

IMPLEMENTATION PROCEDURES FOR MANITOBA HYDRO'S STANDARDS OF CONDUCT

I. Introduction

In 1996, the United States Federal Energy Regulatory Commission issued an order, commonly known as Order 888, which required that all investor owned utilities in the United States allow third parties to use their transmission systems to buy and sell energy pursuant to a form of agreement called an open access transmission tariff. The Federal Energy Regulatory Commission's objective was to attempt to eliminate existing anti-competitive practices by establishing this non-discriminatory system in which all participants would be required to utilize this standardized agreement.

A companion order known as Order 889 required United States public utilities to adopt a set of rules called standards of conduct separating transmission and merchant functions. The standards of conduct are intended to foster competition in electricity and gas markets by restricting the ability of an electric or gas transmission company to grant undue preferences to its own marketing and sales functions, or those of its affiliates.

Manitoba Hydro determined that it would follow these Orders because, in doing so, it would be in a better position to market its surplus energy. As a result, Manitoba Hydro did the following:

1. functionally separated the transmission functions and the marketing functions of the corporation into the Transmission and Distribution Business Unit (now known as the Transmission Business Unit) and Power Supply Business Unit, respectively, each reporting to its own Vice-President;
2. established its own open access transmission tariff in a form substantially the same as to the Federal Energy Regulatory Commission approved tariff; and
3. adopted its own Standards of Conduct.

The Standards of Conduct require that Manitoba Hydro post on its OASIS or its external Internet Website, current written procedures implementing the Standards of Conduct in such detail as will enable customers to determine that Manitoba Hydro is in compliance with the requirements of the Standards of Conduct. The following are Manitoba Hydro's Standards of Conduct implementation procedures.

II. Definitions

Capitalized terms used in these Procedures shall have the following meanings:



“Affiliate” of a specified entity means another person that controls, is controlled by or is under common control with, the specified entity. An affiliate includes a division of a specified entity that operates as a functional unit. “Control” as used in this definition means the direct or indirect authority, whether acting alone or in conjunction with others, to direct or cause to direct the management policies of an entity. A voting interest of 10 percent or more creates a rebuttable presumption of control

“Chief Compliance Officer” means the employee (or designee) identified on the Internet Website who is responsible for managing compliance with the Standards of Conduct.

“Internet Website” means a location on <http://www.hydro.mb.ca> where the Transmission Provider posts certain information required by the Standards of Conduct.

“Marketing Affiliate” means an Affiliate of Manitoba Hydro with Marketing Function Employees.

“Marketing Function Employee” means an employee, contractor, consultant or agent of Manitoba Hydro or of an Affiliate of Manitoba Hydro who actively and personally engages on a day-to-day basis in Marketing Functions.

“Marketing Functions” means marketing activities including:

1. the sale for resale, or the submission of offers to sell, of electric energy or capacity, demand response, virtual transactions, or financial or physical transmission rights, all as subject to an exclusion for bundled retail sales, including sales of electric energy made by providers of last resort (POLRs) acting in their POLR capacity; and
2. the sale for resale, or the submission of offers to sell, natural gas, subject to the following exclusions:
3. bundled retail sales,
 - (i) incidental purchases or sales of natural gas to operate natural gas pipeline transmission facilities,
 - (ii) sales of natural gas solely from a seller’s own production, and
 - (iii) sales of natural gas solely from a seller’s own gathering or processing facilities.

“Procedures” mean these procedures contained in this document to implement the Standards of Conduct.

“Standards of Conduct” means the rules governing the relationship between Transmission Function Employees and Marketing Function Employees.

“Transmission Functions” means the planning, directing, organizing or carrying out of day-to-day transmission operations, including the granting and denying of transmission service requests.

“Transmission Function Employee” means an employee, contractor, consultant or agent of Manitoba Hydro who actively and personally engages on a day-to-day basis in Transmission Functions, as defined above.

“Transmission Function Information” means information relating to Transmission Functions that is not otherwise also available to the general public without restriction. This may include, but is not limited to, information regarding transmission maintenance schedules, transmission customer information, curtailments of transmission service, available transmission capacity, including storage, transmission service requests and request status, transmission service pricing offers, transmission outages, expansion plans and schedules, transmission line outage information and transmission loading relief information.

“Transmission Provider” means Manitoba Hydro’s Transmission Business Unit.

“Transmission Customer” means any eligible or potentially eligible customer, shipper or designated agent that (1) can or does execute a transmission service agreement or (2) can or does receive transmission service, including persons with pending requests for transmission service or information regarding transmission service.

III. Applicability

These Procedures implement the Standards of Conduct and apply to the relationship and communications between Transmission Function Employees and Marketing Function Employees, as well as those that may have knowledge of Transmission Function Information. All Transmission Function Employees, Marketing Function Employees, and all other employees, including senior management and supervisory personnel (to the extent that the Standards of Conduct apply to them) must adhere to the Standards of Conduct.

