

Office of the Consumer Advocate

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October 11, 2019

The Board of Commissioners of Public Utilities
Prince Charles Building
120 Torbay Road, P.O. Box 21040
St. John's, NL
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Attention: Ms. Cheryl Blundon
Director Corporate Services & Board Secretary

Dear Ms. Blundon:

Re: Reliability and Resource Adequacy Study
– Liberty Recommendations and Hydro Response

On November 16, 2018 Newfoundland and Labrador Hydro (“Hydro”) filed a report with the Public Utilities Board (the “Board”) entitled *Reliability and Resource Adequacy Study*. The report identifies Hydro’s proposed planning criteria and its plan for meeting the needs of electricity consumers in a reliable manner over the next ten years through 2028. Liberty Consulting Group (“Liberty”) reviewed Hydro’s report and filed an August 20, 2019 report summarizing the results of its review (see Liberty report entitled *Review of Newfoundland and Labrador Hydro’s Reliability and Resource Adequacy Study*). Liberty made 13 recommendations for Hydro’s consideration. The Board categorized 7 of the recommendations as requiring immediate action and in a letter dated September 12, 2019 requested Hydro to file comments on the seven recommendations. The Board’s letter also invited other parties to provide comments on the recommendations.

This letter conveys the Consumer Advocate’s comments. The Consumer Advocate appreciates the opportunity to provide comments on this important matter.

Overview of Recommendations and Hydro Response

In a letter dated September 27, 2019 Hydro responded to the seven Liberty recommendations identified by the Board as requiring immediate action. It appears that Hydro accepts all seven of the Liberty’s recommendations and identifies plans for addressing each recommendation. Hydro’s plans are either currently underway or soon to be initiated.

Five of the recommendations requiring immediate action (recommendation #1, 7, 8, 9 and 12) relate to the LIL and the uncertainties surrounding its near- and longer-term availability and reliability, and preparations at Holyrood TGS for ensuring it is ready for use as back-up power in the event of loss of the LIL. Recommendation #2 relates to the conduct of a stakeholder review process to address the value of lost load. Recommendation #5 relates to a review of differences between the Hydro system and those in Manitoba and Quebec to identify implications for benchmarking its planning reserve margin relative to these jurisdictions.

Hydro indicates that it will address the recommendations in reports that it intends to file with the Board in the next two months, primarily its next *Reliability and Resource Adequacy Study* that will be filed with the Board on November 15, 2019 and its *2019-2020 Winter Readiness Planning Report* that was to be filed with the Board on October 10, 2019.

Consumer Advocate's Comments

The Consumer Advocate agrees with the Liberty recommendations identified by the Board as requiring immediate action and is satisfied with Hydro's plans and timetable for addressing these recommendations. We share Liberty's concern about the availability and reliability of the LIL and the adequacy of Holyrood TGS for use as a reliable source of supply in the event of loss of the LIL. We note that at the public hearing on the Reference on Muskrat Falls rate mitigation Liberty and Mr. Marshall both expressed concerns about the availability and reliability of the LIL over the next few years. It is the Consumer Advocate's understanding that the plan all along has been to maintain Holyrood TGS in service as a contingency until there is confidence in the reliability of the new operating regime brought on by the Muskrat Falls project.

Areas that have long been of interest to the Consumer Advocate relate to generation reserve margins and the value that customers place on reliability of supply. We note that reliability cannot be considered in the absence of cost impacts – improvements in reliability must be weighed against the additional costs of providing this reliability and customer willingness to pay. We note that customers have always expressed an interest in reliability improvements, but when faced with a decision between improved reliability and increased rates, they often opt for maintaining current levels of reliability over paying higher rates. Recommendation #2 relating to a stakeholder review process to address the value of lost load and recommendation #5 relating to the implications of benchmarking Hydro's planning reserve margin against those in Manitoba and Quebec will go a long way toward addressing this issue which is particularly important at this time given that rates are expected to double in 2021 following commissioning of the Muskrat Falls project.

In conclusion, the Consumer Advocate looks forward to the opportunity to participate in subsequent aspects of the reliability and adequacy study and the balancing of reliability and customer willingness to pay. If there are any questions with respect to our comments, please contact the undersigned.

Yours truly,



Dennis Browne, Q.C.
Consumer Advocate

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cc **Newfoundland and Labrador Hydro:**

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