

# Transmission Services Billing and Payment Business Practice

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## 1.0 Overview

This document outlines the Newfoundland and Labrador System Operator's (NLSO) Billing and Payment process for its Transmission Customers. Charges to Transmission Customers for Transmission Service shall be determined and invoiced in accordance with the applicable Transmission Service Agreement, subject to additional clarification or details as specified herein. All capitalized terms in this document are defined in Section 2.0 of the *NL Transmission Policies and Procedures*.

## 2.0 Billing

The NLSO shall invoice Transmission Customers on a monthly basis for Transmission Services provided during the preceding month. Invoices shall reflect the rates, charges, and credits applicable to a Transmission Customer, using the categories identified in the Transmission Service Agreement and at the rates posted on the NLSO OASIS. Any applicable taxes shall be added to the rates and charges prior to the application of any applicable Transmission Funding Credit.

(a) Billing Procedures

No later than the fifth Business Day of each month, the NLSO shall submit an invoice, via email, to the Transmission Customer for all applicable Transmission Service rates and charges incurred under its applicable Transmission Service Agreement during the preceding month. The invoice shall be deemed as received by the Transmission Customer on the day that it was e-mailed. The invoice shall be paid by the Transmission Customer within twenty (20) calendar days of receipt. All payments shall be made in immediately available funds payable to the NLSO or by wire transfer to a bank named by the NLSO.

(b) Disputed Invoices

In the event that a Transmission Customer has initiated a dispute over an invoiced amount pursuant to the applicable Transmission Service Agreement, the Transmission Customer remains responsible for paying the invoiced amount in full during dispute. Upon receiving written notice of an initiated dispute, the NLSO shall place the disputed, paid amounts in an independent escrow account pending resolution of such dispute. All costs incurred in setting up and maintaining the escrow account is the responsibility of the Transmission Customer. Any amounts placed in escrow shall bear interest as per Section 2.0 (c).

In the event of a billing dispute between the NLSO and a Transmission Customer, the NLSO will continue to provide Transmission Service under the applicable Transmission Service Agreement pending resolution of the billing dispute in accordance with the applicable Transmission Service Agreement as long as Transmission Customer (i) continues to make all payments not in dispute and (ii) pays into an independent escrow account the portion of the invoice in dispute, pending resolution of such dispute.

If the Transmission Customer fails to meet these two requirements for continuation of service, then the NLSO may provide notice to the Transmission Customer of its intention to suspend service in thirty (30) calendar days.

(c) Interest on Unpaid Balances

Interest on any unpaid amounts (including amounts placed in escrow) shall be calculated at the Canadian Prime Rate plus three (3) percent per annum, from the required date of invoice payment (as per Section 2.0 (a)) to the date of payment. When payments are made by mail, invoices shall be considered as having been paid on the date of receipt by the NLSO. The unpaid balance and interest charge for the previous month will appear on the current month's invoice.

### **3.0 Invoice for System Impact and/or Facilities Studies**

Upon completion and delivery of a System Impact Study or Facilities Study, the NLSO shall invoice Transmission Customers for System Impact Studies and/or Facility Studies performed on their behalf pursuant to the applicable System Impact Study Agreement or Facilities Study Agreement. The invoice will contain a summary of all costs and expenses incurred, directly or indirectly, by or on behalf of the NLSO in conducting the study and add GST/HST where applicable. The invoice shall be paid by the Transmission Customer within thirty (30) calendar days of receipt. All payments shall be made in immediately available funds payable to Newfoundland and Labrador Hydro, c/o NLSO or by wire transfer to a bank named by Newfoundland and Labrador Hydro on behalf of the NLSO.

### **4.0 Assignment or Resale of Transmission Services**

Transmission Customers (the Reseller or Assignor) may resell or assign all or a portion of its transmission rights pursuant to, and as permitted, under its Transmission Service Agreement to a Transmission Customer Affiliate (the Assignee). In the event of an approved Assignment or Resale, the NLSO will invoice for Transmission Service under the applicable Transmission Service Agreement as follows:

1. The NLSO will invoice, on a monthly basis, the Reseller or Assignor, as appropriate, for its Reserved Capacity for the preceding month, minus those amounts of its Reserved Capacity which were the subject of an approved Resale or Assignment during the invoicing period and add GST/HST where applicable. The NLSO shall charge the Assignee for any amounts of Reserved Capacity that it has assumed through Resale or Assignment during the invoicing period and add GST/HST where applicable.
2. In the event of non-payment by an Assignee, the Reseller or Assignor will be retroactively charged for such unpaid amounts plus applicable interest as per Section 2(c).

