

New Brunswick Board of Commissioners of Public Utilities

Hearing

In the Matter of an application by New Brunswick Power Corporation dated June 21, 2002 in connection with an Open Access Transmission Tariff

Delta Hotel, Saint John, N.B.  
November 21st 2002, 9:30 a.m.

CHAIRMAN: David C. Nicholson, Q.C.

COMMISSIONERS: J. Cowan-McGuigan  
Ken F. Sollows  
Robert Richardson  
Leon C. Bremner

BOARD COUNSEL: Peter MacNutt, Q.C.

BOARD SECRETARY: Lorraine Légère

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CHAIRMAN: Good morning, ladies and gentlemen. Any preliminary matters? Mr. Hashey?

MR. HASHEY: Mr. Chairman, there are a couple of issues that I would expect might be better addressed at the end of the panel.

CHAIRMAN: Okay.

MR. HASHEY: I would like -- I still want some clarification on rebuttal, if you can believe it. And then there is the issue of the report that we spoke of yesterday the evidence is coming on.

I spoke to my friend Mr. Smellie this morning. And I don't think either of us believe that report should be filed, you know. I don't think the Board wants a number of copies of the 300-page report.

What I would propose, and I'm dealing with that I guess, is that if there are additional pages that we think should be referenced we would include them or add them.

Now if the Board would like a copy of that report, clearly we would obviously have one.

CHAIRMAN: Well, that seems to make good sense to me.

Commissioner Sollows actually was at a Canadian Electrical Association and Federal Department of Energy Conference being held in Ottawa, first part of October, wasn't it?

MR. SOLLWS: Late October.

CHAIRMAN: Late October, you know, so within the last month.

And there was a precis of that 800-page document that was handed out at that time.

The Board will -- I think if we need to refer to something to get a better idea, we would refer to that precis of it. And if any of the parties here wish to have a copy of that precis, they can do so.

MR. HASHEY: That would be great.

CHAIRMAN: How many pages is it?

MR. SOLLWS: I think it is about 40 pages, 30 pages. I

think NB Power has it.

CHAIRMAN: But anyway that certainly seems to be a reasonable approach, Mr. Hashey.

MR. HASHEY: Thank you.

MR. MORRISON: Mr. Chairman, there are by our account four outstanding undertakings. We are working on three. We are prepared to put an answer to one on the record now. The other three are being worked on. However one of them does deal with some questioning from Mr. Nettleton yesterday.

And we will probably -- if we don't have the answer before we leave, this panel leaves this morning, we would probably wait until they are reconvened to put that back on the record so that either Mr. Smellie or Mr. Nettleton are here rather than put it in when they are not here next week.

CHAIRMAN: Or you can put it in. And they can get a copy of it sent to them by -- I'm sure somebody will be here representing JDI. And they can send it off. So as soon as it is available, I think that would be best to file it then, Mr. Morrison.

MR. MORRISON: Fine. I will deal with the undertaking that came out of Saint John Energy's questioning yesterday afternoon.

It dealt with -- I think Mr. Young wanted to make sure that NB Power Genco was not giving away value outside the province, and looked for a comparison of ancillary services costs for NB Power.

And I believe Mr. Snowdon is prepared to deal with that.

CHAIRMAN: Is this the erstwhile interrogatory that couldn't be found?

MR. SNOWDON: Yes.

MR. MORRISON: Yes. And Mr. Snowdon will answer that. And I do have a document that I would like to have entered in which basically answers the questions, a comparison ancillary services cost, if I might.

MR. SNOWDON: Mr. Chairman, in reviewing the transcript of the question and then reviewing the IR SJ-3, we found that it didn't exactly answer the question that was being presented.

So in answer to that question we took as an undertaking to prepare a cost of the capacity for NB Power Generation to supply ancillary services that would be purchased by the transmission provider in comparison with those other utilities that are in that particular reference document.

And this is the table that is being shared with the

Board.

MR. MORRISON: Apparently we are now in the position to answer two of the other undertakings as well, Mr. Chairman.

CHAIRMAN: Yes.

MR. MORRISON: Obviously they were more diligent than I thought this morning.

CHAIRMAN: All right. You want to have this marked as an exhibit, Mr. Morrison?

MR. MORRISON: Yes, Mr. Chairman.

CHAIRMAN: My records indicate that would be A-11. Go ahead, Mr. Morrison.

MR. MORRISON: The other -- there was an undertaking as well yesterday dealing with which metrics does the Stone & Webster report rely on.

And I believe Mr. Scott is in a position to answer that. Or I'm sorry, Mr. Snowdon is in a position to answer that question.

MR. SNOWDON: Yes. I reviewed the Stone & Webster report and the benchmark that was used for the reliability statistics is in document on binder A-5 of tab 3, page 5-14 or section 5.5.

And Stone & Webster used a sampling from the IEEE comprehensive study of 1997 to do their comparison and did

not use the Canadian Electrical Association.

That comparison by the way is for both transmission and distribution, that study. And it does not focus on loss of supply.

MR. MORRISON: You may have already answered. I think there was another undertaking dealing with the same report dealing with whether it was a standard industry price index.

And I think your response has answered that, Mr. Snowdon.

MR. SNOWDON: Actually that particular question came from Northern Maine ISA. And they asked what the price index for number 2 fuel was. And it is the Platts New York price index.

MR. MORRISON: That is all I have at the moment.

CHAIRMAN: Mr. Smellie?

MR. SMELLIE: Good morning, sir. To come back to Mr. Hashey's point about JDI-4, the notice of proposed rulemaking. I'm reliably advised that the estimate of 800 pages is considerably liberal. It is a 300-page document.

I simply say, Mr. Chairman, notwithstanding your colleague's precis, that if Mr. Hashey's witnesses, on reviewing the excerpts that we put in, wish to have the entire document for context, I think that would be much

better than his filing further excerpts which may just exacerbate the problem.

So we are quite prepared to make the requisite number of copies and put it in, should you wish. And we will await your advice on that.

CHAIRMAN: All right. Well, I will speak to my fellow Board members on the first break, go from there.

Mr. Young?

MR. YOUNG: Mr. Chairman. I have got a pillar behind me here.

CHAIRMAN: We have got to move that pillar.

MR. YOUNG: Mr. Chairman, to NB Power's A-11 that they just entered, ancillary services, Canadian utilities, Order 888 type tariffs, I would like to see -- I guess from our point of view, would they be able to add any Maine utilities to the end of that table?

I see the list across are NB Power, Hydro Quebec, Manitoba Hydro, Sask Power, BC Hydro. Around the hub of New Brunswick, of course there is Maine below us. And we would be very interested in finding that as a comparison.

MR. MORRISON: I understand we can give you an ISO New England price.

MR. YOUNG: We are happy with that.

MR. MORRISON: I believe we can add that to the table.

CHAIRMAN: Mr. MacNutt?

MR. MACNUTT: Do we have a clear statement of what is being added to what and where?

MR. MORRISON: If I understand Mr. Young, he wants a comparison for ancillary service pricing that's in A-11. He wants added another comparator. And in this case we are suggesting that the comparator be ISO New England. Am I right on that, Mr. Young?

MR. YOUNG: That is correct, Mr. Morrison.

CHAIRMAN: Yes. What I heard was Maine, but that it would probably have to be ISO.

MR. MORRISON: That's right. It would have to be ISO New England because I understand that's the price that Maine uses.

MR. SNOWDON: That is correct.

CHAIRMAN: Is that precise enough, Mr. MacNutt?

MR. MACNUTT: Yes, thank you, Mr. Chairman.

CHAIRMAN: Any other preliminary matters? Mr. MacNutt, do you want to come up to five, sir.

MR. MACNUTT: Yes, we are set up here to go, Mr. Chair.

CHAIRMAN: Okay.

CROSS EXAMINATION BY MR. MACNUTT:

Q. - Good morning. I think the best way to proceed would be if you would turn off to the tariff, because the first

several questions deal with the tariff. And that's exhibit A-3, appendix C, the OATT.

The reciprocity provisions appear in Section 6 of the proposed tariff at page 23. And it is stated there, "Transmission customer receiving transmission service under this tariff agrees to provide comparable transmission service to the transmission provider on similar terms and conditions over facilities used for the transmission of electrical energy between jurisdiction". And it goes on for some extent in that paragraph.

In pages 7 to 12 of the NSPI evidence, one can infer that NB Power has refused to consider granting NSPI a waiver of the reciprocity provisions of the tariff, or consider a transition period to enable NSPI to comply with them. Is that a fair inference?

MR. SNOWDON: Not exactly. We have responded in a supplemental IR to Nova Scotia DOE, that we would be prepared to waive or grant a waiver provided two conditions were met.

Q. - I believe that would be NSDOE supplementary IR-2 in exhibit A-6?

MR. SNOWDON: I believe so, yes.

Q. - And I believe it's stated in there that NB Power is prepared to consider a request for a waiver on reciprocity

for Through and Out service provided that -- and I'm paraphrasing here, one, the decision has been made in the requesting jurisdiction to implement an OATT. And, two, the OATT would be implemented in a reasonable period of time. Is that correct?

MR. SNOWDON: That's correct.

Q. - Now in the context of that response, what does NB Power consider to be a reasonable period of time?

MR. SNOWDON: We never put a time limit on that because we felt that we would be working with Nova Scotia. And that the timing would depend somewhat on their relationship with their regulator. And that they may in fact set that time line, and we would be prepared to look at that.

Q. - Can you be a little more definitive as a -- so that a person would be --

MR. SNOWDON: We are thinking certainly under two years.

Q. - Yes. In its question to NSPI in NSPI (NB Power) (IR-1) which is in exhibit A-4, NB Power requests NSPI to advise why NSPI requested the matter of waiver of the reciprocity requirements be handled by an independent third party. Is that correct? That's NB Power IR-1 in A-4.

MR. SNOWDON: A-4 under NSPI?

Q. - (NB Power) (IR-1).

MR. SNOWDON: Oh, I'm sorry. That's not in A-5, it's A-6.

MR. MACNUTT: I'm sorry.

CHAIRMAN: Let's just check here and make sure.

MR. SNOWDON: Sorry. Is that NBP NSPI supplemental 1?

Q. - Well, I don't think it's necessary to turn it up. The question was asked and the NSPI requested that the supervision of the waiver of the reciprocity provisions be supervised by an independent third party. And the question is, why is NSPI suggesting that a transition provision, or waiver provision be supervised by a third party?

MR. SNOWDON: Are you asking me why we would feel -- or why they would feel that it would have to be under a third party? I'm not quite understanding your question.

Q. - Yes. Why are you concerned that NSPI wishes the supervision of the waiver transition period to be supervised by a third party?

I'm sorry. If you want to go to the reference to the IR, it's NS -- it's exhibit NSPI-2, responses to IR's.

CHAIRMAN: What exhibit?

MR. SNOWDON: A-6, is it?

CHAIRMAN: Is it A-6 or A-5?

MR. MACNUTT: It's listed in the exhibit list as NSPI-2, but I don't believe it has possibly -- it probably hasn't been marked yet. And what I can do, Mr. -- or if everybody has

got it then we can just --

MR. SOLLOWS: This is the letter?

MR. MACNUTT: No. Go to -- the attachment to the letter are the responses to IR's given by NSPI.

MR. SMELLIE: NSP PUB IR-1.

MR. GORMAN: NSPI (NBP) IR-1. The reference is evidence of Nova Scotia Power Inc., page 11, lines 9-15 and lines --

CHAIRMAN: That has been marked.

MR. MACNUTT: I thought so, but I just --

CHAIRMAN: The Board has it in a separate binder up here, that's all.

MR. MACNUTT: Yes. And I was just --

CHAIRMAN: Okay. We have got it, does everybody else? What is the question, Mr. MacNutt?

Q. - And the question put by NB Power to NSPI was, under Order 888 FERC grants jurisdictional utilities the right to waive the reciprocity requirement. Why is Nova Scotia Power Inc. of the opinion that quote: "Fairness requires that this issue be handled by an independent third party" in contrast to FERC policy.

My question of this panel is why is NB Power of concern with respect to whether or not the matter is handled by an independent third party?

MR. SNOWDON: Thank you for that clarification. NB Power is

of the view that under the conditions in -- and terms and conditions in the tariff that it puts the responsibility on the transmission provider to evaluate the need for invoking reciprocity. And it is not deemed to be a requirement that that would have to be done by an independent third party.

