

Introduction

From January 2nd to January 8th, 2014, Newfoundland Power (NP) and Newfoundland and Labrador Hydro (NLH) were forced to implement rolling blackouts because of reduced capacity at Hydro's Holyrood generating station and record levels of demand. On January 4th a province-wide blackout occurred, caused by a transformer fire which led to the tripping of the Holyrood thermal generator and subsequent collapse of the provincial grid.

These events became popularly known as Dark NL.

Soon after this event, the PUB called an inquiry into the events and circumstances surrounding and leading up to the supply issues and power outages on the Island Interconnected System.

In our original written presentation to the PUB hearings on February 5th, 2014, the Newfoundland and Labrador New Democratic Party (NL NDP) made note of our concerns that the public's confidence in the province's power system and the province's public utility, Nalcor, has been badly shaken.

We said at the time that in order to restore public's confidence in the electrical supply the Board's enquiries would have to expand beyond the events of Dark NL, and the load requirements in the near term.

We suggested the Board would also have to examine the reliability of the long term power supply — specifically the reliability of power after 2017 when Muskrat Falls power comes online. Others noted the same thing in their presentations.

We were pleased to see the PUB agreed with this assessment. Weeks after the initial public hearings the Board announced its investigations would comprise two phases.

In Phase One the Board would investigate and report on concerns regarding the adequacy and reliability of supply on the Island Interconnected System up to the interconnection with Muskrat Falls.

Specifically they wanted to review the events of Dark NL, evaluate changes to the Island Interconnected System to get ready for the next winter, as well as examine each utility's response to the power outages.

Phase Two will look at system reliability of the post-Muskrat Falls power supply, with the Board investigating and making recommendations on the adequacy and reliability of supply on the Island's Interconnected System after Muskrat Falls power is brought online.

The province's New Democrats' participation in the Phase One PUB investigations was motivated by a number of public policy concerns.

- Government must ensure Nalcor's primary concern remains providing sufficient generation capacity to meet the power needs of the people of the province.
- Government must also ensure that Nalcor develop proper operational maintenance to ensure reliable power delivery.
- Government ensure Nalcor assign senior management to ensure this work is done
- The reliability of the power supply after Muskrat Falls power be examined.
- That part of protecting system reliability be the creation of an independent energy efficiency agency which will promote energy efficiency in the residential, commercial and community sectors of our province.

Phase One: The Process To Date

To assist with Phase One investigations, the PUB commissioned Liberty Consulting Group to investigate the power outages and report to the PUB on causes and recommendations. Liberty did its work and the PUB has received its reports, as well as reports from Nalcor, Newfoundland Power and others.

In its December, 2014 report, Liberty praised the work done by NLH since Dark NL to address its problems, but noted that despite NLH's best efforts to increase reserve generating capacity with the installation of a 120 megawatt gas turbine, its power reserves remain very low, and there remains a high risk of further outages for 2015-2017, when Nalcor predicts Muskrat Falls power will be brought online.

Ongoing Concerns at the End of Phase One

On March 4th of this year, approximately 80,000 people in the eastern and central parts of the Island portion of the province briefly lost power due to another failure of a unit at the Holyrood thermal plant. The outage prompted Newfoundland Power to implement rolling blackouts to manage supply in order to keep people as warm as possible in subzero temperatures.

We will not comment on this incident until the PUB investigation is complete, other than to point out the obvious issue — incidents like this do not help restore public confidence in the system. Why is NLH still unable to provide reliable power?

Nalcor CEO Ed Martin has been quoted in the media that Nalcor must “strike a balance” to ensure there is enough generating capacity to serve the province until Muskrat Falls comes online in 2017.

How high a priority has Nalcor placed on ensuring the short term reliability of the power supply? Does “striking a balance” mean hoping for the best until Muskrat Falls comes online? We want clarification on this statement.

We are still concerned about the long term reliability of the Holyrood thermal plant, especially as Nalcor has said the plant will continue to be an important part of the grid for years after Muskrat Falls power comes online for the Island.

In addition to concerns regarding generating capacity, Liberty has noted a host of other issues which we will also continue to monitor, including but not limited to ongoing communication issues between NLH, Newfoundland

Power and the public; system reliability (e.g. March 4th incident); ongoing asset management regarding transmission and distribution systems; and issues surrounding Liberty's recommendation for the appointment of a new, full time executive for Newfoundland and Labrador Hydro, as well as other personnel and governance issues.

