NLH-209 PUB (Re: Page 22, line 35)

Please provide the evidence that was relied on that the Holyrood plant is used as a peaking unit.

Response:

EES Consulting arrived at this conclusion that a portion of Holyrood is used as a peaking unit after reviewing Hydro's application, and in particular Section 6.2 of the Stone & Webster Management Consultants evidence on a Rate Design for Newfoundland Power. On page 11, SWMCI states "…Hydro should try to strike a balance between the demand and energy rate levels such that the demand rate satisfies the above criteria with the energy rate reflecting short-run marginal cost, in this case the fuel cost at Holyrood". This statement would suggest that in peak periods, an incremental demand for generation usually supplied from Holyrood.

EES Consulting also gained the impression that Holyrood generating facilities are primarily used for peak generating periods after reviewing Hydro's "East Coast Voltage Study", provided in its response to NP 121. On the first page of the executive summary, Hydro states: "Based on the load flow analysis and the cost estimates obtained, it is recommended that Unit No. 3 at Holyrood be utilized as a synchronous condenser for voltage support during periods of light and medium loads; that is, periods when generation is normally off at Holyrood."

In the context of page 22, line 35 of EES Consulting's evidence, the issue raised is Hydro's stated intent for the tail block rate to signal a higher incremental cost in periods of peak demand (found on page 11 of SWMCI). Where that incremental production originates, or even the value of that incremental cost, is of no consequence to EES Consulting's recommendations.