

Review of **PETROLEUM PRODUCTS PRICING**

Newfoundland and Labrador

Island Consultation Document

June 6, 2024

Executive Summary

In accordance with the direction from the Minister of Service NL, the Board is releasing this Island Consultation Document as part of the ongoing Petroleum Products Pricing Review. The document summarizes the information gathered to date related to identified petroleum products pricing matters for the Island portion of the province.

This document discusses, among other items, potential changes to benchmarking, mark-ups and zone differentials included in the calculation of maximum prices. Where applicable, Atlantic Canadian comparisons, consultant commentary, summaries of the information received to date and Board commentary are included.

Based on the information filed to date, the following potential changes or recommendations are being considered by the Board:

Benchmark Pricing

- changing the market reporting agency to Argus from Platts.
- recommending to change the benchmarking for higher grades of gasoline.
- changing the seasonal blending for furnace oil.
- changing the benchmark price averaging calculation.

Mark-Ups and Zone Differentials

- decreasing the current (interim) wholesale mark-ups for gasoline, diesel and furnace oil.
- increasing the current zone differentials for gasoline, diesel, furnace oil and propane.
- increasing the current retail mark-ups for gasoline, diesel and furnace oil.
- changing the current (interim) total allowed mark-ups for propane varying by pricing zone.

Zone Boundaries

- changing Zone 3a - St. Brendan's (Island) to include Zone 3b - Fogo Island and Zone 3c - Change Islands.
- changing Zone 5a - Long Island to include Zone 5b - Little Bay Islands.

- changing Zone 7a - Ramea to include Zone 7b - Grey River/François/Grand Bruit/La Poile.
- merging heating fuel Zone 7W - Stephenville/Port au Port/Codroy Valley/Channel-Port aux Basques and Zone 7SE - Burgeo, and renaming as Zone 7.

The Price Setting Process and Other Matters

- changing the effective day for weekly price adjustments to Friday.
- recommending Government grant the Board greater discretion in determining price adjustments.
- the frequency and process of future reviews.
- eliminating stove oil maximum prices on the Island.

The Board invites and encourages further information and commentary from industry and consumers with respect to all of these matters. The Board will consider all information and comments received before making determinations and issuing any Board Orders and a report to Government.

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1.0 - Introduction

1.1 - Petroleum Products Pricing

Maximum prices for regulated petroleum products in the province are set by the Newfoundland and Labrador Board of Commissioners of Public Utilities (the “Board”) using the components and processes established in the legislation.¹ These components include benchmark prices, carbon price adjustments, mark-ups, zone differentials and applicable taxes, as set out in **Appendix A**. Similar regulatory regimes exist in New Brunswick, Nova Scotia and Prince Edward Island.

1.2 - The Petroleum Products Pricing Review

The Petroleum Products Pricing Review (the “Review”) is being conducted by the Board in accordance with direction of the Minister of Digital Government and Service NL, the Honourable Sarah Stoodley. The Board was directed to review:

- the suitability of the pricing mechanism for benchmark prices; and
- the maximum mark-up between the wholesale price to the retailer and the retail price to the consumer for all regulated fuels (both of which comprise the total allowed mark-up).

The Review was organized into three phases. The issues to be addressed in the Review were identified in Phase I. Information with respect to benchmarking and wholesale mark-ups was gathered from wholesalers in Phase II and information related to retail mark-ups and other issues was gathered from retailers in Phase III.

¹ **Petroleum Products Act** (the “**Act**”) and the **Petroleum Products Regulations** (the “**Regulations**”).

The available information and reports filed to date in this Review, including the Board’s **Phase I Consultation Document** and the Board’s consultants reports prepared by Kalibrate Canada Inc. (“Kalibrate”) and R Cube Economic Consulting Inc. (“R Cube”), can be found [here](#).²

1.3 - Consultation Document

This consultation document summarizes the information gathered to date so that stakeholders can review and provide informed commentary to the Board. This document relates to the Island portion of the province only. A separate consultation document addressing Labrador petroleum products pricing matters will be subsequently issued.

2.0 - Pricing the Cost of Fuel Supply

2.1 - Which Market Reporting Agency Should Be Used - Platts or Argus?

The Board uses data published by oil market reporting agencies for the purpose of establishing benchmark prices within its maximum prices. The Board is considering changing the data reporting agency that it currently uses to establish the benchmark price reflected in maximum prices to Argus Media (“Argus”) from Platts US MarketScan (“Platts”).³

2.1.1 - Atlantic Canada

Regulators in New Brunswick and Nova Scotia currently use Argus-reported prices from New York Harbor for benchmark price calculations.⁴ Prince Edward Island does not use a market

² Paper copies of the documentation can be made available upon request by contacting the Board by email at board@pub.nl.ca or by telephone 1-866-782-0006.

³ Prior to June 2023, the **Regulations** required that the Board use specified Platts-reported data, or the Oil Price Information Service (“OPIS”) in the case of propane heating fuel, to establish benchmark prices. In June 2023 the **Regulations** were amended to allow the Board to use reports published by Argus for the purpose of establishing benchmark prices.

⁴ Effective March 15, 2024 New Brunswick transitioned to prices reported by Argus for the benchmarking of all regulated petroleum products, with the exception of propane heating fuel (which is currently based on an average weekly price published by OPIS). See **Matter 567** for details.

data reporting agency in benchmark price calculations and instead uses local Charlottetown rack pricing, which is the price to wholesalers that the supplier sets to allow for cost recovery.⁵

2.1.2 - Consultant Commentary

Kalibrate found that, in general, the Board's current benchmark pricing followed the movements in the markets⁶ and that use of New York Harbor pricing establishes a strong link between the base pricing in the province and the free market.⁷

R Cube noted that limited information was available as to the appropriate reporting agency, but advised that the majority of wholesalers in Nova Scotia use Argus prices for wholesale transactions, and that many of those same wholesalers operate in Newfoundland and Labrador.⁸ R Cube further noted that Argus publishes market data for New York Harbor premium gasoline and Platts does not.⁹

2.1.3 - Information and Commentary Received to Date

Industry encouraged the Board to examine available benchmarks to identify which is most representative of the products brought to market. Additional commentary from industry participants suggested that major suppliers may have recently migrated to Argus as their primary source used for trading petroleum products.

2.1.4 - Board Commentary

Based on the information gathered to date it appears that the Board should consider shifting from Platts to Argus in calculating benchmark prices. This change may better reflect industry pricing and practice and would provide consistency in the market data used to set maximum prices with the approach used in New Brunswick and Nova Scotia.

⁵ Actual wholesaler purchase prices are often at a discount or a surcharge to the rack prices.

⁶ Kalibrate Phase I Report, Pages 23 to 31.

⁷ Kalibrate Phase I Report, Page 21.

⁸ R Cube Phase II Report, pages 34 and 51.

⁹ Platts discontinued reporting New York Harbor pricing data for higher grades of gasoline in 2021. Potential issues with respect to the benchmarking of higher grades of gasoline are discussed later in this document.

If Argus is adopted, the following product options are available to the Board in determining benchmark prices to be consistent with that used in Atlantic Canada:

| Table 1: Argus Benchmark Options | | |
|--|---------------------|---------------------|
| Listing | Jurisdiction | Product Code |
| Regular Gasoline | | |
| Gasoline 87 conv NYH cargo inc duty continuous | NB | PA0000905 |
| Gasoline reg CBOB NYH barge fob prompt continuous ¹⁰ | NB & NS | PA0005168 |
| Ethanol New York barge fob NYH month ¹¹ | NB | PA0006829 |
| Ethanol Chicago Argo in-tank transfer prompt ¹² | NS | PA0003256 |
| Premium Gasoline | | |
| Gasoline 93 conv NYH cargo inc duty continuous ¹³ | NB | PA0000946 |
| Gasoline prem CBOB NYH barge fob prompt continuous ¹⁴ | NS | PA0005170 |
| Diesel and Furnace Oil | | |
| Diesel ULSD NYH barge fob prompt | NB & NS | PA0004080 |
| Kerosine ULSK NYH barge fob | NB | PA0004977 |

2.2 - How Should Prices be Determined for Different Grades of Gasoline?

The Board is considering whether there should be changes to how benchmark prices are determined for regular, mid-grade and premium gasoline. Regular gasoline benchmarks are currently based on Platts 100% New York Harbor Unleaded 87 (Cargo) market data. The legislation sets out that mid-grade benchmarks must be calculated by adding 3 cents per litre and premium must be calculated by adding 6 cents per litre.¹⁵

¹⁰ If the Board determines that gasoline benchmark prices should be based in part on CBOB market data. This product code is also used in Nova Scotia's premium gasoline benchmark calculation.

¹¹ If the Board determines that gasoline benchmark prices should be based in part on ethanol market data.

¹² If the Board determines that gasoline benchmark prices should be based in part on ethanol market data. This product code is also used in Nova Scotia's premium gasoline benchmark calculation.

¹³ If amendments are made to legislation for the manner in which premium gasoline benchmark prices are calculated.

¹⁴ If amendments are made to legislation for the manner in which premium gasoline benchmark prices are calculated.

¹⁵ Section 14(2.1) of the **Regulations**.

2.2.1 - Atlantic Canada

For regular gasoline, the New Brunswick regulator calculates its benchmark prices based on the higher of Unleaded 87 and a CBOB/ethanol blend (“E10”).¹⁶ In Nova Scotia, regular gasoline benchmark prices are calculated using a blend of Argus-reported CBOB and ethanol market prices.¹⁷

For higher grades of gasoline, the regulators in New Brunswick and Nova Scotia use Argus-reported premium gasoline market data to establish benchmark prices.¹⁸ The mid-grade gasoline benchmark is the mid-point between regular and premium. The spread between regular and premium is maintained at a minimum of 6 cents per litre or greater in both provinces. In Prince Edward Island, local Charlottetown rack prices are used to establish premium gasoline benchmarks, with mid-grade being the mid-point between regular and premium.

2.2.2 - Consultant Commentary

R Cube did not comment on the regular gasoline benchmark but recommended changes with respect to the calculation of benchmark prices for higher grades of gasoline. R Cube found that the legislated spread of 6 cents per litre between premium and regular gasoline benchmark prices does not reflect or accommodate market shifts and may pose a risk to the supply of premium gasoline. R Cube recommended that the benchmark prices for premium and regular gasoline be based on a five-day average of market data for the respective products.¹⁹

¹⁶ 90% CBOB, New York Harbor / 10% ethanol, New York Harbor.

¹⁷ 90% CBOB, New York Harbor / 10% ethanol, Chicago.

¹⁸ New Brunswick recently reviewed the benchmark price spread between regular gasoline and the higher grades. See **Matter 565** for more details. Effective March 15, 2024 New Brunswick transitioned to a reference price for premium-grade gasoline published by Argus. Prior to March 15, 2024 New Brunswick used a 3 cents per litre and 6 cents per litre spread between the regular gasoline benchmark price, and the benchmarks for mid-grade and premium-grade, respectively. Nova Scotia currently calculates premium gasoline benchmark prices based on the following formula: 10% Ethanol Chicago + 90% (1/3 Reg CBOB NYH + 2/3 Prem CBOB NYH).

¹⁹ R Cube Phase III Report, Pages 38 to 42. R Cube also noted that the spread between premium and regular gasoline should at no time be less than 6 cents per litre and that the benchmark price spread between mid-grade and regular gasoline be half of the benchmark price spread between premium and regular.

2.2.3 - Information and Commentary Received to Date

Commentary from one wholesaler suggested that the Board's regular gasoline benchmark price should be calculated in the same manner as in New Brunswick, namely that the benchmark price should be the higher of conventional Unleaded 87 and E10. Other information provided by industry suggested that gasoline motor fuel sold in the province varies by supplier, with some product being conventional Unleaded 87 and some being a blend of CBOB and ethanol.

For higher grades of gasoline, industry participants suggested that in recent years the market price spread between premium and regular gasoline has well-exceeded the legislated 6 cents per litre. Industry supported transition from the legislated spread to a market-based calculation, subject to a lower limit spread to ensure reasonable profitability for market participants.

2.2.4 - Board Commentary

Based on the information provided to date it appears that support for a change from using 100% conventional Unleaded 87 in the calculation of regular gasoline benchmark prices to an E10, or the higher of conventional Unleaded 87 and E10, is limited. Insufficient information has been provided to assess whether transition to use of E10 is reasonable based on the product currently supplied to market. Absent further evidence which supports a change to this calculation, the Board is unlikely to transition to use of CBOB and ethanol market prices for gasoline benchmark prices at this time and will remain at a 100% conventional Unleaded 87 calculation.

For mid-grade and premium gasoline, the current 3 cents per litre and 6 cents per litre adders do not appear to reflect the costs of the higher grades of gasoline and this fixed pricing differential may present a risk to the supply of the higher grades of gasoline in the province.

New Brunswick and Nova Scotia each use a different Argus product price assessment in the calculation of premium gasoline benchmark prices, with mid-grade being the mid-point

between regular and premium. While a change to mid-grade and premium gasoline benchmarking may appear to be justified based on the information filed to date, legislative changes would be required before a change to the calculation of these benchmarks can be implemented by the Board.

2.3 - Should Pricing for Seasonal Blending for Diesel and Furnace Oil be Changed?

The Board implements seasonal blending in the calculation of benchmark prices for diesel motor fuel and furnace oil heating fuel to reflect changes to the composition of the product supplied to industry and consumers during the winter months.²⁰ The Board is considering whether it should change the manner in which seasonal blending is reflected in benchmark price calculations for diesel motor fuel and furnace oil heating fuel. In particular, the Board is assessing whether changes are necessary to the fuel products used, the seasonal blending percentages assigned and the timing of the blend schedule. A summary of the Board’s current seasonal blending methodology for the Island is outlined below.

| Table 2: Current Seasonal Blending Methodology | | | | | |
|--|---|-------------------|----------|--------------------------|---------|
| Season | Blending Period | Diesel Motor Fuel | | Furnace Oil Heating Fuel | |
| | | NYH ULSD | NYH ULSK | NYH ULSD | NYH JET |
| Summer | April End to September End | 100% | - | 100% | - |
| Fall Blend Transition | October (1 st Weekly Adjustment) | 75% | 25% | 75% | 25% |
| | October (2 nd Weekly Adjustment) | 50% | 50% | 50% | 50% |
| | October (3 rd Weekly Adjustment) | 25% | 75% | 25% | 75% |
| Winter | October End to March End | 25% | 75% | 25% | 75% |
| Spring Blend Transition | April (1 st Weekly Adjustment) | 50% | 50% | 50% | 50% |
| | April (2 nd Weekly Adjustment) | 75% | 25% | 75% | 25% |
| | April (3 rd Weekly Adjustment) | 100% | - | 100% | - |

²⁰ Products such as Ultra Low Sulphur Kerosene or Jet fuel often form part of the blend of diesel motor fuel and furnace oil heating fuel during the winter months in order to maintain fuel efficiency and pourability in colder temperatures.