Ultimately, as shareholder, government is responsible for the operations of Nalcor. What is government doing to address these concerns regarding ensuring Nalcor provide sufficient generating capacity and correct the other issues that have arisen from the PUB's investigation into Dark NL?

Phase Two: Post-Muskrat Falls

In our original February, 2014 presentation to the PUB we emphasized our concerns regarding how Nalcor plans to ensure a stable and reliable power supply, not only in the short term, but beyond 2017 when they will fundamentally change the Island's power system by introducing Muskrat Falls power.

Only when these plans are provided will public confidence be restored.

The PUB will soon initiate its Phase Two inquiries, and we plan to participate in this stage and hope to see the following issues examined.

The first two issues were mentioned in our original letter:

1. Alpine Transmission Line Reliability

The reliability of the alpine sections of the Labrador-Island Link over which power will flow from Muskrat Falls to Soldiers Pond outside St. John's is of great concern.

If the Labrador Island Link fails in extreme weather, the province could be facing extended power shortages. As Liberty has already expressed concerns about NLH's present low generating capacity, Nalcor's plans for how they would deal with such an extreme weather event will be essential

to re-establishing public confidence. Rolling blackouts are not an option people are willing to accept, it is essential that these concerns are properly addressed.

What are the back-up plans, reserve generating capacity and other plans in place to deal with such an issue were it to occur?

2. Power from Nova Scotia via Maritime Link

In response to public concerns about future power system reliability, Nalcor introduced the idea that emergency power could be obtained from Nova Scotia through the Maritime Link, once it is built.

The agreements Nalcor made with Emera are confidential. We would like the Board to — at the very least — review these agreements to ensure they are in the best interests of the people of the province. The better situation would be to make these agreements public, in the interest of public confidence in system reliability.

3. Meeting North American Standards

Nalcor CEO Ed Martin has said in the media that before Muskrat Falls comes online in 2017, work will need to be done on the way Nalcor's power system is organized in order to match up to the reliability standards across North America. He added that the plan is to have the new organization in place by the end of 2015, to ensure it works once Muskrat Falls starts producing power.

We want an open, transparent and clear plan on what is required for the power system and how those requirements will be met.

4. Energy Efficiency

The province's New Democrats see energy efficiency as an important aspect of the long term system reliability of the province's power supply.

Energy efficiency is using less energy to provide the same service, resulting in less demand on the power supply, arguably improving its reliability.

The NL NDP is calling for the creation of an arms-length agency, Efficiency NL, which would promote energy efficiency in the residential, commercial and community sectors of our province.

Notwithstanding the obvious environmental and economic benefits of energy efficiency, we think a discussion of the benefits of energy efficiency, and the creation of an independent energy efficiency agency as has been done in other provinces, should be a part of the Phase Two discussion.

We hope to see the PUB recommend the creation of this agency to government and Nalcor.

To paraphrase a popular energy efficiency phrase, the most reliable kilowatt is the kilowatt you don't use.

The Importance of an Independent Review

Nalcor has responded to Liberty's observations and recommendations by saying publicly that what Liberty has reported is in alignment with their own internal investigations.

Be that as it may, we think the involvement of an independent agency like the PUB is of paramount importance.

Public confidence can only be re-established by a truly arms-length authority such as the PUB.

Conclusion

The province's New Democrats first and foremost want to thank the many people at the PUB, the utilities and other participants for their hard work and contributions to the Phase One process. There certainly has been, and continues to be, a spirit of cooperation from the major participants.

The electrical grid is a fundamental support of our economy and society. Its reliability is paramount, as every person depends on it in one manner or another. While all parties involved appear to be working diligently towards restoring public confidence, the NL NDP is not convinced that confidence has been restored.

Why does generation capacity and system reliability remain a serious concern?

Has the Muskrat Falls project caused government and Nalcor to lose sight of their duty to protect and maintain the province's power supply?

Does the balance Nalcor suggests it is looking for include spending as little as possible until the onset of Muskrat Falls power in 2017, and is this a responsible response to its obligation to maintain low cost reliable power to the people of the province?

How does Nalcor plan to ensure a stable and reliable power supply beyond 2017 when it will fundamentally change the Island's power system?

We are looking forward to the review of the reliability of the province's power supply and grid after Muskrat Falls power is brought online.