

EXPLANATORY NOTES

SUBJECT: *Wholesale Market Rules Regulations*

DATE: **December 1, 2006**

	Proposed	Analysis
1	<p>Citation 1 These regulations may be cited as the <i>Wholesale Market Rules Regulations</i>.</p>	<p>These regulations will address the Wholesale Market opening provided in Sections 2 and 3 of the <i>Electricity Act</i>, S.N.S. 2004, c. 25.</p>
2	<p>Interpretation 2 In these regulations,</p> <p>(a) “Act” means the <i>Electricity Act</i>;</p>	<p>Defines the meaning of the word Act.</p>
	<p>(b) “ancillary services” means those services that are necessary to support the transmission of capacity and energy from resources to loads while maintaining reliable operation of the transmission provider’s transmission system in accordance good utility practices;</p>	<p>These are the services necessary to support the transmission of energy from resources to loads. They typically include operating reserves, regulation and frequency imbalance, scheduling, control and dispatch of voltage support and control.</p>
	<p>(c) “Board” means the Nova Scotia Utility and Review Board;</p>	<p>The Utility and Review Board is the regulator of electricity in Nova Scotia.</p>
	<p>(d) “bulk electricity supply system” means a transmission system and all generating facilities that must be registered with NSPSO, under the market rules, including all related communication, protection and control systems;</p>	<p>This means the transmission system and all generating facilities which need to be registered with the NSPSO to become a market participant.</p>
	<p>(e) “distribution system” means a system for the conveyance of electricity at voltages less than 69kV, and includes</p> <p>(i) all communications, protection and control systems that interact with the transmission system, and</p> <p>(ii) a transformer station for transforming electricity from voltages of 69 kV or more to voltages of below 69 kV;</p>	<p>The portion of an electric system that is dedicated to delivering electric energy to an end user.</p>
	<p>(f) “facility” includes a generating facility, load facility and distribution system;</p>	<p>The three types of facilities that need to be registered with the NSPSO.</p>

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	<p>(g) “generating facility” means one or more generators located in a single site, and includes</p> <p>(i) all associated prime movers, station service equipment and communications, protection and control systems, and</p> <p>(ii) a transformer station for transforming electricity to the voltage at which it is delivered to the transmission system or distribution system to which it is connected;</p>	Any combination of physically connected generator(s), reactor(s), boiler(s), combustion turbine(s) or other prime movers operated together to produce electric power.
	<p>(h) “good utility practices” means the practices, methods or acts, including practices, methods and acts engaged in or approved by a significant portion of the electric utility industry in North America, that at a particular time, in the exercise of reasonable judgment, would have been expected to accomplish the desired result in a manner consistent with regulations, reliability, safety, environmental protection, economy and expedition as applied and practiced in the utility industry with respect to power generation, delivery, purchase and sale;</p>	Term used in the electric utility industry. See Section 2(b) [ancillary services].
	<p>(i) “load facility” means a facility to which electricity is supplied from a transmission system;</p>	A facility which requires electric power energy for its usage.
	<p>(j) “market participant” means a person who has executed a participation agreement with NSPSO and NSPI in defined circumstances set out in the market rules;</p>	An entity authorized by the market rules to produce, sell, trade or transmit product in the wholesale markets.
	<p>(k) “market rules” means the rules made by the Minister under the Act and Section 4;</p>	Rules administered by the system operator governing the controlled grid and all trading activities in the system operator administered markets.
	<p>(l) “NSPI” means Nova Scotia Power Inc.;</p>	Nova Scotia Power Inc. set up by the <i>Nova Scotia Power Privatization Act</i> , S.N.S. 1992, c.8.
	<p>(m) “NSPSO” means the Nova Scotia Power System Operator, a part of the Customer Operations division of the transmission provider;</p>	The entity with the responsibility to monitor and control an electric system in real time.
	<p>(n) “participation agreement” means an agreement executed between NSPSO and a person other than the transmission provider that enables the person to receive service under the transmission tariff;</p>	An agreement attached to Wholesale Market Rules which establishes a contractual relationship between the NSPSO and market participants.