2.3.1 - Atlantic Canada

For diesel motor fuel, the regulator in New Brunswick uses a seasonal blending methodology with the percentages applied to each product varying by month.²¹ The Nova Scotia regulator does not perform seasonal blending of diesel motor fuel benchmark prices, but rather includes a cents per litre adder in its maximum price calculation to account for the costs of winter blending, typically commencing in September through to the end of April.

For furnace oil heating fuel, the New Brunswick regulator uses a seasonal blending methodology which reflects ULSD and ULSK in the winter months, similar to that for diesel.²² Nova Scotia does not regulate heating fuel prices.

The Prince Edward Island regulator uses Charlottetown diesel and furnace oil rack prices for benchmarking and no specific blending methodology is applied.

2.3.2 - Consultant Commentary

R Cube noted that one wholesaler raised concern regarding the Board's use of Jet fuel instead of ULSK in furnace oil heating fuel benchmark price calculations. According to R Cube, in the wholesaler's view it negatively impacted their margins as they use ULSK instead of Jet in furnace oil to meet cloud point requirements. However, since a majority of the wholesalers that participated were comfortable with the Board's current seasonal blending methodology, R Cube recommended no changes.²³

2.3.3 - Information and Commentary Received to Date

Industry information suggested that a furnace oil blend of ULSD and Jet may not appropriately reflect the components of the product supplied to the province in the winter months, and that

²¹ Diesel motor fuel benchmark prices during winter are calculated using a blend of Argus-reported ULSD and ULSK. New Brunswick recently revised its seasonal blending methodology - see Matters **567** and **571** for details. New Brunswick's current seasonal blending methodology for diesel motor fuel and furnace oil heating fuel can be found in **Appendix B**.

²² New Brunswick's benchmark price calculations for furnace oil heating fuel are similar to that of diesel motor fuel, with minor differences - the percentages assigned to ULSD and ULSK differ by month.

²³ R Cube Phase II Report, Page 36.

a blend of ULSD and ULSK may be more appropriate. Another wholesaler was supportive of maintaining a seasonal winter blend schedule, but noted that for much of the winter season ULSK is used at higher blending percentages than 75% in diesel motor fuel and furnace oil heating fuel.

2.3.4 - Board Commentary

Based on the information provided to date it would appear that the furnace oil winter blend should reflect ULSK rather than Jet. This would be consistent with the product information provided by industry and would bring consistency with the New Brunswick approach. Based on available information, there is insufficient information at this time to justify a change in the current blend schedule or assigned percentages for diesel motor fuel and furnace oil heating fuel. The table below sets out a potential seasonal blending methodology.

| Season | Blending Period | Diesel Motor Fuel and Furnace Oil Heating Fuel | |
|--------------------------------|---|--|------|
| | | ULSD | ULSK |
| Summer | April End to September End | 100% | - |
| Fall Blend Transition | October (1 st Weekly Adjustment) | 75% | 25% |
| | October (2 nd Weekly Adjustment) | 50% | 50% |
| | October (3 rd Weekly Adjustment) | 25% | 75% |
| Winter | October End to March End | 25% | 75% |
| Spring Blend Transition | April (1 st Weekly Adjustment) | 50% | 50% |
| | April (2 nd Weekly Adjustment) | 75% | 25% |
| | April (3 rd Weekly Adjustment) | 100% | - |

2.4 - Should Weekly Prices be Calculated Based on Weekday Averages?

The Board is considering using an average of the 5 weekdays in the calculation of benchmark prices rather than the 7 days that is currently used.²⁴

2.4.1 - Atlantic Canada

A 5-day average of weekdays for benchmark price calculations is used by regulators in all other Atlantic jurisdictions.

2.4.2 - Consultant Commentary

Limited commentary was provided by R Cube with respect to the number of days used in the calculation of average benchmark prices.²⁵

2.4.3 - Information and Commentary Received to Date

Industry opinions on the average calculation were mixed. One participant recommended the use of a 5-day average, citing the influence that using the Friday data point as a proxy for Saturday and Sunday can have on the Board's average benchmark price calculations. Another participant advised the 7-day average is consistent with their operations.

2.4.4 - Board Commentary

Based on the information provided it appears that it may be appropriate to move to a 5-day weekday average in the calculation of average benchmark prices. This would be consistent with some industry commentary and would bring consistency with the other Atlantic provinces. In addition, it would avoid potential concerns with disproportionate weighting being given to the Friday data point, which can be an issue where there is significant commodity market volatility.

²⁴ For regular weekly maximum price adjustments, the benchmark price is an average of reported pricing data over the previous seven days, with Friday price data being used as a proxy for Saturday and Sunday. When adjustments to benchmark prices occur outside of the regular schedule, average benchmark prices can be based on fewer days.

²⁵ R Cube found that premium gasoline benchmark prices should be based on a 5-day average of market data. See R Cube Phase III Report, Page 48.

2.5 - What Criteria Should be Used for Extraordinary Adjustments?

During extraordinary market volatility, the Board must intervene to adjust maximum prices. The Board is evaluating changes to the criteria and guidelines it uses to determine whether to implement these extraordinary price adjustments.²⁶ Currently the Board reviews market pricing data each day and when there is a variance greater than ± 6 cents per litre between the running average benchmark price and the established benchmark price, the Board will consider an extraordinary adjustment. The Board may also consider other factors such as data trends and the timing of recent and upcoming price adjustments. A summary of the Board's historical extraordinary price adjustments for gasoline and diesel motor fuels can be found in **Appendix C**.

2.5.1 - Atlantic Canada

New Brunswick, Prince Edward Island and Nova Scotia all have full discretion to determine whether to adjust prices in extraordinary circumstances. Recent amendments to New Brunswick's legislation removed strict criteria outlining when the regulator must intervene and adjust maximum prices based on market conditions.²⁷ New Brunswick and Prince Edward Island do not currently publish extraordinary adjustment criteria. Nova Scotia has similar criteria to the Board's.

2.5.2 - Consultant Commentary

R Cube did not comment on the Board's existing extraordinary adjustment criteria.

2.5.3 - Information and Commentary Received to Date

Based on the commentary received, industry appeared generally supportive of extraordinary adjustments, but some participants expressed concerns with respect to the Board's

²⁶ Section 14(1) of the **Regulations** permits the Board to make benchmark price adjustments outside of the regular adjustment schedule where it is warranted.

²⁷ Prior to the recent amendments, the regulator in New Brunswick was required to intervene and adjust maximum prices for gasoline and diesel when the daily reference price varied by 6 cents per litre or more from its value on the previous day. For furnace oil, the threshold was 5 cents per litre or more. These stringent legislative provisions were removed in **Bill 15** in New Brunswick in 2022.

methodology. Two participants suggested that the current criteria are too high before an adjustment is implemented. Another industry participant suggested that the Board's frequent extraordinary price adjustments may be damaging the reputation of the industry. It was also suggested that clearly defined criteria or formulae should be incorporated into legislation to ensure consistency and eliminate uncertainty among suppliers.

The Board has received commentary from the public which suggests that there is confusion as to why extraordinary adjustments are necessary and why maximum price changes occur so frequently during times of market volatility.

2.5.4 - Board Commentary

Based on the information gathered to date it would appear that the existing criteria for extraordinary adjustments should not be changed at this time. While some industry members were supportive of an increase in the criteria to reduce the frequency of adjustments, there was also support for a decrease in the criteria to increase the frequency of adjustments and better reflect changing market prices. On this basis the existing criteria may be considered a reasonable balance of pricing stability and cost recovery. It is notable that the Board's criteria are consistent with that used in Nova Scotia.

In terms of codifying the extraordinary adjustment criteria in legislation, the information filed to date does not appear to demonstrate a need to do so. Prescriptive requirements in the calculation of maximum prices can lead to inefficiencies in reacting to a changing market environment and some other Atlantic provinces have recently moved away from such approaches.

3.0 - Pricing Delivery, Storage and Other Costs

3.1 - Should the Wholesale and Retail Mark-Ups be Adjusted?

Wholesaler and retailer delivery, storage and other costs are reflected in the wholesale and retail mark-ups included in maximum prices. The wholesale and retail mark-ups were examined as a part of this Review in accordance with the Minister's direction.

3.1.1 - Atlantic Canada

The table below provides a comparison of the wholesale and retail mark-ups by regulated product for each Atlantic province:

| Product | Type of Mark-Up | NL | NS | NB | PEI |
|------------------|----------------------|--------------|---------------------|---------------------------|---------------------------|
| Regular Gasoline | Wholesale | 15.65 | 11.44 ²⁸ | 10.26 ²⁹ | 5.00 |
| | Retail | 10.28 | 7.80 ³⁰ | 8.46 | 8.00 |
| | Total Allowed | 25.93 | 19.24 | 18.72 | 13.00 |
| Diesel | Wholesale | 14.07 | 12.44 ³¹ | 10.26 ³² | 5.00 |
| | Retail | 14.03 | 7.80 ³³ | 8.46 | 8.00 |
| | Total Allowed | 28.10 | 20.24 | 18.72 | 13.00 |
| Furnace Oil | Wholesale | 9.11 | - | 5.50 | - |
| | Retail | 18.27 | - | 27.21 | - |
| | Total Allowed | 27.38 | n/a | 37.71³⁴ | 23.10³⁵ |

The New Brunswick gasoline and diesel motor fuel mark-ups were updated in 2022 and the Nova Scotia mark-ups were updated in 2023.

²⁸ Includes 10.84 cents per litre wholesale margin and 0.6 cents per litre transportation adjustment.

²⁹ Includes 3.75 cents per litre maximum delivery cost.

³⁰ Includes 0.4 cents per litre for increased costs of credit card fees charged to retailers (sometimes varies by month).

³¹ Includes 11.84 cents per litre wholesale margin and 0.6 cents per litre transportation adjustment.

³² Includes 3.75 cents per litre maximum delivery cost.

³³ Includes 0.4 cents per litre for increased costs of credit card fees charged to retailers (sometimes varies by month).

³⁴ Includes 5 cents per litre maximum delivery cost to be shared between the wholesaler and retailer.

³⁵ Prince Edward Island combines the wholesale and retail mark-ups for furnace oil.

3.1.2 - Consultant Commentary

Kalibrate noted that Atlantic Canada generally has higher prices than other markets because refined products have to travel further distances from refining hubs and storage, and transportation costs are typically higher due to location.³⁶ With respect to furnace oil heating fuel, Kalibrate found that furnace oil heating fuel prices on the Island were near or below the Canadian average price for the product.³⁷ **Appendix D** shows how Newfoundland and Labrador's prices compare to prices in other Canadian provinces in recent years.

R Cube conducted a detailed study of wholesaler and retailer costs, which included the collection of wholesaler and retailer operating cost data. For wholesalers, six participants provided cost data, over half of which did not submit the data differentiated by product type.³⁸ Three submissions were received from wholesalers with respect to acquisition costs, representing less than half the total throughput in Newfoundland and Labrador. Some wholesalers viewed their acquisition costs as confidential and therefore did not provide it.³⁹

The retailer operating cost data collected by R Cube for motor fuels represented about 150 retail locations in the province, representing over half of the throughput in the province. The total submissions for heating fuels represented almost two-thirds of the total throughput in the province.⁴⁰ Acquisition cost data was received from approximately 120 retail locations in the province, representing less than half the throughput in the province.⁴¹

Despite significant efforts to gather data from wholesalers and retailers there were significant gaps in the information provided which inhibited the cost analysis, particularly related to acquisition costs. This presented challenges in assessing changes in acquisition costs relative to benchmark or rack pricing at the wholesale and retail mark-up levels.⁴² There were also

³⁶ Kalibrate Canada Inc. Phase I Report, Pages 20 and 27.

³⁷ Kalibrate Canada Inc. Phase I Report, Page 33.

³⁸ R Cube Phase II Report, Page 25.

³⁹ R Cube Phase II Report, Page 29.

⁴⁰ R Cube Phase III Report, Page 13.

⁴¹ R Cube Phase III Report, Page 17.

⁴² R Cube Phase III Report, Page 19.

particular challenges with respect to available data for mid-grade gasoline and stove oil heating fuel.

R Cube’s findings with respect to changes to operating and acquisition costs based on the information provided is summarized in the table below.

| Table 5: R Cube’s Estimated Cost Changes | | | |
|--|-------------------------------|------------------------|--|
| Cost | Type of Product(s) | Period | Change (cpl) |
| Operating | All Types of Gasoline, Diesel | 2019-2022 | Wholesale - Increase of 1.7136 Retail - Increase of 3.057 |
| | Furnace Oil | 2019-2022 2018-2022 | Wholesale - Increase of 1.7136 Retail - Increase of 2.660 |
| Acquisition | Gasoline | 2019-2022 | Regular - Increase of 2.985 Premium - Increase of 3.327 |
| | Diesel | 2019-2022 | Decrease of 0.677 |
| | Furnace Oil | 2018-2022 | Increase of 0.355 |

3.1.3 - Information and Commentary Received to Date

Most industry commentary suggested that the current wholesale and retail mark-ups are not reflective of current costs to supply products. With respect to the wholesale mark-ups the commentary suggested that there have been increases in transportation costs (including rates and fuel surcharges), hedging costs, and financing costs. It was also suggested that the acquisition cost of fuels relative to the Board’s benchmark prices have gone up based on supply and demand.

With respect to retail mark-ups, industry commentary noted that the existing retail mark-up models for motor fuels and heating fuels do not reflect increases in costs which have occurred over the past number of years, particularly increases in the minimum wage.⁴³

⁴³ The retail mark-ups for gasoline and diesel were last adjusted in October 2020 based on data up to 2019 – see **Order No. P.P. 46(2020)** for details. The retail mark-ups for furnace oil and stove oil heating fuels were last adjusted in October 2019 based on data up to 2018 - see **Order No. P.P. 41(2019)** for details.

For heating fuels in particular, industry commentary noted increased delivery costs related to insurance, vehicle maintenance, fuel and operating costs, wages and salaries, and consumer requests for more frequent deliveries with smaller volumes of product due to higher prices. It was also suggested that electrification incentives are adding further pressures to the heating fuel industry through volume decline.

Limited commentary specific to the existing mark-ups was received from the general public; however, the Board regularly receives inquiries and complaints with respect to the current prices of motor fuels and heating fuels.

3.1.4 - Board Commentary

Based on the information gathered to date it would appear that wholesalers have experienced decreases and retailers have experienced increases in the cost to supply product relative to the current mark-ups approved by the Board on an interim basis. The table below summarizes the potential mark-up changes which may be supported based on the information provided to date.

| Table 6: Potential Changes to Mark-Ups (Base Zones) | | | | |
|---|----------------------|--|------------------------|--------------------------------------|
| Product ⁴⁴ | Type of Mark-Up | Current Mark-Ups (Interim) ⁴⁵ | New Potential Mark-Ups | Estimated Change to Interim Mark-Ups |
| Regular Gasoline | Wholesale | 15.65 | 13.7 | (2.0) |
| | Retail | 10.28 | 12.9 | 2.6 |
| | Total Allowed | 25.93 | 26.6 | +0.7 |
| Diesel | Wholesale | 14.07 | 13.0 | (1.1) |
| | Retail | 14.03 | 16.7 | 2.7 |
| | Total Allowed | 28.10 | 29.7 | +1.6 |
| Furnace Oil | Wholesale | 9.11 | 9.0 | (0.1) |
| | Retail | 18.27 | 22.7 | 4.4 |
| | Total Allowed | 27.38 | 31.7 | +4.3 |

⁴⁴ Stove oil heating fuel and propane heating fuel maximum prices are discussed in later sections in this document.

