

1 Q. Has Nalcor established a standard for the maximum acceptable limit of unsupplied
2 energy? If so, please advise this standard. If not, why not?

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5 A. NL Hydro has not established a definitive standard or limit for unsupplied energy.
6 Instead of a single standard for unsupplied energy, NL Hydro has a Business
7 Continuity Planning process that assesses both the impact on customers and
8 likelihood of occurrence of events that could result in unsupplied energy. Based on
9 this analysis NL Hydro completes an overall risk ranking.

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11 The impact on customers is measured on the level of unsupplied energy on a scale
12 of one to five with one being “ business as usual” and five being an unsupplied
13 energy of greater than 830 MWh. The likelihood of occurrence is also measured on
14 a scale of one to five with one being “ not very likely” (likelihood of occurrence less
15 than once in 100 years) and five being “ near certain” (likelihood of occurrence
16 more than once per year). Based on the impact and likelihood an overall risk
17 ranking of Low, Medium or High is determined.

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19R Risks with an overall ranking of High have both high customer impact and high
20 probably of occurrence and mitigation of these risks takes priority. Medium and
21 Low risks on the other hand are less severe and these are assessed individually. The
22 cost of risk mitigation may often out weigh the benefit and when this is the case the
23 prudent utility view is to develop an emergency response plan to implement in the
24 rare event of occurrence. Nalcor believes that an assessment of risk, including
25 both assessment of customer impact and probability, along with the development
26 of a mitigation plan to address these risks, is an appropriate and prudent alternative
27 to implementing a single limit for unsupplied energy.

1 The loss of TL 202 and TL 206 in the current operating scenario and the loss of the
2 Bipole in the Island Interconnected scenario are both High impact Low likelihood
3 events. The cost of mitigation for either of these events is high and NL Hydro has
4 opted to accept these risks consistent with its Business Continuity Planning process.