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	<p>(o) “transmission provider” means Nova Scotia Power Incorporated;</p>	<p>NSPI is the transmission provider in Nova Scotia.</p>
	<p>(p) “transmission system” means the facilities owned, controlled or operated by the transmission provider that are used to provide transmission service under Part II and Part III of the transmission tariff;</p>	<p>The movement or transfer of electric energy over an interconnected group of lines and associated equipment between point of supply and points at which it is transformed for delivery to consumers or is delivered to other electric systems.</p>
	<p>(q) “transmission tariff” means the open access transmission tariff approved by the Board on May 31, 2005, as amended by the Board.</p>	<p>The authorized charges by the Utility and Review Board levied for provision and use of transmission services.</p>
<p>3</p>	<p>Use of the transmission system 3 A person must not, except in accordance with the market rules, provide or convey, or cause to be provided or conveyed, electricity or ancillary services into, through or out of the transmission system in any way, including</p> <p>(a) directly as a market participant; and</p> <p>(b) by interconnecting a generating facility with a distribution system.</p>	<p>The Market Rules outline who can be market participants and what facilities need to be registered. This Section provides the regulatory backup for these requirements.</p>
<p>4</p>	<p>Market rules 4 (1) Subject to the limitations set out in these regulations, the Minister may make market rules for</p> <p>(a) the market opened to wholesale customers;</p> <p>(b) the market opened to eligible customers under the transmission tariff; and</p> <p>(c) the operation of the bulk electricity supply system.</p> <p>(2) The market rules must define the rights and obligations of NSPSO towards a market participant and of a market participant towards NSPSO within the market that is open for participation in Nova Scotia.</p> <p>(3) The rights and obligations of NSPSO as set out in the market rules are subject to the authority retained by the Province in respect of, or associated with, future changes in eligibility for participation in the market.</p>	<p>The EMGC Final Report (Recommendation 88) stated that the Department of Energy should prepare the initial set of Wholesale Market Rules. These rules define the market that is opened and who can become wholesale customers and market participants.</p> <p>This captures the various topics/chapters covered in the Nova Scotia Wholesale Electricity Market Rules.</p> <p>The Province has the authority in the future to open the market scope.</p>

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5	<p>Scope of market rules</p> <p>5 Market rules made under subsection 4(1) must address all of the following matters:</p> <ul style="list-style-type: none"> (a) the market itself, its scope and its objective; (b) the administration of the market, including market participation, registration of facilities, market rule amendments, temporary waivers, compliance, monitoring, dispute resolution, enforcement, emergencies, information reporting and data collection and analysis; (c) planning and reliability functions for the bulk electricity supply system, including emergency planning; (d) operation and function of the bulk electricity supply system, including scheduling of energy transactions and ancillary services; (e) settlement functions. 	<p>This Section outlines the general topics to be covered in the market rules.</p>
6	<p>Eligibility for market participation</p> <p>6 The market rules must establish criteria and procedures to accredit an applicant as eligible to be market participant, including criteria and procedures for credit support and technical requirements.</p>	<p>The Wholesale Electricity Market Rules outline in detail who can become market participants in the initial wholesale market opening.</p>
7	<p>Registration of facilities</p> <p>7 The market rules must establish criteria and procedures for facilities required to be registered with NSPSO.</p>	<p>The Wholesale Electricity Market Rules detail what types of facilities need to be registered.</p>
8	<p>Market information</p> <p>8 The market rules must establish reporting and confidentiality requirements for market information.</p>	<p>Reporting requirements for marketing participants is addressed as well as how confidential information is to be handled.</p>
9	<p>Market monitoring</p> <p>9 The market rules must provide for collecting, maintaining, reporting on and analyzing information and data required for the operation of the market.</p>	<p>Monitoring behavior and enforcing the Market Rules will be the responsibility of NSPSO - EMGC Report [Recommendation 84]. Legislation/regulations will need to be enacted before the NSPSO can impose financial penalties as an enforcement tool.</p>
10	<p>Market surveillance</p> <p>10 NSPSO must provide the Board with the information and data that the Board requests for market surveillance and for any investigation directed by the Board.</p>	<p>Monitoring of the behavior of market participants covers manipulation of the market and the exercise of market power. These responsibilities fall under the umbrella of market surveillance. This requires observation and analysis of market behavior and results. The Utility and Review Board will be responsible for market surveillance under the Market Rules - EMGC Report [Recommendation 87].</p>

