

**Meeting: #11-03
Minutes of Meeting**

Date: June 21, 2011

Time: 10:00 a.m.

Location: NBSO - ECC
Conference Room B

Attendance: Kirby O'Donnell (Chair) Rick McGivney
Stephen Fairweather Edward Howard
Stacy Dimou Jim Coyle
Tony O'Hara Neil Larlee
Stephen Russell Charles Martin
Ron Beaulieu Jean Guy Paulin
Tim Vickers Rob Apold
Stephanie Wheaton George Porter
Rob Murray (Recording Secretary)

Guests: Kevin Gibson (NBSO), Hélène Cossette (HQEM), Stephen Waycott (DOE), Dean Landers (NBSO)

1. Minutes of Previous Meeting

Revisions to the draft minutes for meeting 11-02 were suggested by Tony O'Hara with respect to NBSO's update on its applications for changes to the Open Access Transmission Tariff. It was noted that the suggested revisions contained comments that were not made at that meeting so they should not be included in the minutes. Tony O'Hara expressed a concern that the minutes could be misleading if taken in isolation. In response to this concern it was agreed that a special note would be added to the minutes of the April meeting containing the comments that were made at the June 21 meeting.

Tony's comments were that NBPT representatives were silent at the meeting of April 19 because they felt it inappropriate to speak about the issue while it was before the EUB. He also stated that their silence at the earlier meeting should not be considered an indication that they do not have concerns with the proposed changes to the tariff and they actually have several. No specifics were provided.

2. Business Arising from the Minutes

a) Updates

i) NBSO's three EUB applications (2011/12 Revenue Requirement, Loss Factor, and Tariff Changes)

George Porter provided an update on the status of NBSO's applications before the Energy and Utilities Board.

NBSO Revenue Requirement Application 2011/12 – The EUB issued its decision on May 6, 2011 which can be found on the EUB's website. In summary the EUB approved NBSO's application with the exception of Schedule 1 expenses for which NBSO requested \$11.471 million and received approval for \$11.055 million.

Loss Factor and Tariff Amendments – On May 13, 2011 the EUB rejected NBSO's request to withdraw both applications and directed NBSO to provide reasons as to why the application should be withdrawn by May 27, 2011. Intervenor's were to respond by June 3, 2011. On June 7, 2011 the EUB ruled that the applications could not be withdrawn as it believes that it is in the public interest to proceed. The EUB noted that none of the Intervenor's supported the request to withdraw and that the NBSO continues to believe that the amendments would be beneficial. The EUB subsequently heard the Public Intervenor's motion that transmitters be required to defend their revenue requirements on June 15, 2011. A decision has not been made on the motion but the transcripts of the discussion are available. An additional motion was filed by NB Power on June 14, 2011 requesting that the application be dismissed in whole or in part.

ii) NBP Distribution proposal for revised co-generator treatment

Stephen Russell provided the MAC with draft language on amendments to the Market Rules with respect to cogenerators registered as Joint Facilities. Stephen noted that further work is required and encouraged the MAC to provide feedback before a final is presented for review.

iii) Interruptible Load Contract

Stephen Russell gave a presentation on NBP Disco's concern with the pro forma Interruptible Load Contract in the Market Rules (Appendix 5B). There are sections of the contract that NBP Disco cannot comply with as they do not have the rights to perform certain functions related to the generation facilities owned by Interruptible customers. As they have not signed the pro forma contract, they are not in compliance with the licensing requirements of the EUB and as such consider this to be a timely matter. The EUB is aware of the issue and has provided some leeway in resolving it. Stephen discussed several possible solutions with the committee.

Jean Guy Paulin, an Interruptible customer, had no concern as long as his contract with NBP Disco does not require an amendment. Stacy Dimou wanted to ensure that NBP Disco was not overbuying capacity and Stephen noted that they were not. Ed Howard had questions on the testing requirements to ensure that the customer could

be interrupted. George Porter indicated that there are penalties for non-conformance. Stacy Dimou noted that more interruptible load is positive and suggested that capability audits should be considered in the future.

While there was no general consensus on which option was preferred, there was consensus that a resolution agreed to by NB Power Disco and NBSO would be acceptable to the MAC as most members would not be affected. In response to a question from George Porter, Stephen Russell noted that if an agreement could not be achieved then a dispute resolution process could be undertaken.

iv) MPS/NB Interface Upgrade

George Porter provided an update to the MAC on the potential upgrade of the Northern Maine/NB Interface.

- Two options were identified by the Maine planning advisory group, a new Maine Public Service substation on the Maine side or a transformer upgrade of the Tinker tie transformer.
- Both proposals are being developed further.
- Northern Maine's capacity shortfall is the result of the closure of biomass plants. One possible solution is not to close the plants which would require a capacity contract.
- If Maine Public Service chooses to build a new substation on the Maine side, it will still require some transmission upgrade on the NB system.

b) Energy Market Settlement Changes

Rob Murray informed the MAC that a formal Notice of Proposed Market Rule Amendment on the proposed changes to the allocation of the RMC was published on June 8, 2011 with final comments due today, June 21, 2011.

The next step in the process is the MAC's recommendation to the NBSO Board. The recommendation is to include:

- a recommendation on the proposal
- summary of objections raised or received
- summary of process
- record of vote

At the meeting Hélène Cossette informed the MAC that they would be submitting comments by the end of the day, but, were not ready to discuss them at the meeting. As the MAC has an obligation to consider comments of all Market Participants in preparing its recommendation to the NBSO Board, the MAC was not in a position to finalize the report and make a final vote.

Depending on the comments received, this issue will be addressed between meetings or at the next MAC meeting.

c) Reactive Supply and Voltage Control Procurement Policy

Kevin Gibson gave a presentation on NBSO's procurement options for Reactive Supply and Voltage Control (Schedule 2 of the OATT). NBSO plans to design a procurement policy for Reactive Supply and Voltage Control and take that policy into account in its 2012/13 revenue requirement application to the EUB. The NBSO is seeking stakeholder feedback. Kevin identified the following procurement options for Reactive Supply and Voltage Control:

1. Buy all that is available from all qualified generators at same price (unlimited quantity)
2. Buy more only when explicitly justified by technical needs
3. Do not compensate suppliers. Make supply a connection requirement
4. Contract with all current and future suppliers and pay for total contracted amounts at the current total approved revenue requirement
5. Competitive market

To date the following feedback has been received:

- NBSO Internal Staff: Option 1 is fair to buyers and sellers; and it is difficult to quantify the need on a dynamic basis
- MAC: Suppliers should be compensated for their actual costs; and Mactaquac costs more when operating in synchronous condenser mode.
- MAC Sub-Committee: Fairness is a key criteria: consider regulatory risk; and Schedule 2 revenue requirement should not be increased.

NBSO has decided to focus on Option 1 which is to buy all that is available from all qualified generators at the same price. The rationale is as follows:

- Can be implemented quickly
- Does not require existing contracts to be modified
- Does not change the basis of the existing approved revenue requirement
- Can be fairly applied to all suppliers
- Does not preclude revisiting other options in the future.

Kevin noted that the NBSO is targeting that a policy be in place by October with contracts executed by November, 2011. The new policy will also require a Market Procedure.

At the meeting Stacy Dimou suggested that generators only be paid if there is a physical audit. In response Kevin Gibson noted that NBSO is reviewing this. Dean Landers also informed the group that NPCC is working on a related standard which is currently open for comment.

d) Wind Power Production Forecasting Service Performance & Demonstration

As a follow up to the discussion at the last meeting George Porter queried the MAC on the statistics that the MAC would be interested in reviewing. The following were noted:

- Average deviation of hour ahead persistence vs. AWS forecast
- Schedules vs. actuals
- Examples of how the NBSO reacted to significant events

In response to a question from Rob Apold, George Porter explained that the forecast data by site is available to the Market Participant for the site and that the aggregate forecast data is available to the public on the NBSO web site.

