

Nova Scotia Power System Operator (NSPSO)

Market Procedure
MP-07

Compliance Actions

Issue: 01
Effective Date: 2012 12 31

Table of Contents

1	Document Control and General Provisions.....	3
1.1	ISSUE AND REVISION HISTORY.....	3
1.2	CONTACT FOR QUERIES AND SUBMISSIONS	3
1.3	INCORPORATION OF GENERAL PROVISIONS	3
1.4	DOCUMENT APPROVAL.....	3
2	Overview of this procedure	4
2.1	PURPOSE OF THIS MARKET PROCEDURE	4
2.2	AUTHORITY FOR MARKET PROCEDURES	4
2.3	SCOPE AND APPLICATION	4
2.4	RESPONSIBILITIES OF PARTIES UNDER THIS MARKET PROCEDURE	4
3	Process Description.....	5
3.1	COMPLIANCE OBLIGATIONS WITH MARKET RULES AND PROCEDURES	5
3.2	NSPSO COMPLIANCE PROGRAM	5
3.3	GRADUATED COMPLIANCE ACTIONS	6
4	Dispute Resolution.....	9
4.1	GENERAL.....	9
4.2	SETTLEMENT PROCESS FOR CONTESTED PENALTIES OR SANCTIONS.....	9
5	Contents of Mitigation Plans	9
6	Process Flow Diagram.....	10
6.1	MP-07 COMPLIANCE ACTIONS	10
7	Appendices.....	10

1 Document Control and General Provisions

1.1 Issue and revision History

Issue	Date	Reason for Issue
01	2012 12 31	Original Procedure

1.2 Contact for queries and submissions

For queries concerning the application or interpretation of this Market Procedure and for submission of documents required under this procedure (unless noted otherwise) contact:

Name: Market Administrator

Phone: 902 428 7719

Address: 5 Long Lake Drive
Halifax, Nova Scotia
B3S 1N8

E-mail: nspsadmin@nspower.ca

1.3 Incorporation of general provisions

The general provisions set out in part 3 of Market Procedure 01, General Market Procedure, are incorporated into this Market Procedure (unless superseded by explicit wording to the contrary in this Market Procedure).

1.4 Document approval

Paul Casey, Director Reliability & Control Centre Operations

Signature:  _____

2 Overview of this procedure

2.1 Purpose of this Market Procedure

The purpose of this Market Procedure is to describe the activities by which the NSPSO shall assess and enforce compliance with the Market Rules and Procedures particularly those affecting Market Participants, and to provide a summary of the interaction between Market Participants, the NSPSO, and other parties as related to this process.

This Procedure specifically identifies:

- the treatment of alleged breaches of the Market Rules by a Market Participant;
- the suspension of a Market Participant following an event of default; and
- the termination of a Market Participant or de-registration of facilities.

2.2 Authority for Market Procedures

This Market Procedure is established in accordance with paragraphs 2.6 and 2.7 of the Nova Scotia Wholesale Electricity Market Rules and Published by the NSPSO in accordance with paragraph 1.5.1.1 of the Market Rules.

2.3 Scope and Application

This procedure is intended to provide Market Participants with the process and Interfaces between Market Participants, the NSPSO, and other parties for the treatment of compliance issues.

2.4 Responsibilities of Parties under this Market Procedure

The NSPSO is responsible for ensuring compliance of all Market Participants with the Market Rules and Market Procedures, and is responsible for the administration of the process set out in this Market Procedure, including the necessary Publication and notification processes.

Market Participants are responsible to notify the NSPSO of circumstances that may lead to compliance violations, or events that have resulted in violations of the Market Rules or Market Procedures.

3 Process Description

3.1 Compliance Obligations with Market Rules and Procedures

Compliance with the NS Wholesale Electricity Market Rules and Procedures is important to ensure a fair, efficient, openly competitive and reliable electricity market in Nova Scotia.

In order to promote understanding of and compliance with the Market Rules, the Nova Scotia Power System Operator is committed to working with Market Participants to educate them about the application of the Market Rules, participant obligations and to clarify specific expectations and issues.

Market Participants are expected to be knowledgeable, and maintain compliance with the rules and Procedures at all times. Breaches of the rules may result in conditions or penalties (as provided by section 2.6.3.6 and 2.6.3.7 of the Market Rules) after due process for clarification and consideration of the circumstances.

