

Meeting: # 07-03

Minutes of Meeting

Date: May 14, 2007

Time: 10:00 a.m.

Location: Wu Center

Attendance: Jessie Davies (Chair)
George Porter
Andrew Booker
Ron LeBlanc
Norm Seely
Kevin Roherty
Blair Kennedy
Brian Scott
Andrew Secord
Ed Howard
Stacy Dimou
Dan Dionne
Ron Beaulieu

Guests: Bill Marshall
Lesley Rogers
Marc Belliveau
Marion Rigby
Minister Jack Keir

1. Minutes of the Previous Meeting

At the request of the Chair, this item was moved to allow Minister Jack Kier to brief the MAC on the Government Energy Agenda.

The Minister outlined the Government's current initiatives which include a commitment to conservation, a leadership role in energy development in New Brunswick and the Request for Proposal (RFP) for 300 MW of Wind Energy

development. A commitment to include New Brunswick content in the construction phase of the wind turbines is to be included in the RFP as well.

Minister Kier outlined the challenges facing government citing infrastructure issues in New England and the Climate Change plan imposed by the Federal Government calling for an 18% reduction in emissions.

Future initiatives will include feasibility studies for the development of Lepreau 2, Belledune and the potential for the extension of the gas pipeline to Edmunston from Quebec City. Several questions from the floor included the use of Exit Fees, the Climate Change Action Plan, corporate and consumer time of day rates, more efficient electricity use and Cogeneration.

The government's position on Rates is that users must pay for what they consume and that subsidies are not in everyone's best interest.

The Minister realizes the operational challenges that are associated with Wind Energy and that that consultation with industry and particularly the NBSO will take place.

Return to Item 1. - Minutes of the Previous Meeting

The minutes of the meeting of March 19, 2007 were reviewed.

The secretary requested that two amendments be included in the March 19, 2007 minutes, both of which were read to the MAC.

Andrew Secord requested that the minutes be amended to include his comments stating The environmental cost of electricity and the potential role of the NBSO in systems design to incorporate environmental costs(such as Cap and Trade).

Stephen Russell requested that the minutes be amended to include his comments stating: Stephen Russell indicated his opposition, noting there is lack of information. He further questioned the authority of the Market Advisory Committee to carry out a decision involving revenue meters without appropriate consultation with the affected party (seller)

On motion duly moved and seconded, the Minutes of March 19, 2007 were approved as presented, subject to the inclusion of the above-noted amendments.

2. **Business arising from the Previous Minutes**

The Chair requested a move to item 2 c) – Mac Membership Expansion – Update.

Kevin Roherty updated the MAC on the procedure to expand the Committee to include representation from both Alternate Energy Sources and from Efficiency New Brunswick. A letter to the Minister recommending that these two sectors have representation on the MAC will be forwarded to his office this week. The Minister has a 60 day response time from the date of receipt.

Nominations are usually based on sector support and are posted on the NBSO web site. Concurrently, these recommendations are forwarded to the NBSO Board of Directors.

d) **Proposed Market Rule Amendment**

George Porter requested that an update of this item will be provided at the next meeting, but noted that the Metering Committee had been notified of the proposed clarification.

e) **RMC Trends-Updated Graph**

George referred to the NBSO 2006/2007 Energy Settlement Graph which depicts the full fiscal year of Variances and Redispatch dollars settled. He noted that the net settlement of Residual Monthly Costs (RMC) over the year was only \$64,000. Certain months had larger variances than others in part due to Hour Ahead load forecast error, however other months appear to be insignificant. He also noted that in some months a material component of the error is due to the timing of manual month-end meter readings. He asked for feedback from this group regarding monthly meter readings and the use of adjustments, which are permitted within the market rules. Some members spoke in favour of making such adjustments, no-one expressed opposition or concerns.

3. **New Business**

a) **NBSO Information Session - Feedback/Follow-Up**

Kevin indicated that the feedback was generally positive and as a reminder to participants at the session, could they please fill out their feedback forms. The Chair indicated that it was a good way on an annual basis for all interested parties to get together. Kevin suggested that we solicit topics and information for agenda items for future sessions.

b) Proposed Tariff Changes

George outlined the 3 main areas of proposed changes to the Tariff in the previously circulated document. They include (i) the recalculation of rates to better reflect the current revenue requirement, (ii) the movement of certain items from the Tariff to the Market Rules and (iii) an update of the Tariff to better conform to the FERC order 890. The need for review of the proposed changes is immediate, as the NBSO application to the Energy and Utilities Board will be filed this fall. The application process is now underway with the intent of implementation for April 1, 2008.

The rate changes will see revisions to Schedules 1, 2, 3, 5, 6 and 9 and a proposal for regulation and load following revenue requirement for wind generation. Capacity Based Ancillary services charges will go down and Schedule 1 charges will increase to re align with current costs.

Previous applications to the EUB required Tariff changes to better align the tariff with the Market Rules. Moving several restrictive Tariff items to the Market Rules will eliminate the need to go to the EUB for revisions, will avoid conflict of the two items and will significantly reduce costs.

Changes in the Tariff to conform to FERC Order 890 will see the inclusion of Conditional Firm and Open Transparent Planning.

These proposed changes will be discussed again at an open workshop proposed for July 16.

Bill Marshall continued the discussion outlining the NBSO \$1.8 million dollar surplus and that the NBSO would retain \$300,000. The remainder would be redistributed to the Market.

The Second Tie Open Season will commence in July. Rates for the second tie are unknown at this time however it was suggested that the current rates would apply. The MAC has the ability to strike a motion to request that the Transmitter indicate a range of rates that may be applied to the second tie. This is an option open to the committee. The second tie appears to be on schedule and on budget.

The Chair indicated that all aspects of the Climate Change Action Plan should be reviewed including the positive and negative aspects of wind. The cost of a MWH of Wind produced must capture the true cost of integration and benefits. The cost to connect to the transmission infrastructure must be reviewed as well. Regulation and Load Following are currently outstanding issues for wind generation. The Chair suggested that Hydro Quebec could be a potential participant in Wind integration however they are not currently part of the Maritime Balance Authority. HQ and New England could potentially form a larger Balance Authority with the Maritimes which could potentially benefit all.

There was general agreement that further fine tuning of the Market Rules and the Tariff should be discussed by a subcommittee prior to MAC recommendations being formulated. No-one expressed an interest in participating on this committee. Some individuals (Rob Apold, James Glennie, and Claude Mindorff) that were either absent or are not on the MAC were noted as likely candidates.

4. Standing Agenda Items

a) NBSO Activities

The Memorandum of Understanding and the transmission interface report will include the Transco study on transmission.

i) IPL Update - This topic was discussed under Item 3.

b) Maritime Wind Study

The Wind Study Report was previously distributed. This item has now been taken off Standing Agenda Items as it is now completed.

The Chair referred back to agenda Items 2 a) and 2 b) MAC Session re: Priorities and Energy Policy Discussion.

The Chair would like the Agenda Items set for the June 11th Technical Session. The agenda could be centered on the basis for the Market Design Committee Report. Topics for the agenda could include Cogeneration, Exit Fees, Capacity Credit Trading Systems, Green Credits, and Green Certification. Other items could include Energy Efficiency in the Renewable Portfolio Standard and future Cogeneration buyback rates under contract with NB Power.

Meeting Adjourned

Respectfully Submitted,

(Original Signed By)

Jessie L. Davies
Chairperson

(Original Signed By)

Norm Seely
Recording Secretary