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11	<p>Wholesale market advisory committee</p> <p>11 The market rules must establish a wholesale market advisory committee and outline its mandate.</p>	<p>A wholesale market advisory committee is set up under the Wholesale Electricity Market Rules to provide advice to the NSPSO concerning the Nova Scotia wholesale electricity market. Its mandate is defined (advisory). Its membership is prescribed and terms of office procedures and processes are defined.</p>
12	<p>Resolution of disputes</p> <p>12 The market rules must establish methods to resolve disputes between a market participant and NSPSO.</p>	<p>Dispute resolution between the NSPSO and market participants is addressed in the market rules. The process followed is similar to what was approved in the Open Access Transmission Tarriff (OATT)</p> <p>Only after using the procedure set out in Section 17(1), a person can appeal to the Board. Recommendation 85.</p>
13	<p>Amendment of market rules</p> <p>13</p> <p>(1) The market rules must establish criteria and procedures for NSPSO to amend, subject to subsection 4(3), the market rules.</p> <p>(2) The market rules must establish criteria and procedures for an urgent amendment to the market rules.</p> <p>(3) The market rules must establish procedures and requirements for the application for and the publication of an amendment to the market rules.</p>	<p>The system operator has the authority to amend the market rules. The procedure is to set up in the Wholesale Electricity Market Rules.</p> <p>Urgent amendments may require expedited notice provisions. The Wholesale Electricity Market Rules addresses this.</p> <p>Procedural rules (notice provisions, applications, etc.) respecting amendments are provided.</p>
14	<p>Temporary waiver from market rules</p> <p>14</p> <p>(1) The market rules must establish criteria and procedures by which NSPSO may grant a temporary waiver from the application of any provision of the market rules.</p> <p>(2) The market rules must establish procedures and requirements for the application for and the publication of a temporary waiver.</p>	<p>The Wholesale Electricity Market Rules provide temporary (not permanent) waiver of the Market Rules in defined circumstances.</p> <p>Procedural rules (applications, notice provisions, etc.) respecting waivers are provided.</p>

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15	<p>Administration of market rules</p> <p>15 (1) On the effective date of these regulations, the Minister must delegate to NSPSO the administration and enforcement of the market rules.</p> <p>(2) NSPSO is authorized to give instructions or directions under the market rules.</p> <p>(3) NSPSO is authorized to make an order or decision under the market rules, including an order or decision</p> <p>(a) authorizing a market participant to provide or convey, or to cause to be provided or conveyed, electricity or ancillary services into, through or out of the transmission system; or</p> <p>(b) terminating, suspending or restricting a person's right to provide or convey, or to cause to be provided or conveyed, electricity or ancillary services into, through or out of the transmission system.</p>	<p>The NSPSO is delegated the responsibility to administer and enforce on a day to day basis the Wholesale Electricity Market Rules.</p> <p>The system operator is given authority to give instructions or directions.</p> <p>The system operator can issue orders or decisions under the Market Rules. This can include the suspension or termination of market participant's rights (subject to reviews/appeals outlined below).</p>
16	<p>Review of market rules</p> <p>16 On application by any person, the Board may review any provision of the market rules.</p>	<p>The Board can conduct reviews of the Market Rules (complaints process).</p>
17	<p>Appeals to the Board</p> <p>17 (1) A person who is subject to an order or decision made by NSPSO and has attempted to resolve the matter as provided for in the market rules may appeal the order or decision to the Board.</p> <p>(2) A person whose application to become a market participant is rejected by NSPSO and who has attempted to resolve the matter as provided in Section 12 and in the market rules may appeal to the Board.</p> <p>(3) The Board may hear appeals respecting facilities that are required to be registered with NSPSO after the parties have attempted to resolve the matter as provided in Section 12 and the market rules.</p>	<p>An appeal to the Board from orders/decisions of the NSPSO is provided.</p> <p>An appeal can be heard by the Board if persons cannot become a market participant.</p> <p>An appeal can be heard by the Board respecting facility registration issues.</p>
18	<p>Board's powers</p> <p>18 The powers of the Board respecting a hearing or an appeal under the <i>Public Utilities Act</i> and regulations apply to a review or an appeal under the market rules.</p>	<p>The Board's powers under the <i>Public Utilities Act</i> supplement the powers outlined in this Act/Regulations.</p>