Q. - Do you agree with the response given by NSPI in that IR that FERC would recognize an independent agency such as the Board in this role?

MR. SNOWDON: That particular reference is in regard to the standard market design notice of proposed rulemaking, not under FERC Order 888.

Q. - Well explain. I don't quite follow.

MR. SNOWDON: The provisions in our tariff are under the FERC Order 888. And what they are quoting here is that -- is the reference is into the standard market design document that we were talking about yesterday.

Q. - Okay. Regardless, does NB Power have any concern with respect to the Board being in that role?

MR. SNOWDON: Our position is that the transmission provider should have the responsibility to evaluate whether they invoke reciprocity. The Board by virtue of applying the tariff has that overall responsibility. Are you suggesting that the application -- or the Board would --

we would -- I'm just a little confused on what the mechanics of that would be.

Normally the request to invoke reciprocity would come from a party perhaps that feels they have been harmed by that entity that's not providing reciprocity.

I will give you an example, that under the tariff application before the Board, Nova Scotia Power or Emera could pursue customers not only in New Brunswick but in northern Maine and Prince Edward Island. And if they don't have a reciprocal agreement it's putting those generators in those areas at a disadvantage of not providing comparable access to their wholesale load.

Q. - What you are suggesting then is that NB Power would be the arbiter or decider of whether or not that was appropriate. How -- what parameters would NB Power use to make that decision to ensure that all parties are treated equally and fair?

MR. SNOWDON: That is what the reciprocity provision ensures.

Q. - Now, however, you have suggested that you are prepared to consider a waiver or transition provision. Who will determine who is entitled to one and under what circumstances?

MR. SNOWDON: Under the provisions of the tariff, NB Power

would --

MR. SCOTT: I might add that the transmission customer when they pick out a service agreement then they by doing that accept the provisions of the tariff which this Board would be approving. And part of the provisions of the tariff are that reciprocity is a condition there and the transmission customer is prepared to abide by the reciprocity conditions.

So therefore by accepting that, the customer is really agreeing that they are going to provide reciprocity. That should be the normal non-discriminatory practice, recognizing that in this case with Nova Scotia Power that there is a process that has begun and -- but has not been completed. We have stated that we would consider a request for a waiver at least -- it's not really a waiver it's saying give us a transition period in order to meet all of the requirements at reciprocity.

Q. - Yes. And therefore, would it not be appropriate that the tariff be amended to include such a transition period so that it was available to all potential customers who may request the advantage of that provision?

MR. SNOWDON: We don't feel the tariff needs to be revised to reflect that. The provision is there for them to apply for a waiver, whoever feels they need to have one.

Q. - Where is the provision in the tariff as filed for approval with this Board that provides for transition or waiver of the reciprocity provisions?

MR. SNOWDON: It doesn't specifically deal with that issue.

Q. - Right. So on what basis would NSPI be entitled to a waiver or a transition consideration by NB Power in administering the tariff?

MR. SNOWDON: There are no provisions in the tariff to reflect that position.

Q. - Are you prepared to accede to NB Power's request as you hinted -- or Nova Scotia Power's request as you have suggested in your IR response that you are, to look at a transition or waiver provision and include -- request an amendment of the tariff as presented to include such a provision so that it's available to all customers? And if you are prepared to do that, when would you be doing it?

MR. SNOWDON: We would be prepared to do that, provided the second condition is met, that there would be a standard of conduct in place in that application -- or applying entity.

Q. - You would require the contract before you would apply for the insertion of a waiver provision in the tariff?

MR. SNOWDON: No. It's an additional condition in that waiver. We are prepared to take that under advisement.

Q. - Okay. And the request you would make would be available to anybody who requested the application of the new provision?

MR. SNOWDON: Yes.

Q. - Now at page 32 of the tariff, at the end of section 13.4, service agreements, it is stated, "Executed service agreements that contain information required under the tariff shall be filed with the Board." Have you got that?

MR. SNOWDON: Yes.

Q. - Are copies of these agreements to be filed with the Board only because they are part of the tariff or is there another reason?

MR. SCOTT: I believe that this particular section of the tariff is standard pro forma and we did not see a need to change that. I don't think that there is any particular reason for filing the service agreement with the Board.

Q. - So the filing is simply because it was a part of the pro forma tariff and you consider it appropriate?

MR. SCOTT: Yes.

Q. - Is there a provision in the tariff perhaps which I have overlooked which provides for a Board audit review or information storage function for the Board with respect to these agreements?

MR. SNOWDON: I'm not aware of any.

Q. - When would these agreements be filed with the Board, during a period of -- while they are being negotiated, or within so many days of them being executed or each year whatever ones have been executed would be filed?

MR. SCOTT: These agreements would be filed with the Board as soon as they are executed.

Q. - Then based on your present experience, about how many of these agreements would NB Power expect to execute per year?

MR. SCOTT: We had a list in the documentation of all of the service agreements that we have signed with the -- and it was less than a page. And we have had our tariff in service for -- since 1998, so it's not a large number. And once the initial service agreements are in place, typically we would not get that many new customers. In the future as the market opens up in New Brunswick and we get additional transmission customers, perhaps it would get a bit more active. But at this point in time we don't project that there would be a large number of new customers.

Q. - Could you give us a little ballpark by way of quantifying the number?

MR. SCOTT: I would say less than 10 a year.

Q. - Thank you. Now going on to a different area of the

tariff. Am I correct that it is the intention of NB Power that the Board approve the whole of the tariff as contained in appendix C of exhibit A-3, including all schedules, appendices and attachments precisely as it appears there?

MR. SNOWDON: That's correct.

Q. - Following approval of the tariff, it is -- is it NB Power's understanding that any change to any provision in the tariff would require Board approval to be effective?

MR. SCOTT: I think as Mr. Snowdon spoke to yesterday, certainly the generation interconnection agreement is one agreement that has been put forward as a template. The tariff would require Board -- the tariff document itself and the schedules would require Board approval for any changes.

I think that perhaps some of the methodologies, the more technical documents, like the methodologies for the determination of the amount of available transmission capacity would be another area that we would not be looking for Board approval. We would be going -- using the standard NERC, NPCC and industry standard requirements. We would certainly be prepared to file those with the Board when they change. But they are largely a technical type of document and that would be our

expectation.

Q. - Following on from that, a question I ask you then, if there are documents of that nature which you wish to feel free to change, why are you asking for Board approval of the documents as a part of the tariff?

MR. SNOWDON: The -- what I would call like in the generation interconnection agreement, the boilerplate issues would not change. It would be mostly the issues related to specific service for that particular customer.

Q. - So what you are telling me is that, you know, we understand that filling in the blanks on a pro forma of a contract is one thing, but you are suggesting that the methodology or formulas or the description of how something is to be calculated could be changed by NB Power without reference to the Board? Is my understanding of what you just said correct?

MR. SCOTT: We would recognize that the Board has authority over the complete submission. And if the Board -- if the Board were prepared to review these technical documents and approve them, then we would -- we would accept that. We think that the Board has the ultimate authority over these documents, including the technical ones.

Q. - So would NB Power be prepared to undertake to file with the Board any proposed changes prior to -- and seek

approval prior to implementing them?

MR. SCOTT: Yes, we would.

Q. - Now I am going to ask you to turn to page 329 of the tariff. This appears in attachment L, where the standards of conduct are set out. That is page 329, attachment L and go to pages 8 to 10. Are you there?

MR. SNOWDON: Yes.

Q. - The definition of regulator does not refer to this Board. Should not the definition of regulator be revised to name this Board? I would point out that in the response to PUB IR-44, NB Power said it would make this change.

MR. SNOWDON: Yes, we are prepared to make that change.

Q. - Now I want you to turn to page 338 of the same area we are in of the tariff and look at lines 6 to 14 under the heading "Appeal Process". This appears under the heading "Enforcement provisions, complaints procedure, appeals of the standards of conduct". Are you there?

MR. SNOWDON: Yes.

Q. - Thank you. If the complainant considers his complaint has not been properly evaluated, the parties are to select an independent arbitrator. What happens if they cannot agree on the selection of the independent arbitrator?

MR. MORRISON: Mr. Chairman, probably this witness -- we can check. This witness probably isn't in a position to

answer this question. I believe, and I can find the reference, that it is subject to the provisions of the Arbitration Act of New Brunswick. And I can find that. I believe I read it at one point. But certainly it is the intention that it be governed by the provisions of the Arbitration Act.

CHAIRMAN: There was in some questioning, I believe, by JDI, that was certainly in that paragraph. But certainly an undertaking, that is fair enough. Mr. MacNutt, is that sufficient?

Q. - Yes. Well I guess one of the questions we really have on that is we don't find a reference to arbitration in that provision. Is it the intention of NB Power to include a reference in that provision referring to arbitration?

MR. SNOWDON: Yes, we are prepared to make that amendment.

Q. - And also, would you address in your response to the undertaking what NB Power proposes to happen if the complainant disagrees with the decision of the independent arbitrator who may be selected to resolve a dispute?

MR. SNOWDON: Yes.

Q. - Thank you. Now I would like you to turn to page 333 of the tariff. That is under tab L, standards of conduct again. And go to paragraph C at the bottom of the page where it is stated, "The transmission provider will

maintain its books of accounts and records related to the application of the standards of conduct separately from those of its affiliates and will make those books and records available for regulator inspection."

What I would like to know is what books are being referred to?

MR. SNOWDON: This particular section deals with the accounts and records associated with the application of the standards of conduct. And our interpretation of that is that it would be the books and records associated with the scheduling and the contracts associated with reservations on the transmission system under which the system operator would be providing service on the transmission system.

The full books and accounts for the total Transco business unit would be dealt with through the -- in dealing with the financial side of the business.

Q. - Thank you. Now I am going to ask you to go to the front of the tariff to page 30 under the heading "Main dispute".

It is in -- and under paragraph 12.5 on page 30 under the heading "Main dispute", there is a subheading "Rights under the laws of New Brunswick". And it states there, "Nothing in this section shall restrict the rights of any party to file a complaint with the Board under relevant

provisions of the laws of New Brunswick."

Now the question is what is the intent of this provision in light of the binding arbitration provisions at the immediately preceding paragraphs 12.2 and 12.3?

MR. SCOTT: It is our understanding that the use of the arbitration procedures would be used for disputes relative to the application of the tariff and that Section 12.5 would be more intended for a complaint about the terms and conditions of the tariff itself.

Q. - So you consider 12.5 would allow a complainant to request the Board review the subject matter of the dispute pursuant to Section 6 of the Public Utilities Act, which provision authorizes the Board to make an investigation of complaints in respect of any matters of the tariff?

MR. MORRISON: Mr. Chairman, I don't know whether this has been answered.

Certainly I think the intent is that nothing in this tariff will abrogate any party's rights, whatever they may be, whether it be under Section 6 of the Public Utilities Act or any amendments which may be forthcoming in the Act, from exercising whatever rights they may have to bring the matter before this Board. Certainly Section 6 is one that could be interpreted to give that right to a party.

But there may be, and maybe it is pure speculation,

there may be other enactments or amendments to the Public Utilities Act in the future which may provide a similar type of right.

I think what all that section is intended to do is to say that nothing in this -- and maybe it is redundant in any event -- but there is nothing in this tariff which will abrogate any party's rights which they may have under any statute or otherwise, to bring a matter before this Board. I think that is the intention.

Q. - Would you agree with what your counsel has advised?

MR. SNOWDON: Yes.

Q. - Is there an intention that it be an either/or situation or a priority through which the -- must the complainant go, elect to go either in accordance with the tariff or pursuant to the Act to have a complaint resolved? Or is it an either/or proposition?

MR. SNOWDON: Our preference would be that they would follow the tariff if the complaint has to do with the rules within the tariff. But that does not preclude their rights.

Q. - Would you -- would NB Power then consider requesting an amendment to the tariff to clarify the priorities so that it is clear and we don't have to go through this line of questioning again?

MR. MORRISON: Can we take that under advisement,

Mr. Chairman? I would like to look at the tariff and some of the sections of the Act before responding to that.

MR. MACNUTT: Well, yes. Perhaps it is an undertaking to advise how NB Power would be prepared to handle that as a matter of policy, whether or not they wish to prioritize or provide -- make an amendment that would allow it to be an either/or proposition in the eyes of the complainant.

