

The New Brunswick Energy Blueprint

Second Progress Report
Department of Energy and Mines
March 2014



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Message from the Hon. Craig Leonard Minister of Energy and Mines

As Minister of Energy and Mines, it is my pleasure to provide you with our second *New Brunswick Energy Blueprint* Progress Report.

I am pleased to report that since our last update, significant progress has again been made with respect to all outstanding Energy Blueprint Action Items, with now 60% of Action Items complete.

The *New Brunswick Energy Blueprint*, released in October of 2011, establishes a 10-year vision for New Brunswick's energy sector. The Blueprint includes 20 key Action Items focused on taking full advantage of emerging energy opportunities, while proactively addressing key energy challenges. The Energy Blueprint is built on five key policy objectives and is grounded in sound business practices and the responsible management of our province's increasingly diverse energy assets.

The Energy Blueprint is our government's guide to an energy future based on low and stable energy prices, energy security, reliability of the electrical system, environmental responsibility and effective regulation.

Since our last update, our government has again made strong progress on the Action Items set out in the *New Brunswick Energy Blueprint*. Through the introduction and adoption of the *Electricity Act*, we were successful in reintegrating the NB Power group of companies, the New Brunswick System Operator and the New Brunswick Electric Finance Corporation into a single Crown utility, as well as ensuring effective regulatory oversight of its new structure; we strengthened the Energy and Utilities Board by restructuring it with exclusively full-time members; we secured legislation that will enable the Office of the Attorney General to recruit a Public Energy Advocate for the Province; and we also launched the New Brunswick Energy Institute to ensure credible academic research and monitoring in support of key energy files.

Our government will continue to work hard to complete the implementation of the Action Items currently in progress. By working today to improve our province's energy policies, we can ensure the health of New Brunswick's energy future for generations to come.

Contents

- Energy Blueprint – Progress Report Card 1**
- Energy Action Plan Progress Report 3**
 - 1. Reintegration of NB Power 3
 - 2. Electricity Market and New Brunswick System Operator 3
 - 3. NB Power—Debt Management Plan 3
 - 4. NB Power—Regulatory Oversight and Integrated Resource Plan. 4
 - 5. Regional Electricity Partnerships 4
 - 6. Smart Grid Technology and Innovation 4
 - 7. Large Industrial Renewable Energy Purchase Program 5
 - 8. Renewable Portfolio Standard 5
 - 9. Future Development of Our Renewable Energy Resources 5
 - 10. Wood Based Biomass Resources 6
 - 11. Energy and Climate Change 6
 - 12. Electricity Efficiency Plan 6
 - 13. Energy Efficiency Building Code Standards 7
 - 14. Energy Efficient Appliances and Equipment. 7
 - 15. Natural Gas Distribution Rates 7
 - 16. Petroleum Products Pricing 8
 - 17. Energy and Utilities Board 8
 - 18. Office of the Public Energy Advocate 8
 - 19. Energy Literacy, Education and Skills Development 9
 - 20. Energy Research and Development 9

Energy Blueprint – Progress Report Card

| Item | Energy Action Plan | Status | Completion Year |
|------|--|-------------|-----------------|
| 1 | Reintegration of NB Power | Completed | 2013 |
| 2 | Electricity Market and New Brunswick System Operator | Completed | 2013 |
| 3 | NB Power – Debt Management Plan | Completed | 2012 |
| 4 | NB Power – Regulatory Oversight and Integrated Resource Plan | Completed | 2013 |
| 5 | Regional Electricity Partnerships | Completed | 2012 |
| 6 | Smart Grid Technology and Innovation | Completed | 2012 |
| 7 | Large Industrial Renewable Energy Purchase Program | Completed | 2012 |
| 8 | Renewable Portfolio Standard | In progress | 2014 |
| 9 | Future Development of our Renewable Energy Resources | In progress | 2014 |
| 10 | Wood Based Biomass Resources | In progress | 2014 |
| 11 | Energy and Climate Change | In progress | 2014 |
| 12 | Electricity Efficiency Plan | In progress | 2014 |
| 13 | Energy Efficiency Building Code Standards | In progress | 2014 |
| 14 | Energy Efficient Appliances and Equipment | Completed | 2012 |
| 15 | Natural Gas Distribution Rates | Completed | 2012 |
| 16 | Petroleum Products Pricing | In progress | 2014 |
| 17 | Energy and Utilities Board | Completed | 2013 |
| 18 | Office of the Public Energy Advocate | Completed | 2013 |
| 19 | Energy Literacy, Education and Skills Development | In progress | 2014 |
| 20 | Energy Research and Development | Completed | 2013 |

Completed 
 In progress 
 Not started 

Energy Action Plan Progress Report

1. Reintegration of NB Power

The Province of New Brunswick will amalgamate the NB Power group of companies into a single vertically integrated Crown utility.