IV. General Principles of the Standards of Conduct

The general principles of the Standards of Conduct are as follows:

1. Non-Discrimination: Manitoba Hydro must treat all transmission customers, affiliated and non-affiliated, on a not unduly discriminatory basis, and must not make or grant any undue preference or advantage to any person or subject

any person to any undue prejudice or disadvantage with respect to any transportation of natural gas or transmission of electric energy in interstate commerce, or with respect to the wholesale sale of natural gas or of electric energy in interstate commerce.

2. Independent Functioning: Transmission Function Employees must function independently from Marketing Function Employees, except as permitted in the Standards of Conduct.
3. No Conduit: The Transmission Provider and its employees, contractors, consultants and agents are prohibited from disclosing, or using a conduit to disclose, non-public transmission function information to Marketing Function Employees.
4. Transparency: The Transmission Provider must provide equal access to Transmission Function Information to all its transmission customers, Affiliates and non-affiliated, except in the case of confidential customer information or critical energy infrastructure information.

V. Non-Discrimination

Manitoba Hydro must treat all transmission customers, affiliated and non-affiliated, on a not unduly discriminatory basis, and must not make or grant any undue preference or advantage to any person or subject any person to any undue prejudice or disadvantage with respect to any transportation of natural gas or transmission of electric energy in interstate commerce, or with respect to the wholesale sale of natural gas or of electric energy in interstate commerce.

This requirement shall be implemented in accordance with the following:

1. The Transmission Provider shall strictly enforce all open access transmission tariff provisions relating to the sale or purchase of open access transmission service, if these tariff provisions do not permit the use of discretion.
2. The Transmission Provider shall apply all open access transmission tariff provisions relating to the sale or purchase of open transmission service in a fair and impartial manner that treats all transmission customers in a non-discriminatory manner, if the tariff provisions permit the use of discretion.
3. The Transmission Provider may not, through its tariff or otherwise, give undue preference to any person in matters relating to the sale or purchase of transmission service (included issues of price, curtailment, scheduling, priority, ancillary services or balancing). To the extent the Transmission Provider waives a tariff provision in favour of an Affiliate same must be posted on its Internet Website. The Transmission Provider must also maintain a log of such waivers which must be retained for five years.

4. The Transmission Provider shall process all similar requests for transmission service in the same manner and within the same period of time.

VI. Independent Functioning

Transmission Function Employees must function independently from Marketing Function Employees, except as permitted in the Standards of Conduct.

Transmission Function Employees shall not perform Marketing Functions nor shall they perform any work for any Marketing Function Employee, except as permitted by the Standards of Conduct.

Marketing Function Employees shall not perform Transmission Functions.

With respect to the physical premises occupied by employees, the independent functioning requirement shall be implemented in accordance with the following:

1. Access to Manitoba Hydro's trading floor is provided only to a limited number of employees of Manitoba Hydro's Power Supply Business Unit and certain shared employees.
2. Access to the System Control Centre is controlled by utilizing a card access system and 24 hour security procedures. Only personnel of Manitoba Hydro's Transmission System Operations Division shall have access cards for the System Control Centre. Other persons, including Marketing Function Employees, may have limited supervised access to the System Control Centre (excluding the System Control Room) provided that they sign in with security personnel and be personally escorted within the System Control Centre by an employee of Manitoba Hydro's Transmission System Operations Division.
3. Access to the System Control Room within the System Control Centre is restricted to System Control Center staff and support staff from other departments within the Transmission Business Unit who are responsible for System Control Centre software, hardware, communications and transmission security studies. Access to the System Control Centre is controlled by utilizing a card access system.

VII. No Conduit

The Transmission Provider and its employees, contractors, consultants and agents are prohibited from disclosing, or using a conduit to disclose, non-public transmission function information to Marketing Function Employees.

This requirement shall be implemented in accordance with the following:



1. Although certain employees may have access to Transmission Function Information, they may never be a “conduit” or pass this Transmission Function Information to Marketing Function Employees. In particular, employees of Marketing Affiliates who are not considered Marketing Function Employees must be diligent not to pass any transmission function information to the Marketing Function Employees. Also, employees who provide a corporate service function for both the Transmission Provider and Marketing Affiliates shall not pass Transmission Function Information to any Marketing Function Employee.
2. Prior to sharing Transmission Function Information with any Manitoba Hydro employee, employees shall determine whether the recipient is allowed to receive the Transmission Function Information under Standards of Conduct. If the employee is unsure about whether the information is Transmission Function Information, or whether the requestor is not entitled to receive same, the employee shall consult with his or her supervisor or the Chief Compliance Officer.

