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File OF-Tolls-TollsGen19
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To: All Pipeline Companies regulated under the *Canadian Energy Regulator Act* (CER Act)

Review of Financial/Commercial Reporting Requirements

Background

The Canada Energy Regulator (CER) regulates traffic, tolls and tariffs of pipeline companies under the CER Act and associated regulations. For financial regulation, pipeline companies are divided into two groups: Group 1 and Group 2 companies. Group 1 companies¹ have generally been identified as pipeline companies with extensive CER-regulated systems. All other CER-regulated companies are treated as Group 2 companies.

All pipeline companies are required to report certain financial and/or commercial information. Many of the key reporting requirements for Group 1 companies are outlined in Guide BB of the National Energy Board (NEB) Filing Manual. In general, Group 1 companies are to submit quarterly surveillance reports, throughput data and information on integrity expenditures.

Group 2 companies are generally not required to report periodic financial information, such as through quarterly surveillance reports. However, Group 2 companies must submit audited financial statements on an annual basis.

In addition, all companies, both Group 1 and Group 2, are required to report annually with regard to abandonment funding and financial resource requirements. Appendix I to this letter further summarizes current requirements.

Review of Reporting Requirements

The CER is undertaking a comprehensive review of financial/commercial reporting requirements for CER-regulated pipelines. This follows an earlier NEB process that led to a July 2017 [letter to all pipeline companies](#), wherein the NEB noted issues that would or could be subject to future consideration (see sections 2, 3 and 4 of the letter). There, the NEB also reiterated that the availability of reliable, transparent information contributes to an efficient,

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¹ The CER-regulated Group 1 pipeline companies are Alliance Pipeline Ltd., Enbridge Pipelines (NW) Inc., Enbridge Pipelines Inc., Foothills Pipe Lines Ltd., Kinder Morgan Cochin ULC, Maritimes & Northeast Pipeline Management Ltd., NOVA Gas Transmission Ltd., Trans Mountain Pipeline ULC, Trans Québec and Maritimes Pipeline Inc., Trans-Northern Pipelines Inc., TransCanada Keystone Pipeline GP Ltd., TransCanada PipeLines Limited, and Westcoast Energy Inc.

well-functioning market. The NEB's March 2019 [advice to the Minister of Natural Resources](#) similarly highlighted that there could be benefits from better public data.²

This review also follows instances of shippers and other interested parties indicating, in regulatory filings and the NEB shipper survey processes, that they want better information regarding CER-regulated pipelines so that, for example, parties can be better informed for toll negotiations, parties can better understand the operations of large CER-regulated systems, and pipeline companies will be more accountable in managing capital project spending and capacity reductions on their systems. Among other high level ideas, parties have suggested the need for: financial information that is more detailed (and pipeline-specific, rather than consolidated corporate information) and more consistent across time and companies; more reporting related to capital spending variances; more data related to system or area-specific throughput, shipper contracts and capacity; and more information regarding system reliability and outage information.

The CER is now seeking detailed input from shippers and other interested parties on what information they want from different pipelines, and why. Following these comments, pipeline companies are invited to respond. Details, including deadlines, are provided below.

Of note, recognizing the diversity amongst CER-regulated pipeline systems and that the value of information should be balanced with the regulatory burden of requiring pipelines to provide data, the CER expects that some variability in the reporting requirements among pipelines will continue to be warranted. However, the CER is interested in limiting the number of unique requirements and having clear criteria that determine which requirements apply to a given pipeline.

Structure of Comments

The CER requests that parties structure their comments as follows.

1. Differentiating between Pipelines

As noted above, the CER expects that different financial/commercial reporting requirements will apply to different pipelines (e.g. larger pipelines will have to report more information). The CER is interested in establishing metric(s) that will dictate what a given pipeline must report, whereby a pipeline's reporting requirements may change over time (e.g., if it falls below a given threshold for a minimum number of consecutive years).

