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## **APPENDIX C**

### **Excerpts from the NBSO Market Rules**

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## **Overview of Excerpts**

Appendix C contains two excerpts from the New Brunswick Electricity Market Rules (the "Market Rules").

The first excerpt is provided for reference purposes. The Market Rules, Chapter 2, Market Participation and Use of the SO-Controlled Grid, s. 2.5, Credit Support Requirements, outlines the current creditworthiness obligations for Market Participants.

The second excerpt is a draft of the table of contents for Chapter 8, Connection of New and Modified Facilities. It is proposed that the *pro forma* Network Operating Agreement be inserted as Appendix 8A and that the *pro forma* Generation Connection Agreement be added as Appendix 8B.

whichever is the later.

2.4.13 A Market Participant that is the Market Participant for a Facility shall cease to be a Market Participant on the date:

- a) specified in the Notice of Withdrawal;
- b) on which, as the result of de-registration or transfer under section 2.6, the Market Participant is no longer the Market Participant for any Facility; or
- c) on which all payments due to be paid by it or to it under the Market Rules have been made,

whichever is the later.

2.4.14 A person that ceases to be a Market Participant shall remain subject to and liable for all of its obligations and liabilities as a Market Participant that were incurred or arose under the Market Rules prior to or on the date on which the person ceased to be a Market Participant regardless of the date on which any claim relating thereto may be made.

## **2.5 Credit Support Requirements**

2.5.1 No Market Participant that is required by this section 2.5 to provide Credit Support shall cause a Facility to provide or convey electricity or Ancillary Services into, through or out of the SO-controlled Grid or schedule with the SO a transaction for the provision or conveyance of electricity or Ancillary Services into, through or out of the SO-controlled Grid unless the Market Participant satisfies the Credit Support requirements of this section 2.5.

2.5.1A No Market Participant that is responsible for the provision of Bid-Based Demand Response from a Load or Joint Facility that is not also the person responsible for that Facility shall submit Dispatch Data unless the Market Participant satisfies the Credit Support requirements of this section 2.5,

notwithstanding the fact that such a Market Participant's Credit Support Obligation for BBDR is typically zero.

- 2.5.2 Each Market Participant shall provide to the SO and at all times maintain Credit Support in such form and amount as is required by this section 2.5. Without limiting the generality of the foregoing, this obligation requires that a Market Participant provide additional Credit Support (a) where the then-existing Credit Support becomes insufficient for any reason, including as a result of changes in the Market Participant's trading activities or changes in the charges payable by the Market Participant to the SO; (b) upon the expiry or invalidity of the then-existing Credit Support; (c) upon changes in credit ratings supporting guarantees provided as Credit Support; and (d) upon claims being made by the SO on then-existing Credit Support as a result of a payment default by the Market Participant.
- 2.5.3 The Credit Support required to be provided and maintained by a Market Participant shall be in an amount equal to or in excess of the Market Participant's Credit Support Obligation at the relevant time. A Market Participant's Credit Support Obligation shall be the total amount estimated by the SO of the charges that can reasonably be expected to be incurred and payable to the SO under the Market Rules over a period of two months. The SO may also include in its calculation of a Market Participant's Credit Support Obligation its estimate of any amount expected to be payable by the Market Participant to the SO on account of the long-term reservation of Point-to-Point Service under the Transmission Tariff.
- 2.5.4 While a Market Participant's Credit Support Obligation is zero or negative, the Market Participant shall not be required to provide Credit Support.
- 2.5.5 Market Participants may provide Credit Support in one or more of the following forms:
- a) cash deposits made with the SO, which may include near-cash marketable securities in the form of Canadian Government treasury bills. Such treasury bills shall be valued as cash at their current market value less 2 percent to take into account the potential eroding effects of interest rate increases;

- b) a guarantee or irrevocable commercial letter of credit from a bank named in a Schedule to the Bank Act, S.C 1991, ch. 46;

subject to section 2.5.7, an irrevocable guarantee payable on demand, in a form acceptable to the SO, provided by any person, including an Affiliate of the Market Participant, having a credit rating as described in section 2.5.6 and the value of which shall be as determined in accordance with that section; and

an irrevocable cross-guarantee, permitting offset, in a form acceptable to the SO, from a person who is a creditor of the SO, up to the value of the amount owing by the SO to the creditor.

