



Backgrounder: Electricity in Nova Scotia

Electricity System

Nova Scotia is a virtual ‘energy island.’ Currently, our Province has a weak electrical connection to the rest of the Maritimes—a small 345 kilovolt transmission line and two smaller lines connected with New Brunswick are our only ties to the rest of North America, allowing us to import and export small amounts of electricity. As such, Nova Scotia is largely self-sufficient, producing almost all of the electricity it consumes.

In the future, however, Nova Scotia will be able to access more competitively-priced electricity from our neighbours. The Maritime Link project will connect us to the vast renewable resources of Newfoundland and Labrador and effectively put Nova Scotia in the middle of an energy loop.

Similarly, the Atlantic Energy Gateway continues to encourage and support regional collaboration on energy issues. These projects will also strengthen the province’s connection to the North American electrical grid, providing greater reliability at times of high electrical demand.

The Nova Scotia Government has committed to enhance the province’s energy security by using less imported coal and more diverse sources of clean, local, and renewable energy. Part of this also means using less energy through efficiency and conservation mechanisms as well as the increased use of natural gas.

Electricity Market

Electricity in Nova Scotia is primarily generated and sold by Nova Scotia Power Incorporated, a privately-owned, vertically integrated utility. There are also six smaller municipal electric utilities that are able to act as market participants and sell electricity directly to their customers. As an integrated utility, Nova Scotia Power has responsibility for electricity procurement, system operation, grid access, maintenance of the transmission and distribution systems, and meeting the Province’s renewable energy sales requirements of 15% by 2015 and 40% by 2020.

Nova Scotia Power’s shareholders have invested more than a billion dollars to ensure they are able to generate and deliver electricity to all Nova Scotians. For that, they are allowed a rate of return, which is recuperated through the rate charged to ratepayers. As of 2013, that rate of return is in the range of 8.75% to 9.25%. The range for the rate of return, and what can be recovered from ratepayers, is determined by the independent regulatory body, the Nova Scotia Utility and Review Board (NSUARB).

The Fuel Adjustment Mechanism (FAM) was approved by the NS UARB in 2009 and was first implemented in 2010. The main purpose of the FAM is to address fuel pricing volatility and to make sure that only the actual cost of fuel is recovered from electricity ratepayers.

This mechanism also includes a comprehensive Plan of Administration (POA) that outlines the fuel procurement and forecasting process. In accordance with the POA, Nova Scotia Power can apply to the NS UARB to reset the base cost of fuel every two years or during a general rate proceeding.

In addition, a reconciliation process is conducted annually to determine if NSPI has over-recovered or under-recovered its fuel costs. The POA requires the completion of a detailed FAM audit every two (2) years.

These processes are subject to a public hearing process.

Electricity Market Review

In the fall of 2013, the Government of Nova Scotia announced a comprehensive review of the province's electricity system. The review is a legislated commitment under the Electricity Reform Act.

The Electricity Reform Act has two parts:

- Opening the market for low impact renewable electricity suppliers to compete for the sale of electricity to Nova Scotia Power's (NSP's) retail customers. Work on implementing that portion of the act is currently underway; and
- A requirement to complete public consultation on the future policy plans and regulations for electricity.