)
<i>Canadian Environmental Assessment Act</i>	SC 1992, c. 37
<i>Canada Labour Code</i>	RS 1985, c.L-2
<i>Energy Administration Act</i>	RS 1985, c. E-6
<i>Mackenzie Valley Resource Management Act</i>	SC 1998, c. 25
<i>Northern Pipeline Act</i>	RS 1985, c. N-26

### **Regulations Pursuant to the National Energy Board Act**

<i>National Energy Board Cost Recovery Regulations</i>	SOR/91-7
<i>National Energy Board Export and Import Reporting Regulations</i>	SOR/95-563
<i>Gas Pipeline Uniform Accounting Regulations</i>	SOR/83-190
<i>Oil Pipeline Uniform Accounting Regulations</i>	CRC, Vol. XI, c.1058
<i>Oil Product Designation Regulations</i>	SOR/88-216
<i>Onshore Pipeline Regulations, 1999</i>	SOR/99-294
<i>National Energy Board Part VI (Oil and Gas) Regulations</i>	SOR/96-244
<i>National Energy Board , Electricity Regulations</i>	SOR/97-130
<i>National Energy Board Pipeline Crossing Regulations, Part I</i>	SOR/88-528
<i>National Energy Board Pipeline Crossing Regulations, Part II</i>	SOR/88-529
<i>Power Line Crossing Regulations</i>	SOR/95-500
<i>National Energy Board Substituted Service Regulations</i>	SOR/83-191
<i>Toll Information Regulations</i>	SOR/79-319
<i>National Energy Board Order No. MO-62-69</i>	CRC, Vol. X1, c.1055
<i>National Energy Board Rules of Practice and Procedure, 1995</i>	SOR/95-208
<i>Pipeline Arbitration Committee Procedures</i>	SOR/86-787

## **Regulations Pursuant to the Canada Oil and Gas Operations Act**

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

## **Regulations Pursuant to the Canadian Environmental Assessment Act**

<i>Law List Regulations</i>	SOR/94-636
<i>Inclusion List Regulations</i>	SOR/94-637
<i>Comprehensive Study List Regulations</i>	OR/94-638
<i>Exclusion List Regulations</i>	SOR/94-639
<i>Federal Authorities Regulations</i>	SOR/96-280
<i>Regulations Respecting the Coordination by Federal Authorities of Environmental Assessment Procedures and Requirements</i>	SOR/97-181
<i>Projects Outside Canada Environmental Assessment Regulations</i>	SOR/96-491

## **Regulations Pursuant to the Mackenzie Valley Resource Management Act**

<i>Preliminary Screening Requirement Regulations</i>	SOR/99-12
<i>Exemption List Regulations</i>	SOR/99-13
<i>Mackenzie Valley Land Use Regulations</i>	SOR/98-429

## **Regulations Pursuant to the Canada Labour Code Part II**

<i>Canada Occupational Safety and Health Regulations</i>	SOR/86-304
<i>Oil and Gas Occupational Safety and Health Regulations</i>	SOR/87-612
<i>Safety and Health Committees and Representatives Regulations</i>	SOR/86-305

## **Appendix E: Cooperation with Other Government Regulatory Departments and Agencies**

The Board cooperates with other agencies, to reduce regulatory overlap and provide more efficient regulatory services.

### ***Natural Resources Canada (NRCan)***

In 1996, the Board signed a Memorandum of Understanding (MOU) with NRCan to reduce duplication and increase cooperation between the agencies. This MOU covers items such as data collection, the enhancement of energy models and special studies. The MOU was renewed in January 2000.

### ***Canadian Environmental Assessment Agency (CEAA)***

The NEB has been an active participant in CEAA's five-year program review. In addition, the NEB has worked with CEAA over the past year as part of a federal northern task force and has formed a joint NEB-CEAA panel for the review of a pending regulatory application.

### ***Northern Pipeline Agency (NPA)***

The Board provides technical and administrative assistance to the NPA, which, pursuant to the Northern Pipeline Act, has primary responsibility for overseeing the planning and construction of the Canadian portion of the proposed Alaska Natural Gas Transportation System by Foothills Pipe Lines Ltd. Kenneth W. Vollman, serves as Administrator and Designated Officer of the NPA.

### ***Transportation Safety Board of Canada (TSB)***

While the Board has exclusive responsibility for regulating the safety of oil and gas pipelines under federal jurisdiction, it shares the responsibility for investigating pipeline incidents with the TSB. The roles and responsibilities of each body with regard to pipeline accident investigations are outlined in a MOU between the two Boards.

### ***Yukon Territory Department of Economic Development (DED)***

The NEB continues to work with Yukon officials to facilitate the transfer of oil and gas regulatory responsibilities in accordance with the Yukon Accord Implementation Agreement. The Board provides expert technical advice to the DED.