Penalties or conditions may consist of a range of actions, from a directive to rectify the breach of a market process, to conditions applied on the Market Participants activity, to suspension, disconnection or termination from the market, depending on the nature of the non-compliance and after consideration of repeated actions, financial default or disregard of obligations.

3.2 NSPSO Compliance Program

NSPSO will publish all Market Rules and Procedures on its OASIS web site. In addition, it will provide periodic training or consultation sessions as requested by Market Participants to ensure that obligations to and expectations of the market and its participants are understood. These sessions will also assist participants in developing strategies and processes that will result in ongoing compliance with the rules and Procedures.

The NSPSO shall periodically, or as circumstances direct, collect, maintain and analyze data from participants to monitor the operation of the market. In addition, the NSPSO will assist in or perform investigations of participant's activities when there is probable cause to believe that participants are in a non-compliant state, or that the market is not in an open and fair condition.

3.3 Graduated Compliance Actions

3.3.1 Initial Notification

All Market Participants will provide prompt notification in the following manner, when the failure to comply with a Rule or Procedure has been identified, or if it is expected that it will be unable to comply in future.

- NSPSO will electronically notify all affected Market Participants, as soon as practicable, when it has identified that it is in a non-compliant state, or if it expects to be so.
- Market Participants will promptly notify the person identified in section 1.2 of this document, either electronically or by phone, when the participant identifies that it is in a non-compliant state, or expects to be so.

In the event that the NSPSO identifies that a Market Participant may have failed to comply with a Market Rule the NSPSO will communicate informally, electronically or by phone, with the Market Participant to seek clarification of the circumstance.

3.3.2 First Notice

Following the informal communication process, NSPSO will decide if the event or situation is a possible non-compliance event, and if so, NSPSO will provide the Market Participant with an electronic first notice of an alleged non-compliance. The notice will request clarification of the non-compliance event or situation and, if appropriate, any steps proposed to prevent recurrence. Participants will have ten (10) days to respond, electronically or in writing, to the contact person identified in section 1.2.

3.3.3 Determination of Non-Compliance

Based on the participant's response, possible input from other affected participants, and NSPSO's understanding of the circumstances NSPSO will then determine if a participant(s) is or has been non-compliant. If non-compliant, the NSPSO shall provide written notice of the non-compliance decision to the Market Participant within ten (10) days. Such notice shall include the following information:

- the grounds for and any evidence on which the NSPSO relies in support of the non-compliance decision;
- the nature of the action to be taken;
- the time within which the market participant may make written representations to the NSPSO as to why such action should not be taken; and
- the right of the market participant to request a hearing with the NSPSO for such purpose to show cause why such action should not be taken.

The notice will also provide details of any actions being taken under the following circumstances.

- In the event of either repeated non-compliance, or of major non-compliance that has jeopardised the Reliability of the Bulk Electricity Supply System or the integrity of the market, the NSPSO may impose conditions on or may Suspend all or some of the Market Participant's activity, and may also direct that one or more Facilities involved in the non-compliance be Disconnected from the Transmission System.
- In the event of a financial default by a Market Participant, the NSPSO may require additional credit support, failing which the NSPSO may impose conditions on or may Suspend all or some of the Market Participant's activity.

3.3.4 Participant Response

The Market Participant is required to respond to the notice of non-compliance selecting one of the following three responses within thirty (30) days otherwise the Market Participant will have been deemed to accept the non-compliance and conditions or penalty:

- Agree with the non-compliance and proposed condition or penalty, and agree to submit and implement a mitigation plan to correct the violation and its underlying causes; or
- Agree to the non-compliance and agree to submit and implement a mitigation plan to eliminate the violation and its underlying causes, but contest the proposed condition or penalty; or
- Contest both the non-compliance and proposed condition or penalty and request a hearing with NSPSO.

In all cases the Market Participant will submit a response signed by an officer or equivalent, If the Market Participant contests the notice of non-compliance or the proposed sanction or penalty, the Market Participant shall submit to the NSPSO a response explaining its position, together with any supporting information and documents. The NSPSO shall schedule a conference with the Market Participant within ten (10) business days after receipt of the response. The intent of the conference will be to achieve a common understanding of the participant's compliance status, and to agree on any conditions, penalties and future actions to correct and prevent future compliance issues.

