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DELIVERED VIA ELECTRONIC MAIL

March 31, 2015

British Columbia Securities Commission
701 West Georgia Street
Vancouver, BC
V7Y 1L2

Attention: Mr. Michael Brady, Senior Legal Counsel

Dear Mr. Brady:

**Re: FortisBC Energy Inc. (FEI) and FortisBC Inc. (FBC), (together, FortisBC)
Comments re CSA Staff Consultation Paper 92-401: Derivatives Trading
Facilities**

1. Introduction

FortisBC Energy Inc. and its affiliate FortisBC Inc. (collectively FortisBC) hereby respectfully submit comments on the Canadian Securities Administrators (CSA) Staff Consultation Paper 92-401 Derivatives Trading Facilities published on January 29, 2015. The Consultation Paper discusses the development of a regulatory framework for OTC derivatives trading platforms, to be referred to in Canada as “derivatives trading facilities” or “DTFs”. The Consultation Paper also discusses the proposed approach for requiring market participants to use DTFs to enter into certain classes of OTC Derivatives. This initiative is in furtherance of Canada’s G20 commitment to require standardized OTC Derivatives to be traded over exchanges or electronic platforms where appropriate. The Consultation Paper notes that the primary objective of imposing DTF trading obligations in respect of particular classes of OTC Derivatives (Mandatory DTF Trading Requirement) is to enhance the transparency and efficiency of OTC Derivatives markets for the benefit of all market participants. FortisBC appreciates the opportunity to submit these comments on Derivatives Trading Facilities and looks forward to further working with the Committee as it moves forward to implementing Canada’s G-20 commitments that relate to the regulation of the trading of derivatives in Canada through the British Columbia Securities Commission.

2. FortisBC Use of Derivatives

In order to mitigate the risk of market price movements on its natural gas rates for customers, FEI has actively engaged in OTC natural gas commodity hedging in the past. FEI has undertaken hedging to mitigate market price volatility to support customer rate stability and not for speculative purposes.

FortisBC has also engaged in physical commodity (gas and electricity) trading for the purposes of managing costs for customers. FortisBC believes that these types of transactions should not be classified as derivatives per the Model Rules definitions and therefore not subject to the pending derivatives legislation.

FortisBC's financial hedging and physical commodity purchases and trading strategies and plans have been subject to acceptance by the British Columbia Utilities Commission on a regular basis before their implementation.

3. Comments Regarding CSA Derivative Trading Facilities Section 7(k) Confidential treatment of trading information

The Consultation Paper proposes to define derivatives trading facility (DTFs) to mean a person or company that constitutes, maintains, or provides a facility or market that brings together buyers and sellers of OTC derivatives, brings together the orders of multiple buyers and multiple sellers, and uses methods under which the orders interact with each other and the buyers and sellers agree to the terms of trades. Under Section 7(k) the proposed rules states that a DTF would be required to implement reasonable safeguards and procedures to protect a participant's order or trade information. Among other things, a DTF would be prohibited from releasing a participant's order or trade information to a person or company other than the participant, a securities regulatory authority or a regulation services provider unless the DTF participant has provided prior written consent to the release of the information; the release of information is required by applicable law; or the information has already been publicly and lawfully disclosed to another person or company. However, subject to certain conditions, we anticipate that a DTF would be permitted to release trading data for use in research.

FortisBC would like to express its concerns regarding pre-trade and post-trade data transparency and making transaction data available to the public. FEI purchases natural gas at a number of market hubs in B.C. and uses financial hedges to manage price risk at these hubs. While some market hubs are very liquid, such as the AECO/NIT market hub proxy for Alberta gas, others are not so liquid. For example, the Sumas market hub is relatively illiquid, with a small number of buyers and sellers. As part of its previous price risk management strategy, in the past FEI typically hedged its Sumas price exposure for each winter period. FEI is concerned that, given the small amount of trading at this hub, making the derivatives data available to the public for this hub, or any other relative illiquid hubs, could compromise FEI's hedging position or strategy if it needed to hedge the hub price in the future. FEI would prefer that this data is made public in such a manner that protects FEI's positions and strategies to manage price risk and costs for its customers. FortisBC is also concerned with the public

availability of any pricing data associated with its forward electricity contracts as these are usually negotiated in confidence with the counterparty. If this pricing is made available to competing counterparties, it could compromise FortisBC's ability to competitively enter into pricing power supply that assists in managing costs for its customers.

4. Comments Regarding Exemption

FortisBC requests that the Committee ensures the proposed rules are clear, concise and consistent with other previously published model rules. The Consultation Paper does not mention End-User Exemption. For example, it should be noted that Consultation Paper 91-406 Derivatives Central Counterparty Clearing proposed an exemption will be made available if a party to a Mandatorily Clearable Derivatives transaction is: 1) one of the counterparties is not a financial entity and 2) that counterparty is entering into the transaction to hedge or mitigate commercial risk related to the operation of its business. We believe that exemptions applicable in the context of mandatory clearing should be included in the DTF rules.

5. Clarity Regarding Roles and Responsibilities

FortisBC hopes that the Committee will provide more clarity and a schedule outlining the key roles and responsibilities for various market participants. This will assist in navigating through the various compliance rules and regulations and effectively meeting key deadlines.

6. Conclusion

FortisBC appreciates the Committee's consideration of comments in developing the derivatives regulation. FortisBC has submitted its concerns and comments in the interests of managing its gas and power supply and costs for its customers. FortisBC welcomes further discussion of these comments and concerns if it is required and would like to have the opportunity to review and comment on future papers and provincial rules.

Please direct any further questions to Nina Virdee at (604) 592-7859.

Yours very truly,



VP, Energy Supply and Resource Development

FortisBC Energy Inc.