⁴⁵ In **Order No. P.P. 52(2020)** increases in the wholesale mark-up were implemented on an interim basis to reflect the increased costs associated with the change in the method of supply as a result of the shutdown of the Come By Chance refinery.

The new potential mark-ups noted above reflect R Cube's recommendations with respect to operating costs as well as other factors not accounted for in the R Cube analyses, including adjustments for:

- wholesaler marine freight costs for the period 2006 to 2019;
- wholesaler storage and transportation cost increases for furnace oil for the period 2012 to 2019;
- 2023 wholesaler and retailer cost increases; and,
- other considerations, including data and analyses of issues and concerns related to the magnitude of the changes and relativity with other provinces.

The information provided in the Review with respect to acquisition costs was insufficient to support further changes to the mark-ups at this time. More detailed information with respect to the calculation of the potential changes to mark-ups is set out in **Appendix E**.

The Board acknowledges that the potential changes to mark-ups reflect overall increases for consumers, but accepts that based on the information provided to date there have been significant increases in some costs that are not reflected in the current mark-ups. The Board also notes that there would be decreases to the wholesale mark-ups for all products based on the information received. This decrease may be attributed, at least in part, to inadequate information being provided by wholesalers. More complete information may have demonstrated other cost increases for wholesalers which would support additional changes, particularly in relation to acquisition costs. It is also notable that the concerns expressed with respect to acquisition costs may be alleviated to some degree for some products by some of the benchmark pricing determinations which may flow from the Review - for example the use of Argus, rather than Platts, and the use of ULSK rather than Jet for the seasonal blend for furnace oil.

3.2 - Should the Board Revise its Zone Boundaries and Zone Differentials?

The Island is divided into 18 pricing zones for motor fuels and 21 pricing zones for heating fuels to account for differences in regional supply dynamics. The zone differentials are considered a part of the wholesale mark-up which is applied outside of the base zone area to account for the additional costs to the wholesaler to supply these areas.⁴⁶

The pricing zone boundaries and zone differentials were reviewed in accordance with the Minister's direction to review the wholesale mark-ups.

3.2.1 - Atlantic Canada

New Brunswick has two pricing zones, Nova Scotia has six pricing zones, and Prince Edward Island has only one pricing zone. The respective zone differentials can be found in **Appendix G**.

3.2.2 - Consultant Commentary

R Cube recommended no change to the current pricing zones and geographical borders.⁴⁷ In relation to possible changes to zone differentials, R Cube calculated the change in the combined average zonal costs submitted by wholesalers for gasoline and diesel compared to the average of the gasoline and diesel zone differentials published by the Board. R Cube recommended the zone differentials be increased by 49 percent for motor fuels based on estimated combined zonal costs. R Cube made no recommendation with respect to zone differential changes for heating fuels.⁴⁸

3.2.3 - Information and Commentary Received to Date

Two industry members suggested that a restructuring of the pricing zones and associated differentials is required. The Board has, in the past, received some general commentary from

⁴⁶ The base zone for gasoline and diesel motor fuels is Zone 1 – Avalon Peninsula; the base zone for furnace oil and stove oil heating fuels is Zone 1ANE – Avalon Peninsula Northeast; the base zone for propane heating fuel is Zone 2 – Burin Peninsula/Bonavista Peninsula. Wholesaler storage, delivery and other expenses outside of the base zone are reflected in the zone differentials included in maximum prices. Maps of the current pricing zones for motor fuels and heating fuels can be found in **Appendix F** and zone descriptions can be found [here](#).

⁴⁷ R Cube Phase II Report, Page 51.

⁴⁸ R Cube Phase II Report, Page 44.

industry with respect to adjustments to the pricing zone geographic borders. A review of zone differentials was suggested by another industry member, noting that they have not been adjusted in many years and that delivery costs to pricing zones continue to increase. Furthermore, in the past, several wholesalers operating outside the base zone have expressed concerns to the Board with respect to the potential inadequacy of the current zone differentials to provide for cost recovery.

The Board has received inquiries from members of the general public with respect to the geographic zones and zonal pricing. Concerns have also been expressed as to why prices are generally higher for zones outside the Avalon Peninsula. In the past some members of the public have also suggested that there should be one maximum price for the entire Island portion of the province.

3.2.4 - Board Commentary

While a review of the geographic boundaries of the pricing zones was suggested, there was virtually no specific information provided to date with respect to possible changes. As a result, it is not possible to make large scale changes to the geographic pricing zone boundaries. Nevertheless, it may be an appropriate time to rationalize some of the zones as follows:

- Change boundary of zone 3a to include zones 3b and 3c;
- Change boundary of zone 5a to include zone 5b;
- Change boundary of zone 7a to include zone 7b; and,
- Merge heating fuel zones 7W and 7SE, and rename as zone 7.

The potential zone changes described above are reflected in the maps in **Appendix H**.

In terms of the zone differentials, the information that was provided suggests that there have been significant increases in the cost to supply product to areas on the Island outside of the base zone since the zone differentials were last adjusted.⁴⁹

Based on the information provided, R Cube recommended a 49% increase in the zone differentials for motor fuels. While there were information challenges in the differential analysis, the Board notes that the estimated increase is roughly equivalent to a simple inflation adjustment for the years since the differentials were last adjusted.⁵⁰ Similar cost changes could be expected for heating fuels given that the increased costs to diesel prices, annual wages and salaries and storage and operating costs would also be applicable for heating fuels.

The estimated zone differential changes based on a 49% increase are set out in **Appendix I**.

3.3 - Should the Board Adjust Mark-Ups and Zone Differentials for Propane?

Sales of propane are subject to maximum price regulation when the propane is delivered to a customer's residence and is used as a primary heat source.⁵¹ The Board recently implemented varying total allowed mark-ups by pricing zone on an interim basis following receipt and review of applications from the major suppliers of propane after the shutdown of the Come By Chance refinery.⁵²

3.3.1 - Atlantic Canada

New Brunswick and Prince Edward Island establish prices for propane heating fuel and Nova Scotia does not. The table below provides a comparison of the current total allowed mark-ups for propane heating fuel in Atlantic Canada.

⁴⁹ With the exception of an increase of 7.105 cents per litre to the zone differential for Zone 7a – Ramea for gasoline motor fuel in 2015, the zone differentials on the Island have not been changed since 2006. The zone differentials were reviewed by Grant Thornton LLP in 2012-2013, but due to insufficient data no changes were made by the Board at the time.

⁵⁰ CPI increased by approximately 47% from 2006 to 2023.

⁵¹ Since sales are only considered regulated when delivered to a customer's residence, the Board does not establish wholesale mark-ups or wholesale maximum prices. Only total allowed mark-ups and retail maximum prices are established by the Board for propane heating fuel.

⁵² See **Order No. P.P. 19(2021)** for more information on these changes.

| Product | Mark-Up | NL (Zone 1ANE) | NB | NS | PEI |
|----------------|----------------------|---------------------------|---------------------------|------------|--------------------------------------|
| Propane | Total Allowed | 71.59 | 60.00⁵³ | n/a | Company-Specific⁵⁴ |

3.3.2 - Consultant Commentary

R Cube found that supply costs for propane heating fuel increased by approximately 18.541 cents per litre from 2019 to 2022 based on the information filed.⁵⁵

3.3.3 - Information and Commentary Received to Date

Limited commentary was received from industry and members of the public specific to propane heating fuel.

3.3.4 - Board Commentary

Based on the information filed in the Review, it appears that changes to the current (interim) mark-ups for propane approved by the Board may be appropriate in the circumstances. The potential changes to total allowed mark-ups range from a decrease of approximately 2 cents per litre to an increase of approximately 6.5 cents per litre. Similar zone differential and zone boundary changes as described for furnace oil heating fuel in Section 3.2 would also apply to propane heating fuel, resulting in potential increases to the zone differentials in the range of 0.98 cents per litre to 5.00 cents per litre. A summary of the potential changes to the mark-ups, zone differentials and zone boundaries for propane heating fuel can be found in **Appendix J**.

4.0 - The Price Setting Process

The Board is required to set maximum prices at least monthly, and since 2010 has set new maximum prices on a weekly basis each Thursday. The Board can intervene and adjust

⁵³ Includes 10 cents per litre maximum delivery cost to be shared between the wholesaler and retailer.

⁵⁴ Propane maximum prices in Prince Edward Island are set for individual companies based on company costs.

⁵⁵ R Cube Phase III Report, Page 16.

maximum prices at any time. Various notifications are issued by the Board to stakeholders, both in advance as well as at the date and time new maximum prices are effective.

4.1 - Should the Weekly Price Adjustment Occur on Friday?

The Board is considering whether the weekly adjustment should be moved from Thursday to Friday.

4.1.1 - Atlantic Canada

New Brunswick, Nova Scotia and Prince Edward Island all adjust maximum prices on Fridays.

4.1.2 - Consultant Commentary

R Cube noted that the majority of industry participants were supportive of alignment with other Atlantic Canadian jurisdictions and recommended that the Board change the timing of its weekly adjustment.

4.1.3 - Information and Commentary Received to Date

Industry participants were generally supportive of alignment with other Atlantic Canadian jurisdictions. However, one participant commented that the Board should adjust maximum prices twice per week, on Tuesday and Friday.

4.1.4 - Board Commentary

Based on the information gathered to date it appears that the Board should consider moving the weekly adjustments to Friday. This change was generally supported by industry and would bring consistency with the other Atlantic provinces. The available information does not support a change to the frequency of weekly adjustments, which currently seems to reasonably balance pricing stability for consumers and cost recovery for the industry.

4.2 - Should the Board Change its Price Adjustment Notification Processes?

The Board is considering whether there should be changes to the notice it provides for price adjustments. The Board currently provides advance notice of price adjustments to the industry

around 2:00 p.m. the day prior to an adjustment and to the media at 8:00 p.m. There is no advance notice to members of the general public.⁵⁶ Consumers receive notice of the new maximum prices via the Board's website on the date and time that the maximum prices are effective.

4.2.1 - Atlantic Canada

While the notification processes vary somewhat by jurisdiction, there is consistency in that advance notice is generally issued to industry around 2:00 p.m. or 2:30 p.m. the day prior to the effective date of the price adjustment. No province provides advance notice to consumers of the explicit price changes that consumers will experience and only Newfoundland and Labrador provides advance notice to the media under Embargo. One regulator provides advance notice of extraordinary price adjustments to the public without indicating the amount or direction of the planned price changes.

4.2.2 - Consultant Commentary

R Cube noted that the majority of retailers interviewed were comfortable with the Board's current process of notifications.⁵⁷

4.2.3 - Information and Commentary Received to Date

Some industry members have, in the past, expressed concerns with the 2:00 p.m. advance notice timing, noting that it is too late to confirm receipt of the pricing information and to prepare an update to pricing systems. There have also been concerns expressed in relation to leaks of confidential maximum prices to the general public.

The Board has received commentary from the public which suggests that there is confusion as to why advance notice of maximum price adjustments cannot be made available to consumers.

⁵⁶ Section 8 of the **Regulations** stipulates that a wholesaler or retailer shall not disclose to any other person a price established by the Board before the date on which the price comes into force.

⁵⁷ R Cube Phase III Report, Pages 28 and 29.

4.2.4 - Board Commentary

Based on the information gathered to date it appears that changes to the adjustment notification process are not appropriate at this time. The current process for notice to industry and media allows for the effective operation of the pricing mechanism while providing adequate notice for implementation of maximum price changes. While the Board acknowledges and understands that consumers would prefer advance notice of price changes, such an approach could influence consumer purchase behaviour and lead to cost recovery issues and supply concerns.

5.0 - Other Pricing Matters

5.1 - Should the Board be Given Greater Discretion in Making Weekly Price Changes?

The Board is considering whether it should recommend legislative changes to Government to provide more discretion to the Board in determining weekly price adjustments.⁵⁸

5.1.1 - Atlantic Canada

New Brunswick and Prince Edward Island have full discretion to determine the manner in which benchmark prices are calculated and have additional mechanisms such as market adjustors and forward averaging corrections to allow for consideration of market shifts.⁵⁹ While Nova Scotia is required to use the average of all market data since prices were last adjusted, it uses forward averaging corrections in an attempt to better reflect the product cost in the established prices.⁶⁰

⁵⁸ The **Regulations** require the Board to calculate benchmark prices using the average of the average of the daily high and low product prices reported since the Board last adjusted prices. The Board has no discretion in this calculation. See Section 14. (2) of the **Regulations**.

⁵⁹ See Section 11 of New Brunswick's **Act**. Based on available information, New Brunswick has not yet used its market adjustor mechanism.

⁶⁰ More information about Nova Scotia's forward averaging correction can be found [here](#).

5.1.2 - Consultant Commentary

R Cube suggested that the volatility in maximum prices would be lower if forward averaging adjustments were incorporated. R Cube recommended that the Board implement forward averaging adjustments weekly, similar to other regulated markets.

5.1.3 - Information and Commentary Received to Date

One industry participant recommended that a market adjustor should be introduced to address market shifts. It was also recommended that the Board be equipped with sufficient regulatory authority to deal with the complexities of the marketplace.

5.1.4 - Board Commentary

Based on the information gathered to date, it appears that a less prescriptive benchmark price calculation mechanism, combined with the introduction of a market adjustor or forward averaging mechanism, would allow the Board to more efficiently react to changing market dynamics in an attempt to better reflect the product cost in the published price. On this basis, the Board may recommend legislative changes to Government.

5.2 - What Process Should be Followed for Future Updates to Mark-Ups and Differentials?

The Board is considering implementing a more regular process for the review of mark-ups and zone differentials.⁶¹ Periodic reviews of the mark-ups have been conducted every few years but, prior to this Review, the zone differentials have not been the subject of a review since 2012 and have not been updated since 2006.⁶² Information with respect to the past reviews of mark-ups can be found in **Appendix K**.

⁶¹ The mark-ups and zone differentials can be reviewed by the Board on its own motion, pursuant to Government request or upon receipt of an application from a wholesaler or retailer. See Sections 8 and 8.1 of the **Act**.

⁶² With the exception of the zone differential for gasoline motor fuel in Zone 7a - Ramea, which was last updated in 2015.