CHAIRMAN: The Board is going to take a 15-minute recess now. But there has been something that I have been wanting to ask, Mr. Morrison, is what is NB Power's intention?

Throughout the cross here there have been numerous changes in wording that have been suggested from review, change to audit, et cetera, et cetera, et cetera.

Has NB Power approached it on the basis of perhaps when we do in fact conclude the hearing to say look, here are all the amendments that we would propose, which our panels have agreed to? Or how have you thought about that?

MR. MORRISON: I have thought about it, Mr. Chairman. And I guess I haven't formulated a final position on it. However, when one considers the fairly broad -- very broad authority that this Board has in connection with an

application, a tariff application under the Act -- essentially my understanding of the Act, from reading of it, is that after hearing all of the evidence in this matter, the Board can pretty much do as it pleases in terms of amending the application -- well, not amending an application, but granting an order that incorporates some or all of the relief sought in the application. I think it is pretty broad.

Now perhaps we could go through and outline some of the things that have come up here and what the witnesses have agreed to as an appropriate -- an amendment. And that might be a helpful template for the Board.

But in the final analysis really I think the Board, on hearing the totality of the evidence, can make an order that it can accept parts or all or some of the evidence or --

CHAIRMAN: I don't disagree with anything you have said.

But it perhaps is easier for the Board if in fact you were to take that lead role --

MR. MORRISON: Certainly.

CHAIRMAN: -- and come forth with it.

The other thing is, just a passing comment, is that if the parties opposite have to question you about what this section of the tariff means or that section means, and the

witnesses confirm it means this or that, to me it says that it may be a pro forma tariff, but it is not properly or clearly worded, if the parties are having to ask you questions about it.

So perhaps you could look at it from that point of view as well, that there could be just -- maybe it is just a question of a couple of commas or an and. I don't know.

MR. MORRISON: Certainly, I mean, we would be prepared to go through that exercise and perhaps at the end of the day submit a summary -- the day, sorry, Mr. Commissioner -- which at the end of a number of days we would submit something that would at least give a summary of what the proposed changes from the intervenors are and what NB Power is prepared to do in response to that.

CHAIRMAN: Good. Thank you. Okay. We will take a 15-minute recess.

(Recess)

CHAIRMAN: Preliminary matters, Mr. Smellie?

MR. SMELLIE: Mr. Chairman, just listening carefully to the interesting discussion between your counsel and the witnesses and my friends about Section 12.5 of the tariff, just reminded me that there is an undertaking outstanding from New Brunswick Power during the course of my cross examination of Panel A to provide us with the relevant

provisions of the laws of New Brunswick which New Brunswick Power thinks might be available to a party to complain to this Board on a tariff matter. And my friend has been very good in being prompt in responding to undertakings, and I hope he hasn't lost sight of that one.

MR. MORRISON: I have not lost sight of it, Mr. Chairman, but there is a little time constraint. We will get to it in the next few days.

CHAIRMAN: Thank you, Mr. Morrison.

MR. SMELLIE: Thank you, sir.

CHAIRMAN: Thank you, Mr. Smellie. Mr. MacNutt.

Q. - There has been some discussion on inadvertent energy during the questions we have had to date in this hearing. Would you please explain exactly how inadvertent energy will be handled, and where this is described in the tariff?

MR. SNOWDON: Inadvertent energy is not dealt with under the tariff. In the FERC pro forma the context in which it's presented is that it deals with a control area, or within a control area. And inadvertent energy is energy that is basically on the interconnections between control area operators.

The reason that inadvertent exists is by the dynamic nature of the power system. And between control area

operators there are energy schedules, as I talked about in my presentation. Those energy schedules for the hour are deemed to be a fixed quantity. Let's say it's a hundred megawatt schedule across that interconnection between two control area operators, or the change in schedule is a hundred megawatts for that hour. The generation that is used to change that schedule is ramping over a period of time. It's changing from one set point to another set point.

The schedules on the interchange the ramping is to be done within five to the hour to five after the hour. So by the very nature that you are starting your ramp early, there is energy that is starting to flow before the schedule starts. Conversely, when the schedule ends and you are ramping back down, the ramping is taking place over an hour and there is energy that falls outside of that defined hour as the generator is ramping down.

Those deltas on each side of the schedule of energy that's flowing is inadvertent energy that's -- that's represented on the interconnection. And the operators deal with that as to how they are going to replace that energy in kind.

The other factor in inadvertent energy deals with the support of the system frequency. In addition to the

schedule that's on the interchange, the amount of energy every hour is made up of two components. The schedule, which I just talked about, that it's a hundred megawatts over the hour plus there is another component. And it is dealing specifically with the support of system frequency.

So in other words, if the system frequency in the eastern intersection is low, then all of the generators in the eastern interconnection are assigned -- or the control areas in the eastern interconnection are assigned some small contribution that their generators have to raise in order to support that overall frequency and bring it back to 60 cycles.

So in that case of a hundred megawatts, there may be an adder on that let's of one megawatt for that hour to help the whole interconnection support the frequency. And that one megawatt or two megawatts, whatever it is, is part of this inadvertent energy that's dealt with and recorded on an hourly basis between the two operators. It could be between ourselves and Nova Scotia Power. It could be between and New England.

Is that clear?

Q. - Yes, thank you. There is a follow-on from that.

MR. SNOWDON: No, just a second. Maybe Brian wants to add something to that. I just want to be very clear on that.

That it is dealt with outside of the tariff.

Q. - Deliberately.

MR. SNOWDON: Deliberately because it's something that FERC has recognized is required for reliability reasons.

Q. - And is settled on a local basis or an hourly basis?

MR. SNOWDON: And it's scheduled -- this energy is either replaced either on peak hours or off peak. If it's caused on on peak hours, it's replaced during these on peak hours. And those on peak hours are well defined in NERC standards.

And off peak, if it's on a Sunday afternoon or in the middle of the night, those off peak hours are paid back in kind as well. That's what paid back in kind actually means.

Q. - Thank you. As a follow-up on that, would it be appropriate to include a description of inadvertent energy and how it will be handled in the tariff so as to make a clear distinction between it and energy imbalance?

MR. SNOWDON: I'm not sure it needs to be in the tariff. It's certainly well defined in NERC standards and that kind of thing.

Does the Board feel it would be worthwhile making that distinction in the tariff?

Q. - Well our concern is how can we be sure that people being

charged for energy imbalance are in fact being properly charged for energy imbalance?

MR. SNOWDON: Are you specifically talking about between ourselves and Nova Scotia? Because that is within this operational area the only place where there is inadvertent internal to the control area.

Q. - Well that's one of our concerns. Is that it would -- that the energy imbalance provisions apply equally to all parties, not necessarily just limited to Nova Scotia Power.

MR. SNOWDON: That is certainly one of our concerns as well.

This is the issue that Mr. Zed referred to in the two operating committees trying to deal with to put a framework together between the two operating authorities to make this clear distinction between what is normal inadvertent between two operators and what is imbalance.

I might just clarify that the Maritime control area is a unique situation where we have two operators that are both within the control area helping to support the system frequency on the interconnection.

Q. - I guess where we are coming from is that there appears to be sufficient confusion to warrant a provision or statement in the tariff so that anybody coming to it would be able to clearly identify and distinguish between

inadvertent energy and imbalance and how they will be handled respectively. Would you be prepared to look at --

MR. SNOWDON: We would certainly entertain looking at that as an undertaking to provide some clarification.

Q. - Yes. Would you review that and undertake to respond how

--

MR. SNOWDON: Yes.

Q. - -- you would be prepared to treat it?

MR. SNOWDON: Yes. Yes, we are prepared to do that.

Q. - Coming back to the tariff again, with respect to generator provided services, does NB Power consider that the transmission provider will be a "price taker" on the basis that generation of electricity will occur in a competitive market. That is the transmission provider can select from prices offered but will have no access to the cost information?

MR. SNOWDON: You are talking about for ancillary services, are you?

Q. - Yes. And also redispatch for congestion.

MR. SCOTT: I will speak to the first one. The proposal that NB Power has put forward is to use the pricing for -- using the pricing of a proxy unit for ancillary services. And the Board would approve that price and that would be the price that we would expect to be paying for services

from NB Power Generation when they are providing ancillary services.

The difficulty is if we become just a price taker, there is not a market -- a liquid market for ancillary services in New Brunswick. In fact NB Power would have market power. So we don't want to be in a situation where the -- where the price can be set at whatever the supplier wants to set it at. So that's the reason that we put forward a proxy price for that. But at the same time we have also indicated that where there is the potential for the procurement of ancillary services on a competitive basis then we would explore those opportunities.

So what would happen would be is when that potential exists, that we would be looking for some mechanism to purchase that. And we would compare the provision or procurement of those services against the proxy prices. And if they could be purchased at a cheaper rate, then we would look at doing that for sure.

What was the second part of it?

Q. - Yes. And the same comment would apply to the redispatch for congestion?

MR. SCOTT: In terms of redispatch, the service agreements -  
- when a customer signs a service agreement then they would designate the resources that they have and the rate

-- or the cost at which the -- that particular resource could be redispached at.

Q. - What are you given, a cost or a price? In other words, in that context what recourse will a transmission provider have to ensure that the generator provided, ancillary services are provided on a least cost basis as opposed to a lowest price basis?

CHAIRMAN: I'm sorry, Mr. MacNutt, I can't hear you.

Q. - I will repeat that question. And it was in the same context of that question of price versus cost. I asked what recourse will the transmission provider have to ensure that generator provided ancillary services are provided on a least cost basis as opposed to a lowest price basis?

MR. SCOTT: The way NB Power is proposing to do this is that this tariff has been presented as a business unit within NB Power Corporation and at this point in time we do have the cost information. Within NB Power we do know what the generation costs are. And so at this point in time any redispach of generation from New Brunswick Power Generation we would be able to verify as to whether or not that was cost information.

And from other resources that are independent, if -- we would be less able to determine whether or not that was

cost information or price information. However, if that energy was priced too high or costed too high, then that resource would not be used for a redispatch.

Q. - And we are also talking price versus cost with respect to ancillary services. Does the same comment apply?

MR. SCOTT: Well again, the prices or costs -- the charges for ancillary services are based on these proxy units which are a cost based analysis of a proxy type unit.

Q. - So that is how you are going to handle the situation when in fact you become Transco and therefore a separate legal entity from Genco, is that it?

MR. SCOTT: That would apply regardless of what happens. We have put this tariff forward as a vertically integrated utility and that's our proposal. That would be the price and we would expect that those proxy unit prices would be the prices that we would be paying NB Power Generation for ancillary services where they were provided.

Q. - And assume the legislation is passed and there is now Genco, where the electricity is generated and there is Transco, which is dealing with the tariff, how will Transco -- how do you know that NB Power Generation, Genco, will accept the amount that you have budgeted, that is Transco has budgeted as payment for ancillary services?

MR. SCOTT: The way that we would see it happening is that

if this Board approves the tariff and the proxy unit pricing, then that would be the requirements for NB Power Generation and on a go forward basis NB Power Generation does have the obligation to serve the distribution load, the load in the province that has not -- does not have an opportunity to go to the market. And that would be included somehow in the overall vesting contract and extracted from that so there is not a double accounting.

Q. - What assurances will Transco be able to give its transmission customers that the costs of the services provided, being by Genco and being passed through Transco, are the least cost -- at the least cost?

MR. SCOTT: I'm not sure what your question is there.

Q. - I'm sorry, have you got a response to that?

MR. SCOTT: Would you repeat the question please?

Q. - How will Transco be able to ensure its customers that Transco is paying the least cost for ancillary services that is reasonable? Least cost available for ancillary services on the pass through.

MR. SCOTT: Certainly in terms of ancillary services as they stand today we are proposing proxy units and we believe that those fairly represent the cost of providing these services and those are indeed a pass through to the customer. We will not have any additional adders on it.

And if we can procure services on a competitive basis at lower costs, then we would pass those through as well.

I think the process that we would use would be an open type process, perhaps something like a request for proposal or whatever. We would post any request for service on the OASIS or some mechanism that is an open mechanism and we would review the proposals and take the appropriate measures to ensure that the lowest cost provision of these services are passed on and utilized.

Q. - So if through this process you were able to obtain the ancillary services less than a proxy costs, will that be handed on to the transmission customers?

