

Meeting: #07-04

Minutes of Meeting

Date: August 20, 2007

Time: 10:00 a.m.

Location: Huntsman Marine Centre
St. Andrews, NB

Attendance: Jessie Davies (Chair)
George Porter
Norm Seely
Blair Kennedy
Brian Scott
Andrew Secord
Ron Beaulieu
Rick McGivney
Jim Coyle
Rob Apold

Guests : Ross Stairs, NBSO

1. Minutes of Previous Meeting

On motion duly moved and seconded, the Minutes of May 14, 2007 were approved as presented.

2. Business Arising from the Minutes

MAC Recommendations to the NBSO Board (Skip Cormier document): Update

George Porter reported that the Cormier document and the Genco document were presented to the Board for their review. They were submitted as separate documents.

George also reported that the NBSO Strategic Plan will be kept confidential however updates will be given to the MAC. The Chair requested long term updates.

3. New Business

NBSO Allocation of Operating Surplus (Surplus Letter)

A draft letter to the Energy and Utilities Board (“EUB” proposing a rebate of the NBSO 2006/2007 surplus had been sent to the committee in advance of the meeting. George briefed the MAC on the details of the surplus and the NBSO proposal for recommendations in relation to the allocation of same.

George distributed the letter from McInnis Cooper on behalf of WPS for review and discussion.

He suggested that there were several contributing factors to the accumulation of a surplus and defined a few of them for the MAC:

- The effect of 100 MW of Reserve Sharing that is available in most hours is a large component of the Surplus
- A Load Serving Entity may self-schedule a qualifying export as fulfilling their Spinning Reserve obligation. In some hours the quantity of qualifying exports exceeds the quantity that is self-scheduled, thus contributing to the surplus.
- Capacity that is providing regulation and load following now also count as reserve, but at the time that the rates were designed that was not the case.

A review of how each market participant contributed to the surplus and an explanation of the rebates on page three of the document were discussed with the MAC. Disco requested a detailed breakdown of the aforementioned rebates by customer. George will supply this information.

A verbal summary outlining the position of Integrys Energy Inc., in relation to this matter and as identified in the McInnis Cooper letter of August 17, 2007 was provided by George Porter. Ken Belcher (Northern Maine Independent System Operator) had submitted comments to the MAC and they were reviewed by George. Several other committee members expressed opinions on possible principles for the rebate methodology.

A discussion regarding the Surplus letter addressed to the Energy and Utilities Board, prepared and submitted by the MAC, should articulate the Committee's point of view. It was agreed however that the letter is to be submitted "as is" with the exception of adding additional alternatives in bullet form on page 3.

Proposed Tariff Changes

George briefed the MAC on proposed tariff changes. One change from previous MAC updates is that NBSO is no longer proposing to change the rates for Capacity Based Ancillary Services as charged to loads. At this point in time, George stated that the NBSO cannot predict any opportunity for a reduction in rates. NBSO still intends to update Schedules 1 & 2 rates to reflect current costs.

A workshop (to review specific details) is proposed to be scheduled for late October, subject to the EUB schedule. NBSO will seek a decision from the EUB in time for implementation in July of 2008.

MAC Nominations

Norm Seely updated the MAC on the status of the Nomination process for upcoming vacancies on the committee. Nominations will close for the current vacancies August 31/07. Norm will provide an update of the Notice of nomination for the Alternate Source Generation class vacancy which closes in October.

Out of Order Dispatch Costs for Capacity Based Ancillary Service

A new system has been put in place to track out of order dispatch costs associated with Capacity Based Ancillary Service. A table was distributed and reviewed which defined the reserve and redispatched costs. The Redispatch Costs were \$165,000 / \$345,000 / \$150,000 respectively for the months of June/July/August.

Ancillary Services costs are made up of purchases/self supply/energy schedules and make up the entire component. This was reviewed in case #1. Case #2 excludes the purchase component. A future workshop should be scheduled to further define these specific costs and review reallocation of costs to ensure capturing of costs from the correct parties. The SOS costs are captured more accurately on an hourly and day ahead basis. Procured Ancillary Services or potential supply generators should be encouraged to participate. Monitoring of this will continue.

Reduced Capacity Obligation

Market Capacity and Reduction of Capacity Obligations

The NBSO is required to designate Capacity Reduction as per the Market Procedures. The Market Procedures currently requires 10 days notice to the NBSO. The Independent System Operator of New England allows 5 days notice. Genco would like the 10 day requirement reduced to 2 days advance notice. NBSO Operations indicated that 5 business days would work and would line up with Ancillary Service requirements. This will require a change to the Market Procedures. An update of this will be reported at the next meeting.

4. Standing Agenda Items

NBSO Activities

Norm Seely reported to the MAC that the NBSO will be filing an application to the National Energy Board for an Export Permit to supply Security and Emergency energy to the U.S. when needed. This application will be submitted in the fall and exports will be on a very limited basis.

The new NBSO web site is now in place and the MAC was encouraged to visit the site.

It was reported that the NBSO and Navigant Consulting Inc. bid together on consulting work for the Nova Scotia Department of Energy Wind Integration study. Hatch Consulting has been awarded the contract.

NB/New England Tie benefits impact on potential capacity sales is still under review by the NBSO.

The NBSO will give the Board an update on wind integration work on a monthly basis.

Northern Maine ISA Coordination Issues- George reviewed Reserve Sharing Operational issues and associated benefits with the MAC. Other topics included Reliability Coordination, Joint Dispatch, Operational Recommendations and Progress Reports.

Update on Wind Integration

George reviewed this in the previous agenda item. However, MAC members expressed concern that wind can have potential environmental and social issues that include turbine noise and site selection as examples. It was suggested that the MAC explore what other jurisdictions are currently doing and how that ties into the NBSO activities.

The Chair suggested that greater access to Hydro-Québec resources and improved relationship with that utility should be explored.

5. Date of Next Meeting

Date of next meeting: October 15/07

Meeting Adjourned

Respectfully Submitted,

Jessie L. Davies
Chairperson

Norm Seely
Recording Secretary