

# NEW BRUNSWICK ELECTRICITY MARKET RULES

## SUMMARY

This document provides an overview of the New Brunswick Electricity Market Rules (the “Market Rules”). It commences with a description of the context within which the Market Rules operate and of the scope and objects of the Market Rules, followed by a chapter-by-chapter overview of the contents of the Market Rules.

In this document, capitalized terms are used to identify terms that are defined in Chapter 10 of the Market Rules.

### A. THE MARKET RULES IN CONTEXT

The Market Rules have as their principal purpose the codification of those elements of the market design chosen for New Brunswick that relate to the system operations of the New Brunswick System Operator (the “SO”) and to the SO’s functions in facilitating the operation of a Bilateral Contract market for electricity. The Market Rules give effect to the relevant recommendations contained in the Market Design Committee’s April 2002 Final Report that are not required or proposed to be implemented by other means, such as through the Transmission Tariff or by legislation.

The Market Rules exist and operate within a broader legislative and regulatory framework. Specifically, the *Electricity Act* provides for the establishment, organization and powers of the SO as well as the authority under which the Market Rules are made and amended. Other documentation, such as regulations, licences and agreements, complete the framework. Of particular importance in New Brunswick are:

- the open access Transmission Tariff, which provides in general terms the provisions for access to the Transmission System, describes the various forms of Transmission Service and the costs relating to such Service, and has priority over the Market Rules in case of conflict;

- the vesting contracts (power purchase agreements or PPAs) for capacity and energy, which will define the terms under which the New Brunswick Power Distribution and Customer Service Corporation will procure capacity and energy from heritage assets;
- the vesting contracts for Ancillary Services, which will define the terms under which the SO will procure Ancillary Services from heritage assets;
- the tariff or terms defining the retail market relationship under which the New Brunswick Power Distribution and Customer Service Corporation will supply Standard Service to its customers; and
- the by-laws of the SO under subsection 50(2) of the *Electricity Act*, which are required to contain provisions relating to, among others, delegation by the SO and the establishment of committees including the Market Advisory Committee.

The Market Rules are designed to complement these other documents, and not generally to duplicate their provisions.

The Market Rules envisage that Market Participants will enter into Bilateral Contracts amongst themselves, including the vesting contracts (PPAs) for capacity and energy. The Market Rules do not distinguish between the vesting contracts (PPAs) and other Bilateral Contracts. The Market Rules also do not prescribe the form or content of any Bilateral Contracts, except inasmuch as the Market Rules do impose obligations with respect to capacity adequacy and the scheduling of transactions over the SO-controlled Grid. The Market Rules do make explicit provision for Ancillary Services contracts between Market Participants and the SO, of which the vesting contracts for Ancillary Services will be special cases.

At the present time, the SO has no defined role with respect to the administration of, or monitoring compliance with, environmental regulations. The Market Rules therefore do not include environmental provisions.

## **B. Scope and Objects**

The contents of the Market Rules can be characterized as falling within two broad classifications: first, the roles and responsibilities of the SO in facilitating, and of Market Participants in participating in, the Bilateral Contract market; and second, the roles and responsibilities of each of the SO, Market Participants and Transmitters in respect of maintaining the Reliability of the Integrated Electricity System and ensuring a secure supply of electricity for New Brunswick Consumers.

Certain general principles or themes that underlie and run through the Market Rules include:

- *SO directing transmission operations:* the SO will direct the operation of the New Brunswick Transmission System. This will be done under the authority of contract(s) entered into between the SO and Transmitter(s). The Transmission Systems that are thus under the SO's operational control together comprise the "SO-controlled Grid".
- *Contractual force:* the Market Rules will have contractual force as between the SO, on the one hand, and each Market Participant on the other. Giving the Market Rules the force of a contract enables the SO and a Market Participant to take action against one another in the event that the actions or omissions of one (under the Market Rules) cause damage to the other.
- *Market Procedures:* the Market Rules will be supplemented by "Market Procedures" that are binding on the SO, Market Participants and, where applicable, Transmitters. Market Procedures generally contain lower-level detail as to the manner in which obligations under the Market Rules are to be performed, including matters relating to forms to be used, methods of communication etc. The manner in which Market Procedures are adopted and Amended from time to time is deliberately designed to be more flexible and to involve less formality than is the case with the Market Rules, recognizing that the content of the Market Procedures is both subordinate to the Market Rules and more likely to require revision from time to time, largely for practical reasons.