MR. SCOTT: Yes, it would. In fact what we would expect would happen there is that we would -- if we were able to procure say 10 percent of these service at a lower cost, then we would pass that on to the customer through a discounting of the -- of that particular service.

Q. - Then that raises in my mind the question of how will anybody know that the actual costs are being substituted for the proxy cost? In other words, how is anybody going to know that they are getting a discount versus simply paying the ongoing proxy cost?

MR. SCOTT: Any time that there is a change in price for services on the transmission system, that is first posted

on the OASIS before -- at the time that the service is offered and the terms and conditions under which it is offered. So if a customer were -- the customer would know immediately that the discounted price was in effect.

Q. - What would happen if you were able to achieve a lower price but you didn't pass the discount on? Who would get the profit?

MR. SNOWDON: The intention is to pass the price through. There is no provision in the tariff or in the schedules that this becomes a source of revenue for the transmission operator.

MR. SCOTT: I would point out that there are going to be costs from time to time, things like out of order merit charges and whatnot that would tend to increase the price of these services. If you can procure them and reduce those price, then -- there is going to be an ongoing sort of balance there and certainly it would be our intention to pass these on. And we would be keeping records that would be subject to audit by the Board.

Q. - Now going on to a different part of the tariff. I wish -  
- please turn to schedule 4 which deals with energy imbalance service at pages 90 and 91. That is tariff A-3, schedule 4, energy imbalance service at pages 90 and 91.

On page 90 energy imbalance associated with

point-to-point service is addressed. And at page 91 energy imbalance with respect to network service is addressed.

And each case the parties are given 30 days to eliminate the imbalance. If the imbalance is not eliminated, payments are required.

At page 90 at lines 23 and 24 reference is made to the price for emergency power in a given hour. And there is a similar reference on page 91 for network service.

How will the particular hour for pricing emergency energy be determined a) for point-to-point service and b) for network service?

MR. SNOWDON: The emergency energy that is being referenced here is that the system operator would have insufficient resources on his system and have to call upon the interconnections, as I spoke to yesterday.

And depending on where this energy comes from, the price may vary depending on what the price that the transmission provider can secure this energy from his generation source.

And that is priced on an hourly basis. And the transmission provider would basically purchase that energy until such time as the market or the load end of the process obtains an alternate supply. And in so doing it

should last only for one or two hours generally.

And during that time those costs would be reflected in these energy imbalance charges because that is the cost that is incurred to provide these services. Is that clear?

Q. - Well, it still leaves in my mind the question of how are you going to do that on a 30-day cycle as mentioned in the second paragraph at the top of the page?

MR. SNOWDON: It is priced hourly, so you know exactly the hours that it is incurred. And you know during which 30-day period that cost was incurred.

We receive an invoice from the third party that would tell us what those -- or show what those costs are.

Q. - What happens if you have this situation occur several times in a week and you are settling 30 days out? How do you know which hourly price to take arising out of the two events?

MR. SNOWDON: I am not following that question. It is very easy to determine and reflect back which hour that energy was taken on. And the price can be reflected for that hour through whatever the redispatch was at that particular time.

Q. - Well, I think part of the problem is arising out of the fact that you can make it up. And if it is short on a

Tuesday it could be made up on a Wednesday. Then you may be short 10 on Thursday and then several other events. And you end up at the end of the month being 10 short. How do you know what hourly rate to apply to that 10 over or 10 short at the end of the month? And this is not energy redispatch. This is energy imbalance.

MR. SNOWDON: It is energy imbalance, yes. But there is a generator that is supply that energy or that's being supplied from an energy source or through this energy purchase.

MR. SCOTT: I'm a bit confused by the questions, because it appears as though we are mixing energy imbalance that occurs within the limits of the deviation band, which case there is no charge for energy imbalance.

And then with that we are also mixing in energy imbalance that occurs outside the band. And outside the band that energy imbalance is priced.

So anytime that there is an energy imbalance outside of the band, we know what hour that that occurred, because we have metering to tell us that.

Energy imbalance within the band can be tracked separately. And it is expected that some hours the energy imbalance would be plus, other hours it would be minus.

And over time the energy imbalance within the band

would probably tend towards zero. If it doesn't then that energy imbalance would have to be paid for. And it would be paid for at not the emergency rates but at these rates that are stated below.

Q. - Now my problem is is reconciling the 30 days at lines 7 and 8, which refers to imbalances within the limits of the deviation band, with the statements at line 17, which are also within the deviation band.

MR. SNOWDON: I think the confusion is is that the 30-day period is clearly for paying back energy that is within the primary deviation band. 17 and 18 is saying when that energy is outside of that deviation band.

Q. - But I don't read 17 and 18 as saying that. As a matter of fact I will quote it to you. It says: Energy imbalances within the deviation band that have not been corrected.

Perhaps I could try this. Is it the intention that the introductory paragraph on page 90, namely lines 17 to 20 apply -- oh, excuse me. Perhaps a better way to say it, if the statement at lines 17 to 20 apply then the energy imbalance would not be priced in accordance with the two following bullets.

MR. SCOTT: The intent of sections -- or the lines 17 through 26, as it relates to energy imbalance within the

band, is that it would in fact be treated similar to energy imbalance that occurs outside of the band in a given hour.

Now you do raise a good question as to how do you determine whether or not in a given hour, if there is a specific price paid for emergency energy, whether or not it should be attributed to accumulated energy imbalance that has occurred within the band width?

I guess I don't have an answer for that right now. If you would like me to take an undertaking I could do that.

Q. - Would you undertake to clarify this line of questioning --

MR. SCOTT: Yes, I will.

Q. - -- as to -- thank you. Still with respect to the tariff which is exhibit A-3, please turn to tab 5 of the evidence of Mr. Snowdon. It is tab 5, the evidence of Mr. Snowdon at page 7. And I'm referring to table 1.

MR. SOLLOWS: What exhibit?

Q. - A-3 -- the tariff. Excuse me. It is in exhibit A-3. It is in front of the tariff in A-3. And if you go to tab 5, behind that you will find the evidence of Mr. Snowdon on a tab. And if you go to page 7 you will find table 1. It is a table entitled transmission tariffs performance measurements.

The following questions are probably a little bit on semantics, the interpretation in the phrasing of the words. But we would like some clarification on the points.

In the table there are three sets of measurements, system reliability, environmental stewardship and safety.

And the table is broken into three horizontal boxes with those as headings, is that correct?

MR. SNOWDON: Yes.

Q. - In the middle portion of the table under the heading environmental stewardship on line 1, the number of spills per year is listed in the objective column to be 20. This suggests to me if for example you only have 15 spills per year, you have not met your objective.

Would you agree with me that a more appropriate wording would be to have no more than 20 spills per year?

MR. SNOWDON: I would accept that as a friendly amendment.

Q. - And would not this wording change also be appropriate for the bottom block of measurements under the heading "safety" --

MR. SNOWDON: Yes.

Q. - -- where on line 2, days lost due to accidents is shown under the objectives column to be 1.5. Should this not read no more than 1.5 --

MR. SNOWDON: I agree.

Q. - -- days lost? Now yesterday when Mr. Nettleton questioned you on this table, I thought I heard you say that you were anticipating a yearly review of the performance measures stated in the table, am I correct?

MR. SNOWDON: Subject to agreement of the Board, yes, that would be our suggestion.

Q. - Is there any reason why a review of the performance measures could not be done on a quarterly basis? Or I might just supplement that with at least file the information on a quarterly basis, not necessarily a full study and review.

MR. SNOWDON: Yes. That's certainly possible. Some of the reliability statistics are very seasonal driven and may not be appropriate to take action on on a quarterly basis. But certainly to report and record on a quarterly basis is a very doable thing.

Q. - Thank you. Now going back to the middle portion of the table under the heading environmental stewardship, on line 3 with respect to environmental management programs, ISO 14001, the table states that the objective -- in the objectives column, that NB Power intends to maintain 90 percent of the program objectives. Is that correct?

MR. SNOWDON: That's correct.

Q. - Now you may want to open this. But I'm going to refer to PUB IR-83 in exhibit A-4, page 459. And I think -- yes, you better turn the document because I'm going to ask -- I will repeat that. PUB IR-83, page 459 which is in exhibit A-4.

MR. SNOWDON: Page 459, is that what you are referring to?

Q. - Yes, 459. It is PUB IR-83. The response lists nine objectives to be met for NB Power to become ISO 14001 compliant, is that not correct?

MR. SNOWDON: Yes.

Q. - Now which of these nine objectives will fall within the 10 percent of program objectives you will not meet each year as stated in the table we have just been reviewing?

MR. SNOWDON: We did not specifically reference the 90 percent to any one or ones of the nine objectives. What we anticipated is that through an audit process there would be an overall assessment made of the adherents to this ISO 14001. This is an initiative under the Canadian Electrical Association and NB Power has a commitment to have this program effective or in effect at the end of this year, December 31st 2002.

And they are scheduled to do a full audit of that compliance during 2003. And we would look at that overall assessment as being the evaluation for our performance on

this issue.

Q. - Now I'm going to leave that and go on to -- I want you to turn to A-5, exhibit A-5. And what I am going for here is the Stone & Webster report. And I will give you the full recitation. A-5, tab 3, Stone & Webster Report on Transmission and Distribution OMA Assessment for NB Power.

MR. SNOWDON: Yes, I have it.

Q. - Now at the front of the report at pages v to ix. And that's small Roman Numeral v to ix, there is an executive summary at page, small Roman, ix and paragraph 9.

CHAIRMAN: Mr. MacNutt, we are having trouble hearing you up here.

Q. - At the front of the report at pages v to ix, small Roman Numerals, there is an executive summary at page ix and paragraph 9 under the heading recommendations. It is stated: Establish minimum reliability standards, incorporate reliability criteria into the budgeting process for ranking and selecting candidate capital additions, include feeder based reliability analysis and predictive methods, improve reliability data collection, recording and reporting methods.

And my question is, would you please describe NB Power's response to the recommendations in paragraph 9?

MR. SNOWDON: There is a mixture in -- why we are

hesitating, there is a mixture in this particular bullet related to distribution and transmission.

Q. - My particular -- where I am directing my question in particular is with respect to the opening part of this statement of the paragraph quote: Establish minimum reliability standards, and also I wish you to address the last sentence which is: improve reliability data collection, recording and reporting methods. If you would address those two statements in that paragraph 9?

MR. SNOWDON: Just speaking for the transmission business unit, we have established reliability KPI's for the business unit in addressing the reliability parameters under which we were measured.

Certainly the whole Stone & Webster review has been the catalyst for us developing and prioritizing our -- not only our capital program but our maintenance programs as well.

CHAIRMAN: Mr. Snowdon, what is a KPI?

MR. SNOWDON: Oh, sorry. Key performance indicator.

Q. - Are there any additional ones that are not listed in that paragraph 9?

MR. SNOWDON: Pardon me? I didn't hear your question.

Q. - Are there any reliability standards which are not listed in this table? In table 1 we were previously referring

to.

MR. SNOWDON: Yes, there are other standards or key performance indicators that we are using. We felt that in presenting this performance evaluation we should concentrate on the key ones and not -- so we picked out what we felt were the primary drivers in each of the three areas that we presented.

MR. SCOTT: The other thing about some of these performance indicators that we have not included are that they tend to focus on some of the internal improvements that can be made and not so much in terms of the overall reliability that is provided to customers.

MR. MACNUTT: Thank you. No further questions, Mr. Chairman.

CHAIRMAN: Thank you, Mr. MacNutt.

EXAMINATION BY MR. SOLLOWS:

Q. - Mr. Scott and Mr. Snowdon, I just have a few questions. Bear with me as I flip through my notes trying to figure out exactly where we started. It has been a long few days. Let's see if we get the right panel here. You are Panel D, right?

MR. SNOWDON: Yes.

Q. - I find this confusing because I am in multiple binders, but -- I guess the first question that arose at the

beginning of your presentation, the OASIS system that you are using, have you conducted training sessions for potential users of it so when on April 1st the market comes up and running, people other than I presume NB Power Marketing and Genco know how to use it, but are there others -- have people been trained to use it, participants in the market?

MR. SCOTT: We did conduct training sessions when we initially opened up our system in 1998 for the customers that are using the OASIS system today. We do intend to conduct training sessions for customers.

I might add though that the OASIS system needs to be upgraded to incorporate network service and some of the changes that have taken place between our existing tariff and this one. That work has not been done. So the training will not occur until almost the time of the opening.

