

1 Q. Paragraph 3(b)(i) of the Electrical Power Control Act, 1994 (EPCA) provides

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3. It is declared to be the policy of the province that

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(b) all sources and facilities for the production, transmission and distribution of
power in the province should be managed and operated in a manner

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(i) that would result in the most efficient production, transmission and distribution
of power,

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Please describe CA Energy Consulting's consideration of whether NP's generation credit
incentivizes efficient management and operation of the power system (i.e., absent a COS credit,
NP would be incentivized to behave in a manner that is not efficient) and of whether the CBPP
Pilot Agreement incentivizes efficient management and operation of the power system (i.e., in
the absence of the Pilot Agreement, CBPP's supply contract incentivizes it to operate in a
manner that is inefficient rather than maximizing the annual energy generation potential
from its own hydraulic generation).

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A. This response has been provided by Christensen Associates Energy Consulting.

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CA Energy Consulting provided a review of these topics in Sections 5.4 and 5.5 of its report.
Section 5.5 discusses the Newfoundland Power generation credit, stating that "The current
generation credit performs the useful task of negating any incentive that NP would have to
manage its generation to minimize its peak demand, and its revenue obligation to Hydro."
(Page 73, lines 11-13.) Under the generation credit, Hydro is able to operate NP's
generation units to provide power at least cost. (See footnote 95 at the bottom of page 72
for details.) The credit permits NP to avoid NP-load following behavior using thermal
generation that would be necessary to minimize its peak demand, a generator
management pattern that would constitute a departure from least cost when considering
the Island system as a whole.

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1 Similarly, Section 5.4 discusses the capacity assistance agreements with Corner Brook Pulp
2 and Paper Ltd. (“CBPP”) and Vale (dominated by CBPP in terms of available capacity). The
3 report states that, “Since 2009, CBPP has been operating under a piloted Generation Credit
4 service contract that permits CBPP to maximize the efficiency of its 60 Hz Deer Lake Power
5 generation.” (Page 69, line 26 and page 70, lines 1-2.) The pilot agreement operates under
6 conditions constrained by CBPP’s operational circumstances, but the effect is to move the
7 site generator away from load following and towards operating efficiently within Hydro’s
8 network.