5.2.1 - Atlantic Canada

Reviews of existing mark-ups in the other Atlantic Canadian jurisdictions can be initiated based on similar criteria to that in Newfoundland and Labrador. No jurisdiction has published established criteria that would trigger a review of margins on its own motion; however, all Atlantic Canadian jurisdictions have had somewhat infrequent reviews of wholesale and retail mark-ups historically.

5.2.2 - Consultant Commentary

R Cube noted that the intermittent nature of previous mark-up reviews may not be ideal and recommended that the Board consider more frequent and regular reviews of mark-ups, preferably annually.⁶³ R Cube also stated that retailers operate in a heavily fluctuating market environment, and more frequent margin reviews would help them capture changing costs. As a trigger point to initiate reviews of mark-ups and zone differentials, R Cube advised that the Board could use a three-month moving average of retail diesel prices to track the trends.⁶⁴

5.2.3 - Information and Commentary Received to Date

Based on commentary received industry participants were generally supportive of more frequent reviews; however, concerns were expressed with the level of complexity of the cost and volumetric information requested. Several participants suggested that the complexity of the information requests prolongs the review processes and thus any adjustments implemented may be dated and not reflective of current costs.

5.2.4 - Board Commentary

Based on the information gathered to date it appears that it would be beneficial for there to be more frequent, less complex, reviews of the mark-ups and zone differentials. Regularly-scheduled assessments of mark-ups and differentials, possibly annually, would allow the Board to address changes in costs in a more timely manner. While routine assessments may

⁶³ R Cube Phase III Report, Page 27.

⁶⁴ R Cube Phase II Report, Page 52.

consider and involve assessment of publicly available information such as CPI and changes in diesel fuel prices, a more detailed review process would be necessary at less frequent intervals to assess the appropriateness of the existing mark-ups. As a part of changes to the review process, it is anticipated that routine information gathering and monitoring procedures for industry would be implemented to ensure that the Board has the necessary information to conduct both annual and more comprehensive reviews. This would likely include annual requests for high-level costs and volumetric information from industry.

5.3 - Should the Board Eliminate Stove Oil Maximum Prices?

The Board is considering eliminating the stove oil maximum prices for the Island.

5.3.1 - Information and Commentary Received to Date

The Board has received information from industry which suggests that stove oil heating fuel is no longer supplied to the Island.

5.3.2 - Board Commentary

Based on the information which has been gathered it may be no longer necessary for the Board to establish maximum prices for stove oil on the Island.

5.4 - Should Minimum Pricing be Implemented?

The Board is considering whether it should implement minimum pricing by adopting minimum mark-ups.⁶⁵ Currently, the Board only establishes maximum prices for regulated petroleum products.

5.4.1 - Atlantic Canada

Nova Scotia and Prince Edward Island both establish minimum prices whereas New Brunswick and Newfoundland and Labrador do not.

⁶⁵ **Act**, Section 4(1)(b).

5.4.2 - Consultant Commentary

R Cube noted that the majority of retailers supported a switch to minimum and maximum price regulation. According to R Cube, while regulated minimum and maximum retail prices ensure the retailers' margin is relatively consistent over time, a move to minimum pricing might inhibit lower-cost retailers from operating in the province and could ultimately lead to higher prices for consumers.⁶⁶

5.4.3 - Information and Commentary Received to Date

Industry participants were generally supportive of minimum pricing, noting that it contributes to financial stability, continuity of supply, and a fair and competitive market environment.

Limited commentary was received from the public with respect to minimum pricing; however, one comment was filed in support of minimum pricing.

5.4.4 - Board Commentary

Based on the information gathered to date minimum pricing may lead to higher prices for consumers, lead to confusion within the industry and may stifle competition based on price. On this basis, the Board is unlikely to implement a minimum pricing framework.

6.0 - Potential Changes Being Considered

Based on available information the Board may implement changes that may impact pricing processes and maximum prices. The Board invites further information and commentary with respect to all of these matters for the Board's consideration. The Board will consider any additional information and comments that are received before making determinations and issuing any Board Orders and a report to Government.

⁶⁶ R Cube Phase III Report, Page 30.

6.1 - Potential Benchmarking and Other Changes

Based on the information filed regarding the benchmark price mechanism and other pricing matters, the Board may:

- start using Argus as the data reporting agency for calculating benchmark prices;
- recommend a change in calculation of benchmark prices for higher grades of gasoline;
- start using ULSK instead of Jet in seasonal benchmark price calculations for furnace oil;
- move to 5-day weekday average benchmark price calculations;
- start adjusting maximum prices on Friday instead of Thursday;
- recommend to Government that greater discretion be granted to the Board in the calculation of benchmark prices to respond to changing market conditions;
- implement a regular, more frequent schedule of review of mark-ups and zone differentials, subject to infrequent more complex mark-up reviews; and,
- remove stove oil heating fuel maximum prices.

6.2 - Potential Mark-Up and Zone Differential Changes

Based on the information filed to date in the Review changes may be made to the mark-ups and zone differentials as discussed in Section 3 and outlined below:

**Potential Mark-Up and Zone Differential Changes
Regular Gasoline Motor Fuel**

| Island Zones | Mark-Ups and Zone Differentials | | Potential Change |
|--|---------------------------------|-------------------------|------------------|
| | Current | Potential ⁶⁷ | |
| 1 - Avalon Peninsula | 25.93 | 26.6 | +0.7 |
| 1a - Bell Island | 26.41 | 27.3 | +0.9 |
| 2 - Burin Peninsula / Bonavista Peninsula | 27.54 | 29.0 | +1.5 |
| 3 - Central Newfoundland / Notre Dame Bay East | 28.11 | 29.9 | +1.8 |
| 3a - St. Brendan's (Island) / Fogo Island / Change Islands | 31.81 | 37.4 | +5.6 |
| 4 - Connaigre Peninsula | 31.05 | 34.2 | +3.2 |
| 4a - Gaultois / McCallum / Rencontre East | 36.41 | 38.7 | +2.3 |
| 5 - Springdale - Green Bay / Triton / Baie Verte Peninsula | 29.35 | 31.7 | +2.4 |
| 5a - Long Island | 32.9 | 37.0 | +4.1 |
| 6 - Deer Lake / Corner Brook / Bay of Islands / Gros Morne | 26.55 | 27.5 | +1.0 |
| 7 - Stephenville / Port au Port / Codroy Valley / Channel-Port aux Basques / Burgeo | 27.32 | 28.7 | +1.4 |
| 7a - Ramea / Grey River / François / Grand Bruit / La Poile | 36.72 | 42.4 | +5.7 |
| 8 - Northern Peninsula - Gros Morne National Park to Bellburns | 27.48 | 28.9 | +1.4 |
| 9 - Northern Peninsula to Englee and St. Anthony | 29.21 | 31.5 | +2.3 |

⁶⁷ Values are in cents per litre, rounded to 1 decimal place.

| Potential Mark-Up and Zone Differential Changes Diesel Motor Fuel | | | |
|--|--|-------------------------------|-------------------------|
| Island Zones | Mark-Ups and Zone Differentials | | Potential Change |
| | Current | Potential⁶⁸ | |
| 1 - Avalon Peninsula | 28.10 | 29.7 | +1.6 |
| 1a - Bell Island | 28.58 | 30.4 | +1.8 |
| 2 - Burin Peninsula / Bonavista Peninsula | 29.71 | 32.1 | +2.4 |
| 3 - Central Newfoundland / Notre Dame Bay East | 30.28 | 33.0 | +2.7 |
| 3a - St. Brendan's (Island) / Fogo Island / Change Islands | 33.98 | 40.5 | +6.5 |
| 4 - Connaigre Peninsula | 33.22 | 37.3 | +4.1 |
| 4a - Gaultois / McCallum / Rencontre East | 36.19 | 41.8 | +5.6 |
| 5 - Springdale - Green Bay / Triton / Baie Verte Peninsula | 31.52 | 34.8 | +3.3 |
| 5a - Long Island | 35.07 | 40.1 | +5.0 |
| 6 - Deer Lake / Corner Brook / Bay of Islands / Gros Morne | 28.72 | 30.6 | +1.9 |
| 7 - Stephenville / Port au Port / Codroy Valley / Channel-Port aux Basques / Burgeo | 29.49 | 31.8 | +2.3 |
| 7a - Ramea / Grey River / François / Grand Bruit / La Poile | 31.78 | 38.4 | +6.6 |
| 8 - Northern Peninsula - Gros Morne National Park to Bellburns | 29.65 | 32.0 | +2.4 |
| 9 - Northern Peninsula to Englee and St. Anthony | 31.38 | 34.6 | +3.2 |

⁶⁸ Values are in cents per litre, rounded to 1 decimal place.

**Potential Mark-Up and Zone Differential Changes
Furnace Oil Heating Fuel**

| Island Zones | Mark-Ups and Zone Differentials | | Potential Change |
|--|---------------------------------|-------------------------|------------------|
| | Current | Potential ⁶⁹ | |
| 1ANE - Avalon Peninsula Northeast | 27.38 | 31.7 | +4.3 |
| 1ANW - Avalon Peninsula Northwest | 30.38 | 36.2 | +5.8 |
| 1AS - Avalon Peninsula South | 31.68 | 38.1 | +6.4 |
| 1a - Bell Island | 28.68 | 33.6 | +4.9 |
| 2 - Burin Peninsula / Bonavista Peninsula | 31.68 | 38.1 | +6.4 |
| 3 - Central Newfoundland / Notre Dame Bay East | 31.38 | 37.7 | +6.3 |
| 3a - St. Brendan's (Island)/Fogo Island/Change Islands | 34.38 | 42.6 | +8.2 |
| 4 - Connaigre Peninsula | 34.58 | 42.4 | +7.8 |
| 4a - Gaultois / McCallum / Rencontre East | 44.68 | 54.0 | +9.3 |
| 5 - Springdale - Green Bay / Triton / Baie Verte Peninsula | 31.88 | 38.4 | +6.5 |
| 5a - Long Island | 32.38 | 39.2 | +6.8 |
| 6 - Deer Lake / Corner Brook / Bay of Islands / Gros Morne | 28.28 | 33.0 | +4.7 |
| 7 - Stephenville / Port au Port / Codroy Valley / Channel-Port aux Basques/Burgeo | 31.68 | 40.0 | +8.3 |
| 7a - Ramea/ Grey River / François / Grand Bruit / La Poile | 37.78 | 47.1 | +9.3 |
| 8 - Northern Peninsula - Gros Morne National Park to Bellburns | 29.28 | 34.5 | +5.2 |
| 9 - Northern Peninsula to Englee and St. Anthony | 33.88 | 41.4 | +7.5 |

⁶⁹ Values are in cents per litre, rounded to 1 decimal place.

**Potential Mark-Up and Zone Differential Changes
Propane Heating Fuel**

| Island Zones | Mark-Ups and Zone Differentials | | Potential Change |
|--|---------------------------------|-------------------------|------------------|
| | Current | Potential ⁷⁰ | |
| 1ANE - Avalon Peninsula Northeast | 73.59 | 72.6 | (1.0) |
| 1ANW - Avalon Peninsula Northwest | 73.59 | 72.6 | (1.0) |
| 1AS - Avalon Peninsula South | 73.59 | 72.6 | (1.0) |
| 1a - Bell Island | 74.59 | 74.1 | (0.5) |
| 2 - Burin Peninsula / Bonavista Peninsula | 71.59 | 69.6 | (2.0) |
| 3 - Central Newfoundland / Notre Dame Bay East | 70.99 | 74.0 | +3.0 |
| 3a - St. Brendan's (Island) / Fogo Island / Change Islands | 73.09 | 77.5 | +4.4 |
| 4 - Connaigre Peninsula | 66.79 | 75.1 | +8.3 |
| 4a - Gaultois / McCallum / Rencontre East | 78.39 | 89.9 | +11.5 |
| 5 - Springdale - Green Bay / Triton / Baie Verte Peninsula | 66.59 | 74.9 | +8.3 |
| 5a - Long Island | 66.09 | 74.1 | +8.0 |
| 6 - Deer Lake / Corner Brook / Bay of Islands / Gros Morne | 67.69 | 76.5 | +8.8 |
| 7 - Stephenville / Port au Port / Codroy Valley / Channel-Port aux Basques / Burgeo | 68.99 | 78.4 | +9.4 |
| 7a - Ramea / Grey River / François / Grand Bruit / La Poile | 71.49 | 83.0 | +11.5 |
| 8 - Northern Peninsula - Gros Morne National Park to Bellburns | 68.79 | 78.1 | +9.3 |
| 9 - Northern Peninsula to Englee and St. Anthony | 70.79 | 81.1 | +10.3 |

⁷⁰ Values are in cents per litre, rounded to 1 decimal place.

Appendix A - Components of Maximum Prices

A-1: Components of Maximum Prices

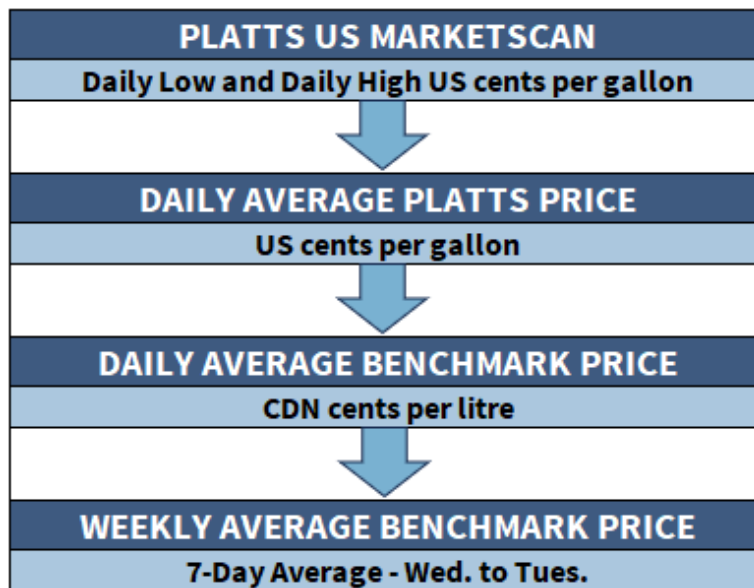
Pursuant to legislation, the Board's maximum prices are the sum of benchmark prices, the carbon price adjustment, total allowed mark-ups, zone differentials and applicable taxation. Each of these is depicted in the image below and described in detail on the pages that follow.

| | |
|--------------------------------|---|
| Benchmark Prices | Benchmark prices are derived from data sources prescribed in legislation and, for regularly scheduled adjustments: <ul style="list-style-type: none">o Benchmark prices are changed weekly, on Thursdayso A 7-day average of the pricing data is usedo The average is converted to Canadian cents per litre |
| Carbon Price Adjustment | The Carbon Price Adjustment reflects costs associated with the carbon intensity reduction compliance requirements under the federal Clean Fuel Regulations. |
| Total Allowed Mark-ups | The total allowed mark-up is the sum of: <ul style="list-style-type: none">o Wholesale mark-upo Retail mark-up Mark-ups are not changed weekly. |
| Zone Differentials | Zone differentials reflect incremental costs of storage and distribution of product to pricing zones. Zone differentials are not changed weekly. |
| Taxation | Taxation includes the following (not applicable to heating fuels): ¹ <ul style="list-style-type: none">o Provincial Fuel Taxo Federal Excise Taxo Carbon Taxo Harmonized Sales Tax |
| Maximum Prices | Maximum prices are the sum of: <ul style="list-style-type: none">o Benchmark priceo Carbon Price Adjustmento Total allowed mark-upo Zone differentialo Taxation |

¹Applicable taxation is applied at point of sale for heating fuels.