3.3.5 Consequences of Non-Compliance

The consequences of non-compliance may include a directive from the NSPSO to rectify the situation within a stated time period, and a request to provide a mitigation plan to avoid future recurrences.

The NSPSO may impose terms and conditions on the rights of the market participant to participate in the NSPSO-administered market. Such terms and conditions will have an expiration date which may be conditional on certain participant actions.

In addition to the remedies set out above, the NSPSO may assess and impose a financial penalty in accordance with guidelines set out in Appendix 2.B of the Nova Scotia Wholesale Electricity Market Rules.

In the event that NSPSO finds that the Market Participant has demonstrated material disregard of its obligations by repeated financial defaults or major non-compliances, the NSPSO may Terminate the market participation rights of that Market Participant and direct that the participant be disconnected from the NSPSO controlled system.

In the event of Disconnection, the NSPSO shall provide notice and an opportunity for a NSPSO hearing but, if the NSPSO considers that delay in effect of Disconnection would jeopardise Reliability of the Bulk Electricity Supply System or a Zone thereof, the Disconnection shall, in accordance with the powers of the Transmission Provider under the Transmission Tariff and related agreements, have immediate effect pending such hearing.

If the NSPSO and the Market Participant are unable to resolve all issues within forty (40) days after the Registered Entity's response, the NSPSO or the Market Participant may request a Dispute Resolution Process as set out in Section 2.8 of the Market Rules.

If no request for a Dispute Resolution Process has been initiated within forty (40) days of the participant's response, and the parties have not agreed to extend the resolution process for a specific time period, the alleged non-compliance will be deemed to be a confirmed non-compliance.

Following an agreement, or following the Dispute Resolution process, the NSPSO shall consider any written representations received from the Market Participant and will provide a final ruling within thirty (30) days of the close of the above mentioned forty day period.

3.3.6 Publication

Following the final ruling, the NSPSO shall publish a notice of all decisions related to the compliance investigation and all actions taken and will provide a copy to the NSUARB and any transmitter, distributor and/or other market participant to whose facilities the Market Participant's facilities are connected.

3.3.7 Re-admission

A terminated market participant, who wishes to be re-admitted as a market participant to participate in the NSPSO-administered markets or to cause or permit electricity to be conveyed into, through or out of the NSPSO-controlled grid, shall be required to re-apply for authorization. A market participant who wishes their facility or facilities to be re-registered shall be required to re-apply for facility registration.

4 Dispute Resolution

4.1 General

Where a Market Participant does not accept an enforcement order or decision made by the NSPSO the Market Participant may initiate a review under the Dispute Resolution Process set out in Section 2.8 of the Market Rules.

4.2 Settlement Process for Contested Penalties or Sanctions

The NSPSO may enter into settlement negotiations with the Market Participant to resolve a contested penalty or violation at any time from the issuance of a notice of an alleged non-compliance and sanction until a final ruling is provided to the participant.

The Market Participant shall designate an individual(s) authorized to negotiate on its behalf.

Settlement negotiations will be confidential until such time as the settlement is finalized.

Finalized settlement agreements shall include a waiver of the Registered Entity's right to further appeal the contested penalty or violation.

Where a final settlement is reached the NSPSO shall issue a letter to the Market Participant documenting the final terms and conditions of the settlement.

5 Contents of Mitigation Plans

A Mitigation Plan shall include the following information:

- The Registered Entity's point of contact for the Mitigation Plan who shall be technically knowledgeable regarding the Mitigation Plan and authorized to respond to questions regarding the status of the Mitigation Plan.
- The Alleged or Confirmed Violation that the Mitigation Plan will correct, and the cause of the Alleged or Confirmed Violation.
- The Registered Entity's action plan to correct the Alleged or Confirmed Violation.
- The Registered Entity's action plan to prevent recurrence of the Alleged or Confirmed Violation.
- The anticipated impact of the Mitigation Plan on the reliability of the NSPSO Controlled Grid and an action plan to mitigate any increased risk to the reliability of NSPSO Controlled Grid while the Mitigation Plan is being implemented.
- A timetable for completion of the Mitigation Plan including the completion date by which the Mitigation Plan will be fully implemented and the Alleged or Confirmed Violation corrected.