VIII. Transparency

The Transmission Provider must provide equal access to Transmission Function Information to all its transmission customers, Affiliates and non-affiliated, except in the case of confidential customer information or critical energy infrastructure information.

This requirement shall be implemented in accordance with the following:

1. Information Access Compliance
 - (i) The Transmission Provider shall use the Internet Website to publicly disseminate to transmission customers, including its Marketing Affiliates, information required to be posted pursuant to the Standards of Conduct. All postings shall comply with the Standards of Conduct.
 - (ii) Manitoba Hydro’s IT Department has erected and maintains appropriate password requirements, firewalls, and other security measures for all Transmission Provider’s information systems. Manitoba Hydro’s IT Department conducts periodic reviews of passwords, firewalls, and other security measures to ensure that the integrity of the information systems is maintained.
 - (iii) The Transmission Provider and the Marketing Affiliate share the following information systems which may contain Transmission Information, with proper restrictions in place to comply with the Standards of Conduct:
 - a) Energy Management System (“EMS”) and Supervisory Control and Data Acquisition (“SCADA”)

EMS provides for Control Area responsibilities and SCADA provides control over transmission and generation facility operations and data acquisition from substations. Access to real time data from the EMS and SCADA systems is confined to computer systems within the System Control Centre and a back-up control facility. Applications that use Transmission Information not available on OASIS or the Internet Website are confined to security co-ordinator applications and are not accessible to Manitoba Hydro's Marketing Affiliate. Once each hour, information from the MWhr accumulators, status points and analog values on the EMS/SCADA are transferred into a corporate data base composed of three directories. Marketing Function Employees are unable to access these directories as they are prohibited from obtaining user identifications. The following day, information from these computer directories is loaded into a sybase database which is accessible to corporate employees and a second database which contains transmission and reliability information from SCADA. Marketing Function Employees are unable to access the latter database as they are not provided with user identifications.

The System Control Department of the Transmission Provider operates generation to meet the reservoir plans developed by the Operations Planning Department of the Manitoba Hydro's Marketing Affiliate. These Operations Planning Department personnel require non-transmission related hydraulic and plant output information from EMS to assess operations. Data base access controls, in the form of user identification requirements, ensure that Marketing Function Employees do not retrieve transmission-related information from EMS.

b) Interchange Billing

The Transaction Scheduling System computer system is currently used by Marketing Function Employees to conduct energy sales and purchases billings. It enables Marketing Function Employees to prepare interchange billing statements information in this computer system is limited to those personnel in Power Supply who are engaged solely in billing transactions (Data Control, Business Services). This security is achieved through log on and password procedures. Data Control, Business Services personnel are prohibited from communicating any information related to the transmission system of Manitoba Hydro or a third party to Power Supply employees who are not engaged in transmission billing.

c) Transmission Tariff Billing

The Transmission Provider's open access transmission tariff billing functions are contracted to the Midwest Independent Transmission System Operator, Inc. The Midwest Independent Transmission System Operator, Inc. calculates and issues invoices to the

Transmission Provider's transmission customers including Manitoba Hydro's Marketing Affiliate. Revenue collected by the Midwest Independent Transmission System Operator, Inc. on Manitoba Hydro's behalf is then forwarded to the Transmission Provider.

2. Posting of Prohibited Disclosures:

(i) Non-Public Transmission Information

The Transmission Provider must post disclosures of non-public transmission information on the Internet Website.

(ii) Non-Public Transmission Customer Information

The Transmission Provider must post a notice on the Internet Website in the event that customer information has been disclosed.

(iii) Exceptions to Posting

a) Customer Voluntary Consent

If a non-affiliated transmission customer consents in writing to allow the Transmission Provider to share its customer information with a Marketing Function Employee, the Transmission Provider may share such information. The Transmission Provider will post notice on the Internet Website of the consent along with a statement that it "did not provide any preferences, either operational or rate-related, in exchange for the voluntary consent."

b) Specific Requests Relating to Transmission Provider Service

The Transmission Provider is not required to disclose on the Internet Website information regarding a Marketing Affiliates' specific request for transmission service, including discussions with the Marketing Affiliate with respect to the Marketing Affiliate's participation in capacity expansion or new development projects. This exception does not apply to outages or other system conditions. A record of any such meetings under this exception must be maintained.

c) Emergencies

The Transmission Provider may share non-public Transmission Function Information to maintain or restore operation of the transmission system. A record of any such meetings under this exception shall be maintained.