Progress and Next Steps

The *Electricity Act* for reintegration of the NB Power group of companies into one main company and one subsidiary was proposed to the legislature on May 7, 2013.

Under the *Electricity Act*, the New Brunswick System Operator (NBSO) and the New Brunswick Electric Finance Corporation (NBEFC) were amalgamated into one vertically-integrated Crown utility called New Brunswick Power Corporation.

The *Electricity Act* received Royal Assent on June 21, 2013 and allowed the reintegration to proceed on October 1, 2013, meeting the target reintegration utility date.

This action item as identified in the *New Brunswick Energy Blueprint* has been completed.

2. Electricity Market and New Brunswick System Operator

The Province of New Brunswick will review our electricity market polices and implement appropriate structural and operational changes, including the dissolution of the NBSO and migration of system operator functions back to NB Power.

Progress and Next Steps

Under the *Electricity Act*, which was proposed to the legislature on May 7, 2013, the NBSO and the NBEFC were amalgamated into one vertically-integrated Crown utility called New Brunswick Power Corporation.

Supporting *Electricity Act* regulations for the reintegration process were posted for public review beginning the week of August 12–16. The reintegration commenced on the target utility date of October 1, 2013.

This action item as identified in the *New Brunswick Energy Blueprint* has been completed.

3. NB Power—Debt Management Plan

The Province of New Brunswick will direct NB Power to implement a debt management plan, allowing it to reduce its debt and create shareholders equity.

Progress and Next Steps

In 2012, NB Power released its strategic plan, accompanied with 10 year debt and equity targets, which supports the Province’s debt management objectives.

Under the *Electricity Act*, NB Power may take a rate increase of up to two per cent on October 1, 2013, and on October 1, 2014.

The October rate increase provisions allows NB Power to meet its debt reduction target and provides the Energy and Utilities Board (EUB) and NB Power with the necessary time to prepare for a hearing on rates in the 2015-16 fiscal year.

This action item as identified in the *New Brunswick Energy Blueprint* was completed in 2012.

4. NB Power—Regulatory Oversight and Integrated Resource Plan

The Province of New Brunswick will subject all NB Power operations to regulatory oversight and review, and require NB Power to present an Integrated Resource Plan every three years and a Financial Forecast annually to the New Brunswick Energy and Utilities Board, or as directed by the EUB.

Progress and Next Steps

The *Electricity Act* was proposed to the legislature on May 7, 2013. Supporting *Electricity Act* regulations for the reintegration process were posted for public review beginning the week of August 12–16.

Under the *Electricity Act*, NB Power may take a rate increase of up to two per cent on October 1, 2013, and on October 1, 2014.

This action item as identified in the *New Brunswick Energy Blueprint* has been completed.

5. Regional Electricity Partnerships

The Province of New Brunswick will pursue regional electricity agreements, joint ventures and partnerships where there are positive commercial outcomes for NB Power and defined benefits for New Brunswick ratepayers

Progress and Next Steps

Phase 2 Atlantic Energy Gateway (AEG) work plan initiatives were reviewed during a meeting of Atlantic Energy Ministers and Deputy Ministers in July of 2013.

The phase 2 AEG work plan includes a regional natural gas supply study that includes an assessment of the aggregator concept. A draft of Terms of Reference has been prepared by the Atlantic Canada Opportunities Agency (ACOA).

The July meeting of Atlantic Energy Ministers and Deputy Ministers supports the continued priority intergovernmental energy cooperation initiatives as presented in the 2012 Progress Report.

This action item as identified in the *New Brunswick Energy Blueprint* was completed in 2012.

6. Smart Grid Technology and Innovation

The Province of New Brunswick will expand the network of smart grid stakeholders and partnerships and work with existing and new smart grid pilot projects

Progress and Next Steps

The NB Smart Grid roadmap will be updated on an annual basis to fully align with the NB Power/Siemens Reduce Shift and Demand initiative.

This action item as identified in the *New Brunswick Energy Blueprint* was completed in 2012.