Of note, reporting requirements for throughput, abandonment funding and financial resources will likely use unique metrics as compared to other financial/commercial information requirements. Throughput reporting requirements are separately explored under item 3, below. Reporting requirements for abandonment funding and financial resources have recently been the subject of thorough reviews, and therefore, are not the focus of the current process.

² Of note, evolving expectations for energy information reinforce the need to review the CER's reporting requirements. The Government of Canada's commitment to Open Government shows how governments are working, how they seek to understand citizens' needs, and how they serve those needs. Governments are recognizing that they need to provide the tools that make government information and data accessible, useful and reusable for everyone. The CER supports the Government of Canada's efforts to be transparent and provide useful data and information.

The CER invites input on the following with regard to how to differentiate between pipelines:

- a) Discuss and provide rationale for the best metric(s) to differentiate between pipelines (e.g., cost of service, revenues, volumes, commodity).
- b) Discuss and provide rationale for the appropriate thresholds for such metric(s) (e.g., reporting requirements could differ for gas pipelines with annual revenues below \$1 million versus, for example, gas pipelines with revenues above \$1 million, and oil pipelines with annual revenues below \$1 million, etc.).

2. Information to be Reported

Describe what financial/commercial information should be reported by different pipelines (with differences based on metrics, per item 1, above), and provide a rationale for the need for this information. Please be specific in describing the suggested information to be reported, with additional detail provided for information that has not been previously required. If referring to reporting requirements in other jurisdictions, discuss the relevance and applicability to the CER's jurisdiction. (Again, the focus in this section is on financial/commercial information **other than** information related to throughput, abandonment funding, and financial resource requirements.)

Also, discuss the usefulness of having pipelines report historical information in accordance with any changed requirements. Include a discussion of how many past years' information, if any, should be required.

Of note, the CER is interested in the possibility of certain small pipelines (the identification of which would be informed by item 1, above) with no shippers being required to report information related only to abandonment funding and financial resources. The CER is also interested in exploring whether this treatment could be extended to small pipelines with shippers.

3. Throughput Data

3.1 Pipelines not currently reporting

Currently all Group 1 pipelines and some Group 2 pipelines report throughput data at key points on their pipelines. However, some Group 2 pipelines that do not report throughput data significantly impact markets and carry substantial volumes. In some portions of Canada, there are similar points on similar pipelines where data must be reported for one pipeline and not the other.

Discuss whether throughput data should be reported by all transmission pipelines, and, if so, whether reports should be quarterly or annual only for Group 2 transmission pipelines.³ Explain why. If throughput data is required to be reported, explain whether there are concerns about confidential data in these reports. Discuss the nature of the harms that could

³ The Canadian Energy Pipeline Association [divides pipelines into four types](#):

- **Gathering pipelines** deliver oil or gas products from the wells in the ground to oil batteries or natural gas processing facilities.
- **Feeder pipelines** move products from the batteries, processing facilities and storage tanks to the long-distance haulers of the system: transmission pipelines.
- **Transmission pipelines** transport 97% of Canada's daily natural gas and onshore crude oil production from producing regions to markets throughout Canada and the U.S.
- **Distribution pipelines** are used by local distribution companies to directly deliver natural gas to homes and businesses

arise from reporting the data, and explain how these concerns could be resolved (for example, through aggregation of the data).

3.2 Existing reporting

The number of key reporting points varies between pipeline systems (e.g. with a “bullet line” reporting data at only one point and more complex systems reporting at multiple points). International border crossings are considered a key point, and the following can also be deemed key points for reporting data:

- Interconnections with feeder pipelines, distribution pipelines and refining hubs,
- Interconnections with storage facilities, whether owned by the pipeline company or others, and
- The system as a whole, such that total system receipts and deliveries are reported.

Identify any other key points that should be reported on and explain why. Describe any other changes that should be made to currently reported data, and provide rationale.

