

1 Q: Re: Liberty Report, Conclusion 2.22 (pp. 33); Conclusions 2.9, 2.10 and 2.11
2 (p. 31)

3
4 Citation:

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6 2.9. Despite nearly 200 MW of additional generation and demand-side
7 resources, the supply situation is expected to remain tight until the
8 arrival of Muskrat Falls.

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10 2.10. Additional new generation does not present a good option, unless
11 new load materializes or availability declines.

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13 2.11. Despite improvement initiatives in 2014, availability remains a major
14 challenge.

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16 It represents the only remaining, practicable option for improving supply
17 reliability in the near-term. Hydro needs to pursue availability
18 aggressively, in conjunction with exploring demand-side potential.

19
20 2.22

21 ... The particular importance of supply considerations over the next few
22 years, as they relate to demand management, centers upon the question of
23 pay-back periods for potential demand-side options. A program designed
24 to reduce demand may not look effective if one assumes that Muskrat
25 Falls and the link to the Island Interconnected System arrive as scheduled.
26 The question in that event becomes how long a delay it would take to make
27 a program a net effective contributor to supply adequacy. Clearly, a
28 meaningful answer to that question requires a robust range of potential in-
29 service dates for new capacity.

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31 Preamble: The underlined sentences in Conclusion 2.22 in the Citation suggest
32 that demand reduction programs should be justified on economic grounds,
33 because their costs are lower than the costs a that they avoid. However, in the
34 context described in Conclusions 2.9, 2.10 and 2.11, it would appear that
35 demand reduction may be essential in order to maintain adequate supply
36 reliability.

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38 Please confirm or correct the statements in the Preamble.

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40 Insofar as demand reduction is found to be the only practicable means for
41 maintaining the desired level of reliability, please provide guidance as to the
42 appropriate standards by which proposed programs should be judged.

- 1 A. Demand reduction that seeks to increase reliability also has an economic dimension
2 (for example, the avoided cost of new generation or the returns from market sales
3 made possible). A baseline consideration is how much reduction one can
4 reasonably expect to produce over what period of time, and how that reduction will
5 change the level of resulting reliability. To this extent the considerations are similar
6 to those applicable to considering supply additions. To the extent that one finds that
7 demand reduction would make a material contribution to reliability and that it is
8 superior to other alternatives (considering economics, along with other factors, such
9 as certainty and timing, and long-range viability), a judgment needs to be made on
10 the tradeoff between the reliability increase to be obtained and the costs involved.
11 That decision should be guided by the degree of risk of supply insufficiency and the
12 magnitude of the costs involved. We do not offer a particular formula for making
13 that decision, but do recommend that all of the information be developed as
14 promptly as possible, in order to permit a prompt and informed decision.