

Report of the Market Advisory Committee

Subject

Proposed Market Rule Amendments on the Allocation of Residual Monthly Costs

Recommendation

In accordance with Market Rule 3B.3, the Market Advisory Committee recommends to the NBSO Board of Directors that the amendments as published by the NBSO in the “Notice of Proposed Market Rule Amendments” dated June 7, 2011 be adopted.

Summary of Objections

No objections were raised by the Market Advisory Committee (MAC) on the final proposal. The NBSO received comments from Hydro Quebec Production, which were circulated to the MAC along with NBSO’s response. While the comments and NBSO’s response do not impact the proposed amendments and are not considered to be an objection, they do identify other areas where further review by the MAC would be useful.

Summary of Process

The NBSO proposal to amend the Residual Monthly Cost (RMC) allocation is part of a larger process to lower RMC amounts and improve its allocation.

The amendment proposal is a result of discussions that have taken place over the course of several MAC meetings. The MAC accepted NBSO’s original proposal to allocate the RMC on the basis of energy instead of transmission usage but disagreed with energy being represented by “Scheduled Deliveries”. The resulting proposal is an allocation on the basis of “Scheduled Deliveries plus Load Imbalance” which better represents actual energy flows.

The MAC encourages the NBSO to continue to look for enhancements that will reduce the RMC, increase transparency, and further improve its allocation.

Record of Vote

At the September 15, 2011 meeting, the MAC approved the amendment proposal dated June 7, 2011 by a margin of 13 for, 0 against and 0 abstentions.

Kirby O’Donnell

Chair -Market Advisory Committee