2.5.6 Subject to section 2.5.7, a person may provide a guarantee under section 2.5.5(c) if that person has a credit rating described in column 1 of the table below from a major bond rating agency acceptable to the SO. The maximum value of that person's guarantees shall not in the aggregate exceed the value ascribed to that person's credit rating in column 2 of the table below.

Column 1: Credit Rating Category (using Standard & Poor's rating terminology)	Column 2: Maximum Value of Guarantee
AA- or better (or equivalent)	\$ 20 million
A- or better (or equivalent)	\$ 10 million
BBB- or better (or equivalent)	\$ 5 million

2.5.7 Where a guarantee is being provided by a person (the “second guarantor”) that is an Affiliate of a person that has already provided a guarantee (the “first guarantor”), in determining the maximum value of the guarantee of the second guarantor the value of the guarantee of the first guarantor shall be deducted from the otherwise applicable maximum value permitted under the table set forth in section 2.5.6. This restriction may be waived by the SO where the second guarantor provides to the SO a letter from a major bond rating agency acceptable

- to the SO stating that the credit ratings of the first guarantor and the second guarantor are not directly linked and are stand alone ratings in relation to each other.
- 2.5.8 Any recommendation by a major bond rating agency to move a person that has provided a guarantee under section 2.5.5(c) to "credit watch status" shall be deemed to automatically result in a one-rating-category reduction in terms of the credit rating of that person.
- 2.5.9 The SO may review and revise a Market Participant's Credit Support Obligation when it determines that a change in circumstances pertaining to the Market Participant will or is reasonably likely to have a material impact on the Market Participant's Credit Support Obligation.
- 2.5.10 Where section 2.5.9 applies, the SO shall notify the Market Participant of the revised Credit Support Obligation established for the Market Participant. The notice shall give the Market Participant a minimum of three Business Days within which to provide such additional Credit Support as may be required to bring the value of the Market Participant's Credit Support up to the Market Participant's revised Credit Support Obligation.
- 2.5.11 Where a Market Participant fails to comply with section 2.5.10 within the time specified in the notice referred to in that section, the provisions of section 2.7 shall apply.
- 2.5.12 Each Market Participant shall, as and when required, provide to the SO the information referred to in section 2.5.13(d). Each Market Participant shall also promptly notify the SO of any circumstance that may have an impact on the Market Participant's Credit Support Obligation or its Credit Support, including a reduction or loss of any applicable credit rating whether actual or deemed under section 2.5.8.
- 2.5.13 The SO shall include in a Market Procedure such provisions as may be required to supplement the provisions of this section 2.5, including provisions relating to:
- a) the form, manner and time in which Credit Support must be provided;

- b) the minimum terms and conditions applicable to each form of Credit Support referred to in section 2.5.5;
- c) the manner in which the SO will calculate a Market Participant's Credit Support Obligation;
- d) the information required to be provided by each Market Participant from time to time to enable the SO to calculate the Market Participant's Credit Support Obligation; and
- e) acceptable major bond rating agencies for the purposes of sections 2.5.5 to 2.5.8.

## **2.6 Registration and De-Registration of Facilities and Transfer and Cancellation of Facility Registration**

2.6.1 No person shall cause a Facility to provide or convey electricity or Ancillary Services into, through or out of the SO-controlled Grid unless the Facility has been registered with the SO by the Market Participant for that Facility. Except as provided in section 2.6.4, the Market Participant for a Generation Facility may apply to register the generation units comprising that Generation Facility on an individual or aggregated basis in the manner the Market Participant determines appropriate. A Facility shall be registered as a Load Facility, a Generation Facility or a Joint Facility, as applicable having regard to the nature of the Facility. A Facility whose injections into the SO-controlled Grid in any hour exceed, or are expected to exceed, its withdrawals in the same hour may not be registered as a Load Facility. A Facility whose injections of electricity to the SO-controlled Grid exceed, or are expected to exceed, its withdrawals of electricity from the SO-controlled Grid in any month in a year shall be registered as a Generation Facility.

2.6.1A No Market Participant that is responsible for the provision of Bid-Based Demand Response from a Load or Joint Facility that is not also the person responsible for

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### **Appendix 8A - Network Operating Agreement**

### **Appendix 8B - Generation Connection Agreement**