### ***Mackenzie Valley Environmental Impact Review Board (MVEIRB)***

In late 2000, the NEB and the MVEIRB signed a MOU to establish a cooperative framework for environmental impact assessment in the Mackenzie Valley. NEB staff are actively engaged with other federal departments and regulators in both the Northwest Territories and Yukon in defining future regulatory needs and processes.

### ***Regulatory Boards and Agencies in the Mackenzie Valley - Beaufort Sea Region***

Since November 2000, the NEB has participated in regulatory coordination discussions with 12 other boards and agencies who share jurisdiction in the Mackenzie Valley - Beaufort Sea region. These talks are a key part of the NEB's preparation for a major northern gas pipeline application. The discussions were well-advanced by the end of FY 2000-2001, and the NEB and the other agencies have committed to develop a coordination plan by fall 2001. The other agencies involved include: the Canadian Environmental Assessment Agency, the Department of Indian Affairs and Northern Development, the Mackenzie Valley Environmental Impact Review Board, Mackenzie Valley Land and Water Board, the Sahtu Land and Water Board, the Gwich'in Land and Water Board, the NWT Water Board, the Environmental Impact Screening Committee and the Environmental Impact Review Board for the Inuvialuit Settlement Region, Inuvialuit Land Administration, Inuvialuit Game Council and the Government of the Northwest Territories.

### ***Alberta Energy and Utilities Board (EUB)***

The Board has a MOU with the EUB on Pipeline Incident Response. The agreement provides for mutual assistance and a faster and more effective response by both boards to pipeline incidents in Alberta.

The Board and the EUB maintained their commitment to using a common reserves database for oil and gas reserves in Alberta. Both Boards are committed to developing more efficient methods for maintaining estimates of reserves and to exploring other opportunities for cooperation.

### ***Canada-Newfoundland Offshore Petroleum Board (C-NOPB) and Canada-Nova Scotia Offshore Petroleum Board (CNSOPB)***

The Chairs of the NEB, the C-NOPB, and the CNSOPB together with executives from Newfoundland and Nova Scotia Departments of Energy and NRCAN, form the Oil and Gas Administrators Advisory Council (OGAAC). The OGAAC members discuss and decide on horizontal issues affecting their respective organizations to ensure harmonization and a common approach on oil and gas exploration and production issues across Canada. The NEB, C-NOPB, and CNSOPB staff work together to review, update and amend regulations and guidelines affecting oil and gas activities on Accord Lands.

The NEB's staff also provides technical expertise to NRCan, C-NOPB, and CNSOPB on technical matters of mutual interest, such as reservoir assessment, occupational safety and health, diving, drilling and production activities. Two CNSOPB staff have also served as NEB Inspection Officers.

#### ***Human Resources Development Canada (HRDC)***

The Board has a MOU with HRDC to administer the Canada Labour Code (CLC) for NEB regulated facilities and activities and to coordinate these safety responsibilities under the COGO Act and the NEB Act. Several NEB staff members are also CLC safety officers.

#### ***Ontario Energy Board (OEB)***

The Board is continuing joint development of its ERF initiative with the OEB and key participants from the regulatory community. This joint development will ensure that regulatory participants who deal with both Boards will see a consistent approach in the electronic filing and retrieval of regulatory documents.

#### ***Nova Scotia and Newfoundland***

The Board has a MOU with NRCan by which the Board provides advice and assistance to NRCan and the provinces of Newfoundland and Nova Scotia in drafting federal and provincial versions of regulations which pertain to the off-shore areas under joint resource management accords.

#### ***British Columbia Ministry of Energy and Mines (MEM)***

The Board and MEM maintained their commitment to using a common reserves database for oil and gas reserves in British Columbia. Both organizations are committed to developing more efficient methods for maintaining estimates of reserves and to exploring other opportunities for cooperation.

#### ***Canadian Association of Members of Public Utility Tribunals (CAMPUT)***

Board members and staff play a leading role in organizing and speaking at CAMPUT conferences, including the May 2000 International Forum on Energy Regulation. Members and staff also sat on the executive committee of the Association, promoting the education and training of members and staff of public utility tribunals.

#### ***National Association of Regulatory Utility Commissioners (NARUC)***

Board members regularly participate in meetings of the U.S. NARUC, particularly with respect to developments in U.S. gas markets that may affect cross-border trade in natural gas.