A-1.1: Benchmark Prices

Benchmark prices are required to be calculated using the prescribed market data since the last price adjustment, as set out in legislation. With the exception of during extreme market conditions, benchmark prices are calculated based on a seven-day average of market data over the previous Wednesday to Tuesday, using Friday as a proxy for Saturday and Sunday. Extraordinary adjustments to benchmark prices outside of the Thursday weekly interval may also be necessary. Extraordinary adjustments are considered by the Board when there are significant shifts in the market prices⁷¹ of petroleum products. The general method of calculating benchmark prices is depicted in below.



The Board does not have discretion to calculate benchmark prices in any manner other than that described above. The Board can, however, include a blend⁷² of prescribed product prices in its calculation of benchmark prices to reflect seasonal changes in products supplied.

⁷¹ The Board will consider implementation of extraordinary adjustments when the average benchmark price based on current market data compared to the established benchmark price for a regulated petroleum product is ± 6 cents per litre.

⁷² A blend involves using multiple petroleum products to calculate a benchmark price and reflect seasonal changes to products brought to market. The Board currently applies a blending methodology for diesel motor fuel (75% Ultra Low Sulphur Kerosene/25% Ultra Low Sulphur Diesel) and furnace oil heating fuel (75% Jet / 25% Ultra Low Sulphur Diesel) during the winter months (October to April).

A-1.2: Carbon Price Adjustments

Carbon price adjustments are added to the benchmark prices for gasoline and diesel motor fuels to reflect costs associated with compliance requirements for importers, refiners and producers of petroleum products under the federal Clean Fuel Regulations. The federal Clean Fuel Regulations are not applicable to heating fuels at this time and therefore no carbon price adjustments are necessary. Carbon price adjustments are changed infrequently following a review by the Board.

A-1.3: Mark-Ups and Zone Differentials

Wholesale and retail mark-ups and zone differentials are also added to the benchmark price to reflect the cost of supply for wholesalers and retailers. Mark-ups and differentials are changed infrequently following a review by the Board.

A-1.4: Applicable Taxation

Applicable taxes are included in the Board's posted maximum prices for motor fuels but not for heating fuels. The levels of taxation applicable to regulated petroleum products are set by the respective provincial and federal government departments.

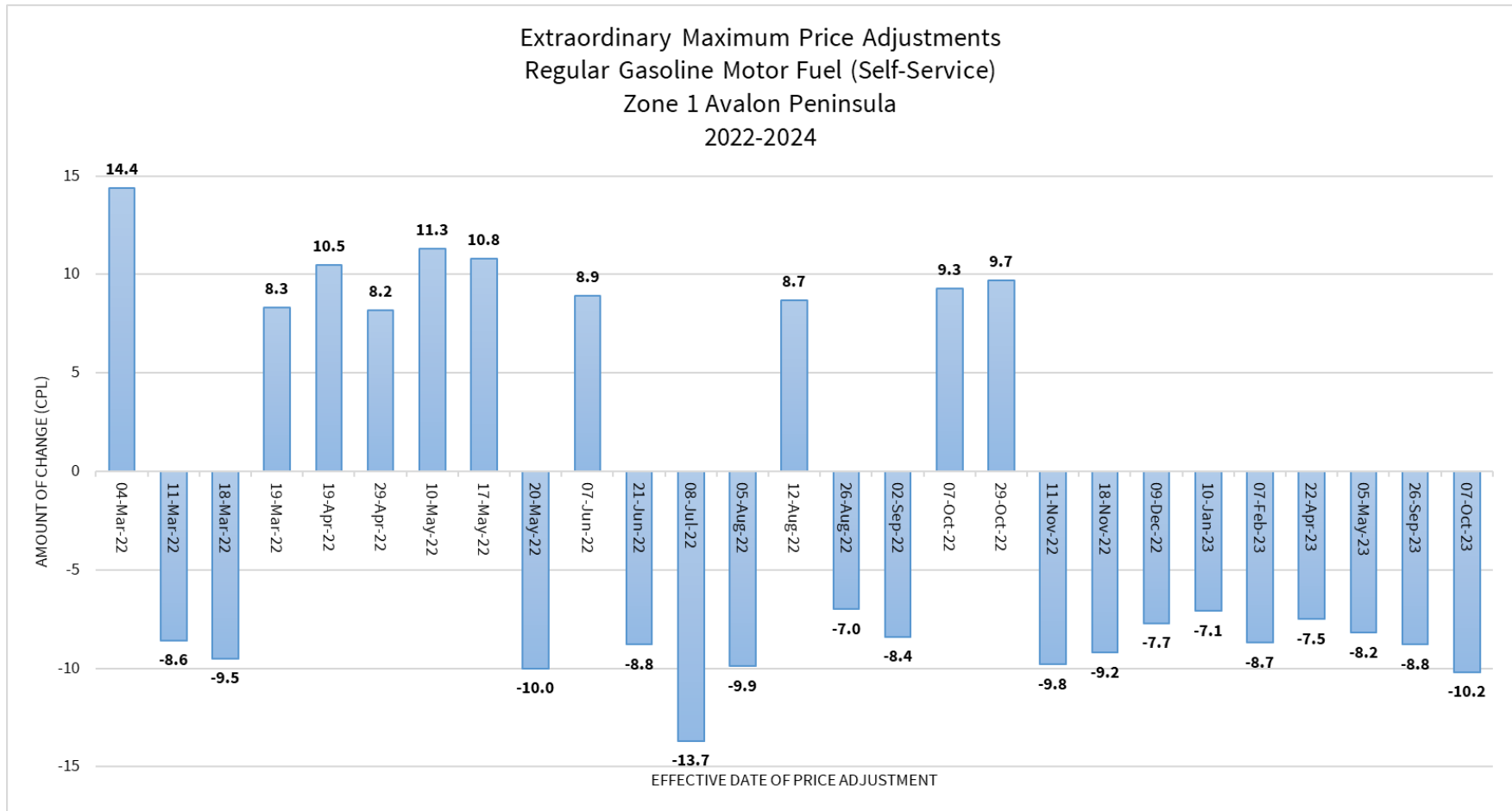
A-1.5: Maximum Price Adjustment Frequency and Notifications

The Board's maximum prices are currently adjusted weekly, except in certain areas of Labrador where a seasonal suspension of adjustments is implemented in the spring and fall consistent with resupply. Scheduled adjustments to maximum prices are made every Thursday to reflect the changes in the benchmark prices since the last adjustment. Advance notice of maximum price adjustments is provided to wholesalers and retailers to allow the timely implementation of maximum price changes, but there is no advance public notice for consumers.

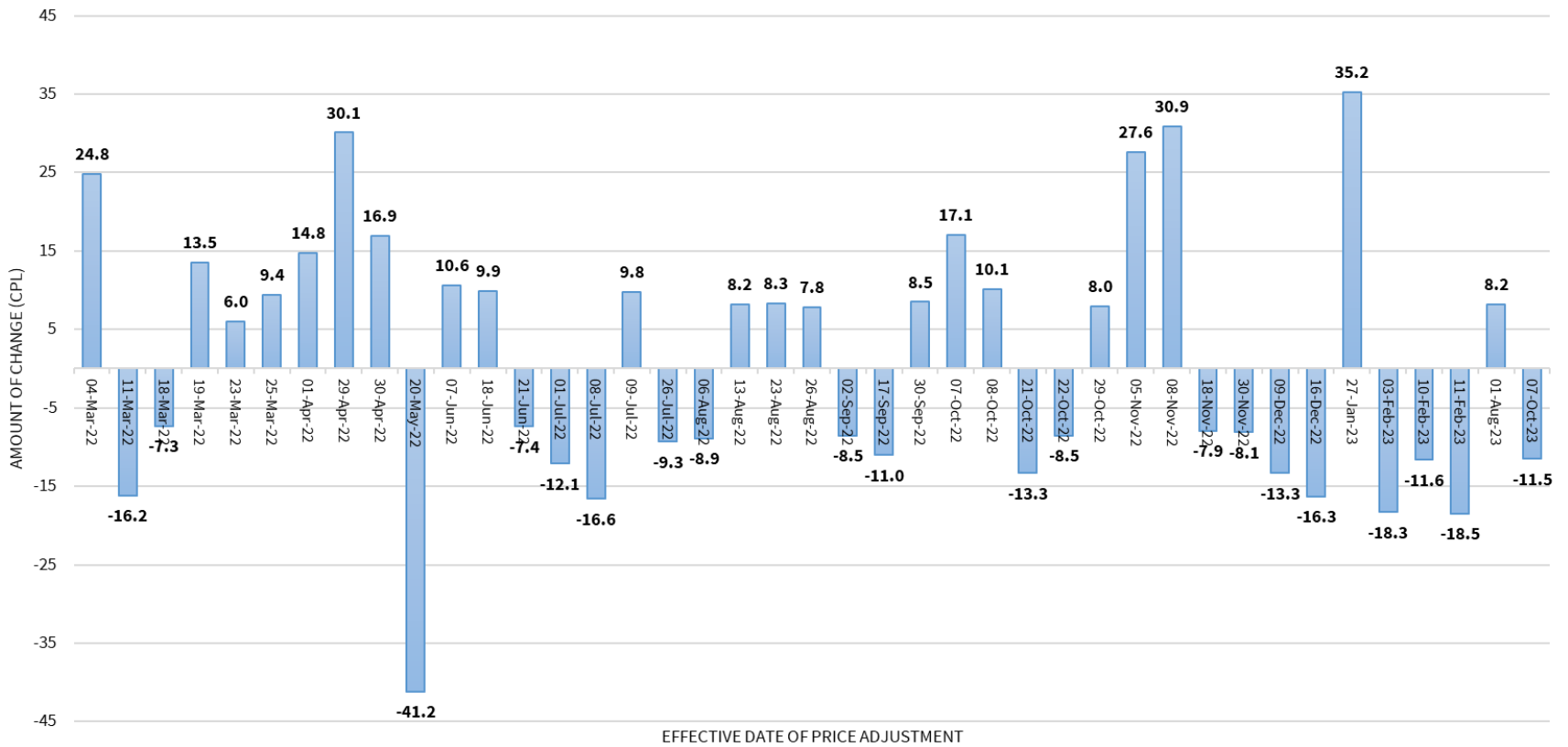
Appendix B - Seasonal Blending: New Brunswick

| Current Seasonal Blending Methodology New Brunswick | | | | |
|--|----------------------|--------|-----------------------------|--------|
| Month | Diesel Motor Fuel | | Furnace Oil Heating Fuel | |
| | % ULSD | % ULSK | % ULSD | % ULSK |
| January | 15.5 | 84.5 | 21.0 | 79.0 |
| February | 19.0 | 81.0 | 27.7 | 72.3 |
| March | 34.7 | 65.3 | 49.6 | 50.4 |
| April | 81.6 | 18.4 | 81.6 | 18.4 |
| May - August | 100.0 | 0.0 | 100.0 | 0.0 |
| September | 82.5 | 17.5 | 77.5 | 22.5 |
| October | 36.6 | 63.4 | 25.3 | 74.7 |
| November | 17.6 | 82.4 | 19.8 | 80.2 |
| December | 15.5 | 84.5 | 19.8 | 80.2 |

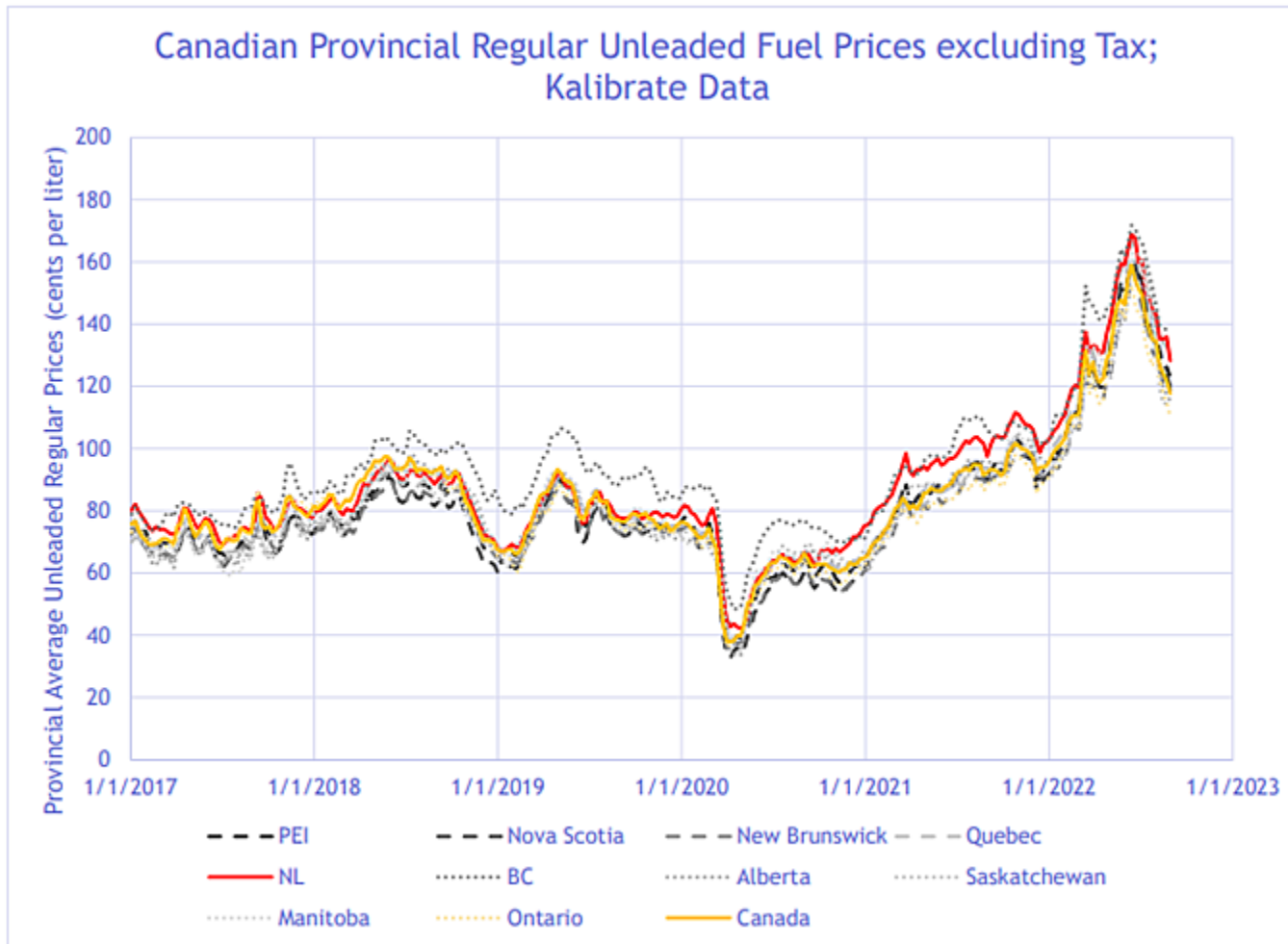
Appendix C - Historical Extraordinary Price Adjustments



