

1 Q. CA Energy Consulting is asked to confirm that, absent the Pilot Agreement, CBPP is
2 effectively economically incented (by way of Hydro’s contract and rate design) to operate
3 its hydro generation in a manner that is inefficient, prioritizing a flat load (whether this is
4 beneficial to the system or not) at the expense of energy generation? How would CA
5 Energy Consulting recommend this be addressed in a new CBPP rate design?
6
7

8 A. This response has been provided by Christensen Associates Energy Consulting.
9

10 CA Energy Consulting confirms that Corner Brook Pulp and Paper Ltd. (“CBPP”) would not
11 have an economic incentive to operate its hydro generation as efficiently as it does
12 currently. Our report does not make recommendations for updating or replacement of
13 Hydro’s agreements with CBPP, since a revised contracting arrangement would need to
14 review the full range of needs of the customer, and the full range of generation and
15 demand response services that CBPP might provide. The report makes a general
16 suggestion, that “... an alternative pricing agreement, supported by reference to market
17 prices and internal capacity valuation may prove valuable to Hydro.” This suggestion is not
18 prescriptive, but merely indicates that market-based valuation of generation services would
19 be a sound basis for contract development.