## **Appendix F: Agency Organization**

### **Structure and Personnel**

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

### **Business Unit Descriptions**

#### ***Applications***

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

#### ***Commodities***

The Commodities Business Unit is responsible for assisting the Board in fulfilling its mandate through energy industry and marketplace surveillance, including the outlook for the demand and supply of energy commodities in Canada, the updating of guidelines, and regulations relating to energy exports as prescribed by Part VI of the NEB Act. It is also responsible for the disposition of applications for exports of gas, oil and natural gas liquids, imports of natural gas and the disposition of applications concerning electricity exports and international power lines. The Business Leader of Commodities is accountable for this Unit.

#### ***Operations***

The Operations Business Unit is accountable for safety and environmental matters pertaining to facilities under the NEB Act, the COGO Act and the CPR Act. It conducts safety and environmental inspections and audits, investigates accidents, monitors emergency response procedures, regulates the development of hydrocarbon resources in non-accord frontier lands, and develops regulations and guidelines with respect to the above. The Business Leader of Operations is accountable for this Unit.

#### ***Corporate Services***

The Corporate Services Business Unit is responsible for providing those services necessary to assist the Board in its management of human, materiel and financial resources. The Business Leader of Corporate Services is accountable for this Unit.

### ***Information Management***

The Information Management Business Unit is responsible for developing and implementing an information management strategy for the Board and disseminates the information required by external stakeholders. The Business Leader of Information Management is accountable for this Unit.

### ***Legal Services***

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

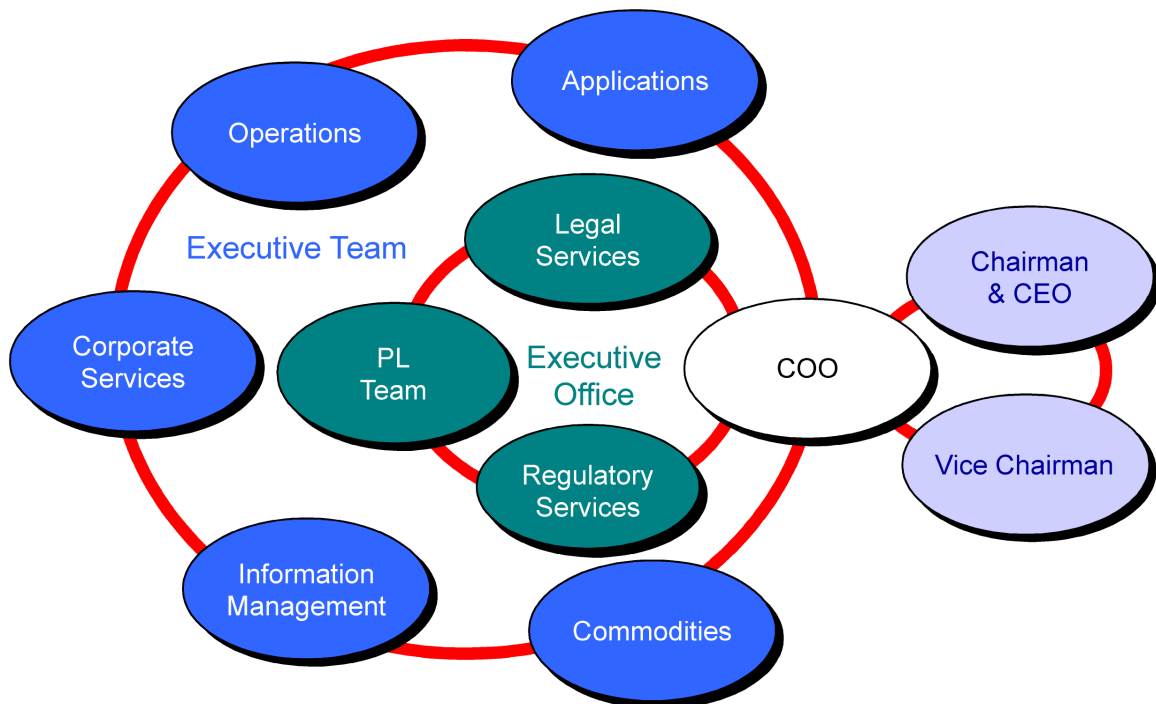
### ***Professional Leadership***

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

### ***Secretary of the Board***

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

## **NEB Organizational Structure**



## **Appendix G: Other Reports**

*Annual Report 2000*, National Energy Board at [www.neb-one.gc.ca](http://www.neb-one.gc.ca) for additional information on program result and initiatives.

## **Appendix H:       Contacts for Further Information**

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Judith Snider	Vice-Chairman
Gaétan Caron	Chief Operating Officer
Brenda Kenny	Business Leader, Applications
Terrance Rochefort	Business Leader, Commodities
John McCarthy	Business Leader, Operations
Valerie Katarey	Business Leader, Corporate Services
Byron Goodall	Business Leader, Information Management
Judith Hanebury	General Counsel
Michel Mantha	Secretary of the Board
Peter Schnell	Team Leader, Planning and Reporting