



NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

VIA E-MAIL

October 11, 2010

Mr. Ken M. Montgomery, P. Eng.
Senior Advisor
Nova Scotia Utility and Review Board
1601 Lower Water St., 3rd Floor
PO Box 1692, Unit "M"
Halifax, NS B3J 3S3
Canada

Dear Mr. Montgomery:

Further to your inquiry we are pleased to provide the Nova Scotia Utilities and Review Board (NSUARB) with information on how other Canadian jurisdictions have responded to or adopted the North American Electric Reliability Corporation (NERC) Reliability Standards, and whether and to what purpose they may have remanded, rejected or significantly altered any standards.

As you know, aside from the North American wide stakeholder driven Standards Development Process that NERC operates, there is no common regulatory regime for reliability oversight across the provincial jurisdictions that form part of the North American interconnected bulk power system. Though they have processes in progress, Québec and Manitoba have not yet formally adopted any NERC Reliability Standards. Saskatchewan has agreed by contract to follow NERC Reliability Standards. The referenced contract provides authority for the Saskatchewan Power Authority (recently renamed the Saskatchewan Electric Reliability Authority) to remand the Reliability Standards. To date, Saskatchewan has not done so.

Québec, Manitoba and Saskatchewan are all committed to working to enhance the reliability of the bulk power system, and to ensure that there are no inconsistencies or incompatibilities with our standards that would add vulnerability to the interconnected system of which they are a part. They have not to date indicated any issues with standards that would lead them taking action to remand, reject, or significantly alter the NERC Reliability Standards for their jurisdictions.

Ontario and New Brunswick are the provinces that have had regimes for the adoption and enforcement of Reliability Standards in effect for the longest period. Both have processes, led by their System Operators, that provide for stakeholder input to the decision of the regulator to adopt standards. In both provinces, the regulator (Ontario Energy Board and Energy and Utilities Board in New Brunswick) has final say on whether a standard will apply. Neither province has remanded, rejected, or significantly altered the NERC Reliability Standards, and all standards presently apply.

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In British Columbia, the legislated process requires the British Columbia Transmission Corporation (BCTC: now re-integrated into BC Hydro) to review standards and make a report and recommendation to the British Columbia Utilities Commission (BCUC) on whether they should be adopted in the province. The report is to consider a number of issues including whether the proposed standard is suitable for British Columbia and the potential cost of the standard if adopted. On receipt of a report the BCUC must make it available to the public in a reasonable manner and for a reasonable period of time and consider any comments it receives in response. After this period of public notice, the BCUC must adopt the standard if it considers it necessary to maintain or achieve consistency in British Columbia with other jurisdictions that have adopted the standard unless after a hearing it determines the standard is not in the public interest. In 2009, the BCUC adopted all 113 NERC and Western Electricity Coordinating Council (WECC) standards brought forward for its approval. Currently there are 22 revised and one new standard being considered by the BCUC, all of which have been recommended for approval by BCTC (BC Hydro). However, to date there have been no remands, rejections or alterations of standards by the BCUC.

The Alberta Transmission Regulation¹ outlines the framework for mandatory Reliability Standards in Alberta, the requirement for compliance monitoring and enforcement of Alberta-approved Reliability Standards and the process for approval of these standards. The Minister of Energy signed a Ministerial Order on December 28, 2007 granting recognition to NERC as the Electric Reliability Organization. This means that under the Alberta Transmission Regulation, NERC Reliability Standards apply in Alberta to the extent they are adopted by the Alberta Electric System Operator (AESO) in accordance with the Regulation. The process requires the AESO to consult with market participants likely to be affected by the standards, and make a recommendation to the Alberta Utilities Commission (AUC) to accept or reject them. The AUC must follow the recommendation of the AESO unless an intervenor convinces the AUC that the recommendation is technically deficient or not in the public interest.

The AESO is managing a project to bring forward all NERC (and WECC) standards for consideration of the AUC. This can lead a standard's adoption, alteration, or set-aside as not being applicable in Alberta (in some instances it is determined that none of the requirements in a specific NERC Reliability Standard applies to any market participants in Alberta or the AESO and the AESO then makes a recommendation to the AUC to not adopt these standards). In the case of alteration, the standard as presented to the AUC shows the NERC version and the proposed changes. Concerning such alterations the AESO notes that the intent is to be as consistent with NERC as possible, and changes are to reflect the physical characteristics of the Alberta grid system or to ensure there are no conflicts with its market requirements. There are no changes to the intent of the standard. Currently some 35 NERC and WECC standards have been adopted, with or without modification, and they can be viewed on the AESO website.² Some 40 standards have been determined not to be applicable. The standards project is intended to have all standards dealt with by the end of this year. Discussions with the AESO suggest that cost of implementation and compliance have not been a particular aspect in its considerations, though this would likely come forward from the subject entities if they had significant concerns.

¹ See Alberta Regulation 86/2007 Electric Utilities Act Transmission Regulation at: <http://www.auc.ab.ca/acts-regulations-and-auc-rules/acts-and-regulations/Documents/EUA/AR86-2007.pdf>.

² See the Current Alberta Standards at: <http://www.aeso.ca/rulesprocedures/17006.html>.

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It should also be noted that Alberta does not use the NERC functional entity classification but adopted its own.

I hope that this information is useful to the NSUARB in its deliberation on the adoption of Reliability Standards as mandatory and enforceable in Nova Scotia. We encourage you to move in that direction. We would be pleased to discuss this subject further and provide additional detail if this would be of assistance.

Yours Sincerely,

A handwritten signature in black ink, appearing to read "D. N. Cook". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

David N. Cook

Senior Vice President & General Counsel