

1 Q. **Reference: Application**

2 With respect to Hydro’s distribution business, excluding isolated systems:

- 3 a) What metrics and policies guide Hydro’s distribution business? For example, in terms of  
4 reliability, does Hydro strive to: i) mirror the Canadian average, ii) exceed the Canadian  
5 average, iii) fall short of the Canadian average by a specific percentage, etc?
- 6 b) Should Hydro strive for reliability metrics that outperform Electricity Canada’s Region 2  
7 averages? Why or why not?
- 8 c) Do Hydro policies and metrics relating to distribution reliability take into consideration  
9 the impact on customers and customer willingness to pay?

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12 A. a) Newfoundland and Labrador Hydro (“Hydro”) uses Service Continuity SAIDI<sup>1</sup> and SAIFI<sup>2</sup>  
13 metrics, calculated in conformance with Electricity Canada (“EC”) practices, to determine its  
14 distribution business reliability performance. Hydro uses the average of the previous five  
15 years’ annual Service Continuity SAIDI and SAIFI performance metrics as its annual Service  
16 Continuity SAIDI and SAIFI performance targets.

17 For Service Continuity metrics, Hydro is an EC Region 2 utility. EC Region 2 consists of  
18 utilities with a mix of rural and urban customers. However, as compared to many of the  
19 other EC Region 2 utilities, Hydro’s distribution customers are more geographically widely  
20 dispersed and are primarily located in rural and/or remote areas. Many of these locations  
21 are also exposed to severe maritime environment and weather. These conditions result in  
22 Hydro’s Service Continuity metrics underperforming compared to the EC Region 2 average.  
23 As a consequence of this situation, Hydro strives to balance reliability and capital  
24 infrastructure costs and to provide consistent Service Continuity reliability performance for  
25 its distribution customers.

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<sup>1</sup> System Average Interruption Duration Index (“SAIDI”).

<sup>2</sup> System Average Interruption Frequency Index (“SAIFI”).

1           **b)** