Q. It is understood that Hydro proposes to base supply planning decisions on a P50 peak demand forecast while continuing to assess and report to the Board on forecast exposure under the P90 peak demand forecast. Hydro will use the P90 peak demand forecast in evaluating the requirement for incremental resources. Please confirm or deny the accuracy of this statement and explain that this approach to using the P90 forecast is appropriate when the P90 forecast is already incorporated in Hydro's model used for determining the LOLE of 0.1. It is noted that Hydro's 2019 Update (Volume I, page 14) suggests there may be duplication using this approach. Is such double counting consistent with ensuring an appropriate balance of cost and reliability?

A. While the first portion of the statement above, which states "It is understood that Hydro proposes to base supply planning decisions on a P50 peak demand forecast while continuing to assess and report to the Board on forecast exposure under the P90 peak demand forecast" is accurate, the second part of the statement, which states "Hydro will use the P90 peak demand forecast in evaluating the requirement for incremental resources" is inaccurate. Rather, Newfoundland and Labrador Hydro ("Hydro") is proposing to evaluate the P50 peak demand forecast as the basis for resource additions.

In setting the planning reserve margin, which is based on a Loss of Load Expectation of 0.1, Hydro incorporates load forecast uncertainty, as described in Volume I Section of Hydro's 2018 Filing. This ensures that the full range of forecast uncertainties, including the P90 forecast, is considered in the model when establishing the planning reserve margin. If Hydro were to use the P90 as the basis for expansion it would result in the double counting of a portion of the forecast uncertainty. Hydro does not believe that this is consistent with ensuring an appropriate balance of cost and reliability at this time, and as such has proposed to use the P50 peak demand forecast as the basis for resource additions.