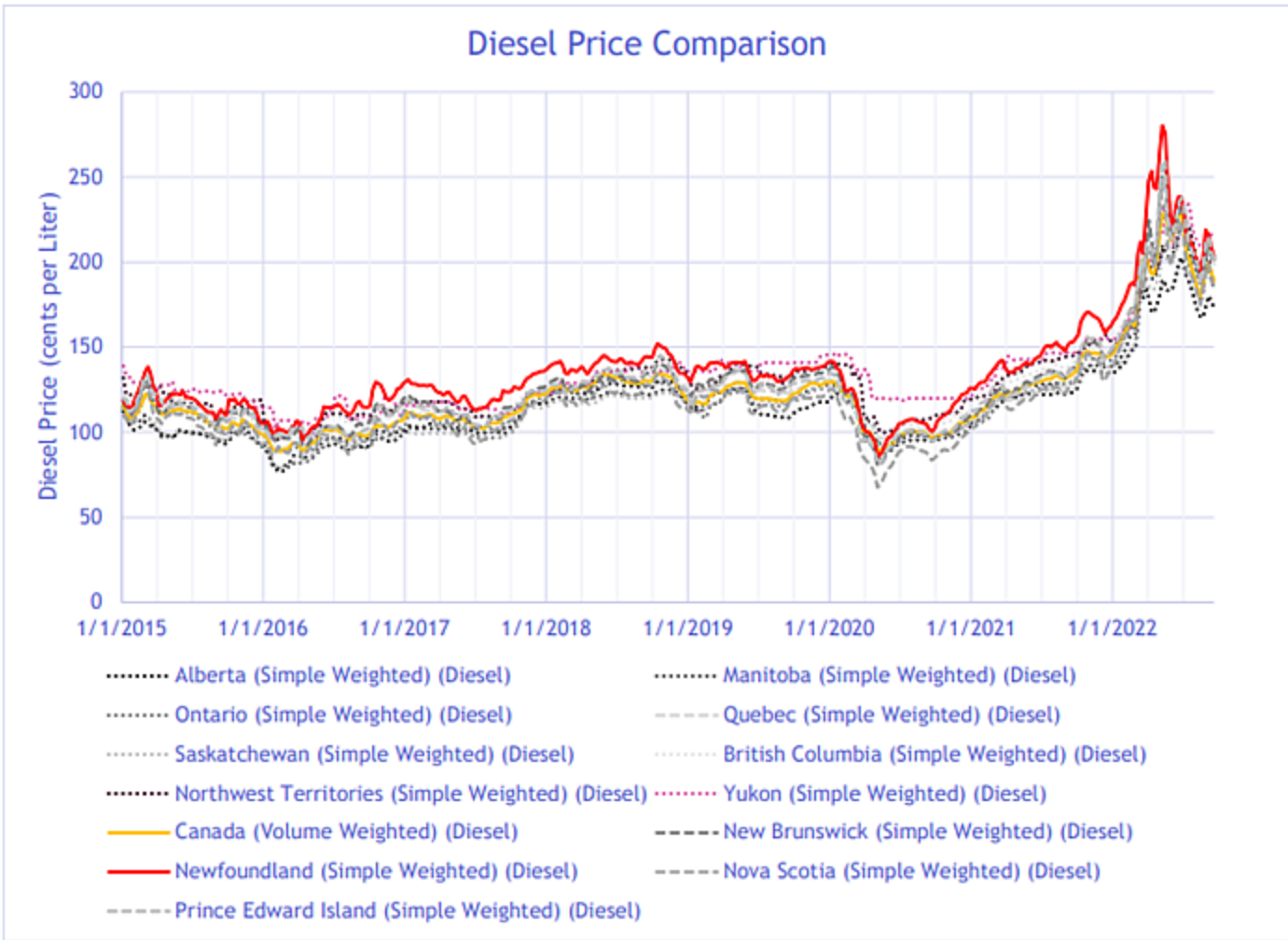
Extraordinary Maximum Price Adjustments
 Diesel Motor Fuel
 Zone 1 Avalon Peninsula
 2022-2024



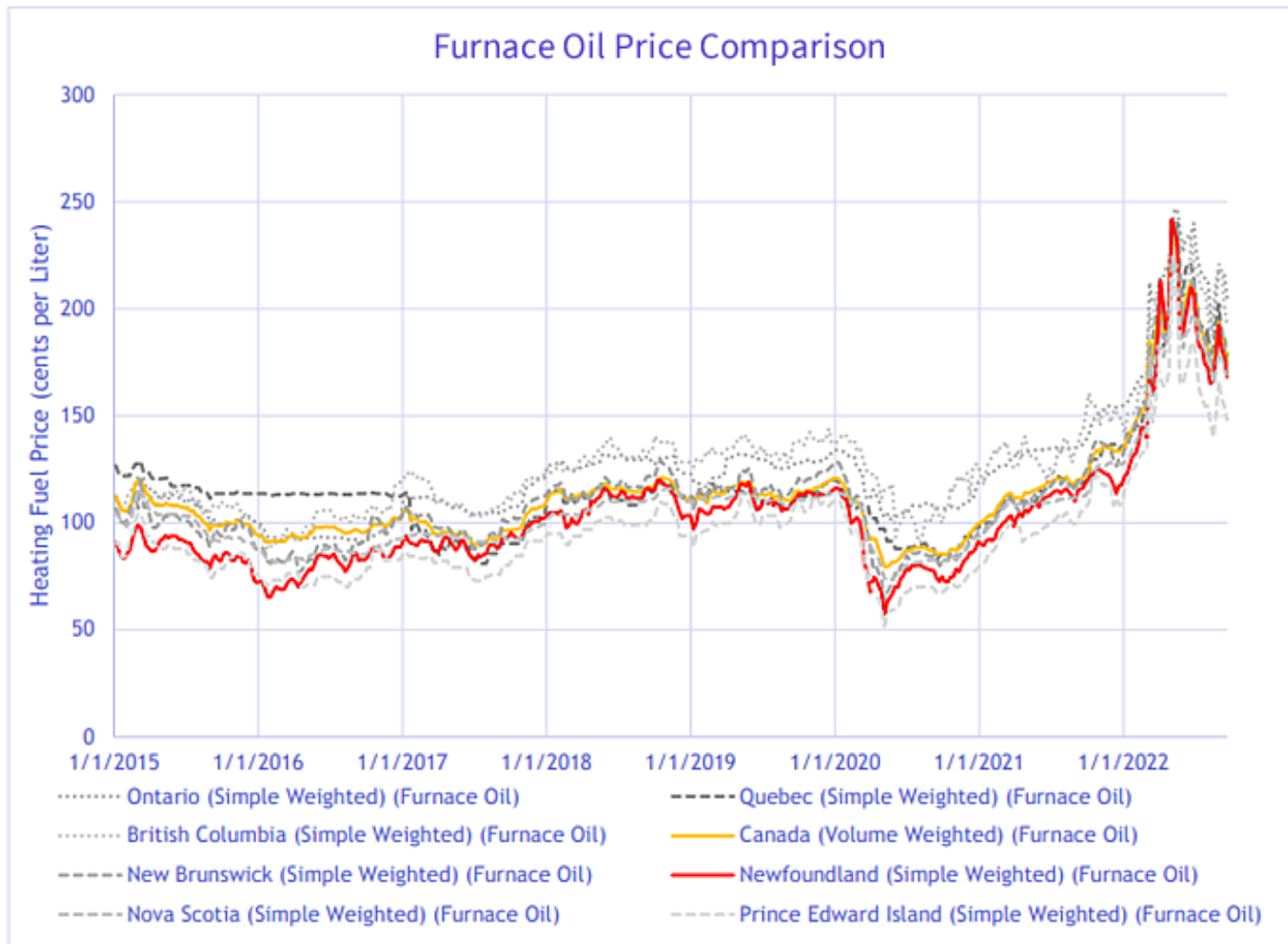
Appendix D - Canadian Price Comparisons



*Source: Kalibrate Canada Inc. Phase I Report, Page 25.



*Source: Kalibrate Canada Inc. Phase I Report, Page 30.



*Source: Kalibrate Canada Inc. Phase I Report, Page 33.

Appendix E - Potential Changes to Mark-Ups

| Potential Changes to Regular Gasoline Motor Fuel Mark-Ups Zone 1 (cents per litre) | | | | | | | | |
|---|---------------|----------------------------|---------------------------------|-------------|-----------------------|--------------------------------------|----------------------------|------------------------------|
| Mark-Up Type | 2020 Mark-Ups | Changes to Operating Costs | Changes to Marine Freight Costs | 2023 Costs | Additional Adjustment | New Potential Mark-Ups ⁷³ | Current Mark-Ups (Interim) | Change from Current Mark-Ups |
| Wholesale | 10.65 | 1.71 | 0.82 | 0.51 | - | 13.7 | 15.65 | (1.95) |
| Retail | 10.28 | 3.06 | - | 0.52 | (1.0) | 12.9 | 10.28 | 2.62 |
| Total Allowed | 20.93 | 4.77 | 0.82 | 1.03 | (1.0) | 26.6 | 25.93 | +0.67 |

Discussion

Operating Costs: Reflects changes to wholesaler and retailer operating costs based on R Cube's analysis for the period 2019-2022 (Phase II Report, Page 27 and Phase III Report, Page 16).

Marine Freight Costs: Reflects a CPI adjustment⁷⁴ to marine freight costs for the period 2006-2019 that have not been adjusted since 2006.

2023 Costs: Reflects a CPI adjustment for the 2023 year.

Additional Adjustment: Reflects a reduction giving consideration to the magnitude of the increase, Canadian price comparisons, and the retail mark-ups currently in place in the other Atlantic Canadian provinces.

Acquisition Cost Changes: No acquisition cost changes have been included because insufficient information was provided. Given the limited data filed, the acquisition cost analyses are subject to a number of issues, including the fact that the costs could not be apportioned between wholesalers and retailers, it is not clear that it is appropriate to measure these costs by measuring the difference from 2019 to 2022, information was not available for all the rack prices in the province and information was not available as to actual contractual discounts which may be applied to rack prices.

⁷³ Rounded to one decimal place.

⁷⁴ All CPI adjustments use data in Table 18-10-0004-01, Consumer Price Index, monthly, not seasonally adjusted; all-items published by [Statistics Canada](https://www150.statcan.gc.ca/n1/pub/28-263-x/2023001/article/00001-eng.htm).

**Potential Changes to Diesel Motor Fuel Mark-Ups
Zone 1 (cents per litre)**

| Mark-Up Type | 2020 Mark-Ups | Changes to Operating Costs | Changes to Marine Freight Costs | 2023 Costs | Additional Adjustment | New Potential Mark-Ups ⁷⁵ | Current Mark-Ups (Interim) | Change from Current Mark-Ups |
|----------------------|---------------|----------------------------|---------------------------------|-------------|-----------------------|--------------------------------------|----------------------------|------------------------------|
| Wholesale | 10.07 | 1.71 | 0.76 | 0.49 | - | 13.0 | 14.07 | (1.1) |
| Retail | 14.03 | 3.06 | - | 0.66 | (1.0) | 16.7 | 14.03 | 2.7 |
| Total Allowed | 24.10 | 4.77 | 0.76 | 1.15 | (1.0) | 29.7 | 28.1 | +1.6 |

Discussion

Operating Costs: Reflects changes to wholesaler and retailer operating costs based on R Cube’s analysis for the period 2019-2022 (Phase II Report, Page 27 and Phase III Report, Page 16).

Marine Freight Costs: Reflects a CPI adjustment⁷⁶ to marine freight costs for the period 2006-2019 that have not been adjusted since 2006.

2023 Costs: Reflects a CPI adjustment for the 2023 year.

Additional Adjustment: Reflects a reduction giving consideration to the magnitude of the increase, Canadian price comparisons, and the retail mark-ups currently in place in the other Atlantic Canadian provinces.

Acquisition Cost Changes: No acquisition cost changes have been included because insufficient information was provided. See discussion on Page 43 for the Board’s rationale for not including changes to acquisition costs in the above calculations.

⁷⁵ Rounded to one decimal place.

⁷⁶ All CPI adjustments use data in Table 18-10-0004-01, Consumer Price Index, monthly, not seasonally adjusted; all-items published by [Statistics Canada](https://www150.statcan.gc.ca/n1/pub/28-263-x/2023001/article/00001-eng.htm).

**Potential Changes to Furnace Oil Heating Fuel Mark-Ups
Zone 1ANE (cents per litre)**

| Mark-Up Type | 2020 Mark-Ups | Changes to Operating Costs | Changes to Marine Freight Costs | Changes to Marine Terminal Operating & Tractor Trailer Freight Costs | 2023 Costs | Additional Adjustment | New Potential Mark-Ups ⁷⁷ | Current Mark-Ups (Interim) | Change from Current Mark-Ups |
|----------------------|---------------|----------------------------|---------------------------------|--|-------------|-----------------------|--------------------------------------|----------------------------|------------------------------|
| Wholesale | 5.11 | 1.71 | 0.45 | 0.41 | 0.30 | 1.0 | 9.0 | 9.11 | (0.1) |
| Retail | 18.27 | 2.66 | - | - | 0.81 | 1.0 | 22.7 | 18.27 | 4.4 |
| Total Allowed | 23.38 | 4.37 | 0.45 | 0.41 | 1.11 | 2.0 | 31.7 | 27.38 | +4.3 |

Discussion

Operating Costs: Reflects wholesaler operating cost changes for the period 2019-2022 and reflects retailer operating cost changes for the period 2018-2022 based on R Cube’s analyses (Phase II Report, Page 27 and Phase III Report, Page 16).

Marine Freight Costs: Reflects a CPI adjustment⁷⁸ to marine freight costs for the period 2006-2019 that have not been adjusted since 2006.

Marine Terminal Operating & Tractor Trailer Freight Costs: Reflects a CPI adjustment to marine terminal operating and tractor trailer freight costs for the period 2012-2019.

2023 Costs: Reflects a CPI adjustment for the 2023 year.

Additional Adjustment: Reflects an increase giving consideration to available information with respect to volume decline and other industry challenges encountered by heating fuel operators in the province, Canadian price comparisons, as well as mark-ups in New Brunswick.

Acquisition Cost Changes: No acquisition cost changes have been included because insufficient information was provided. See discussion on Page 43 for the Board’s rationale for not including changes to acquisition costs in the above calculations.