The Market Rules represent the principal document governing the facilitation by the SO of the Bilateral Contract market, including by means of the centralized procurement and supply of Ancillary Services. As such, the Market Rules contain sufficient detail so as to permit the SO, Market Participants and Transmitters to know what their respective rights and obligations are. Against this has been balanced the need to provide for a regime that is not so overly prescriptive as to eliminate elements of discretion that may be necessary or desirable to enable the SO to fulfill its responsibilities. Provisions have been included to ensure that the SO operates in a manner that is fair, non-discriminatory and transparent.

## **C. CONTENTS**

The Market Rules comprise ten chapters, each of which can be briefly described as follows.

- *Chapter 1 – Introduction:* This Chapter contains an introduction to the Market Rules as well as administrative rules of general application. These cover matters such the computation of time; notice, service and filing; and currency. Substantive provisions relating to liability and force majeure are also included, and reflect general commercial practice in terms of both the

nature of liability (using a negligence and willful misconduct standard) and the extent of exposure to damages (with exclusions for indirect and consequential damages).

- *Chapter 2 – Market Participation and Use of the SO-controlled Grid:* This Chapter deals generally with the manner in which persons are Accredited by the SO as Market Participants and become eligible to use the SO-controlled Grid for energy and Ancillary Service transactions. The Chapter contains rules relating to the process by which persons become and cease to be Market Participants (including voluntary withdrawal and suspension/expulsion); the process by which Facilities are registered with the SO (Facility registration is a condition for use of the Transmission System in certain cases so that the SO can have sufficient technical information on Facilities that intend to provide Ancillary Services or schedule energy transactions); and the Credit Support requirements to be met by Market Participants to provide security for payment of amounts that may be owing to the SO. Appended to this Chapter is the “Participation Agreement” that must be signed by each person that is proposing to become a Market Participant. With a small number of exceptions, this Chapter will come into force on the Market Commencement Date.

- *Chapter 3 – Market Administration:* This Chapter addresses issues relating to the administration of the Market Rules, the supervision of the market by the SO and market-related disputes. It includes provisions relating to the composition, establishment and roles of the Market Advisory Committee (this Committee can in some respects be considered the functional successor of the Stakeholder Advisory Group referred to below); the process for adopting and Amending Market Procedures and for Amending the Market Rules; compliance monitoring and enforcement by the SO (including financial penalties); market monitoring by the SO (including the creation of a specialized internal Market Assessment Unit); dispute resolution (generally by arbitration); confidentiality obligations; and Waivers (Waivers act as exemptions and are intended to be used principally to address elements of technical non-compliance at market opening). The whole of this Chapter will come into force on the Market Commencement Date.

- *Chapter 4 – Technical and Connection Requirements, Testing and Commissioning:* This Chapter contains the technical requirements that registered Facilities must meet, including communications, monitoring and revenue metering standards. Most of these technical requirements reflect or refer to the Transmission Tariff, or to existing Facility design and capabilities as appropriate. This Chapter also contains provisions relating to the testing and commissioning of Facilities and to the requirement for Connection Agreements