Q. - Okay. I think in response to questions from Mr. Zed you were talking about -- I think he was -- his questioning was dealing with treatment of customers by class and as distinct from -- in the context of non-discriminatory access. And I guess the question that I have here is I'm wondering about the influence that NB Genco's -- the rates that NB Genco would pay for its exports because they are

necessarily a network customer, I think, is that right, because they are the sort of standard office service provider in the province with multiple points of delivery.

So they are a network customer, but of necessity.

MR. SCOTT: Not exactly. Genco would not be the network customer. It would really be customer service which is the load side of it, the Disco.

Q. - Okay. So then --

MR. SNOWDON: The load becomes the network customer, not the generator.

Q. - Okay. And so any load that was being sold by Genco out of province that would have to purchase its own transmission capacity and couldn't go through Disco? I guess what my question is, is there a level playing field here for exporters as they go into Maine or into PEI or into Nova Scotia, or can the marketing arm of NB Genco use the network service agreement of NB Disco to expedite its exports?

MR. SCOTT: No. It certainly is a level playing field. And if NB Genco were delivering energy to Prince Edward Island they would be required to take either point-to-point service or network service, and that would be the same type of service as any other --

Q. - Distinct from the network service that they had to serve

in-province?

MR. SCOTT: Distinct from, yes. It's the customer that gets the network service, not the supplier.

Q. - I think some questioning from Mr. Nettleton of JDI, the question that arose in my mind is there has been some discussion, and I guess the Panel is going to come back to talk about the notice of proposed rulemaking, and given that the time frame of our work here is running sort of in parallel with the rulemaking process in FERC and in the US, I'm wondering really what modifications you might anticipate to meet the changes that would be under -- that are anticipated under the notice of proposed rulemaking, not necessarily -- nobody can predict the outcome because it is quite controversial. But based on what we have seen in the notice are there changes that could be made to this or should some changes be made that would make it more compliant?

MR. SCOTT: Our position at this point in time would be a wait-and-see approach. Perhaps you could ask the question again after we have had more time to review it.

Q. - Sure. Okay. That's probably --

MR. SCOTT: I was familiar with it back in July but these last couple of months I have not followed it very much.

Q. - Yes. I think it has just got stretched out in terms of

time frame over the last little while.

MR. SNOWDON: The other issue is that we are following the market design committee's report to implement a FERC compatible 888, 889 tariff. And we see this as the first step in that process. I would suggest that once the standard market design has been approved, then it should be reviewed and perhaps a new tariff may have to be submitted.

Q. - Yes. So --

MR. SNOWDON: But I would not propose that we wait or --

Q. - No.

MR. SNOWDON: -- try to pick pieces out of the standard market design and try to apply it to this tariff. This tariff application is a FERC 888 compatible tariff.

Q. - But your reading of it -- of the NOPR at this stage is that it might -- depending on how things turn out it might well lead to another or a change -- a proposal to revise the tariff after April 1st.

MR. SCOTT: Or it may be acceptable as it is.

Q. - Yes. Okay. Fair enough. Further on I think there were some questions about the standards of conduct, and the question that arose in my mind, we were talking -- there was a question about physical separation, some people are in different buildings, others are on different floors

with locked access, given the revelations that we have seen in the news over the last year, year-and-a-half, your corporate e-mail system, does it log all e-mails between your people on either side of the so-called Chinese wall?

MR. SNOWDON: I'm certainly not qualified to answer that question.

Q. - I guess if we are really keeping track and trying to limit communications, e-mail communications are ubiquitous now in organizations and it would seem to me that that -- they should at least be logged between people in the various divisions, certainly in and out of your own division.

MR. SNOWDON: Yes, I agree with you on that.

Q. - Okay. So if --

MR. SNOWDON: If it's not implemented we could look at doing so.

Q. - Okay.

MR. SNOWDON: Certainly the access to all the computer systems that have that confidential information related to the transmission system --

Q. - Right.

MR. SNOWDON: -- is partitioned and not accessible.

Q. - That I would see, yes, but in terms of just e-mail and communications it would be prudent I think to log anything

between people on either side of the divide. That may be something you might want to consider.

MR. SNOWDON: Yes, we certainly will.

Q. - There were some recent questions I think from Board counsel about the performance targets, non-economic performance targets. And I guess the question that arises in my mind -- and they dealt with the environmental one, that it is not a target, it is a maximum.

When we talk about the economic ones, are they targets or are they minimums? And then my question is what is the maximum?

I'm -- my concern is that as an economic regulator we don't want you aiming for a target that would drive your costs higher than the market requires to meet a reliability target.

MR. SCOTT: I would defer that question to the other panels that are coming on later.

Q. - Okay. Fair enough. Which one, just for the --

MR. SNOWDON: I would suggest B.

MR. MORRISON: I believe C.

Q. - Panel C? Okay. Just -- I think this was questioning around JDI-5. I'm not sure at this stage who was asking the questions. Referred to a calculation about energy imbalance. And at some point there was a reference to

megawatts of energy. We are really dealing with megawatts for 1 hour? Is that the point here? I mean, we are --

MR. SCOTT: Yes.

Q. - -- confusing power and energy here.

MR. SCOTT: Yes.

Q. - But everything is done on a 1-hour basis, is that right?

MR. SCOTT: That is correct. Yes.

Q. - Okay. Yes. In the NMISA-1, the operating agreement you have with the Northern Maine Independent System Administrator I think, there was band 3. And it said outside the band 3 energy transfers from them to you went at \$18 per megawatt hour.

And I have seen that number elsewhere I think in some of the provisions in the tariff where the generator provides the imbalance energy that is excess that the generator had provided would be at \$18 per megawatt hour compensation.

Do you -- where does that number come from?

MR. SCOTT: That number represents the -- I guess subject to check -- but I believe it is roughly 80 percent of the cost of the lowest cost unit, thermal unit on the NB Power system. So it approximates that.

Q. - So in some sense it is a fraction of your short run marginal cost?

MR. SCOTT: Well, it --

Q. - Lowest short run marginal cost?

MR. SCOTT: Yes. It would be a --

Q. - But only fuel --

MR. SCOTT: -- coal unit.

Q. - And fuel and operating, not capital?

MR. SCOTT: Right.

Q. - Now you were asked at some point why does the network customer have to schedule by hour. And I think the response was basically to allow you to operate the system. You needed to know what your loads would be hour by hour.

And I guess the question that arose in my mind, does that mean that each customer has to predict each load at each substation?

MR. SCOTT: No, no. They need to -- each customer has to have -- understand what their total load is or schedule their total load.

Q. - Okay. Then in a case of NB Disco, which is a network customer all over the province, would -- just that one aggregate number really wouldn't help much in terms of the impacts -- congestion issues, would it?

So I guess my question is how does that number really aid you in sort of your long-term responsibilities? I see how it helps in terms of dispatch.

But wouldn't zones or point-to-point estimates provide some help in terms of scheduling additions and the issues regarding upgrading?

MR. SCOTT: Is your question related to the short-term dispatch or a longer-term --

Q. - Longer. What I think I'm getting at here is the longer term?

MR. SCOTT: Certainly in terms of longer-term planning we would do a load forecast looking at the loads at each individual substation.

Q. - Okay. And would you do that? Or would the distribution utility do that?

MR. SCOTT: Well, ultimately the transmission provider needs that information. We would depend on the customers to supply information to us.

Q. - Okay.

MR. SCOTT: But we would have the responsibility for the full in-province load. So if there were some customers that were taking service from someone other than NB Genco, then we would be dealing with those customers as well as the New Brunswick Power Distribution and aggregating the two together to come up for --

Q. - I guess that is what I'm getting at. Because my understanding of the load forecasting process to date has

been that NB Power, the integrated utility, does it for the whole in-province load, including Saint John and Edmundston?

MR. SCOTT: Right.

Q. - And so after April 1st, will that still be happening? Or how will this work?

MR. SCOTT: Well, in all likelihood they will continue to do that. Because there is a responsibility for them to --

Q. - Okay.

MR. SCOTT: -- determine what their requirements are and so on and so forth.

But at the same time the transmission provider needs to do it for the total system. So initially they are one and the same. But over time they may converge.

Q. - Okay.

MR. SNOWDON: In that example, if Saint John Energy took an alternate supplier, then Saint John Energy would provide their long-term forecast.

There is like a 10-year forecast, an 18-month forecast and then basically a weekly and an hourly forecast as you get more closer to the operating horizon.

Q. - Right.

MR. SNOWDON: Then they would take on that responsibility. And the Disco, NB Power Disco would then forecast the

remaining load.

And as each individual customer were to go off of SOS, each of those customers would take on that responsibility.

And then it would be just would it left under standard offer service would be what Disco would forecast for.

Q. - Okay. And somehow this -- then as this gets fractured, somehow it will be integrated in your -- it will be integrated in your company to be used to predict upgrade, necessity for upgrade --

MR. SNOWDON: That is why it all flows back to Transco.

Because they are the accumulator of all this data.

Q. - Okay.

MR. SNOWDON: And they project a long-term forecast, a shorter term forecast and an operation forecast.

Q. - So somewhere in this there is listed the requirements that the customers provide these forecasts and those sorts of things?

MR. SNOWDON: That combination of this and the market rules that are being developed.

Q. - All right. Okay. At a little bit later there was some discussion about network -- tab 1, Section 28.5, page 60 -  
- or no, page 84, Section 34.2.

And I don't think you need to look it up. It was something about monthly network load and the building

determinant.

And the question was I think why not use the system coincident peak as the billing determinant? And your answer suggested to me at least that you felt it was a good thing that the determinant not provide -- I guess I will put this in terms of a question.

Why -- I guess why is it a good thing -- because your answer seemed to imply that it was a good thing -- that your rate does not provide an incentive to shift the load off the peak?

MR. SCOTT: I realized after I said that that it probably gave that impression. It was not the intention to give the impression that we are not in favor of shifting the load off peak.

In fact if you were to turn to attachment H --

Q. - Yes.

MR. SCOTT: -- which is the schedule --

Q. - Right.

MR. SCOTT: -- that has the prices, in the middle of that page there is a section in there that deals with a form of shifting of the load to off-peak hours. There is a lower rate if they move from on-peak to off-peak hours.

Q. - So there are benefits to your system to move the loads of the customers off of the peak?

MR. SCOTT: Yes, there are.

Q. - All right. I think it was today -- I'm sure it was today -- we were discussing the dispute resolution mechanism for confidential information transfer.

And as I recall, the remedy was ultimately to post it on the OASIS system if the -- ultimately if it is found that there was a transfer of information that the information would be posted on the OASIS system?

MR. SNOWDON: That is correct.

Q. - Okay. So I guess my question is -- let's suppose that the piece of information that was transferred was a third party's marginal costs and it was transferred to NB Genco.

How does letting everybody know that act as a remedy?

MR. SNOWDON: The specific cost or price probably would not be.

Q. - Okay.

MR. SNOWDON: It would be -- the nature of the violation would be posted.

Q. - Okay. Yes. So --

MR. SNOWDON: Because the operator himself does not want to violate the standard of conduct by providing information.

So --

Q. - Right. So --

MR. SNOWDON: -- it would be more --

Q. - -- it is really an information -- the information that would be posted would be the nature of the offence and the remedies that were taken, is that it?

MR. SNOWDON: Yes. It is acknowledging that there was a violation. And then if anybody feels that they were harmed by that then they could make a further inquiry --

Q. - Right.

MR. SNOWDON: -- and be dealt with accordingly.

Q. - In response to the questioning here recently on inadvertent energy, it occurred to me that one thing that might be useful for the Board and for market participants and anyone interested in the smooth functioning market as we move to competition, do you have historical records for inadvertent energy quantities?

MR. SNOWDON: Between ourselves and Nova Scotia?

Q. - Well, wherever they occur, the inadvertent energies?

MR. SNOWDON: Actually they were provided, the numbers between Nova Scotia and ourselves as a response to an IR.

Q. - Yes. I guess what I'm getting at, if we had that as a time series, you know, every month or whatever, however you keep your records, and they were available on your website, then if there was a material change --

MR. SNOWDON: Oh, okay.

Q. - -- in those, then that would indicate to the observers

that something was going on. Is that possible?

MR. SNOWDON: That is certainly possible.

Q. - Okay.

MR. SNOWDON: Those are recorded hourly.