The Transmission Customer will remain liable for all obligations under the Transmission Service Agreement, except as specifically agreed to by the Parties through an amendment to the Transmission Service Agreement.

## 5.0 Transmission Funding Credit

A Transmission Customer shall be eligible for a Transmission Funding Credit offsetting the monthly charges for Transmission Service under its applicable Transmission Service Agreement to the extent that a Transmission Customer, pursuant to other agreements or legal obligations, has made documented payments for the capital or operating costs of transmission facilities that are integrated into the NL Transmission System and NL Sub-Transmission System and the costs of such transmission facilities are otherwise included in the NLSO's rates for Transmission Service. Documentation and calculation of this Transmission Funding Credit shall be conducted pursuant to the applicable Transmission Service Agreement. For the avoidance of doubt, the Transmission Funding Credit shall not apply to: (i) charges for Non-Firm Point-to-Point Transmission Service; (ii) charges for Ancillary Services; or (iii) any other payment obligations owed by a Transmission Customer to the NLSO under the applicable Transmission Service Agreement. For the avoidance of doubt, the Transmission Funding Credit shall only be applied to the amount owing by Transmission Customer otherwise calculated on an after-tax basis.

## 6.0 Payments

Transmission Customers are required to make full payment for all charges stated on their invoice, including any disputed charges. Payment will be due thirty (30) calendar days from the date of invoice issuance. In the event that the due date falls on a weekend or statutory holiday recognized in the City of St. John's, NL, the due date shall be the first Business Day before the weekend or statutory holiday. Pursuant to the applicable Transmission Service Agreement, all payments are to be made in immediately available funds payable to the NLSO, or by wire transfer to a bank named by the NLSO. Transmission Customers will be deemed to be in default if all or part of an invoice has not been paid on or before the invoice due date, and will be subject to interest on any unpaid amount as per Section 2(c).

## 7.0 Deposits

Transmission Customers applying for Firm Point-to-Point Transmission Service and Network Integration Transmission Service are required to provide a deposit to the NLSO with submission of the application for Transmission Service pursuant to Section 5.5 of the *NL Transmission Policies and Procedures* and also may be required to post security pursuant to applicable NLSO Creditworthiness Requirements. A deposit is not required for an application for Non-Firm Point-to-Point Transmission Service. Similarly, Transmission Customers entering into an agreement for a System Impact Study or Facilities Study are required to pay a deposit pursuant to the applicable System Impact Study or Facilities Study.

A Transmission Customer should notify the NLSO by e-mail at [transmissionservices@nlh.nl.ca](mailto:transmissionservices@nlh.nl.ca) prior to making the deposit to ensure that all parties are aware of the transaction. The method of payment for any required deposit may be either certified cheque payable to the NLSO or Electronic Wire Payment to the NLSO. The NLSO shall notify the Transmission Customer when it has verified that the deposit is received by the NLSO.

## 8.0 Goods and Services Tax (GST) / Harmonized Sales Tax (HST)

GST is a 5% tax on the sale of most goods and services in Canada. HST is a blend of the GST with an included provincial tax on the sale of most goods and services in participating provinces. The NLSO is required to collect GST/HST on the supply of all wholesale Transmission Services (charged under the applicable Transmission Service Agreement) based on the place-of-supply rules in the Excise Tax Act (Canada) unless the exemption conditions outlined below are met. In cases where the Transmission Service is used by the Transmission Customer to import electricity into Newfoundland that originates in Canada or transmit electricity that originates in Newfoundland for delivery in Newfoundland or Canada, the supply of these services is subject to GST/HST based upon the rate applicable in the Province of ultimate destination.

### GST/HST Exemptions for Transmission Service

GST/HST rules for freight transportation services apply to transmission services purchased for electricity imports and exports. Under these rules GST/HST may be zero-rated (subject to GST/HST at a rate of 0%) if certain conditions are met. The following conditions must apply for the GST/HST on Transmission Services to be zero-rated:

- Electricity Imports

The Transmission Service is being used by the Transmission Customer to import electricity that originates outside Canada and is being shipped by the NLSO from any point in Canada to a destination within Canada as part of a continuous inbound freight movement that originated outside Canada.

