

*Requests for Information*

1 **Q. Is Newfoundland Power of the opinion that its existing seasonal and time-of-use**  
2 **rates assist in conservation initiatives and should customers be encouraged to avail**  
3 **of these rates?**

4  
5 **A. *General***

6 Newfoundland Power is of the opinion that its existing optional seasonal rate and its  
7 general service rates assist in conservation initiatives.<sup>1</sup> It has been shown that seasonal  
8 and time-of-use rates can assist in conservation initiatives but the conservatory effects  
9 tend to be long-term in nature. For this reason, Newfoundland Power encourages  
10 customers to avail of the optional seasonal rate when it makes sense for them.<sup>2</sup>

11  
12 Newfoundland Power is also of the opinion that seasonal and time-of-use rates do not  
13 provide the scale of reductions in customer load requirements on a timely basis that  
14 would have been required to significantly limit the impact of supply shortages during the  
15 period January 2-8, 2014. At times when there is a high risk of shortage in the amount of  
16 generation on an electrical system due to either supply problems or high demand for  
17 electricity, seasonal and time-of-use rate designs do not provide a substitute for the  
18 insufficiency of supply.

19  
20 Rate design can be used by utilities to incent customers to reduce their load during  
21 critical periods on the power system through peak load management rate designs.  
22 Examples of such rate designs include critical peak pricing (“CPP”) and  
23 interruptible/curtailable rate options.<sup>3</sup>

24  
25 ***Curtable Service Option***

26 Newfoundland Power has a Curtable Service Option (“CSO”) available to its large  
27 general service customers to support peak load management.<sup>4</sup> The CSO provides

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<sup>1</sup> Newfoundland Power has an Optional Seasonal Rate available to all its domestic customers and its general service rates also include seasonal attributes with a higher priced demand charge during the winter period to encourage customers to manage their winter demand requirements. The Company is currently conducting a review of time of day (“TOD”) rates through a TOD rate study. The results of this study are expected later in 2014. However, any decision to implement TOD rates would require reliable cost data relating to Muskrat Falls supply costs. See footnote 6.

<sup>2</sup> Because Newfoundland Power’s general service rates are mandatory, customers in those rate classes have no choice but to be served under the terms of the rate.

<sup>3</sup> CPP programs are similar in nature to an interruptible/curtable rate program. Customers are notified the day ahead of a CPP event to reduce their power usage during a specific time frame for the following day. There are a limited number of critical peak pricing events in a year. With a CPP program, the energy rates during a CPP event are much higher than the energy rates at other times. The savings to CPP participants are normally provided through a lower energy rate throughout the rest of the year compared to the comparable rate for customers not on the CPP program.

<sup>4</sup> Large General Service customers are provided 1 hour notice to curtail their load requirements. The CSO provides Newfoundland Power with approximately 8 MW of available peak load reduction.

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1 operational benefits in dealing with system constraints and may be beneficial in planning  
2 for future system capacity requirements.<sup>5</sup>

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4 When conducting its *Retail Rate Review* during 2008-2010, Newfoundland Power held  
5 discussions with Newfoundland and Labrador Hydro (“Hydro”) with respect to the  
6 benefit of implementing new peak load management initiatives. Based on those  
7 discussions, the earliest time that new peak management programs on the Island were  
8 anticipated to be cost effective was when the Labrador Infeed proceeds.<sup>6</sup>

9  
10 The CSO is available to General Service customers that, upon 1 hour notice, can reduce  
11 winter peak demand by 300 kW or more.<sup>7</sup> The Company currently has 17 customers on  
12 the CSO; this is a decline from 21 participants in 2009.<sup>8</sup> Most customers on the CSO  
13 have backup generation to utilize during curtailment requests.

14  
15 The Company continues to offer the CSO. However, no new customers have availed of  
16 the CSO for several years and existing customers are expressing concern that the cost of  
17 participation may be exceeding the credit provided by the rate option.

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19 See the response to Request for Information PUB-NP-018 for further information on how  
20 participation in the CSO might be increased.

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<sup>5</sup> On the Isolated System, the value of the CSO from a system planning perspective will depend on whether the system is energy constrained or demand constrained and the reliability of the CSO in establishing demand reductions.

<sup>6</sup> In the response to Request for Information CA-NLH-033 in Hydro’s 2013 General Rate Application, Hydro indicated a new marginal cost study will be required upon completion of the commercial arrangements between Nalcor and Hydro for the cost of electricity from Muskrat Falls and for the costs for the new transmission infrastructure.

<sup>7</sup> To a maximum of 5,000 kVA.

<sup>8</sup> The CSO customers include public sector customers such as health care facilities and municipal water supply facilities, and private sector customers from tourism and manufacturing.