Q. - Okay.

MR. SNOWDON: It might be into the next month before the actual numbers are confirmed.

Q. - But at least if people were monitoring it and saw a material change, they could ask a question if they wished?

MR. SNOWDON: Absolutely.

Q. - I'm going to ask this question. I probably know the answer. I know you can't explain it. But are you free to explain how NB Genco actually provides the generator ancillary services as opposed to how it will be priced?

MR. SNOWDON: Do we know?

Q. - Yes. And are you -- can you explain to us -- I mean, we understand it is priced by a proxy unit. But how is it actually provided?

MR. SCOTT: The different services are provided differently.

If we start with regulation, load following, regulation is a minute-by-minute change in the output of generation to balance load with generation.

And in order to do that we require equipment to be located at the generating station to receive signals from

a generation control program that looks at the totals and sends a raise or a lower signal to a particular generator to increase its output or reduce its output.

That is how -- that is the mechanism that is done for that. And there are certainly parameters that are maintained for the generators in terms of how quickly they can ramp, how much room they have available for ramping to move to meet the changing conditions. So the operator would make decisions as to what is available and what is required and operate that way.

Load following is similar to regulation but it is on a slightly slower time frame. It would be the changes that would -- are a little bit more predictable.

The regulation changes tend to be random, whereas load following, you can think of it as the load changes throughout the day, it increases in the morning, drops off at nighttime, then you need to have generation move to accommodate that as well.

And the signal is actually -- because it is a lower time frame, but it is still within an hour, the communication could be done via phone saying, we want you to pick up by 25 megawatts over the next half-hour, ramp over the next half-hour.

So you could do those types of things. And in fact we

do those today with some of our generators that don't have generation control.

When it comes to reserve, again reserve is capacity that is held in reserve, in other words that -- there is additional capacity on a generating unit that is not producing energy at that given point in time. And we need to know how quickly that that generation can be ramped up.

And there are different classes of operating reserve.

There is 10-minute. There is a spinning requirement because it has to be right available to start ramping immediately.

There is a non-spinning component. You could go to an off-line unit that can be started quickly and ramped up within say 10 minutes. And then there is a 30-minute reserve which is a longer time frame.

And we would have all of the characteristics of the generators available and know how much they can produce, and use that information to determine how the -- or to select how much and what units to select.

Q. - Does the energy-limited nature of NB Generation or NB Power's hydro resources confer any benefit in terms of meeting these requirements by allowing you to selectively use the energy -- or programming the hydro over the run of a day to use the daily available energy?

Can you use the power, the extra power left over, the extra power capacity left over to meet some of these requirements?

MR. SNOWDON: Yes.

Q. - Okay.

MR. SCOTT: In fact the hydro units are very effective as providing ancillary services, particularly reserves. The reserves are generally to meet -- they are in place to meet contingencies. So the expectation is that you bring this generation on very quickly to meet the needs of the moment. And then subsequent to that there is other units that are brought on-line to balance the needs again. And then --

Q. - So the marginal --

MR. SCOTT: -- the units back off again and are there for reserve.

Q. - So in a sense the marginal cost of using that hydro in that way is the operating, the short-run marginal cost of the other unit that makes up the energy.

Is that the right way to think of it in terms of costing that?

MR. SCOTT: You are getting into a little bit of complication when you deal with hydro units --

Q. - Okay.

MR. SCOTT: -- in that there is a value of the hydro unit exists not only in what it offsets at this moment in time but is also there is a value, a future value, that if you are holding that in -- if there has been a schedule presented for it to produce energy on peak, when the costs are much higher, then really --

Q. - Yes.

MR. SCOTT: -- the value of that --

Q. - You might have to take that into account as well?

MR. SCOTT: Yes.

Q. - Okay. But the peak occurs typically once -- you know, a few times a year you are --

MR. SCOTT: No. I'm talking in terms of daily or a matter of a few days.

Q. - Right. Okay. I guess the questioning revolved around pricing again of generator auxiliary services. And I think you indicated that if you could buy the services more cheaply than NB Genco is willing to provide them now, which is at long-run marginal cost of a gas turbine unit is, I think --- am I right, it's about what they are priced at?

MR. SNOWDON: Not all of them. But there are some priced there, yes.

Q. - Yes. The generation based ancillary service is like

spinning reserve. I thought I read somewhere in this that they were based on a proxy price. It was a gas turbine unit set?

MR. SCOTT: That question in terms of the details would be better handled by Panel C. But I just --

Q. - All right. In terms of what the price is doesn't much matter or what it's based on. I guess my question is that you indicated that if you could get a better price than that you would buy it from a third party. Now my question is would you deny NB Genco the right to bid in that process?

MR. SCOTT: I would prefer to make the offer open to all potential suppliers including NB Generation. I think it's a little difficult to try to do that. I'm not sure what the process would be.

Q. - That's my concern.

MR. SCOTT: But at the same time we also have some difficulties in terms of how we would actually determine or put an offer out for ancillary services. It doesn't make sense to have a provision of a service for some supplier to come in for a month and then disappear. And then you revert back to NB Power Generation to provide that service. Because in that sense then that --

Q. - All right. There has to be some time --

MR. SCOTT: -- capacity may have been contracted to supply someone else. So we would have to look at what is the best way of handling that. And we have had some preliminary discussions, but we really haven't resolved that yet.

Q. - I guess, sort of what is somewhat behind my concern is I seem to recall from a review of the paper documentation that somewhere someone had indicated the -- and I think you have got an undertaking to find the New England ISO --

MR. SCOTT: Yes.

Q. - -- generation ancillary costs. And my memory was that somewhere in this paper -- this pile of paper there is a reference to those numbers, and they were substantially less than the proxy priced unit. And, I guess, my concern that I want to be sure is addressed is that there is -- we don't leave open a mechanism that allows a transfer from your customers to NB Genco that allows them to set a high price and then gradually as the market opens, they just ratchet it down to meet the lower price each time. It would seem to me that that's -- that that might not give rise to the fairest treatment of your customers.

So I guess that's sort of the concern that I have. And I know that's not formulated as a question. But there might be some way that you can address that in further

testimony or whatever comes along.

The final question, I think, let me just check. Well the final question from this pad of paper is congestion redispatch. You were asked about that. And again, much like the inadvertent energy statistics I'm wondering if your congestion redispatch frequency and duration data is available historically? And that would be put on line again to see that there is -- what the changes are.

MR. SNOWDON: Ancillary services today are not separated from normal dispatch. So that data is not available today.

Q. - Okay. So we really would have no way of -- when would it be available, I guess, is the question?

MR. SNOWDON: There is a commitment to have that available when the market opens.

Q. - Okay. So we wouldn't have any historical data to compare it directly to as --

MR. SCOTT: The redispatch today is all done as a bundled service.

Q. - Right.

MR. SCOTT: So it's not broken out.

Q. - So you don't have it broken out in your own.

MR. SCOTT: And we don't have any records. No.

Q. - Do we have any indication here of how frequent -- how

many times during the year you are redispatching based on congestion? Do you have any feeling for it?

MR. SCOTT: Don't have a good --

Q. - Does it happen?

MR. SNOWDON: Congestion is a very low event. The type of congestion that we have experienced has really been external to our system whereby it has been in Southern Maine.

Q. - Right.

MR. SNOWDON: And it's caused --

Q. - And it doesn't affect your dispatch --

MR. SNOWDON: No.

Q. - -- to meet inprovince loads?

MR. SNOWDON: No.

Q. - That's just a --

MR. SNOWDON: No.

Q. - -- that affects your export market basically?

MR. SNOWDON: Yes. And as I said in the slide presentation that with a very robust transmission system we would not anticipate congestion there.

Q. - On your system. So we would expect the frequency and duration of any congestion redispatch after April 1st to be very, very small?

MR. SNOWDON: It would be as a result of loss of

transmission internal to the province and therefore restricts the output of a generator specifically that's fed from -- into the -- from that transmission line.

Q. - Thank you. Is this Panel coming back at some point?

MR. SNOWDON: Yes.

Q. - Then maybe I can save anything that might arise from these yellow tabs until later because it's getting after lunch?

CHAIRMAN: No.

MR. SOLLOWS: No?

CHAIRMAN: No. I think in fairness to all that we should complete our cross on this panel except in reference to why they are coming back again.

MR. SOLLOWS: Right. Okay. You asked for it.

CHAIRMAN: What I would suggest is that I always will take breaks where I think it's going to cut down on the length of cross, whether it's from a Commissioner or anybody else. So I think perhaps -- I have got about three quick questions that I will put to the panel. We will then take a lunch break and come back --

MR. SOLLOWS: Okay.

CHAIRMAN: -- and you can conclude then. I just want to make certain, and not undo the fine work that Board Counsel did, but, Gentlemen, you were talking about

changes in -- to certain matters that would be set forth in the tariff and normally they would be technical. There would be some changes that you would -- I would like you to list for us, and it doesn't have to be today but before this hearing concludes, what subject matter in the tariff you believe you can change that is of a technical nature without having to come back to the Board again.

So we are crystal clear, if there are parts of the tariff that you believe you can change without coming back for our approval, then we know it.

MR. SNOWDON: It was my recollection that we committed that we would submit those inner-connection agreements to the Board for their approval.

CHAIRMAN: Okay. All right. Then there would be --

MR. SNOWDON: Did we not?

MR. MORRISON: I think the Chairman is asking you a different question.

CHAIRMAN: Yes.

MR. SNOWDON: Oh, I'm sorry.

CHAIRMAN: Yes. All right. Well your counsel knows what my question is, so that's fair enough.

The second question, you don't need to look it up. But as you recollect there have been a number of parties that have examined you in reference to what is on page 333

of the tariff. And I will read it so you don't need to go near it.

The transmission provider will maintain its books of account and records related to the application of the standards of conduct separately from those, et cetera. It goes on.

A little preamble here is that -- and I don't know what the state of the matter is today. But in the past NARUC, which is the National Association of Regulatory Commissioners in the United States through one arm or the other would produce standard sets of accounts for utilities, whether they be gas utilities, electric utilities or otherwise.

So, for instance, in reference to Enbridge Gas New Brunswick, we actually have a regulation under the Gas Distribution Act setting forth a system of accounts.

Okay. With all of that background, either you when you return, or alternatively some other panel, and it may well be Panel B that would do it, is there a system of accounts for a transmission utility that has been approved by NARUC in the States or some other organization that might be applicable to your system of accounts? And, you know, that would include what we are talking about here So if you would --

MR. SNOWDON: We would take that as an undertaking.

CHAIRMAN: Okay. Great. Thank you. Now the last question I have is that when you are speaking about ancillary services, and I think it was Board cross-examination, in talking about if in fact you were able to acquire the ancillary services at a lesser price than your model says you can today, that you would pass that along by way of a discount.

Is that provided for in the tariff that you are able to discount things, or would you have to come back to the Board?

MR. SCOTT: It's provided in the tariff, I believe.

CHAIRMAN: So all right. All right. Those are my questions. And I think we will rise now and come back at 1:30. Would that be enough time? Good.

(Recess 12:30 p.m. - 1:30 p.m.)

CHAIRMAN: Any preliminary matters?

MR. MORRISON: Not at this time, Mr. Chairman.

CHAIRMAN: Okay. Thank you. Go head, Mr Sollows.

Q. - Okay. I took the opportunity at lunch to go through my binder and take out the tabs that had already been answered. And so these are really just a list of questions of matters that arise as I read through them, just the thoughts that occurred to me.

So on the open access transmission tariff, Section 117, it's the definition of good utility practice. I apologize, I didn't write down the page number for it.

MR. SNOWDON: It's page 11.

Q. - Is it page 11? I guess the question that arose to me is many organizations now -- and I think there is reference to it in the Stone & Webster report, to best practices manuals and those type of things.

Do we have any set of documentation that can be promulgated that will aid potential customers in defining the practices of not leaving it up to judgment at the point in time of a dispute?

MR. SNOWDON: I'm not aware of any.

Q. - Okay. Yes. It's just that the concern would be that if it's not well defined than it's just one area for dispute.

Page 180, I guess, Section 344. Section 344 talks about customer installing interconnection facilities have to be subject to rules and regulations of NB Power transmission, NERC, NPCC or other entity having jurisdictional authority over such modifications.

