

1 Q. On page 7 of “Evidence Capacity Assistance Procurement Process and
2 Considerations”, filed with the Application, Newfoundland and Labrador Hydro
3 (“Hydro”) states that its forecasts indicate that it does not anticipate calling on
4 capacity assistance during the winter of 2014/2015, but that “....*Hydro understands*
5 *that there is a desire to have such arrangements in place to ensure adequate*
6 *capacity is available in the event of higher than forecast peak demand requirements*
7 *due to extreme weather and/or unforeseen system issues.*” If Hydro does not
8 anticipate calling on capacity assistance during the winter of 2014/2015, does
9 Hydro believe that this proposal, which requires a fixed annual payment of
10 \$1,680,000, provides for economically available interruptible load and should be
11 approved?

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14 A. The statement “Hydro’s forecasts indicate that it does not anticipate calling on
15 capacity assistance during the winter of 2014/15” is based upon an analysis
16 assuming average customer load and average generation availability. However, as
17 stated in the evidence to the Application, the capacity assistance agreement is
18 intended to be used in the event of unlikely generation contingencies combined
19 with extremely cold weather conditions similar to those experienced in December
20 2013 and January 2014.

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22 Capacity shortfalls can still occur during periods of extreme cold weather conditions
23 coincident with an above average outage rate to generation equipment. In the
24 report filed in support of the application for the new combustion turbine at
25 Holyrood, Hydro stated the combination “of reduced availability and extreme load

1 forecast would require a combination of a 100 MW combustion turbine and 60 MW
2 interruptible arrangements with all in service in December 2014.”¹
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4 Hydro believes the proposed capacity assistance agreement ensures increased
5 system reliability for customers at a reasonable cost.

¹ See page 6, *Supply and Install 100 MW (Nominal) of Combustion Turbine Generation*, Holyrood, April 10, 2014.