



NEWFOUNDLAND AND LABRADOR
BOARD OF COMMISSIONERS OF PUBLIC UTILITIES
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Dear Sirs/Madams:

Re: Investigation and Hearing into Supply Issues and Power Outages on the Island Interconnected System - Phase Two - Pre-Muskrat Falls Supply

The Board is writing to address the issue set out in its letter of January 31, 2017 related to the adequacy and reliability of supply on the Island Interconnected system prior to interconnection with Muskrat Falls. In its correspondence the Board stated:

The Board has reviewed the information filed to date and believes that, in the circumstances, it is necessary to address the issue of whether continued risks to the adequacy and reliability of supply on the Island Interconnected system prior to interconnection with Muskrat Falls requires further work at this time. The Board is also of the view that this issue must be addressed on an urgent basis to ensure that the opportunity to take appropriate steps, if necessary, is not lost. Given the urgency the Board plans to address the following question on a priority basis with a view to reaching a conclusion this spring:

Are immediate steps necessary to reduce the risks to the adequate and reliable supply on the Island Interconnected system, as currently configured?

To assist in answering this question the Board advised that Liberty would be requested to provide a report in relation to this matter. Liberty filed its report *Evaluation of Pre-Muskrat*

Falls Supply Needs and Hydro's Energy Supply Risk Assessment on February 27, 2017. Liberty concluded that several recent developments had changed the supply outlook considerably:

- The addition of the 110 MW recall power
- The 88 MW reduction in the forecast 2019-2020 demand since the 2015 forecast
- The lifting of the deratings on Holyrood units, which was a concern in early 2016

According to Liberty these three factors work against the need for more pre-Muskrat Falls generation. Liberty stated:

Our primary recommendation is that new pre-Muskrat Falls supply not be pursued further at this time. Prudent planning would suggest that this conclusion be revisited in one year or sooner if major assumptions change. Further, we expect that a decision on new post-Muskrat Falls supply needs will be made in the next year and, to the degree that a new CT solution is required, the desirability of advancing that CT into the pre-Muskrat Falls window should be evaluated.

Liberty also noted that there were a number of risks and uncertainties that may not have been adequately analyzed by Hydro in its November 2016 supply risk assessment and that there were issues in which Hydro may not have reflected the full exposure and uncertainties with key assumptions. Nevertheless Liberty concluded that there is insufficient justification to proceed with new pre-Muskrat Falls capacity now.

On April 13, 2017 Hydro filed its response to Liberty's report in which it agreed with Liberty's recommendations and provided its proposed actions and timeline to address the recommendations. Hydro provided comments on specific issues raised by Liberty related to load forecast sensitivities, the 110 MW recall power, thermal unit operation, operational and organizational issues, availability of the Maritime Link, and post Muskrat Falls capacity.

The intervenors did not file comment on Liberty's report or Hydro's response.

The Board has reviewed Liberty's report and the information provided by Hydro including its commitments in relation to Liberty's recommendations, and is satisfied that no immediate steps are necessary to reduce the risks to the adequate and reliable supply on the Island Interconnected system as currently configured.

Despite this conclusion it is clear that there are ongoing risks in relation to the adequate and reliable supply on the Island Interconnected system which should be monitored closely until interconnection. In particular the Board will monitor Hydro's response to Liberty's recommendations as well as the other requirements that have been established by the Board, including:

- Liberty recommended that Hydro continue its aggressive efforts to improve Holyrood reliability. Hydro also recently filed a separate report on the Hardwoods and Stephenville gas turbines, which sets out the design and operational changes to be implemented to improve the operation of both units and enhance short and long term reliability.¹ The vast majority of these improvements are expected to be implemented by the fall of 2017. Hydro has committed to providing an update to the Board on June 30, 2017. Given the importance of Hydro's thermal assets in

¹ Hydro filed a final report on January 11, 2017. An updated report was filed on April 17, 2017.

ensuring continued adequacy of supply until interconnection, this area is of particular concern to the Board and will be monitored closely.

- With respect to the progress of TL267, this project has been advanced, with an aggressive construction schedule, to provide for enhanced reliability for the Avalon Peninsula. Hydro continues to file monthly status reports. While there have been some setbacks, the latest report indicates that the project remains on schedule for October 2017 in-service.
- Liberty recommended that the need for pre-Muskrat Falls generation should be reconsidered in one year, or sooner, if major assumptions change, including, the feasibility of the recall power, the load forecast or the Muskrat Falls in-service date. For clarity the Board expects that Hydro will monitor all major assumptions and not just those noted, and will advise the Board of any negative impact on supply availability associated with changes in these assumptions, as well as the corresponding risk mitigation opportunity, if applicable.
- Hydro has been directed to file ongoing monitoring reports, as well as winter readiness planning reports in the fall of each year and an annual report on its transmission system and terminal station asset management execution. The winter readiness planning reports and Hydro's subsequent updates to these reports over the course of the winter period have been important in monitoring the status of winter readiness for Hydro's generation, transmission and distribution equipment. These reports will become more critical for the next two winters in advance of interconnection and the Board will continue to closely monitor Hydro's efforts in this area.

These matters will form a part of the record for the Board's consideration of the longer term issues to be addressed in Phase Two of this investigation.

In terms of next steps there is still a significant amount of information to be filed by Hydro in Phase Two. On May 5, 2017 the Board established an issues list for Phase Two, setting out the critical outstanding information to be provided by Hydro in relation to these issues. The additional information requested includes several studies related to system integration upon interconnection, covering areas of operations, planning, coordination, reliability and risk mitigation. The Board has asked that Hydro advise by May 15, 2017 as to when this information will be available. The Board will provide further directions on the schedule and process for the continuation of the Phase Two investigation.

If you have any questions, please do not hesitate to contact the Board's Legal Counsel, Ms. Jacqui Glynn, by email, jglynn@pub.nl.ca or by telephone 709-726-6781.

Yours truly,


Cheryl Blundon
Board Secretary

CB/cj

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