Now, maybe I misunderstood. Does that mean that the NERC and NPCC have authority over NB Power Transco, or are they organizations that you voluntarily comply with their rules and guidelines?

MR. SNOWDON: As I spoke in my presentation, NERC is a voluntary organization as is NPCC.

Q. - Okay.

MR. SNOWDON: There is a move in the industry to submit each entity or transmission provider or -- to submit to mandatory compliance. And I know at NPCC we signed a document that we agree to written or verbal reprimand for violation of compliance matrices. We have a compliance program that has been in effect for three years, I believe it is, whereby we submit data to them on a monthly basis.

And other time frames based on the parameters in the compliance program. Some of them are planning, area of planning studies, that kind of thing, that are done yearly. Some are done monthly. Minimum maintenance schedules, all of those types of things are included in this compliance program. And we have committed that we would be -- our president signed that, that said that we would allow NPCC to sanction us for noncompliance, but --

Q. - So there is that level of authority granted voluntarily?

MR. SNOWDON: Right.

Q. - Yes.

MR. SNOWDON: At this stage.

Q. - And so this is not really -- this is the intent that you intend to convey here, that they in some sense have

jurisdictional authority?

MR. SNOWDON: In that sense, yes.

Q. - Yes. Are all of these rules and regulations easily available to potential customers?

MR. SNOWDON: Yes, absolutely. In fact they are available through the NERC or NPCC websites as well.

Q. - Perfect. Okay. Page 181, I guess the question, on line 12 I see that NB Power reserves sole discretion to determine the length of review rather -- I guess my question is, why do that rather than set a performance criteria that would provide an incentive or assess a penalty if the review wasn't done in a particular time period if we are so very enthusiastic about performance based measurers and those sorts of things?

MR. SNOWDON: That's under new construction.

Q. - Page 181, line 12. It says, NB Power reserves --

MR. SNOWDON: Okay.

Q. - - required by NB Power in its sole discretion to assess proposed modification longer than 60 days.

It seems to me that this would be one other area where if we were interested in performance parameters that a timely review might be an appropriate place to put in a performance parameter, rather than reserving sole discretion to take as long as Transco wants or deems

necessary.

MR. SNOWDON: The anticipation would be that it is done within the 60 days. This is the studies, I believe, associated with --

Q. - Right.

MR. SNOWDON: -- construction of new facilities?

Q. - I think so, yes.

MR. SNOWDON: The anticipation would be that that would be done within the 60 day period. There may be situations where we may have to go externally to coordinate that with say, ISO New England. And they may not be able to meet that time line. So therefore, it would have to be at our discretion to extend that.

Q. - So there is no potential that could arise where a applicant would feel that you were disadvantaging them in the length of the review and perhaps creating an advantage for an associated company by lengthening the review process? I'm just concerned --

MR. SNOWDON: I could see where you could read that into that. That is certainly not the intent.

Q. - Yes. It's just sort of when you read through this thing with different eyes you come up -- you are a little concerned about that.

And then at line 25 it says, "The customer will

reimburse NB Power for any and all costs and expenses that NB Power incurs in accordance with good utility practice."

And I'm wondering why that wouldn't say something like reasonable costs and expenses. Again the same thing, the optics of this creates a situation where someone reading it thinks that there might be a very high hurdle to jump, particularly where good utility practices are sort of a nebulous criteria, they are not really very -- you know -- they are not written down in a book, is that --

MR. SNOWDON: I could see how they could be perceived that way. It's more of an inbred utility attitude toward these things. It's very -- it is quite consistent among the industry --

Q. - Yes.

MR. SNOWDON: -- but I can see how it could be perceived that way.

Q. - Okay. All right. 183 I guess, page 183, section 348, lines 4 to 10. I'm trying to understand what that means and I'm wondering if you could give us an example of what that's about, financial obligations associated with other investments. I can't quite come up with an example in my own mind where that would apply.

MR. SCOTT: An example might be if a generator were building a generation -- building a new generator for export --

Q. - Right.

MR. SCOTT: -- and in that case there would be joint studies between New Brunswick and --

Q. - Right. At the border say.

MR. SCOTT: -- New England Utilities, and there may be requirements on the other side of the border.

Q. - I just couldn't put it in my head what that was getting at. That's fine. That one -- I noticed in reading this document generally the -- you refer to the system operator and the utility, but you refer to customer. Again there is an asymmetry in the language that might just -- it might read better if it was the customer rather than customer, or is it intended that where it says customer that's going to be taken out and the specific customer's name is going to be put in?

MR. SNOWDON: This is pro forma language and --

Q. - Okay. And so everywhere it says customer it would in the final document that is signed between you would have their name?

MR. SNOWDON: Oh yes. Yes. That's true.

Q. - Okay.

MR. SNOWDON: You are talking on the interconnection agreements, those types of things?

Q. - Under the generation interconnection agreement, yes, page

184.

MR. SNOWDON: Yes.

Q. - All through this document it refers to things like the system operator, but then it refers to customer without the "the". Is that just a drafting thing?

MR. MORRISON: It's fairly standard in commercial agreements, and if you go back --

Q. - Okay.

MR. MORRISON: -- to FERC, customer is a defined term.

Q. - So is system operator, but I guess -- and again the asymmetry is still there.

MR. MORRISON: Okay. Now I understand what you are saying.  
Yes.

Q. - But that's the only concern.

MR. MORRISON: Yes.

Q. - Anyway, on to page 186, lines 17 and 18, this section refers to the file formats, communication protocols, frequency and timing of data transfers from your customers to you. They must be acceptable to NB Power obviously. I guess the question I have is have you developed specifications for these formats and are they available now, publicly available? And then the question that follows is if you choose to modify those formats, what process of consultation will you follow to ensure that

your customers can comply and, you know, how often will these be modified? I'm sorry. Three questions. You can see my general concern. I'm new at this job.

MR. SCOTT: I will try to answer all three of those questions. If I don't, please come back.

The -- what this is talking about is electronic communication for real time information on a continuous basis. We have a ESCADA system that is used -- that's the acronym that is used for that system -- to gather the information. It is a specific protocol and that protocol is available. We certainly didn't file it here but we would if we had -- dealing with the generator, then we would provide that information to them as to what the file formats are.

That protocol has been in existence since we put our system in place in 1991. We don't expect any immediate changes. If there is a requirement over time because of obsolescence of remote terminal units which are referred to here which are the units at the customer site that you had to upgrade to a newer protocol, that would be the only instance that would require that.

Q. - Right. And it's not --

MR. SCOTT: And we would work with the customers on that as well. So did I get all three.

Q. - Yes. That's just perfect. Page 192 now I think, the section 311 deals with service interruptions, and I guess my question is what is your expected frequency and duration of those kinds of interruptions and will the actuals be available for review on OASIS?

MR. SNOWDON: The information that -- on planned interruptions is posted and will be posted on the OASIS. Those are the ones that are planned and I guess as you get more toward the operating horizon, if you would, then the notice posted would be basically equivalent or close to the notice given.

Q. - Great.

MR. SNOWDON: And if -- that could be a fairly short period of time if system conditions were such. But the information would be posted on OASIS when it's known by the operator.

Q. - And from like a statistical compilation basis, to keep track of service quality the frequency and duration of those sorts of things would be logged and easily retrievable so that people can keep track?

MR. SNOWDON: As they impact service to customers you mean --

Q. - Yes.

MR. SNOWDON: -- specifically? Yes. Definitely.

Q. - Fair enough. Just in terms of quantifying performance and looking -- trying to track --

MR. SNOWDON: Those statistics are not on OASIS. Those statistics are available and will be recorded.

Q. - Okay. So they could be available on another web site or something like that rather than OASIS.

MR. SCOTT: Yes, they could be. The planned interruptions to service are posted on the OASIS. But we do have -- we do keep records of all outages on transmission equipment in different locations. So they would be available. We had no plans to post those after the fact. I don't -- there is not a requirement from an OASIS protocol perspective to do that.

Q. - I guess in terms of performance -- service quality performance would -- I guess these things would be captured in your performance statistics, the SAIFI and SAIDI or whatever it is.

MR. SNOWDON: As they impact customers they would definitely.

Q. - Okay. All right. So that would take care of it then. All right. On page 198, section 4221 at the top of the page refers to reactive power support. And I'm sure it's in here, I'm just not quite -- for clarity if you could just point us to it or tell us what it is. What

provisions are for compensation under this thing for that support as described in that paragraph. And I assume they are two NB Genco, so -- it says here there is a line, the customer can be compensated for providing interconnective operation service, at provisions of any Board approved tariff and on and on. I'm just wondering where we look for that?

MR. SCOTT: Reactive power support is an ancillary service.

Q. - Okay. And it's priced in that.

MR. SNOWDON: It's in one of the schedules.

Q. - Perfect. Okay. Now again sort of relating to the statistical data set, the data on the frequency duration and cost associated with the use of reactive power support, is that somewhere available for us to track?

MR. SCOTT: What -- I'm not sure I understand what type of information would you be looking for.

Q. - Maybe I misunderstand. This is something that happens continuously throughout the day in order to keep the system in balance, but there are -- is that fair or --

MR. SCOTT: That's true. The reactive power support is a little bit unusual in that a generator may be helping in terms of providing the support. In some cases they are absorbing vars, in other cases they are producing vars. And it is very dependent on the conditions. So in most

cases rather than giving a per unit compensation for vars that are produced, our position is that if the unit is available and is providing a range of support, then they would get a compensation for that.

So it's not based on what they produced but the fact they are there and are providing a support.

Q. - That they are available and within a range. Fair enough.

Okay. The next one is a real easy one and I'm probably going to be called some names for this, but I'm going to do it anyway. Mr. Chairman's ears will pick up here. 4224, the next page 199. I think you referred to me as anal retentive this morning.

The line 13 it should be system relocation plans rather than relocations. Just drop the S.

MR. SCOTT: No. I believe it should be system restoration plans.

Q. - Oh, okay. Even better.

MR. SCOTT: Thank you for picking up on that.

Q. - So that one can be fixed. And criteria should have an R after it rather than an "is" on line 17? Simple, plural.

It should be criteria are attached?

MR. SCOTT: Oh, yes.

Q. - Okay. That was easy. I will live up to my reputation here. Yes. Again on page 201 there is the thing that

appears, the system operator versus customer. So we have already dealt with that.

Page 203, lines 16 to 20. It makes reference to a formula set forth in schedule 9 of the tariff. I was able to find the schedules A, B, C, D, E, F, G, H, I, J type of thing, but where is schedule 9?

MR. SCOTT: The schedules are -- follow just right after the tariff.

Q. - All right. See I was just in the wrong section in looking for it.

MR. SCOTT: Yes.

Q. - Ahead rather than later.

MR. SCOTT: It is back with all the other rates.

Q. - Okay. Good enough. Page 210, line 5. And this might be -- I realize ever more frequently that I'm getting older. But back in the early days when I was quite a bit younger I was in business and we would -- if I recall, the convention was that payments were dated based on the postmark rather than the date of receipt. Is that -- has that changed?

MR. SNOWDON: To my knowledge, date of receipt is a standard practice.

Q. - Okay. Fair enough. Page 212, section 71, the confidentiality section. I just want you to confirm that

any statistics that you derive from the information that is provided will not in and of themselves be confidential. The particular data may be confidential. But this doesn't impede you compiling statistics that can be made available to the Board and perhaps publicly for consideration?

MR. SNOWDON: In an aggregated fashion.

Q. - In an aggregated fashion?

MR. SNOWDON: Yes. That is correct.

Q. - Okay. So that this doesn't preclude that?

MR. SNOWDON: No, it doesn't.

Q. - Okay. Page 224, 225. This was -- and I think this might -- it maybe me think of something that you are coming back to later. My question -- this deals with finding a dispute resolution and arbitration. And I apologize if this is something that is deferred until later. But the question I have is does this Board have any role in the dispute resolution process?

It seemed to me when we were looking at another part it says yes. But this part says no. So --

MR. MORRISON: I know what the witnesses said with respect to their intent. And I do -- I believe I have an undertaking to Mr. Smellie to review this.

Q. - This was the piece we were looking for then?

MR. MORRISON: There is a piece in terms of -- when you look

at this section -- I think it is in 12. -- or 13 --

Q. - 13.2 I think?

MR. MORRISON: In any event it is something that we are looking at and hopefully will provide some guidance and --

Q. - Fair enough. And page 227, section 14.21, is it the intent here that only New Brunswick companies can own and operate generators?

