



Appendix 3B

Technical Session: Proposed Changes to the NBSO Tariff

9 September 2010
Fredericton, NB

Welcome

- Technical Session – Review Proposed changes to the NBSO Open Access Transmission Tariff (Tariff) in order to
 - Inform stakeholders of the nature of the changes
 - Address questions and accept feedback
- Changes proposed for various reasons arising since the most recent changes of 2005
- NBSO Application to New Brunswick Energy and Utilities Board (EUB) – October 18, 2010

Overview of Changes

- Changes that reflect the relationship between the Tariff and the Market Rules
- Compatibility with FERC Order 890
- Open and Transparent Planning Process
- Tariff Clarifications
- Miscellaneous Changes
- NBSO Balancing Area Authority



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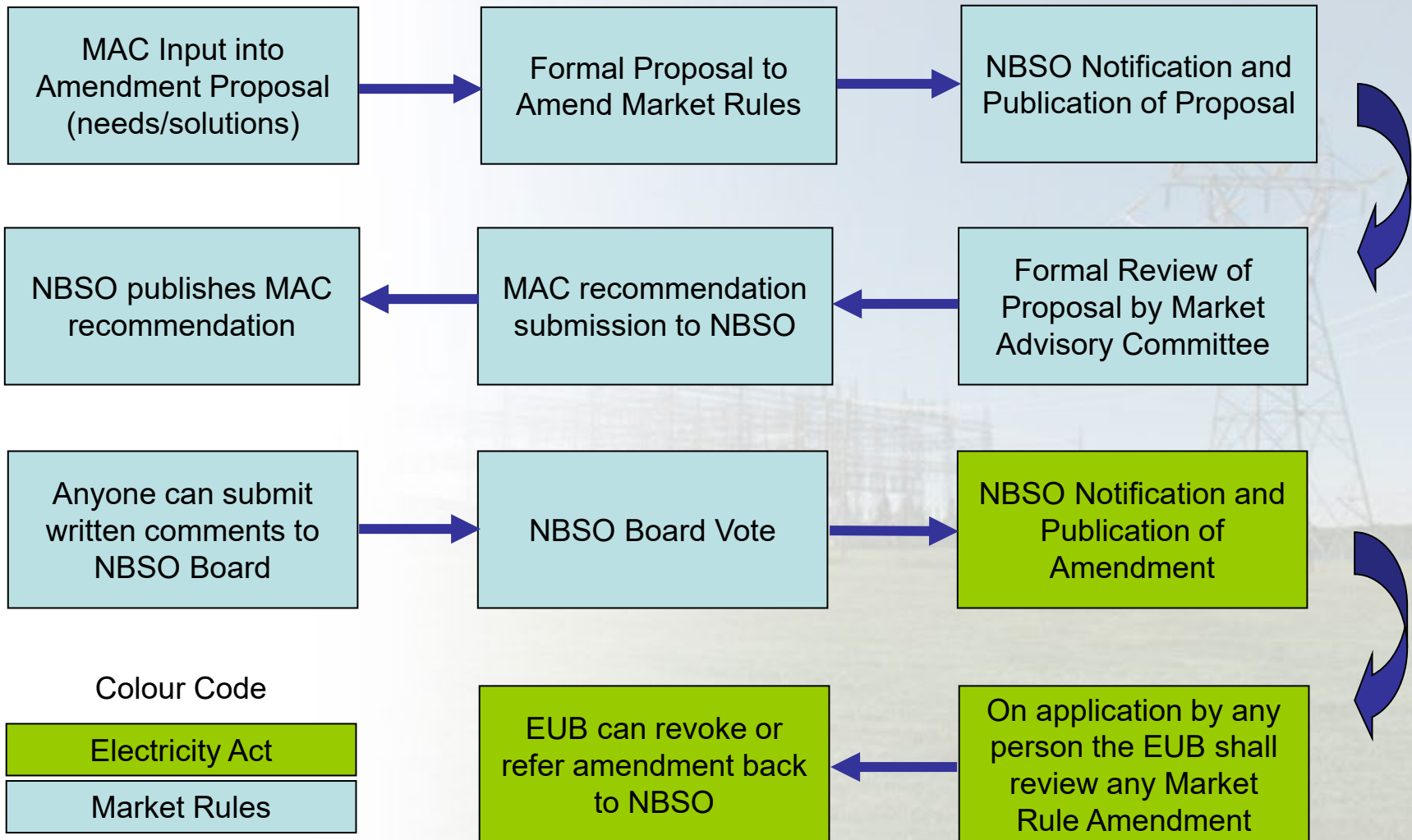
The Relationship Between the Tariff and the Market Rules



