

Meeting: #07-01

Minutes of Meeting

Date: January 15, 2007

Time: 10:00 a.m.

Location: Energy Control Center

Attendance: Jessie Davies (*Chair – participated by telephone*)
George Porter
Norm Seely
Rick McGivney
Barry Milton
Jacque Saint Pierre
Andrew Booker
Stacy Dimou
Ron Beaulieu
Brian Scott
Andrew Secord
Blair Kennedy
Ed Howard

Guests: Bill Marshall
Ross Stairs
Rob Apold – CANWEA
Alden Briggs

1. Minutes of Previous Meeting

The minutes of the meeting held November 27, 2006 were reviewed.

On motion duly moved and seconded, the minutes of the meeting of November 27, 2006 were approved as presented, subject to the addition of Barry Milton's attendance.

2. Business Arising from Previous Minutes

a) Exit Fees

The Chair reported that the Minister of Energy has responded to the Committee's letter of November 2006 regarding exit fees. The Minister has indicated the Committee's concerns respecting exit fees will be taken into account in conjunction with the government's current review of the *Electricity Act*.

b) Environmental Enhancement/Demand Side Initiatives

George Porter reported on the regional initiatives being looked at by the New England Governors and Eastern Canadian Premiers. Meetings are scheduled to be held in February and resolutions are expected to be presented in June 2007. Andrew Secord suggested that the MAC monitor this process; specifically possible discussions on Emissions Cap Trade options through a stakeholder process.

c) MAC/NBSO Priorities Update

Further discussion took place regarding NBSO Board of Directors request that the MAC identify priorities for the SO.

Ed Howard suggested that a meeting be held February 19, 2007 to discuss this topic and other recommendations the MAC should make to the Minister of Energy. The following agenda items were suggested for this meeting.

1. **What has changed since the conception and design of the current structure and policies?** Which government policies and Market Design Committee recommendations are relevant and which are not, given the changes that have occurred?
2. **What will the market do for us?** Even though some of these issues to be studied are outside of the core MAC mandate, it was agreed that there is no other group with such broad relevant stakeholder representation to address these issues and therefore, it is appropriate that this group investigate and comment on relevant industry issues even if they are outside of the core MAC mandate.

d) Residual Monthly Cost Trends

George Porter noted a general trend toward lower variances for both loads and generators and lower redispatch volume. These trends are due in part to the fact that the quality of the balanced schedules has improved. From August 1, 2006 forward, there is less variance. During November/December 2006, the Disco load imbalances were affected by the timing of the manual meter reading. Approximately 25% of the in-province energy consumption is measured using meters that are read manually. This could lead to energy

being accounted for in the wrong month. The focus will now be on less dependency on manual meter reads.

Moved to New Business item 3 (d)

2nd Tie Power Transfer Capability Study

Alden Briggs, Director of Power System Engineering, gave a presentation outlining the status and operation of the second tie line to New England. Alden lead a discussion concerning South/North and North/ South transfer capabilities under various operating conditions, as well as other operational issues related to the new tie line. It was noted than an Executive Summary of the 2nd tie study report is available on the NBSO web site.

Returned to Business Arising from Previous Minutes

e) Alternate Member for Sector “I”, Environmental Interests

It was suggested that Leslie Rogers of the New Brunswick Energy Efficiency and Conservation Agency be named as an alternate for Dr. Andrew Secord.

f) Increase in NBSO Accumulated Surplus

Bill Marshall, NBSO President and CEO, noted that he had committed at the last meeting to bring forward additional information on the need to revise the regulated cap on NBSO’s accumulated surplus from \$300,000 to \$500,000. Bill indicated that the NBSO position at this time is to wait until additional information is available. There are a number of issues that will impact the tariff that will be better understood by late 2007. These issues include the second tie revenue requirement, the reservations arising from the second tie open season, the results of the wind integration studies, expenses and revenues for capacity-based ancillary services, and reserve sharing with the second tie in-service.

On the basis of this information, Mr. Marshall indicated that the NBSO would not be proceeding with an application to the regulator before late 2007 or early 2008. It is planned to have a number of technical conferences on the Tariff application that will hopefully result in general consensus such that hearing costs can be minimized.

As an aside, NB Power Genco indicated that they feel there is leakage out of New Brunswick as a consequence of how the Residual Uplift is charged/credited to Market Participants and that this issue should be addressed. Approximately 2-5% goes to parties outside of New Brunswick and Genco wants all surpluses out of the RMC to go to those that paid in. Others raised the question of whether surpluses and deficits should both be treated in the same fashion, given that the “uplift” could be either a credit or a debit. It was also noted that if all of the uplift went out to the NB Power family of companies, then the effect of any financial penalties would be negated.

NBSO did not support this proposal, but George Porter indicated that if NB Power Genco wants to pursue this issue further, then the specifics of how the desired effect would be implemented should be brought forward at the same time. Bill Marshall also indicated that NBSO anticipates having an accumulated surplus in excess of the \$300,000 cap at the end of the fiscal year and proposes to split the surplus between capacity-based ancillary services and transmission usage as was done at the end of the last fiscal year. Genco does not agree with this method of treatment. Genco would like to see the surplus treated the same as the RMC, in that NBSO surpluses are distributed, consistent with incoming revenue.

NB Power Genco also raised two other issues that they would like NBSO to investigate:

- Apparently ISO-NE charges for operating reserve. If suppliers are off schedule and wonders if New Brunswick should have something similar.
- Also, ISO-NE counts 200 MW of tie benefits from New Brunswick even though there is no corresponding contract in place. New Brunswick does not reciprocate this approach. What is rational for this?

g) Bid-Based Demand Response Promotion - Falconbridge Experience (tentative).

Scheduled for the next meeting.

3. New Business

a) At an earlier meeting the MAC recommended the expansion of committee membership to include representation from a sector comprised of alternate energy source developers. Copies of the proposed amendment to the Market Rules, posted to the NBSO website, were distributed to committee members.

On motion duly moved and seconded, it was suggested that all recommendations and comments be forwarded to the NBSO Board of Directors.

b) Compliance with Market Rules-Contractual Agreements

George Porter reported that work is being done to ensure that contractual relationships that existed with the fully integrated NB Power have been properly transitioned to conform with the tariff and the Market Rules.

c) NBSO Assurance Plan

George Porter presented an update to the Assurance Plan which had originally been presented to the Committee in January 2006. The Plan remains essentially unchanged and Mr. Porter noted that a metering audit and a financial systems audit had been completed and a Market Rules compliance audit is forthcoming.

4. Standing Agenda Items

a) NBSO Activities

George Porter reported that NBSO provided comments to MECL in relation to their proposed tariff and will attend an MECL stakeholder technical conference on January 18, 2007. NBSO comments on the MECL tariff will be distributed to the MAC.

b) Maritime Wind Study

George Porter reported that results of the Maritime Wind Study will be available shortly.

5. Date of Next Meeting

The date of the next meeting was set for March 19, 2007 in Fredericton.

Meeting Adjourned

Respectfully Submitted,

(Original Signed By)

Jessie L. Davies
Chairperson

(Original Signed By)

Norm Seely
Recording Secretary