- *Chapter 5 – System Reliability:* This Chapter deals with the obligations of the SO, Market Participants and Transmitters in maintaining the Adequacy and Reliability of the Integrated Electricity System. It addresses the SO's role as a participant in the work of Reliability-related organizations such as NERC and NPCC; the responsibilities of the SO and Market Participants in respect of Capacity Obligations (including the standard form contract that is to be used for Interruptible Load that can displace certain Capacity Obligations); system and Demand forecasts and assessments that are required to be prepared by the SO and the information to be provided by Market Participants and Transmitters in support; Outage planning and coordination for Generation Facilities and Transmission facilities; the manner in which the SO will procure Ancillary Services (including the standard form contract that is to be used); and emergency and system restoration planning.
- *Chapter 6 – Operational Requirements:* This Chapter contains the provisions that govern the manner in which energy and Ancillary Service transactions are scheduled and Facilities are dispatched by the SO. It includes provisions relating to the objectives to be pursued by the SO in scheduling transactions and dispatching Facilities; the self-supply of Ancillary Services; the process by which Balanced Schedules and Dispatch Data are submitted by Market Participants on a Day Ahead basis; dispatch and re-dispatch optimization by the SO; synchronization, de-synchronization and switching device opening and closing rules for Generation Facilities; the preparation of Day Ahead and updated forecasts, assessments and Commitment Schedules by the SO; Forced Outages to Generation Facilities and Transmission facilities; actions to be taken when the Transmission System is in an Emergency Operating State or a High Risk Operating State; and Control Actions that can be taken by the SO (in order of priority) where a shortage is forecasted or occurs.
- *Chapter 7 – Settlement:* This Chapter addresses the manner in which financial obligations arising under the Market Rules or the Transmission Tariff will be settled. It provides specifically for the calculation of Settlement Amounts relating to Ancillary Services, energy variance (imbalance), congestion management re-dispatch, Transmission Service and residual monthly amounts pertaining to miscellaneous costs (penalties, Black Start Capability Service costs, costs and revenues associated with the purchase and sale of Emergency Energy by the SO, dispute resolution costs, etc.). The Chapter also contains the administrative rules relating to settlement as well as rules relating to the ownership, collection and adjustment of metering data.
- *Chapter 8 – Connection of New or Modified Facilities:* This Chapter empowers the SO to approve the connection to the SO-controlled Grid of new or modified Facilities with a view to

ensuring that such connections do not adversely affect the Reliability of the SO-controlled Grid or give rise to additional congestion. The Chapter describes the process for applying for approval, the manner in which applications are assessed by the SO (including the obligation for applicants to pay for the costs incurred by the SO in performing Connection Assessments) and the allocation of costs for changes to the SO-controlled Grid that may be triggered by the connection of a new or modified Facility.

- *Chapter 9 – Transmission System Planning, Investment and Operation:* This Chapter outlines the responsibilities of the SO and Transmitters in respect of Transmission System planning and investment, including system Adequacy assessments and investment option evaluation and implementation. The Chapter thus describes the means by which the SO will identify existing and emerging Transmission System inadequacies and the options that could be implemented to address those inadequacies. This Chapter also describes the relationship between the SO and Transmitters in respect of Transmission System operations arising from the SO's right to direct the operations of Transmission Systems under contract.
- *Chapter 10 – Definitions and Interpretation:* This Chapter contains definitions of terms used in the Market Rules, as well as rules for the interpretation of the Market Rules. It also contains a list of the acronyms used in the Market Rules.

#### **D. ADOPTION AND AMENDMENT OF THE MARKET RULES**

A draft of the Market Rules was the subject of review and comment by a Stakeholder Advisory Group comprised of representatives of relevant stakeholders. The review process included meetings at which presentations were made to the Stakeholder Advisory Group and members of the Group were given an opportunity to ask questions and voice concerns. A number of revisions were made to the initial draft of the Market Rules to address many of the concerns and requests for clarification expressed by members of the Stakeholder Advisory Group.

Section 58 of the *Electricity Act* empowered the Minister of Energy to make the Market Rules. The power to Amend the Market Rules was transferred to the SO on October 1, 2004. The SO undertakes this task in consultation with, and on the advice of, the Market Advisory Committee, which was established under the by-laws of the SO and as described in the Market Rules. Market Rule Amendments are subject to appeal to the Board of Commissioners of Public Utilities on specified grounds.