The Tariff and the Market Rules

- **Open Access Transmission Tariff (2003)**
 - Outlines the terms and conditions
 - Contains the rates for transmission services
 - Approved by the Energy & Utilities Board
 - Takes precedence over the Market Rules
- **Market Rules (2004)**
 - Governs market relationships
 - Contains administration and technical detail
 - Approved by the NBSO Board of Directors
 - Changes are subject to EUB Review (on application)

Market Rule Amendment Process



Changes that Reflect the Relationship Between the Tariff and the Market Rules

- **Transfer of the following agreements from the Tariff to the Market Rules**
 - Network Operating Agreement (Tariff Attachment G)
 - Generator Connection Agreement (Tariff Attachment J)
- **These agreements are templates**
 - They contain specific, technical details
 - They were placed in the Tariff when it was the only option
 - They will need to be changed as technology evolves

Changes that Reflect the Relationship Between the Tariff and Market Rules (Cont'd)

- **Revise Section 7 of the Tariff (Billing and Payment) to reflect current needs**
 - Minimize billing and payment risk
 - Clarify that payment must be made to the NBSO even when there is a billing dispute because generators and transmitters must be paid
- **“Creditworthiness” requirements**
 - Currently in both the Tariff (Section 11) and the Market Rules
 - This duplication will be removed from the Tariff
 - No change to current practices

Questions?



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Compatibility with FERC Order 890



Compatibility with FERC Order 890

- The current NB OATT is compatible with FERC's Order 888 *pro forma*
- Order 888 has been the *de facto* North American standard
- FERC ordered jurisdictional utilities to comply with Order 890 over two years ago
- NBSO approaches compatibility with the FERC *pro forma* OATT as it would any industry standard with respect to adoption of updates

Advantages of Following 890

Compatibility with respect to Order 890 helps in

- Maintaining reciprocity and comparability
- Reducing/eliminating potential for discrimination
- Increasing transparency in the use and planning of the transmission system
- Providing ease of use by others due to familiarity and consistency
- Increasing availability of expertise and precedents

Changes Respecting FERC Order 890

- Available Transfer Capability (ATC) calculations (Attachment C)
 - The NB OATT contains a standard (methodology) for the ATC calculation that is consistent and transparent
 - Order 890 requires more detail
- Transmission planning principles for greater assurance of non-discriminatory planning (Attachment K)
 - Discussed next by Carl Gautreau
- Reform load and generator imbalance treatment
 - No change required because NBSO settles imbalances at Final Hourly Market Cost (FHMC)

Conditional Firm

- Order 890 includes adoption of a “conditional” option for Long-Term Firm Point-to-Point
 - The related System Impact Studies must indicate the nature or frequency of conditions under which the service will be interrupted
 - Redispatch options would be offered by NBSO
 - This change would likely lead to NBSO offering more Firm transmission
 - Purchase of the conditional service would be at the Customer’s (informed) discretion
 - Increased transmission usage is more efficient

Reform of Rollover Rights Policy (Section 2)

- Holders of Long-Term Firm Transmission have the right to renew, including a right-of-first-refusal in the case of a competing bid
- Under the proposed changes
 - The renewal rights apply to reservations of 5 years or more rather than to 1 year or more
 - The reservation holder must notify NBSO at least 1 year in advance rather than 60 days in advance in order to renew

Pre-Confirmed Requests

- Introduction of “Pre-Confirmed” requests
 - Typical Service Request Process
 1. Customer Requests Service
 2. Transmission Provider Accepts Request
 3. Customer Confirms Agreement
 - Pre-Confirmed requests eliminate the final step
 - In the case of Non-Firm Service Pre-Confirmation can be a tie-breaker in the application of priority rights for competing Non-Firm Service requests
 - In the case of Firm Service requests it provides an up-front commitment to purchase the service if it is available and thus provides greater certainty

