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INFORMATION

Item No. 1

Environment & Sustainability Standing Committee
March 5, 2015

TO: Chair and Members of Environment & Sustainability Standing Committee

SUBMITTED BY: Original signed

Bob Bjerke, Chief Planner and Director, Planning and Development

DATE: February 6, 2015

SUBJECT: Update: Renewable to Retail Market Opening

INFORMATION REPORT

ORIGIN

May 1, 2014, Retail Electricity Act
June 5, 2014, Department of Energy Presentation

LEGISLATIVE AUTHORITY

HRM Charter, Power to expend money, 79, 1, ad, a system for the supply or distribution of electricity, gas, steam or other source of energy;

BACKGROUND

On November 29, 2013, The Province of Nova Scotia introduced the Electricity Reform Act. The Act, amongst other things, created a market opening permitting the sale of renewable low-impact electricity generated within the province between a retail customer and a retail supplier.

On May 2, 2014 Environment & Sustainability Standing Committee requested information on the opportunity from Nova Scotia Department of Energy.

On June 5, 2014, Department of Energy attended committee to overview the process underway to develop the regulations associated with the new opportunity.

During the meeting, committee requested that it be kept informed of progress.

DISCUSSION

The NS Electricity Reform Act was enacted on December 12, 2013. The Act enables NS Power's retail customers to purchase renewable low-impact electricity generated in Nova Scotia from any licensed competitive supplier. The Act stipulates that NS Power shall develop in consultation with stakeholders, and file with the Board for approval, any new or amended tariffs, procedures and standards of conduct that are necessary to facilitate the purchase of renewable low-impact energy.

Progress on the development of the requirements can be viewed at: <http://www.nspower.ca/en/home/about-us/electricity-rates-and-regulations/regulatory-initiatives/renewable-to-retail.aspx> The requirements include development of:

- a) a new or amended open access transmission tariff (OATT);
- b) a distribution tariff;
- c) a new or amended backup/top-up service tariff;
- d) a new or amended non-dispatchable supplier spill tariff;
- e) new or amended interconnection procedures;
- f) new or amended market rules; and
- g) any other tariffs, procedures or standards of conduct prescribed by the regulations or that the Board requires Nova Scotia Power Incorporated to develop or amend in order to facilitate the purchase of renewable low-impact electricity.

The municipality is monitoring the development of the regulation, and assessing what the opportunities may be pending development of the regulatory requirements. Options could range from non-participation to participation as a customer to participation as a generator. Regional Council has provided past direction on participation as a consumer. On January 9, 2007, consistent with direction from the Community Energy Plan, Halifax Regional Council approved the award of RFP 06-122 to Barrington Wind Energy Limited and Ventus Energy Inc for 20 year contracts to supply 40% of the municipalities electricity needs through green power purchasing contracts. The savings were expected to be approximately \$20 million over the duration of the contracts. The municipality was unable to execute the contracts without the legislative amendments contemplated by the provincial 2003 Electricity Marketplace Governance report, (now contained in the referenced 2013 Electricity Reform Act), and thus the solicitation expired. The potential benefits of this regulation may be stable energy prices, support for renewable choices, and long term lower energy pricing for the municipality.

One of the primary commercial challenges of the new regulation will be the transparent dealing of the issue of Embedded Cost Recovery. The Electricity Reform Act requires that costs attributable to customers who choose an alternate retail electricity supplier must be borne by those customers or their retail suppliers, and not the customers who remain with the utility. This necessitates consideration of recovery of embedded costs in the development of tariffs and charges for the market. The embedded cost recovery or stranded asset issue is a substantial challenge with the transition, globally, to renewable or distributed energy solutions. In many models, we are seeing customer segments reaching grid parity for solar plus battery installations in the near future. Such possible defections of customers from the grid will abandon costs of the existing infrastructure to a potentially declining utility customer base. The result is an increased system cost to be borne by the remaining customers of the utility. This may be a matter that stakeholders put a lot of effort in and take time and resources to address in the Renewable to Retail regulations. It appears the implications could be far reaching.

Next steps: The proposed regulations are anticipated to be finalized during 2015. Staff will continue to passively monitor progress on the regulatory development and assess potential participation options. It is not recommended that the municipality participate in the regulatory development, as the matter is substantive and could require a high level of effort. Based on the evidence of the current regulatory development participation, it appears all interests are well represented and a balanced solution will be achieved.

FINANCIAL IMPLICATIONS

There are no implications to this information report.

COMMUNITY ENGAGEMENT

None

ATTACHMENTS

None

A copy of this report can be obtained online at <http://www.halifax.ca/commcoun/index.php> then choose the appropriate Community Council and meeting date, or by contacting the Office of the Municipal Clerk at 902.490.4210, or Fax 902.490.4208.

Original signed

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