3. Meetings and Communications Between Transmission Function Employees and Marketing Function Employees

- (i) For all communications between Transmission Function Employees and Marketing Function Employees, a contemporaneous record must be made and maintained for a period of five years. The record may consist of hand-written or typed notes, electronic records such as e-mails and text messages, recorded, and the like; however, the record must be retrievable. In an emergency when a contemporaneous record cannot be made, the record should be made as soon as practicable after the fact.
- (ii) Employees attending the joint meeting must be reminded to comply with the restrictions on the exchange of Transmission Function Information as set forth in Section IV below. Further, the joint meeting should only be held if the topic of the meeting is one of the topics discussed above. If it is unclear whether the topic is permissible, seek clearance from the Chief Compliance Officer or the Law Department.
- (iii) The Chief Compliance Officer must be made aware of meetings between Transmission Function Employees and Marketing Function Employees.

IX. Additional Employee Responsibilities

1. All Manitoba Hydro employees are individually responsible for compliance with Standards of Conduct. Manitoba Hydro does not condone or tolerate violations of the Standards of Conduct. Employees who fail to comply with these Standards of Conducts may be subject to disciplinary action.
2. Marketing Function Employees
 - (i) Marketing Function Employees must be aware of the information restrictions and the rules that apply between Transmission Function Employees and Marketing Function Employees. Generally, Marketing Function Employees may not have access to Transmission Function Information unless it is obtained via a public source (for example, the Internet Website).
 - (ii) Marketing Function Employees shall abide by the following requirements:
 - a) Marketing Function Employees shall not gain or attempt to gain access to Transmission facilities, including computer systems, or Transmission Function Information by any means. If you have access to Transmission facilities or Transmission Function Information or if you feel you have received access inappropriately, do not review the information and report the incident immediately to his or her supervisor or the Chief Compliance Officer:
 - b) If Transmission Function Information is obtained inadvertently or otherwise in violation of the Standards of Conduct or these Procedures, Marketing Function Employees shall not use the

information in any capacity and report the incident immediately to his or her supervisor or the Chief Compliance Officer.

X. Chief Compliance Officer Duties and Responsibilities

The duties and responsibilities of the Chief Compliance Officer shall include:

1. Identifying and maintaining a list of employees that must receive Standards of Conduct training and ensuring that all affected employees receive the necessary training as required by the Standards of Conduct.
2. Distributing these Procedures to all affected employees.
3. Monitoring employee transfers between Manitoba Hydro departments to ensure that appropriate actions are taken for employees that transfer into or out of the Transmission Provider and move from being Transmission Function Employees to Marketing Function Employees, and vice versa.
4. Ensuring proper documentation of Standards of Conduct issues and matters and ensuring that documentation is retained for the requisite period.
5. Monitoring and updating informational postings to ensure that data is current and correct, consistent with the Standards of Conduct and these Procedures.
6. Attending joint meetings as required between Transmission Function Employees and Marketing Function Employees.

XI. Emergency Procedures

In emergency circumstances affecting system reliability, in which the Transmission Provider needs to maintain or restore operations of the system or needs to comply with approved reliability standards, the Transmission Provider may take whatever steps are necessary to keep the system in operation, including exchanging non-public transmission function information with Marketing Function Employees. A record of any such communication must be made as soon as practicable after the fact.

XII. Informational Posting Procedures

The following information shall be maintained on the Internet Website by the Chief Compliance Officer:

1. Names and addresses of Marketing Affiliates;



2. Complete list of employee-staffed facilities that are shared by both Transmission Function Employees and Marketing Function Employees;
3. The job titles and job descriptions of all Transmission Function Employees;
4. Information on Employee transfers. The name of a Transmission Function Employee that transfers to a position as a Marketing Function Employee, or any transfer of a Marketing Function Employee to a position as a Transmission Function Employee must be posted on the Internet Website for 90 days, and include the name of the transferring employee, the respective titles held in the Transmission Function and Marketing and Energy Affiliate, and the effective date of the transfer; and
5. These Procedures. The Chief Compliance Officer shall update this information within seven business days of any change and shall indicate the date the information was updated.

XIII. Training Procedures.

The following employees shall receive a copy of these Procedures and shall receive training regarding Standards of Conduct annually:

1. Transmission Function Employees;
2. Marketing Function Employees;
3. supervisory and other employees of the Transmission Providers who are likely to become privy to Transmission Function Information; and
4. supervisory and other employees of Affiliates of Manitoba Hydro to the extent they are likely to become privy to Transmission Function Information.

Those employees who received training shall, upon completion of the training, certify (by signature or electronic certification) that they have received training.

New Transmission Function Employees, Marketing Function Employees, supervisory employees, and any other employees likely to become privy to Transmission Function Information shall receive a copy of the Procedures and shall receive training relating to the Standards of Conduct as soon as possible upon commencing employment. These employees are also required to certify (by signature or electronic certification) that they have completed the training.

All other employees of Manitoba Hydro are encouraged to take the Standards of Conduct training.

XIV. Questions or Concerns

Employees should report any concerns and direct any questions to the Chief Compliance Officer.