Timing and Submission of Comments

Anyone wishing to provide input must file comments as per the following timeline:

- Shippers on all CER-regulated pipelines and other interested parties must file their comments with the CER by noon (Calgary time) **on 6 March 2020**.
- Group 1 and Group 2 pipeline companies must file their comments on the topics outlined above, and reply to the input from shippers and interested parties, by noon (Calgary time) on **27 March 2020**.

Comments should be filed electronically through the CER’s electronic document repository at www.cer-rec.gc.ca. Click on “Applications & Filings” and “Submit Applications and Regulatory Documents” to submit your document. Please reference File OF-Tolls-TollsGen19.

Future Steps

After reviewing the input received, the CER will issue a letter setting out the next steps in this review. Such a letter may include draft reporting requirements for comments.

In addition, the CER is planning to create a system that will allow machine readable data to be submitted to the CER rather than Portable Document Format (PDF) files. Providing data in this format will be useful for shippers and interested persons, as well as the CER and the Canadian public. More information on the creation of this system will be shared in due course.

In order to ensure all parties are given the opportunity to participate in this process, Group 1 and Group 2 pipeline companies are asked to serve a copy of this letter on their shippers and other interested persons.

The CER thanks all persons in advance for their input.

Yours sincerely,

Original signed by

Paula Futoransky
Vice President, Energy Adjudication

Attachment

Appendix I – Summary of Current Financial/Commercial Reporting Requirements

[Guide BB](#) of the [Filing Manual](#) provides guidance about a number of specific financial/commercial reporting requirements for various companies. Section BB.1 outlines the financial surveillance reporting requirements for Group 1 companies.⁴ Financial surveillance reports must be submitted quarterly, or annually in the case of some companies under toll settlement. Section BB.2 outlines the requirements for those companies who are required to report throughput data on their systems at the end of each quarter. Section BB.4 outlines the reporting requirements related to expenditures made under each Group 1 company's integrity management program.

As explained in section BB.3 of Guide BB, Group 2 companies have been exempted from the *Toll Information Regulations* and have not normally been required to report periodic financial information. However, the *Gas Pipeline Uniform Accounting Regulations* and *Oil Pipeline Uniform Accounting Regulations* (collectively the G/OPUAR) require Group 2 companies to submit audited financial statements within 120 days after the end of each fiscal year.⁵ [Section P.6](#) of [Guide P](#) of the Filing Manual indicates that such statements should provide details of revenue and costs associated with the regulated pipeline.⁶ The CER may also perform an audit of a Group 2 company's records.

It is the responsibility of a Group 2 company to provide its shippers and interested parties with sufficient information to enable them to determine whether a complaint is warranted. Absent a complaint, the Commission does not normally undertake a detailed examination of a Group 2 company's tolls.

Additionally, all companies (Group 1 and Group 2), are required to report annually with regard to abandonment funding and financial resources for unintended/uncontrolled releases. The reporting requirements for abandonment funding are set out in section 6.3 of the NEB's [MH-001-2013 Reasons for Decision](#), and for reporting on financial resources in section 8.1 of the [Pipeline Financial Requirements Guidelines](#).

Regarding accounting requirements, the G/OPUAR also mandate that all companies maintain separate books of account in Canada in a manner consistent with generally accepted accounting principles, and that Group 1 companies keep a system of accounts as prescribed in the G/OPUAR.

⁴ Guide BB elaborates on what is found in [Toll Information Regulations](#), which require companies that charge tolls to provide information to the CER about tolls, capital, traffic, revenues, expenses, and rates of return.

⁵ Some Group 2 companies have been granted relief from the requirement to submit financial statements. These instances have primarily concerned small shipper-owned pipelines with no direct dealings with third parties.

⁶ Additionally, where a Group 2 company operates a joint venture pipeline, it is required to disclose in its audited financial statements its beneficial share of revenue and costs associated with the regulated pipeline and to submit a gross operating statement for the joint venture pipeline indicating whether, and if so by whom, this statement has been audited.