- Electricity Exports

The Transmission Service is being used by the Transmission Customer to export electricity that originates inside Canada and is shipped by the NLSO to another point in Canada for export to a destination outside Canada as part of a continuous outbound freight movement.

### Requirements for Zero-Rated GST/HST on Transmission Services

Documentary evidence must exist as to origin, destination and path of the freight movement. OASIS transmission reservations submitted by Transmission Customers that show the transmission path from an origin outside Canada to a destination in Canada will suffice as documentary evidence for electricity imports.

To qualify for GST/HST zero-rated Transmission Services on electricity exports, Transmission Customers must complete and return a Shipper's Declaration (see Appendix A). A Shipper's Declaration declares that the property was shipped for export and that the freight transportation service supplied by the carrier (the NLSO) was part of a continuous outbound freight movement within the meaning of Section 7(a) of Part VII of Schedule VI to the Canadian Excise Tax Act. Transmission Customers are required to submit one Shipper's Declaration form to the NLSO. The declaration will be kept on file as documentation to support all future export transmission reservations submitted by the Transmission Customer. Where these conditions have been met, the NLSO will charge its customers 0% GST/HST on the transmission charges rather than the normal GST/HST.

### GST/HST Charges for U.S. Transmission Customers on Transmission Services

The GST/HST rules outlined above apply to both Canadian and U.S. Transmission Customers. Transmission Customers who are GST/HST registrants may recover GST/HST paid by claiming input tax credits on their GST/HST return to the extent that the Transmission Services were used in their commercial activities.

### GST/HST Charges on Ancillary Services

Any supply of Ancillary Services is subject to GST/HST, unless the aforementioned GST/HST zero-rated rules for Transmission Service apply. GST/HST zero-rated rules for Transmission Service apply to the following Ancillary Services purchased to support electricity imports and exports:

- Scheduling, System Control and Dispatch Services; and
- Reactive Supply and Voltage Control from Generation or Other Sources Service.

Because the following Ancillary Services are used in whole or in part in Canada, GST/HST will be added to the charges for the following services at the applicable rate:

- Regulation and Frequency Response Service;
- Energy Imbalance Service;
- Operating Reserve - Spinning Reserve Service; and
- Operating Reserve - Supplemental Reserve Service.

## **9.0 Customer Inquiries and Disputes**

Transmission Customers should address inquiries or disputes regarding the billing and payment process for Transmission Services to [transmissionservices@nlh.nl.ca](mailto:transmissionservices@nlh.nl.ca). Inquiries/disputes will be addressed consistent with the terms of the applicable Transmission Service Agreement and the NL Transmission Policies and Procedures.

# Appendix A: Shipper's Declaration Form

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**Declaration by the shipper  
under paragraph 7(a) of Part VII of Schedule VI to the Excise Tax Act**

<b>CARRIER:</b>	<b>Newfoundland and Labrador System Operator</b>
<b>SHIPPER (the "Shipper"):</b>	
<b>FREIGHT TRANSPORTATION SERVICE:</b>	<b>Transmission Service and the following Ancillary Services purchased to support the Transmission Service: Scheduling, System Control and Dispatch Service, Reactive Supply and Voltage Control, and Regulation and Frequency Response Service (the "Freight Transportation Service")</b>
<b>PROPERTY:</b>	<b>Electrical Energy and Capacity</b>
<p>The Shipper has entered into one or more agreements with the Carrier by which the Carrier will provide Freight Transportation Service for the export of the Shippers Property.</p> <p>The Shipper hereby declares that the property is being shipped for export and the Freight Transportation Service to be supplied by the Carrier is part of a continuous outbound freight movement in respect of the property, within the meaning of subsection 1(1) of Part VII of Schedule VI to the Canadian Excise Tax Act.</p>	
<p><b>DECLARED BY THE SHIPPER:</b></p> <p><b>SIGNATURE:</b> _____</p> <p><b>NAME (Printed):</b> _____</p> <p><b>TITLE:</b> _____</p> <p><b>DATE:</b> _____</p>	