Study Process Performance

- Performance of System Impact Studies and Facility Studies (Tariff Section 19)
 - The current OATT identifies that NBSO will use due diligence in having System Impact Studies and Facilities Studies completed within 60 days
 - The Order 890 *pro forma* prescribes performance thresholds beyond which there are consequences for the Transmission Provider (notification to the Board with explanation of any extenuating circumstances, monetary sanctions)
 - Adaptation needed because NBSO is a Not-For-Profit and does not perform Facilities Studies

Resales, Reassignments, Designations

- Procedures for Assignment or Transfer of Service (Tariff Section 23)
 - Add *pro forma* agreement Attachment A-1
 - Rates established by agreement between the parties
 - Capacity sales must be posted on the OASIS
- More specifics regarding Network Resources (Tariff Sections 29 & 30)
 - Disclosure requirements to reduce potential for double counting of resources
 - Clarifying the details concerning the designation and the termination of “Network Resources”

Miscellaneous Order 890 Changes

- There are additional Order 890 Tariff changes which are not being presented in this Technical Session that the NBSO proposes to adopt
- The details will be included in the evidence
- These are less likely to require explanations and discussion than the changes presented in this Technical Session

Questions?



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Open and Transparent Transmission Planning Process



FERC Order 890 Planning Principles

- **Coordination**
- **Openness**
- **Transparency**
- **Exchange of information on a comparable basis**
- **Meeting needs on a comparable basis**
- **Dispute Resolution**
- **Regional participation**
- **Accounting for economic as well as reliability considerations**
- **Cost allocation**

Why Add These Principles to the Tariff?

- FERC Order 890 calls for the adoption of these Principles to be published in the Tariff
- Principles are consistent with many of the NBSO and Transmitter Planning current processes
- Explicitly adopting these principles in the Tariff is consistent with the NBSO mandate to facilitate a competitive market

Why Were the Principles Introduced in FERC Order 890?

- There was no requirement in existing *pro forma* tariffs that the overall transmission planning process be open to customers, competitors, and government.
- Without adequate coordination and open participation, Market Participants have no means to determine whether the plan developed by the Transmission Provider in isolation is unduly discriminatory.

How are the Principles Demonstrated?

- Options
 - Detailed in Attachment K of the Tariff (Transmission Expansion Policy), or
 - Demonstrating that existing planning processes are consistent with or superior
 - Principles are applicable to both regional and local transmission
- NBSO recommends including the Principles in Attachment K and demonstrating process via Market Rules and Market Procedures

FERC Order 890 Principles and Necessary Actions

Principle (as summarized from Order 890)	Detail
<p>Coordination Principle</p> <p>Develop transmission plan with all customers and interconnected entities</p>	<ul style="list-style-type: none"> • NBSO and Transmission Planners participate in Regional Planning groups • Maritimes Area Technical Planning Committee (MATPC) has been established • Developing MR and MP to have transmission planning meetings open to all interested parties
<p>Openness Principle</p> <p>Planning meetings be open to all transmission and interconnection customers, government authorities, and other stakeholders</p>	<ul style="list-style-type: none"> • Developing MR and MP to have transmission planning meetings open to all interested parties

FERC Order 890 Principles and Necessary Actions (Cont'd)

<p align="center">Principle (as summarized from Order 890)</p>	<p align="center">Detail</p>
<p>Transparency Principle Make available the basic methodology, criteria, and processes used to develop transmission plans</p> <p>Transmission also directed to provide the status of upgrades identified in the Transmission Plan</p>	<p>Methodology, criteria, published in annual 10-Year Outlook</p> <p>Adding requirement to publish needs and approximate required investment</p> <p>Adding specific reference to recognition of demand response resources</p>
<p>Information Exchange Principle Requires Network Customers to submit information on their projected loads and resources on a comparable basis</p>	<p>Current Market Rules, Chapter 5.0 (Forecast and Assessments)</p> <p>MP-10 (Information Required for Forecast and Assessments)</p>
<p>Comparability Principle Develop transmission system plan for specific service requests comparable to native load</p>	<p>Current version of Chapter 9.0</p> <p>MP-22 (Connection Assessments) revised</p>

FERC Order 890 Principles and Necessary Actions (Cont'd)

Principle	Detail
<p>Dispute Resolution Principle Identify a process to manage disputes that arise from the Planning process.</p>	<p>- Covered in MR Chapter 3.0</p>
<p>Regional Participation Principle Coordinate with interconnected systems, share system plans, identify system enhancements that could relieve Congestion or integrate new resources.</p>	<p>- Participation on NPCC Committees - MATPC</p>
<p>Economic Planning Studies Account for economic, as well as reliability, considerations.</p>	<p>Current Market Rules Chapter 9</p>

FERC Order 890 Principles and Necessary Actions (Cont'd)

Principle	Detail
<p>Cost Allocation Principle</p> <p>Requires that Transmission Providers address in Attachment K the allocation of costs of new facilities that do not fit under existing rate structures.</p>	<ul style="list-style-type: none">• Principles expressed in current Tariff Attachment K• Cost Allocation for Connections, modifications and Point-to-Point is covered in current Market Rules• Must develop cost allocation rules for such things as regional projects involving several transmission owners or economic projects that are identified through the study process

Questions?



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Tariff Clarifications



Tariff Clarifications

- Recognize “Incremental Reserves” (Tariff Section 3.7) as an ancillary service
 - The term is already used in the OATT
 - Propose to define explicitly for clarity
 - No change administratively
- Clarify the wording in the Tariff with respect to when there will be an “Open Season” (Tariff Sections 2.1& 13.2)
 - “First-come-First-Served” if transfer capability is a consequence of request (a reactive upgrade)
 - “Open Season” otherwise (e.g. pro-active upgrade)

Tariff Clarifications

- Add the “crediting back” to generators that paid for Direct Assignment Facilities when another generator is allocated capacity on that facility within the facilities’ first 10 years (Tariff Attachment K)
- Add a “placeholder” Attachment to the Tariff to accommodate distinct or unique transmission
 - Clarify that separate Tariff document is not necessarily required
 - “Contents” must also be approved by EUB
 - There are no specific examples

Questions?



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Miscellaneous Changes



Miscellaneous Changes

- Change the wording of several definitions Add or modify several definitions in the Tariff, including “Affiliate”, “Business Day”, “Good Utility Practice”, and “Transmission Provider’s Market Rules”

Miscellaneous Changes

- Use “transfer capability” in place of “transmission capacity” throughout the Tariff
[from FERC Order 890]
- Reciprocity “waiver” (Tariff Section 6)
 - The waiver states that a waiver will be granted to Transmission Customers and their Affiliates until April 1, 2005
 - It has expired, and will be deleted
- Ensure that the list of Transmitters and Indices of Customers is up-to-date

Questions?



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NBSO's Balancing Authority Obligation

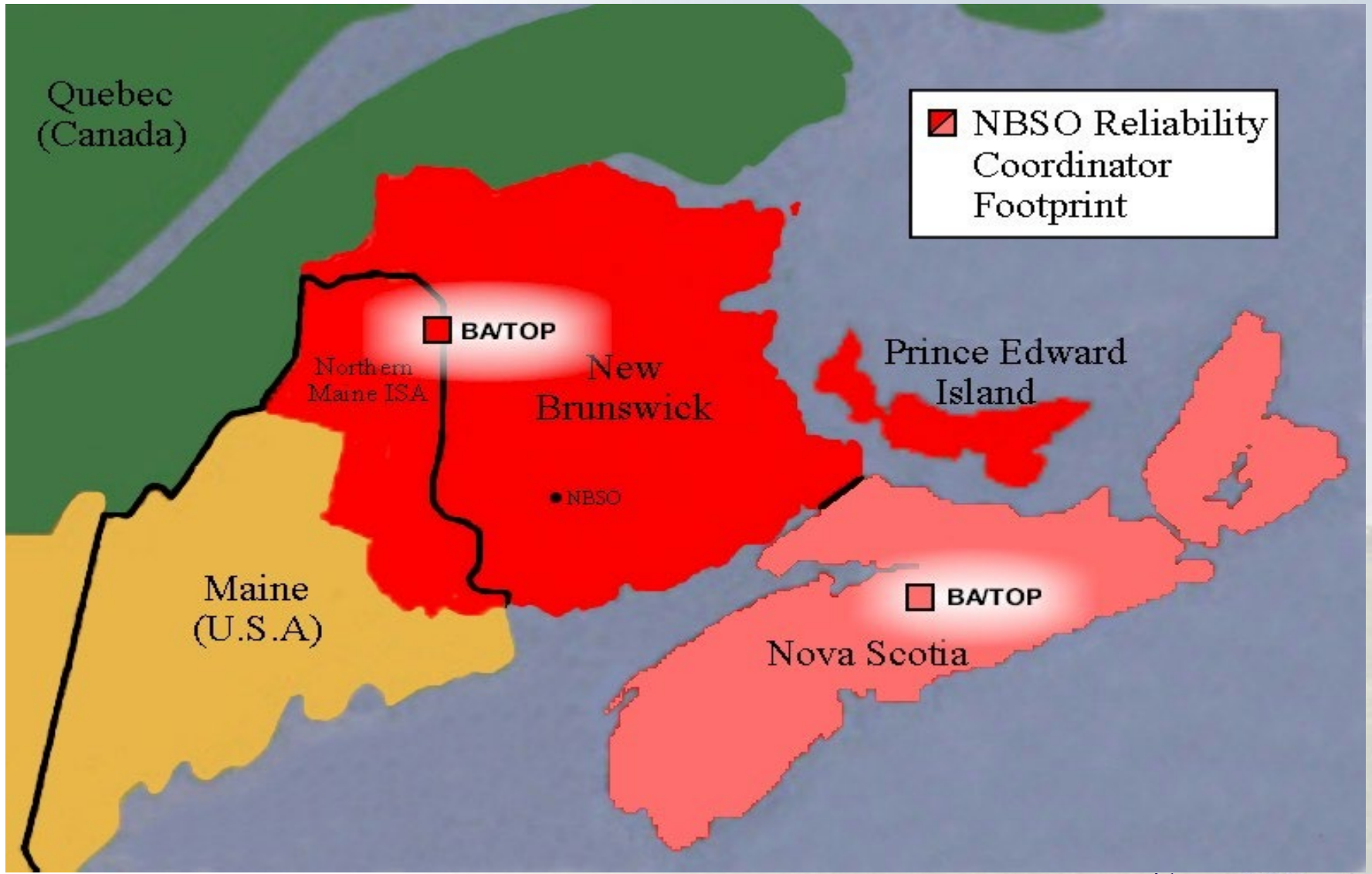


Reliability Centered Responsibility

The NBSO is:

- The certified Reliability Coordinator for the Maritimes Area
- The certified Balancing Authority for the New Brunswick Balancing Area, and
- Subject to NERC and NPCC compliance programs related to its reliability functions

Balancing and Reliability Footprint



Balancing Authority Mandate

In its mandate as the NB Balancing Authority, the NBSO is required to perform specific reliability centered tasks which generally include:

- Integration of resource plans ahead of time
- Maintaining the generation-load-interconnection balance, and
- Contribute to Interconnection frequency in real time

Balancing Authority Mandate

To undertake these tasks it is necessary the NBSO have operational authority as to the status and dispatch of all generation and voltage resources within the Balancing Area and their associated real-time information including:

- Direct the synchronization and un-synchronization of generation facilities
- Dispatch of all generation and load resources (interruptible load or bid based demand response), and
- Direct the operation of voltage management devices as it relates to balancing (including load shed)

Proposed Change to the Tariff

- The Tariff allows customers to choose procurement or self-supply of Capacity-Based Ancillary Services
- The *status quo* puts higher expectation of visibility and control on resources in New Brunswick than it does on those elsewhere in the Balancing Area
- NBSO proposes to add to Schedules 3, 5, & 6:
“The aforementioned Transmission Provider obligation to offer this service is conditional upon the Transmission Provider having sufficient visibility and control of the resources in the area in which the load is located to allow the Transmission Provider to perform its balancing function in a non-discriminatory fashion.”

Questions?



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Session Wrap-up



Session Wrap-Up

- **Questions?**
- **Application to be filed with EUB
(18 October 2010)**
- **Session Adjournment**



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