CHAIRMAN: That's not what it says.

MR. SOLLOWS: What does it --

CHAIRMAN: It says in good standing of the laws of the province.

MR. SNOWDON: No, that's not the intent.

Q. - Okay. So it is not organized, existing -- so it is anybody as long as you are not in violation of the laws?

MR. SNOWDON: Yes.

Q. - Okay. Page 234. If this is again, probably the Chairman will tell me. I just look at this and read it.

And I'm just -- the question that arises in my mind, is this a normal clause in such a contract, that let's -- that sort of -- it doesn't penalize NB Power Transco for delays unless there is gross negligence or reckless or wilful misconduct. Is that normal? And if it is that is fine.

MR. SNOWDON: Yes, it is.

Q. - Page 255 and 257. On the bottom of page 255 we see a reference to generators less than 5,000 kilovolt amps. And on 257 we see a reference to generators or facilities 1,000 KVA or less. Is that intended that there be these different size or is it that they should be one or the other in both?

MR. SNOWDON: I don't think the intent is to exclude any generator. You are talking --

Q. - No, no. I'm not thinking exclusion. I'm just saying it is almost -- it might just be a matter of my own curiosity.

But here there is the criteria of 5,000 or a 5,000 KVA limit. Above that is a big generator. Below that is small. And now we have 1,000 appearing two pages later as the criteria between big and small.

And I'm wondering if that was the intent or just something that slipped through the drafting that you thought it should be 5' and then changed it to 1' and didn't go back and change the 5' to 1,000?

MR. SNOWDON: No. It is -- I think it is intended to be that way to reflect that generally the 5,000 KVA unit would have certain information provided to the operator whereas at the 1,000 KVA level --

Q. - It would require less?

MR. SNOWDON: -- it requires less. And I think it is just trying to show that relativity --

Q. - Okay.

MR. SNOWDON: -- that the requirements from an impact on the system are quite different.

\Q. - Okay.

MR. SNOWDON: And I think that is what that is intended to reflect.

Q. - So is there any information or guidance that would be reasonable to include here as to what data the smaller generator must file as opposed to the one greater than 1,000?

It seems to be open-ended that we really don't know, if you are a very small generator what data you will have to file. It is a subset of this list apparently. But we don't know which pieces to leave out?

MR. SNOWDON: Typically -- and I'm not trying to read words in here. But typically that would be determined depending on where that generator was going to be located.

Q. - So site-specific?

MR. SNOWDON: It tends to be more site-specific.

Q. - Yes. In that case it might just be appropriate to insert a few words saying that the considerations are site-specific and that is why we can't tell the small

generators in advance what they have to submit.

On page 256 it says, Emergency generators cannot be connected to or operated parallel with the transmission system except for momentary paralleling.

Sort of as the system comes up you have to, within so many cycles, take it back out. Half a second or less take the connection to the network out?

MR. SNOWDON: Mmmm.

Q. - So my understanding or my recollection from previous hearings it that we count standby generators as system resources for load purposes?

I'm thinking of the standby generators at Point Lepreau. They are counted in as a system resource that is capable of meeting load.

How does that work if they automatically have to disconnect after half a second or prior to half a second?

MR. SCOTT: I don't think this is referring to those standby generators. I think this is more to provide power to emergency systems at their location. And they are not really built as generators that could produce energy onto the system.

So they would be a very small type of generators that are providing emergency power for their own facilities, like to keep up their computer systems or whatever.

Q. - Separate and distinct from the large diesel generators at Lepreau that are there --

MR. SCOTT: Right.

Q. - -- for emergency purposes?

MR. SCOTT: Right.

Q. - I guess then the question is are -- I mean, is there some compensation flowing to NB Power Generation for having those generators available that could also be offered to other companies that had standby generators?

MR. SNOWDON: I'm not sure what you are suggesting.

Q. - Well, I'm not trying to suggest anything. I really don't have any idea of the answer. But this says that the emergency generators have to be disconnected from your system within half a second of coming up to voltage and speed?

MR. SNOWDON: Mmmm.

Q. - But the standby generators at Lepreau don't apparently have to be disconnected from your system within a half second of coming up to speed, so --

MR. SCOTT: But I think if you treat the emergency generator as something that it would be used to supply emergency type of load within the facility and it is not intended to produce power to supply onto the transmission system, then this would apply. And generally it would be

a small

generator.

If in fact there is a desire to have that generation to be connected to the transmission system, then the remainder of the conditions that are within this document --

Q. - Would apply?

MR. SCOTT: -- would apply.

Q. - And they apparently to apply --

MR. SCOTT: So if it was a 5,000 KVA or less or 1,000 or -- or if it was larger then the different conditions would be --

Q. - Fair enough.

MR. SCOTT: -- would apply. So the important thing is that there would be certain technical requirements required for that generator.

Q. - But there is no asymmetry here in that if someone wanted to or found it -- perhaps found it reasonable to, they could use their standby generators in the same way Lepreau does?

MR. SCOTT: No. It is intended for two things. One is to protect the equipment itself.

Q. - Fair enough.

MR. SCOTT: And secondly is a safety issue. If these generators can be brought on --

Q. - Right. You don't want to energize the line if personnel are on line.

MR. SCOTT: -- and personnel are unaware of that then you could energize the line.

Q. - Fair enough. The next one is -- we dealt with that.

Page 257, the last paragraph deals with the information that has to be filed and requirements of -- I'm sure -- I'm pretty sure I know the answer to this question. But I will ask it anyway.

Are the information filings that you are requiring from the future signatories -- do you have the similar filings from NB Genco for each facility?

MR. SNOWDON: You are on 257 at the bottom?

Q. - Yes. 257 at the bottom. Like I guess is there a generation interconnection agreement for each NB Genco facility?

And do we have similar asymmetry in the filing requirements of NB Genco and any other company that might want to use your resources?

MR. SCOTT: We don't have interconnection agreements in place today.

Q. - Okay. But there will be some in place?

MR. SCOTT: But we intend to do that. And they would follow this standard.

Q. - Okay. And I see on lines 15 to 16 on the same page that you are going to require unit availability data, design data and known performance data from other facilities using similar equipment in this filing.

Would that type of information be aggregated or in some way sanitized and then made available for -- basically as public information or for review?

To remove the commercially confidential aspects of that information but -- I think this is for bigger, isn't it, bigger than 1,000?

MR. SNOWDON: Yes.

Q. - This is under general requirements?

MR. SCOTT: It is a general requirement.

MR. SNOWDON: Subject to check. But I would think that that would be information that a customer is providing in confidence --

Q. - Really?

MR. SNOWDON: -- and would not be available publicly.

Q. - Okay. So --

MR. SCOTT: The intent of this section is to provide information to NB Power to be able to assess the impact on the system.

If you look at the first line it says they should contact NB Power early in the design stages --

Q. - Right.

MR. SCOTT: -- of the proposed installation. And that information is helpful in order to do the proper system impact studies.

In a case of NB Power Generation which has already been built, been in operation for a number of years, I'm not sure this would apply in the same way.

We certainly could bring forward some similar type of information. But we don't need to assess how it is going to impact the system now. It is not in the design phases anymore.

Q. - Okay. All right then. Where I'm really coming from is making sure there is this level playing field. Like you are quite right. If it is already done and operating you might not require it?

MR. SNOWDON: Yes. I think that is specifically looking at a different type of generator or a facility that may not be familiar. So do they have history where it has operated --

Q. - Something you don't have experience with?

MR. SNOWDON: Exactly.

Q. - Fair enough. Page 258. And this I think is the second to the last question. Just -- I'm curious why, when we got down to capacities of 100 kilowatts or less we have

moved from kilovolt amps to kilowatts.

Is there a significance to the change in the units?

That's on page 258, line 25.

MR. SCOTT: There was no specific intent to switch from one to the other.

Q. - Okay. It is just --

MR. SNOWDON: Pro forma.

Q. - Right. It might be appropriate to use consistent units, is all., so the question doesn't arise to anyone else. And the last question -- and I think you have already -- no, the last question you have already answered in another context.

Thank you very much. I appreciate it.

CHAIRMAN: Mr. Morrison, do you have any redirect?

MR. MORRISON: Well, Mr. Chairman, I'm not prepared to do a redirect until the cross examination is finished. And the cross examination won't be finished until December 9th.

CHAIRMAN: Okay. All right. We will postpone that till then. The only reason I was hesitating at all is that I thought that you might be able to do any redirect that has dealt with the testimony up until this point because we are going to be limiting the further testimony in reference to JDI's questions and anybody else's in reference to that one document.

MR. MORRISON: Well, quite frankly, Mr. Chairman, it would take some time to, you know, redirect and you try to be as succinct as possible. And it would take some time to go through the transcripts and our notes and so on to see what areas require any questioning at all. So I'm certainly not prepared to do that this afternoon. Unless it's possible to do it next week, but I would think that - and I will let Mr. Smellie --

CHAIRMAN: Go ahead.

MR. MORRISON: -- speak to -- I mean, I can do my redirect --

CHAIRMAN: Well I will just ask other counsel if they have any comments on that.

MR. ZED: No comment really, no.

CHAIRMAN: Well my understanding is then that we will rise today and come back at 9:30 on Wednesday and that's the -- what's the date?

MR. ZED: November 27th.

CHAIRMAN: The 27th, yes, at 9:30 in this room then. Yes. Mr. Zed?

MR. ZED: I have already advised the applicant but I wish to advise the Chair, I will present the Nova Scotia Power Panel first. I don't think it really -- just if somebody wanted to appear to cross examine them, I intended to put

them on Wednesday morning and follow -- for as long as it takes followed by the Emera Panel.

CHAIRMAN: Okay. Good.

MR. MORRISON: Yes, that's fine.

CHAIRMAN: Okay. All right. We will see you next -- yes, Mr. Hashey?

MR. HASHEY: I hate to revisit this. But first of all as I understand it, next week there will be a brief statement, then the order of cross examination would be that the intervenors would have an opportunity to cross examine and then the applicant would be last? Just to confirm that. Is that how this would be handled?

CHAIRMAN: I haven't thought about that. And I haven't asked Board counsel's assistance on that either.

MR. HASHEY: It doesn't matter. I guess we can -- maybe somebody could advise us? We will be ready whichever way.

CHAIRMAN: Yes. That would appear to me to be the appropriate way to proceed, Mr. Hashey.

MR. HASHEY: I think that's what we did in the past.

CHAIRMAN: Other counsel any comments on that?

MR. SMELLIE: I just have -- I have a vague memory, Mr.

Chairman, that I recall reading that out of your mouth during one of the pre-hearing conferences. So I think --

CHAIRMAN: This is an administrative tribunal, we are not

bound by what I said before.

MR. SMELLIE: For what it is worth, Mr. Chairman, I  
certainly concur with that.

CHAIRMAN: Okay.

MR. HASEHY: The last item again --

CHAIRMAN: Mr. MacNutt had a comment on that, Mr. Hashey.  
Just a sec.

MR. HASHEY: I'm sorry.

CHAIRMAN: Mr. MacNutt?

MR. MARSHALL: I would agree with Mr. Smellie that on  
previous occasions we have allowed the applicant be the  
last cross examiner.

CHAIRMAN: Mr. Hashey.

MR. HASHEY: Not to belabour this thing, but rebuttal? I'm  
more concerned over Panel B, which is a little ways away,  
but I have to do some scheduling. As I understand it, Mr.  
Smellie's witnesses will be here in January and certainly  
we will try our best to -- as he has been conveniencing us  
with our panels, that we will meet his convenience. We  
obviously at some point during that should know when they  
would be present. But that raises the issue of our expert  
witness who will be here and will be commencing on  
December the 9th as a part of Panel B.

And if he has any rebuttal of Mr. Smellie's expert, I

think there would probably be only one that he would be dealing with is Dr. Yatcheau. But if that is to take place will that take place when he is here on December the 9th rather than bring him back? I have no problem doing that.

CHAIRMAN: No, I -- he should be brought back later, otherwise we get into that eternal circle.

MR. HASHEY: Okay. That's -- just as long as we know.

Thank you very much.

CHAIRMAN: Okay. Thank you. All right. We will see you next Wednesday morning then.

(Adjourned)

Certified to be a true transcript of the proceedings of this hearing as recorded by me, to the best of my ability.

Reporter