7. Large Industrial Renewable Energy Purchase Program

The Province of New Brunswick will bring qualifying large industrial companies’ electricity costs in line with their Canadian competitors by implementing a Large Industrial Renewable Energy Purchase Program (LIREPP).

Progress and Next Steps

The April 1st (2013-14) LIREPP program benefit was calculated based on comparable published large industrial electricity rates and export date for forestry intense jurisdictions across Canada.

The target rate savings calculation has been approved and posted.

This action item as identified in the *New Brunswick Energy Blueprint* was completed in 2012.

8. Renewable Portfolio Standard

The Province of New Brunswick will increase the provincial Renewable Portfolio Standard (RPS) to a minimum of 40 percent of NB Power’s in-province sales by 2020.

Progress and Next Steps

A new RPS policy framework is being developed for inclusion as a new *Electricity Act* regulation. The RPS and renewable energy policy framework, and supporting regulations under the *Electricity Act* are underway. The approval and implementation of the regulations are pending.

This action item will be completed in 2014.

9. Future Development of Our Renewable Energy Resources

The Province of New Brunswick will (a) support local and First Nations small scale renewable projects; (b) integrate current and future wind generation in the most cost-effective and efficient manner; and (c) support promising solar, bio-energy and other emerging renewable energy technologies.

Progress and Next Steps

This project focuses on maximizing local benefits, project viability, sustainability, and minimizing rate impacts on New Brunswick ratepayers as identified in the *New Brunswick Energy Blueprint Progress Report 2012*.

The framework for this initiative will be drafted in the new renewables regulation as described in action item 8.

This action item will be completed in 2014.

10. Wood Based Biomass Resources

The Province of New Brunswick will develop and implement supporting policies to optimize the energy output from our province's wood based biomass resources with a specific focus on pellets.

Progress and Next Steps

Work on the biomass sector is ongoing. A series of new provincial biomass resource maps were released in 2012.

The Department of Economic Development published its *New Brunswick Value-added Wood Sector Strategy* in 2012, which includes a strategic objective to increase the use of wood biomass-based fuels in the province by: developing a policy to support the installation of biomass heating systems (both in new construction and retrofits) in residential, commercial and public sector applications; and working with existing industry to develop a bulk-delivery-pellet supply-chain system in New Brunswick.

The Department of Energy and Mines continues to identify and assess regional biomass best practices, including small-scale district energy applications, and their applicability to New Brunswick. Working with the pellet industry to identify barriers to further development and explore new economic opportunities within the province is an important component of the work at the department.

This action item will be completed in 2014.

11. Energy and Climate Change

The Province of New Brunswick will develop the key energy components for the 2012-2020 New Brunswick Climate Change Action Plan.

Progress and Next Steps

The Department of Energy and Mines' review of the draft Climate Change Action Plan (CCAP) is now complete. The formal consultation process, which was led by the Climate Change Secretariat of the Department of Environmental and Local Government, was completed in September 2013.

The Department of Energy and Mines will continue to engage directly with the Climate Change Secretariat through the work planning and implementation process of the CCAP.

This action item will be completed in 2014.

12. Electricity Efficiency Plan

The Province of New Brunswick will require electric utilities, in conjunction with Efficiency NB, to prepare a three year electricity efficiency plan.

Progress and Next Steps

The 3-year Electricity Efficiency plan will be completed in 2014 by NB Power, in cooperation with the municipal electric utilities (in Edmundston, Perth-Andover and Saint John), Efficiency NB and the Department of Energy and Mines.

The plan will continuously be reviewed to ensure it is meeting the needs of the utilities and their consumers.

This action item will be completed in 2014.

13. Energy Efficiency Building Code Standards

The Province of New Brunswick will require minimum energy efficiency standards for new building construction in New Brunswick by adopting national standards and will amend the *New Brunswick Building Code Act* to create the authority to do so.

Progress and Next Steps

The Department of Energy and Mines is working with the Department of Public Safety and the Department of Environment and Local Government to adopt the National Building Code of Canada 2010, which includes Energy Efficiency provisions for Housing and Small Buildings.

Amendments are set to be proposed in the legislature in the spring of 2014.

This action item will be completed in 2014.

14. Energy Efficient Appliances and Equipment

The Province of New Brunswick will upgrade the list of regulated appliances and equipment under the *Energy Efficiency Act*.

Progress and Next Steps

The Province updated its appliance and equipment regulations in 2012 and work is scheduled to proceed with respect to future product and equipment efficiency standard upgrades or enhancements.

This action item as identified in the *New Brunswick Energy Blueprint* was completed in 2012.

