

NLH-LAB-013. Re: “Newfoundland and Labrador Hydro’s Proposed Network Addition Policy and Transmission Expansion Study”, Section 3.1, page 28. “It is recommended that Newfoundland and Labrador Hydro’s load forecasts take the uncertainty of the underlying forecast of energy requirements into account, by using low, medium and high forecasts.”

Please explain how low, medium and high forecasts would be developed in consideration of speculative loads that would be incremental to the baseline forecast for Labrador East.

RESPONSE:

Mr. Raphals states:

The question suggests that my recommendation was misunderstood.

The quoted sentence is the first of three bolded recommendations in Section 3.1. Together, they read:

It is recommended that Hydro’s load forecasts take the uncertainty of the underlying forecast of energy requirements into account, by using low, medium and high forecasts.

...

It is recommended that, in the future, Hydro present both P50 and P90 baseline load forecasts for both Labrador East and Labrador West regularly and in a consistent format, setting out the date of the forecast and highlighting and explaining all significant changes from the previous forecast.

It is also recommended that, in the future, sensitivity forecasts for each region be clearly identified and broken down by type of incremental load.

The first recommendation, the one quoted in the question, flows from a point made on the previous page:

It therefore appears that the peak load forecast is based entirely on the medium forecast of energy requirements, not taking into account any other uncertainty in relation to that forecast.

To clarify, the quoted recommendation refers to the baseline forecast, and suggests that, instead of basing it only on the medium forecast of energy requirements, it should also include high and low scenarios of energy requirements, reflecting the uncertainty around the underlying forecast of energy needs over the next 20 years.

The second recommendation quoted above suggests that these baseline forecasts be presented in a consistent format of both P50 and P90 forecasts for both Labrador East and Labrador West, and that they be dated and should highlight and explain all significant changes from the previous baseline forecast.

The third recommendation, concerning the sensitivity forecasts, is the only one that includes “speculative loads”, and it simply recommends that they be broken down by type of incremental load, without commenting

on how those forecasts should be developed. Based on Table 2 of Appendix B to the TES, they appear to consist of cryptocurrency and industrial loads.

Hydro appears to have in place an approach for forecasting industrial loads. For cryptocurrency loads, however, it stated that it simply uses the applications it has received as a forecast for future loads.²³

To this recommendation, I would add another: **That Hydro endeavour to develop a forecasting framework for estimating future cryptocurrency demand that takes into account worldwide trends (including price) in that industry, as well as developments in neighbouring jurisdictions.**

²³ LAB-NLH-086b.