⁷⁷ Rounded to one decimal place.

⁷⁸ All CPI adjustments use data in Table 18-10-0004-01, Consumer Price Index, monthly, not seasonally adjusted; all-items published by [Statistics Canada](https://www150.statcan.gc.ca/n1/pub/28-263-x/2023001/article/00001-eng.htm).

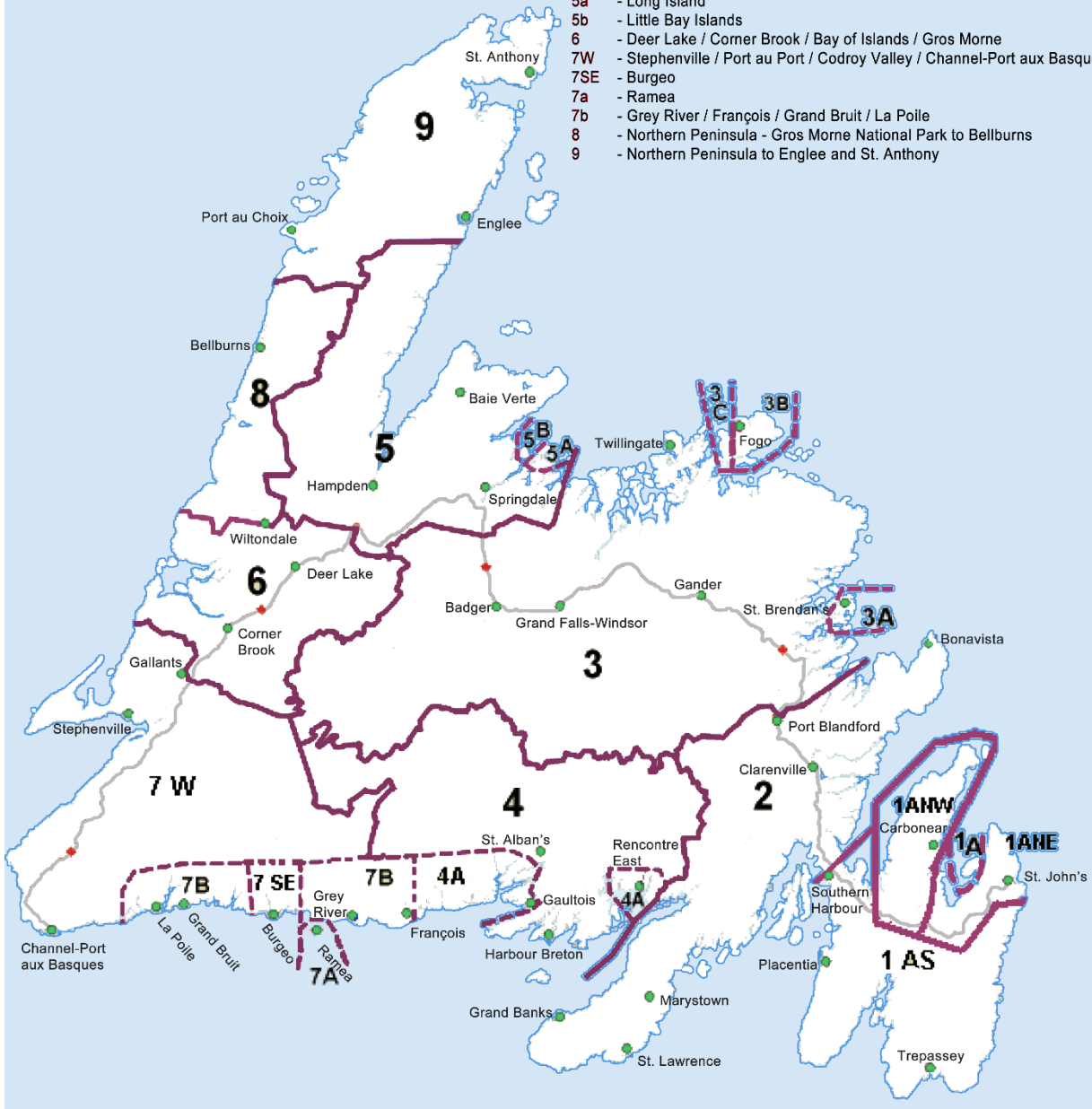
Appendix F - Current Zone Maps

Newfoundland Pricing Zones Motor Fuels



Newfoundland Pricing Zones Heating Fuels

- 1ANE - Avalon Peninsula Northeast
- 1ANW - Avalon Peninsula Northwest
- 1AS - Avalon Peninsula South
- 1a - Bell Island
- 2 - Burin Peninsula / Bonavista Peninsula
- 3 - Central Newfoundland / Notre Dame Bay East
- 3a - St. Brendan's (Island)
- 3b - Fogo Island
- 3c - Change Islands
- 4 - Connaigre Peninsula
- 4a - Gaultois / McCallum / Rencontre East
- 5 - Springdale - Green Bay / Triton / Baie Verte Peninsula
- 5a - Long Island
- 5b - Little Bay Islands
- 6 - Deer Lake / Corner Brook / Bay of Islands / Gros Morne
- 7W - Stephenville / Port au Port / Codroy Valley / Channel-Port aux Basques
- 7SE - Burgeo
- 7a - Ramea
- 7b - Grey River / François / Grand Bruit / La Poile
- 8 - Northern Peninsula - Gros Morne National Park to Bellburns
- 9 - Northern Peninsula to Englee and St. Anthony



Appendix G - Zone Differentials: Atlantic Canada

| Atlantic Canada Zone Differentials Ex-HST (cents per litre) ⁷⁹ | | | | | | |
|---|-----------|--|-----|-----|-----|-----|
| Province | Base Zone | 2 ⁸⁰ / Gran Manan ⁸¹ | 3 | 4 | 5 | 6 |
| New Brunswick | 0.00 | 1.25 | | | | |
| Nova Scotia | 0.00 | 0.4 | 0.9 | 1.0 | 1.0 | 1.7 |
| Prince Edward Island | 0.00 | | | | | |

⁷⁹ As of May 2024.

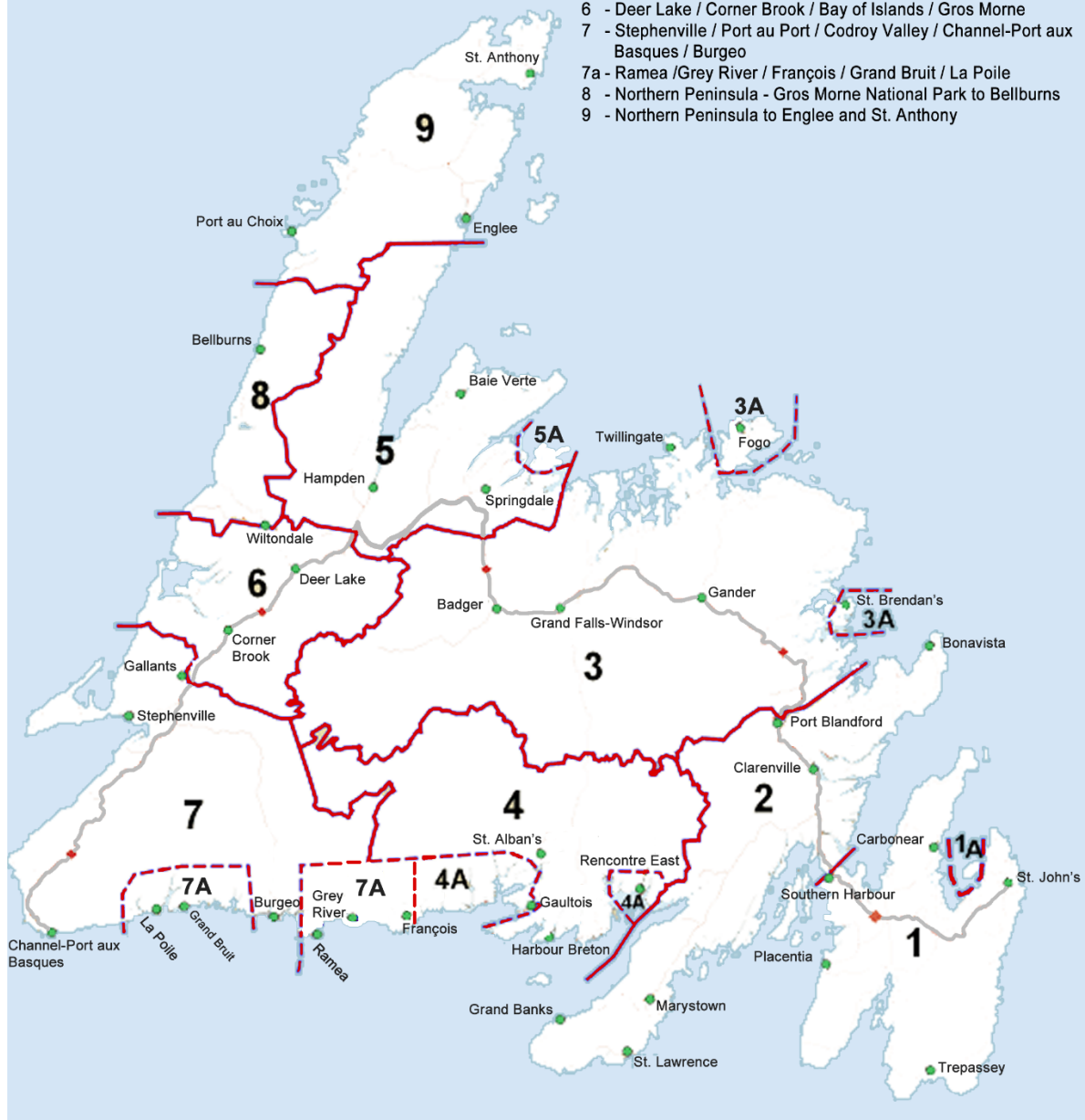
⁸⁰ Zone 2 in Nova Scotia.

⁸¹ Gran Manan in New Brunswick.

Appendix H - Potential Zone Maps

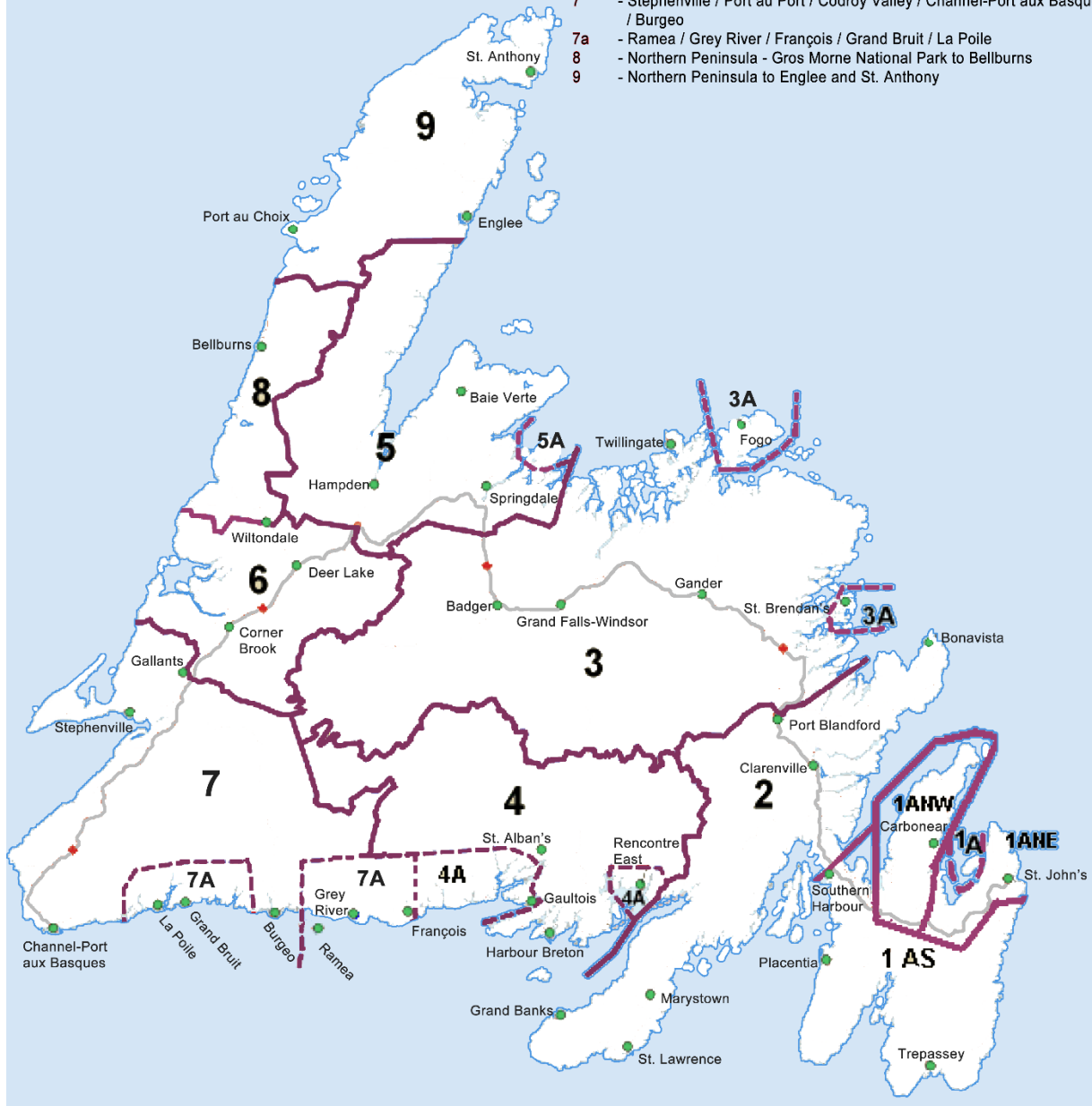
Newfoundland Pricing Zones Motor Fuels

- 1 - Avalon Peninsula
- 1a - Bell Island
- 2 - Burin Peninsula / Bonavista Peninsula
- 3 - Central Newfoundland / Notre Dame Bay East
- 3a - St. Brendan's (Island) / Fogo Island / Change Islands
- 4 - Connaigre Peninsula
- 4a - Gaultois / McCallum / Rencontre East
- 5 - Springdale - Green Bay / Triton / Baie Verte Peninsula
- 5a - Long Island
- 6 - Deer Lake / Corner Brook / Bay of Islands / Gros Morne
- 7 - Stephenville / Port au Port / Codroy Valley / Channel-Port aux Basques / Burgeo
- 7a - Ramea / Grey River / François / Grand Bruit / La Poile
- 8 - Northern Peninsula - Gros Morne National Park to Bellburns
- 9 - Northern Peninsula to Englee and St. Anthony