15. Natural Gas Distribution Rates

The Province of New Brunswick will review the natural gas rate structure and distribution network with the objective of achieving a cost-based rate structure and improve access to natural gas across the province.

Progress and Next Steps

In December 2011, Government introduced key amendments to the Gas Distribution Act, mandating the EUB to authorize a new rate structure based on cost of service rates. The amendments also facilitate the delivery of natural gas by means other than pipeline, including point-to-point delivery using compressed natural gas. Regulations which specified details of rate-setting methods were passed in April 2012.

In accordance with the act and its regulations, the EUB authorized new rates, effective October 1, 2012. Most customer classes experienced significant reductions in gas distribution rates as a result.

Government will continue to work with key natural gas stakeholders to address issues relating to the long-term sustainability of the natural gas distribution system in New Brunswick.

This action item as identified in the *New Brunswick Energy Blueprint* was completed in 2012.

16. Petroleum Products Pricing

The Province of New Brunswick will perform a comprehensive review of the *Petroleum Products Pricing Act* (PPPA) and Regulations for the purpose of ensuring its continued effectiveness in achieving the objectives of petroleum price stability, while ensuring the lowest possible price to the consumer without jeopardizing the continuity of supply.

Progress and Next Steps

The comprehensive review of the PPPA and its regulations has begun and will be completed by spring. Recommendations will be brought forward for review and a strategy for implementation developed.

This action item will be completed in 2014.

17. Energy and Utilities Board

The Province of New Brunswick will restructure the Energy and Utilities Board to consist of exclusively full-time members.

Progress and Next Steps

The *Act to Amend the Energy and Utilities Board Act* received Royal Assent on June 21, 2013.

The legislation was proclaimed in November 2013 and three new full-time EUB members were appointed shortly thereafter.

The EUB is now comprised of five full-time members under its new structure as opposed to two full-time members and eight part-time members under its former structure.

This action item as identified in the *New Brunswick Energy Blueprint* has been completed.

18. Office of the Public Energy Advocate

The Province of New Brunswick will establish and appoint a full-time public energy advocate to replace the system of ad hoc appointment of public interveners.

Progress and Next Steps

The *Act Respecting a Public Intervener for the Energy Sector* received Royal Assent on June 21, 2013.

Legislation is now in place to appoint a permanent Public Intervener for the Energy Sector. This will replace the previous ad hoc system. The Office of the Attorney General is in the process of completing the recruitment process for the position.

This action item as identified in the *New Brunswick Energy Blueprint* has been completed.

19. Energy Literacy, Education and Skills Development

The Province of New Brunswick will: (a) develop an energy sector workforce; (b) pilot an energy certificate program; and (c) implement an energy literacy, education and awareness program.

Progress and Next Steps

The Department of Post-Secondary Education, Training and Labour released the *New Brunswick’s Labour Force and Skills Development Strategy* in 2013. The strategy contains an action item which aims to conduct labour market research on the energy, mining and oil and natural gas sectors to assist in identifying which occupations are experiencing labour market imbalances today and forecast the positions required for the future.

The pilot UNB Energy Certificate Program was launched in 2013 and celebrated its first graduating class in December of 2013.

Through the Council of the Federation’s National Energy Strategy and the Energy and Mines Ministers’ Conference frameworks, New Brunswick is participating in two national energy literacy planning initiatives.

This action item, and all of its components, will be completed in 2014.

20. Energy Research and Development

The Province of New Brunswick will develop and implement a New Brunswick energy-sector research and development strategy supporting the adoption of emerging clean energy technologies.

Progress and Next Steps

Multiple energy research and development initiatives are underway as per the *New Brunswick Energy Blueprint*.

Current action items related to Energy Research and Development include:

- Action Item 5 — Regional Electricity Partnerships
- Action Item 6 — Smart grid Technology and Innovation
- Action Item 9 — Future Development of our Renewable Energy Resources
- Action Item 10 — Wood Based Biomass Resources
- Action Item 12 — Electricity Efficiency Plan

An important element in support of New Brunswick’s capacity in energy-sector research and development was realized through the launch of the New Brunswick Energy Institute in the spring of 2013. With \$1 million in seed government funding, the institute’s mandate is to serve as an advisory body to the provincial government and to the people of New Brunswick and to review and assess the environmental, social, economic and health issues relating to energy extraction, development or production within New Brunswick by ensuring credible, evidence-based research.

This action item as identified in the *New Brunswick Energy Blueprint* has been completed.