

Nova Scotia Utility and Review Board

Case Study

To: Board Panel members

Subject: ABC Company proposal

Date: April 22, 2009

From: Linda Lefler, Senior Advisor

Overview

ABC Company is considering installing generation and other infrastructure to provide electricity to a proposed resort development and surrounding community, which is remote from the existing electricity grid. They have submitted an application to the Board for approval to serve the resort and area as a public utility, under the Public Utilities Act.

Summary of the issues

General Issues

Important to this case, but unknown at present, is the type of power generation that will be used. This will affect how far this application can go.

If the method of generation uses fossil fuels and increases Nova Scotia's overall GHG emissions, ABC may not be able to obtain approval as this would contravene Nova Scotia's Energy Strategy and Climate Change Action Plan.

If they plan to use a "green" or renewable technology such as wind, which would help Nova Scotia transition from coal, the application process is more promising. However there appear to be two main obstacles to ABC achieving their goals.

- It may be difficult to operate reliably while unconnected to the NSPI grid for back-up or top-up power, so their plans to address this would have to be established before NSUARB could consider their application to be a public utility.
- The ability of a small company to obtain financing and ultimately break even using an emerging technology may be poor, so they may never get to the point where they are ready to submit an application to serve as a public utility.

Working with ABC Company on these issues can provide an opportunity for learning at NSUARB and the Department of Energy.

Assuming these issues are resolved, ABC might then apply to become a public utility as a small licensed generator-retailer of electricity.

Specific Issues and Conditions of Approval

1. This application fits in with the Board priorities to help create vibrant communities, accessible services, and opportunities for sustainable prosperity. ABC would be considered a small scale producer of renewable energy and thus should be encouraged where possible within the constraints of law and policy. There is an opportunity to contribute to rural development.
2. This is an opportunity to increase competition in electricity supply, which is a desired outcome of the Energy Strategy.
3. The Public Utilities Act sets out requirements for a public utility, including oversight, supervision, requirement to submit capital expenditures over \$25,000 for approval, approval of rates, the requirement to establish tariffs, furnish financial information, etc.

These would be required of ABC Company, although the NSUARB may wish to review and possibly apply to modify some of these requirements in reference to a small local generator-retailer, as some items that apply to NSPI may be less relevant to ABC due to their size, situation, and the present market environment.

Will ABC be required to use the same rate schedule as NSPI? Presumably their cost structure is different. Will they have an obligation to serve in the same way, that is, provide service equitably to any applicant located within so many metres, and further if the customer pays a contribution to facility costs?

It is possible in any case that some changes to the Public Utilities Act may be needed which may affect the timeline.

4. The Public Utilities Act sets out the various standards a Company has to meet including operating in a safe manner, however either the Department of Energy, Canadian Standards Association or some other body would be responsible for reviewing and accrediting the installation from a technical and safety standpoint, and ensuring that their employees are qualified. For renewable low impact electricity, it must be certified per Renewable Energy Standard Regulations made under Section 5 of the Electricity Act.

Additionally, the NSUARB would have to be satisfied that ABC carries adequate liability insurance.

5. The Energy Marketplace Governance Committee recommended that small renewable energy providers be permitted to sell directly to customers. I have not been able to find out if any generating company other than NSPI presently has a retail sales product so if ABC is the first, then a new type of tariff must be developed. Even if they are not the first small operator to sell directly to end users, they are probably the first which does not access any NSPI transmission facilities so their case would be new and would need appropriate regulations and tariffs.