- Implementation milestones no more than three (3) months apart for Mitigation Plans having completion dates more than three (3) months from the date of submission. Additional violations could be determined for not completing work associated with accepted milestones.
- Any other information deemed necessary or appropriate by the NSPSO.
- The Mitigation Plan shall be signed by an officer or equivalent of the Registered Entity.
- The Mitigation plan will be updated within twenty (20) days of the end of each quarter ending March, June, September and December.

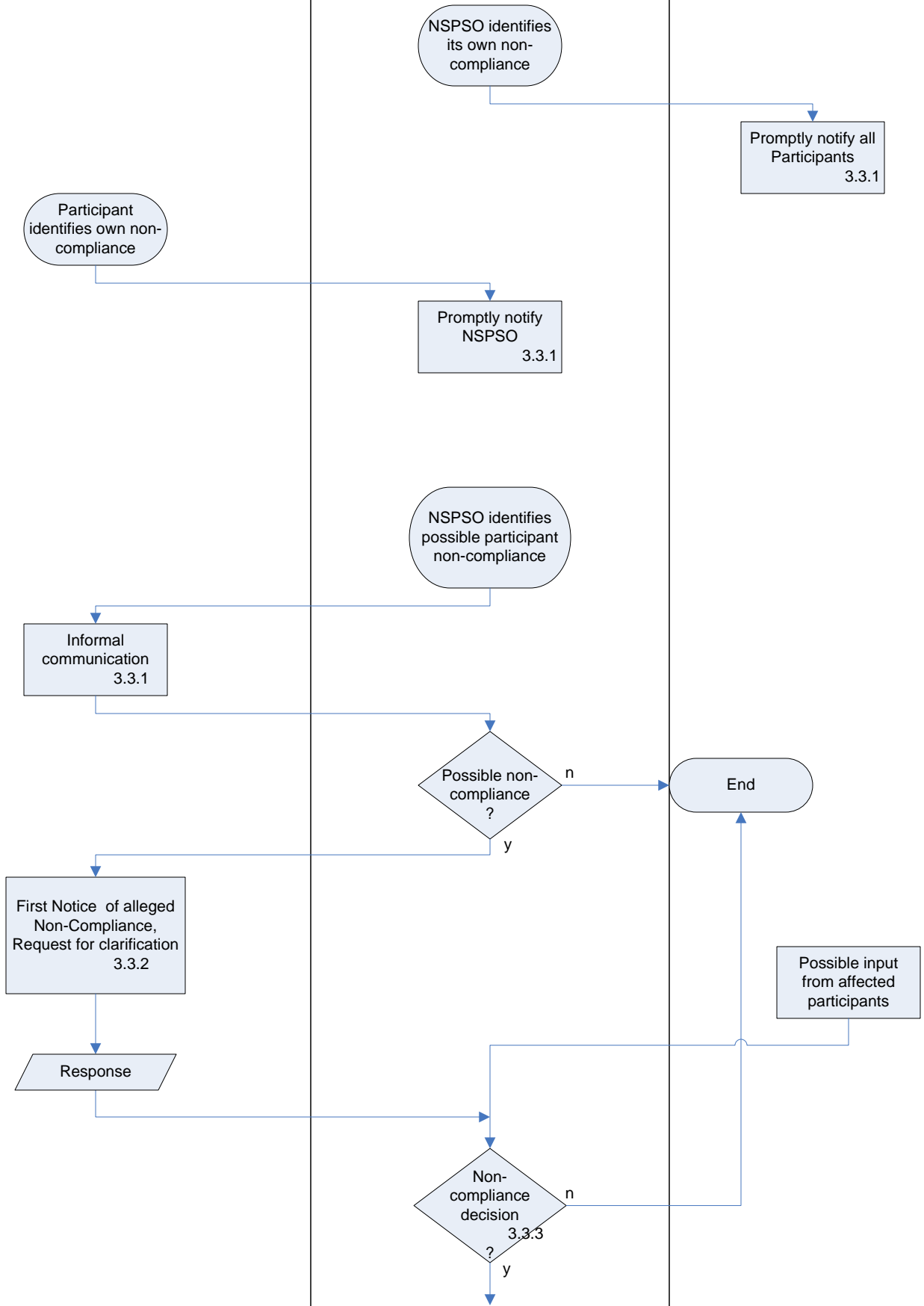
6 Process Flow Diagram

6.1 MP-07 Compliance Actions

7 Appendices

none

Participant	NSPSO	Other
-------------	-------	-------



Participant

NSPSO

Other

Pg 1