Dean Landers mentioned that the forecast system is working from an operation viewpoint and that we are seeing no degradation in the statistics on the ISO-NE interface. In response to a question from Stacy, Dean indicated that the NBSO is receiving data from all of the wind farms in the NBSO balancing area.

Kirby O'Donnell highlighted the fact that the increase in wind has changed their approach to marketing.

e) Energy Commission Report

The MAC was invited to make comments on the final report from the Energy Commission. Stephen Waycott informed the MAC that the Department of Energy is reviewing the report with the possibility of responding this summer. Stephen also noted that government is going through a renewal process at the same time.

3. New Business

a) Wind Integration Rules for Curtailment

Rob Murray provided a handout to the MAC as a reminder of the protocols that were established for curtailing wind during times where surplus energy could affect reliability. The handout described the protocol and included several examples. In general, curtailments would be prorated on the basis of schedules first and forecast second.

Rob Murray noted that curtailment is a measure of last resort. Dean Landers noted that warnings of possible surplus situations have been issued which provides the market with an opportunity to sell excess energy and reduce the likelihood of curtailment.

There was general consensus that there is a need to work on ways to increase system flexibility in order to deal with increasing levels of intermittent energy supply. These include increased regional co-operation and more frequent scheduling. Stacy Dimou noted that NYISO and ISO-NE are looking at ways to better integrate their systems. Stacy suggested that it may be difficult to engage ISO-NE until that work was complete. The possibility of working with Hydro-Quebec, (which is developing a service with New York ISO) or Nova Scotia Power was also mentioned. It was agreed that a MAC subcommittee would be an appropriate means by which to further explore these options.

4. Standing Agenda Items

a) New Market Management System'

Dean Landers provided the MAC with an update on the status of NBSO's work on the potential replacement of the Market Optimization Dispatch system with a modern Market Management System (MMS). In summary:

- The Request for Information (RFI) phase of the project is close to conclusion and a final review is underway.
- The preliminary price estimates from off the shelf vendors ranged from \$2 to \$15 million and are reflective of the requirements for a larger market.
- NBSO is receptive to sharing the results of the review.

Dean informed the MAC that NBSO met with NB Power Generation to identify opportunities to work together. Kirby mentioned that they recently replaced their optimization system and based on the knowledge they gained, would be willing to support the NBSO in the development of an improved MMS system.

a) NBSO Updates

- George noted that the NBSO is reviewing TTC on all of its interfaces.
- In response to a question from Ed Howard, George explained that there is no commitment that the Maine Reliability Project would have an impact on the TTC. This was followed by a discussion on the process for awarding firm transmission service in the event of an increase in TTC. George explained that it depends if someone is in the system queue and that it could go to an open season. In response to a question from Ed, George explained that positions in the queue are maintained as long as studies are ongoing. Reference was made to an NBSO document that describes the treatment of new transmission capacity.

b) MAC Member Updates

- Tim Vickers who represents "Environmental Interests" requested suggestions for an alternate.
- Kirby O'Donnell informed the MAC that the Point Lepreau refurbishment was on schedule and that no leaks have been detected in the installed tubes. The project will be turned over to NB Power in May 2012.

c) Wind Integration

- None

d) Transmission Developments

- George mentioned that the study of TTC's may result in a reduction of the TTC from NB to NS due to load growth in Moncton
- The interface between NB and NS is being discussed as part of the AEG work.

e) Operation of the Market

- Dean Landers updated the MAC on a meeting with ISO-NE on the curtailment of imports from ISO-NE
- ISO-NE is basing the curtailment on a pool wide ramp limit of 500 MW and is giving Day Ahead transactions priority over Real Time transactions.
- Dean gave a heads up that the NBSO will be reviewing the possibility of not accepting some import schedules as the curtailments can result in reliability issues. Market Rules changes may be appropriate to increase clarity.

5. Date of Next Meetings

September 15, 2011
November 17, 2011
January 19, 2012

Meeting Adjourned

Respectfully Submitted,

Kirby O'Donnell
Chairperson

Rob Murray
Recording Secretary