Newfoundland Pricing Zones Heating Fuels

- 1ANE - Avalon Peninsula Northeast
- 1ANW - Avalon Peninsula Northwest
- 1AS - Avalon Peninsula South
- 1a - Bell Island
- 2 - Burin Peninsula / Bonavista Peninsula
- 3 - Central Newfoundland / Notre Dame Bay East
- 3a - St. Brendan's (Island) / Fogo Island / Change Islands
- 4 - Connaigre Peninsula
- 4a - Gaultois / McCallum / Rencontre East
- 5 - Springdale - Green Bay / Triton / Baie Verte Peninsula
- 5a - Long Island
- 6 - Deer Lake / Corner Brook / Bay of Islands / Gros Morne
- 7 - Stephenville / Port au Port / Codroy Valley / Channel-Port aux Basques / Burgeo
- 7a - Ramea / Grey River / François / Grand Bruit / La Poile
- 8 - Northern Peninsula - Gros Morne National Park to Bellburns
- 9 - Northern Peninsula to Englee and St. Anthony



Appendix I - Potential Zone Differential Changes

| Potential Zone and Zone Differential Changes Gasoline Motor Fuel (cents per litre) | | | | |
|--|---------------------------|---------------------------------|--------|---|
| Zone | Current Zone Differential | Potential New Zone Differential | Change | Comments |
| 1 | 0 | 0 | 0 | |
| 1a | 0.48 | 0.72 | +0.24 | |
| 2 | 1.61 | 2.40 | +0.79 | |
| 3 | 2.18 | 3.25 | +1.07 | |
| 3a | 5.88 | 10.83 | +4.95 | Includes an average of the zone 3a, 3b, and 3c differential increases. Zones 3a, 3b and 3c will be combined as one zone at 10.83 cpl differential. |
| 3b | 6.32 | 10.83 | +4.51 | |
| 3c | 9.60 | 10.83 | +1.23 | |
| 4 | 5.12 | 7.63 | +2.51 | |
| 4a | 8.09 | 12.05 | +3.96 | |
| 5 | 3.42 | 5.10 | +1.68 | |
| 5a | 6.97 | 10.39 | +3.42 | |
| 5b | | | | To Be Removed |
| 6 | 0.62 | 0.92 | +0.30 | |
| 7 | 1.39 | 2.07 | +0.68 | |
| 7a | 10.785 | 15.79 | +5.00 | Includes an average of the zone 7a and 7b differential increases. In consideration of the magnitude of change, the increase is capped at +5.0 cpl. Zones 7a and 7b will be combined as one zone at 15.79 cpl differential. |
| 7b | 12.06 | 15.79 | +3.73 | |
| 8 | 1.55 | 2.31 | +0.76 | |
| 9 | 3.28 | 4.89 | +1.61 | |

| Potential Zone and Zone Differential Changes Diesel Motor Fuel (cents per litre) | | | | |
|--|---------------------------------|---------------------------------------|--------|--|
| Zone | Current Zone Differential | Potential New Zone Differential | Change | Comments |
| 1 | 0 | 0 | 0 | |
| 1a | 0.48 | 0.72 | +0.24 | |
| 2 | 1.61 | 2.40 | +0.79 | |
| 3 | 2.18 | 3.25 | +1.07 | |
| 3a | 5.88 | 10.83 | +4.95 | Includes an average of the zone 3a, 3b, and 3c differential increases. Zones 3a, 3b and 3c will be combined as one zone at 10.83 cpl differential. |
| 3b | 6.32 | 10.83 | +4.51 | |
| 3c | 9.60 | 10.83 | +1.23 | |
| 4 | 5.12 | 7.63 | +2.51 | |
| 4a | 8.09 | 12.05 | +3.96 | |
| 5 | 3.42 | 5.10 | +1.68 | |
| 5a | 6.97 | 10.39 | +3.42 | |
| 5b | | | | To Be Removed |
| 6 | 0.62 | 0.92 | +0.30 | |
| 7 | 1.39 | 2.07 | +0.68 | |
| 7a | 3.68 | 8.68 | +5.00 | Includes an average of the zone 7a and 7b differential increases. In consideration of the magnitude of change, the increase is capped at +5.0 cpl. Zones 7a and 7b will be combined as one zone at 8.68 cpl differential. |
| 7b | 9.60 | 8.68 | (0.92) | |
| 8 | 1.55 | 2.31 | +0.76 | |
| 9 | 3.28 | 4.89 | +1.61 | |

**Potential Zone and Zone Differential Changes
Furnace Oil Heating Fuel (cents per litre)**

| Zone | Current Zone Differential | Potential New Zone Differential | Change | Comments |
|-------------|----------------------------------|--|---------------|--|
| 1ANE | 0.00 | 0.00 | 0.00 | |
| 1ANW | 3.00 | 4.47 | +1.47 | |
| 1AS | 4.30 | 6.41 | +2.11 | |
| 1a | 1.30 | 1.94 | +0.64 | |
| 2 | 4.30 | 6.41 | +2.11 | |
| 3 | 4.00 | 5.96 | +1.96 | |
| 3a | 7.00 | 10.88 | +3.88 | Includes an average of the zone 3a, 3b, and 3c differential increases. |
| 3b | 6.50 | 10.88 | +4.38 | Zones 3a, 3b and 3c will be combined as one zone at 10.88 cpl differential. |
| 3c | 8.40 | 10.88 | +2.48 | |
| 4 | 7.20 | 10.73 | +3.53 | |
| 4a | 17.30 | 22.30 | +5.00 | In consideration of the magnitude of change, the increase is capped at +5.0 cpl. |
| 5 | 4.50 | 6.71 | +2.21 | |
| 5a | 5.00 | 7.45 | +2.45 | |
| 5b | | | | To Be Removed |
| 6 | 0.90 | 1.34 | +0.44 | |
| 7 | 4.30 | 8.27 | +3.97 | Includes an average of Former 7W and 7SE differential increases. |
| 7W | 4.30 | 8.27 | +3.97 | Zones 7W and 7SE will be combined as one zone, renamed as Zone 7, at 8.27 cpl differential. |
| 7SE | 6.80 | 8.27 | +1.47 | |
| 7a | 10.40 | 15.40 | +5.00 | Includes an average of the zone 7a and 7b differential increases. In consideration of the magnitude of change, the increase is capped at +5.0 cpl. |
| 7b | 16.50 | 15.40 | (1.10) | Zones 7a and 7b will be combined as one zone at 15.40 cpl differential. |
| 8 | 1.90 | 2.83 | +0.93 | |
| 9 | 6.50 | 9.69 | +3.19 | |

Appendix J - Potential Propane Mark-Up and Differential Changes

| Summary of Potential Mark-Up and Zone Differential Changes Propane Heating Fuel (cents per litre) | | | | | |
|--|---------------------------------|-------------------|-----------------------|-------------------|---------------------|
| Zone | Current | | Potential | | Change from Current |
| | Total Allowed Mark-Up (Interim) | Zone Differential | Total Allowed Mark-Up | Zone Differential | |
| 1ANE | 71.59 | 2.00 | 69.6 | 2.98 | (1.0) |
| 1ANW | 71.59 | 2.00 | 69.6 | 2.98 | (1.0) |
| 1AS | 71.59 | 2.00 | 69.6 | 2.98 | (1.0) |
| 1a | 71.59 | 3.00 | 69.6 | 4.47 | (0.5) |
| 2 | 71.59 | 0.00 | 69.6 | 0.00 | (2.0) |
| 3 | 68.09 | 2.90 | 69.6 | 4.32 | 2.9 |
| 3a ⁸² | 68.09 | 5.00 | 69.6 | 7.90 | 4.4 |
| 4 | 63.09 | 3.70 | 69.6 | 5.51 | 8.3 |
| 4a ⁸³ | 63.09 | 15.30 | 69.6 | 20.30 | 11.5 |
| 5 | 63.09 | 3.50 | 69.6 | 5.22 | 8.2 |
| 5a | 63.09 | 3.00 | 69.6 | 4.47 | 8.0 |
| 6 | 63.09 | 4.60 | 69.6 | 6.85 | 8.8 |
| 7 ⁸⁴ | 63.09 | 5.90 | 69.6 | 8.79 | 9.4 |
| 7a ⁸⁵ | 63.09 | 8.40 | 69.6 | 13.40 | 11.5 |
| 8 | 63.09 | 5.70 | 69.6 | 8.49 | 9.3 |
| 9 | 63.09 | 7.70 | 69.6 | 11.47 | 10.3 |

⁸² Potential Zone Differential includes an average of zone 3a, 3b and 3c differential increases. Zones 3a, 3b, and 3c will be combined as one zone.

⁸³ In consideration of the magnitude of the increase, the potential zone differential change for Zone 4a is capped at +5 cpl.

⁸⁴ Potential Zone Differential includes an average of the former Zones 7W and 7SE differential increases. Zones 7W and 7SE will be combined and renamed as Zone 7.

⁸⁵ Potential Zone Differential includes an average of zone 7a and 7b differential increases, capped at +5 cpl. Zones 7a and 7b will be combined as one zone.

Appendix K - History of Changes to Mark-Ups

| History of Changes to Mark-Ups 2008-2024 | | | | | | | | | |
|---|-----------|--------|-----------|--------|-------------|--------|-----------|--------|----------------|
| Effective Date | Gasoline | | Diesel | | Furnace Oil | | Stove Oil | | Propane |
| | Wholesale | Retail | Wholesale | Retail | Wholesale | Retail | Wholesale | Retail | Total Allowed |
| July 17, 2008 | | +1.25 | | | | | | | |
| January 13, 2010 ¹ | | | | | | +1.00 | | +1.00 | |
| May 16, 2013 ² | | | | | | +1.96 | | +2.28 | +4.90 |
| January 15, 2015 ³ | +1.16 | +2.48 | +1.16 | +2.48 | +0.61 | | +0.61 | | |
| October 3, 2019 ⁴ | | | | | | +1.71 | | +1.90 | +3.49 |
| October 1, 2020 ⁵ | +0.91 | +1.55 | +0.91 | +1.55 | | | | | |
| October 29, 2020 ⁶ | +5.00 | | +4.00 | | +4.00 | | +4.00 | | |
| May 6, 2021 ⁷ | | | | | | | | | +12.0 to +20.5 |

¹ See **Order No. P.P. 1(2010)**.

² See **Order No. P.P. 20(2013)**.

³ See **Order No. P.P. 2(2015)**.

⁴ See **Order No. P.P. 41(2019)**.

⁵ See **Order No. P.P. 46(2020)**.

⁶ Changes made on an Interim basis, subject to a further review. See **Order No. P.P. 52(2020)**.

⁷ Changes made on an Interim basis, subject to a further review. See **Order No. P.P. 19(2021)**.

Glossary of Terms

| Term | Definition |
|-----------------------|--|
| Acquisition Cost | The total amount of money a company spends to acquire a type of fuel. |
| Advance Notice | A notice of price changes that will happen in the future. |
| Benchmark | A point of reference against which things may be compared or assessed. |
| Benchmark Price | A price reference point representing a wholesaler's unregulated purchase price for a type of fuel. |
| Blend | A mixture of different things or qualities. |
| Blending | The process of combining and weighting the prices of two or more fuels to calculate a benchmark price for a type of fuel. |
| CBOB | Denotes "Conventional Blendstock for Oxygenated Blending". US Standard gasoline, typically blended to make finished on-road gasoline. |
| Cloud Point | The temperature below which a fuel undergoes a liquid-liquid phase separation or a liquid-solid phase transition. |
| Commodity | A basic good used in commerce that is interchangeable with other goods of the same type. In the context of this document, it refers to fuel commodities. |
| Consumer | A person who acquires a petroleum product for that person's use and not for the purpose of selling, exchanging or otherwise disposing of it to another person. It does not include a person who acquires a petroleum product under a contract between the person and a retailer or wholesaler at a price that the person and the retailer or wholesaler have previously agreed on. |
| Cost Recovery | The recouping of costs of any expense. |
| Criteria | A standard by which something may be decided. |
| Data Reporting Agency | A business that calculates and publishes current and historical fuel pricing data. |
| Discretion | The freedom to decide what should be done in a particular situation. |
| Embargo | An official ban on the reporting of price change information prior to the effective date. |

| Term | Definition |
|--------------------------------|--|
| Extraordinary Price Adjustment | A price adjustment which occurs outside of the regular weekly time period, usually in response to market volatility. |
| Forward Averaging | A cent per litre amount included in the price of fuel at the time of a price adjustment to account for an historical difference between current and previous benchmark prices. |
| Frequency | The rate at which something is repeated over a particular period of time. |
| Marine Freight Cost | The cost of transporting refined products to primary marine terminal storage facilities. |
| Marine Terminal Cost | The cost of operating the marine terminal in which fuels are stored. |
| Market Adjustor | A monetary adjustment intended as a temporary economic remedy for a difference between the wholesale or retail maximum price for a type of fuel and the price a wholesaler or retailer must pay for that type of fuel. |
| Market Volatility | The frequency and magnitude of price movements, up or down. |
| Maximum Price | The highest cents per litre price that can be charged for a type of fuel. |
| Minimum Price | The lowest cents per litre price that can be charged for a type of fuel. |
| NYH | Denotes “New York Harbor”. |
| Operating Cost | The expenses which are related to the operation of a business, such as wages and salaries, fuel and vehicle costs, capital costs and depreciation, administrative costs, etc. |
| Prescriptive | The imposition or enforcement of a rule or method. |
| Proxy | A figure that can be used to represent the value of something in a calculation. |
| Rack Pricing | The price of a type of fuel at a terminal storage rack, not regulated by the Board. |
| Regulated | Subject to maximum price regulation under the Act . |
| Retail Mark-Up | A cents per litre amount added to the benchmark price, the wholesale mark-up and the zone differential intended to reflect the operating costs of a retailer to supply a type of fuel to a consumer. |
| Retail Maximum Prices | The highest price that a retailer can charge a consumer for a type of fuel. |
| Retailer | A person who sells a petroleum product or keeps a petroleum product for sale directly to consumers. |
| Spread | The difference between two values. |
| Taxation | The levying of taxation, often expressed as a set cents per litre amount or as an applied percentage. |

| Term | Definition |
|--------------------------|---|
| Total Allowed Mark-Up | The sum of the wholesale mark-up and the retail mark-up. |
| ULSD | Denotes “Ultra Low Sulphur Diesel” |
| ULSK | Denotes “Ultra Low Sulphur Kerosene”. |
| Unregulated | Not subject to maximum price regulation under the Act . |
| Weight | The process of assigning a percentage to a value. |
| Wholesale Mark-Up | A cents per litre amount added to a benchmark price intended to reflect the operating costs of a wholesaler to supply a type of fuel to a retailer. It becomes a flow-through in the calculation of retail maximum prices. |
| Wholesale Maximum Prices | The highest price that a wholesaler can charge a retailer for a type of fuel. |
| Wholesaler | A person, other than a retailer, who sells a petroleum product or keeps a petroleum product for sale. |
| Zone Differential | A cents per litre amount added to a benchmark price and a wholesale mark-up intended to reflect additional costs of transportation, storage and distribution of a type of fuel to and within a pricing zone. It becomes a flow-through in the calculation of retail maximum prices. |

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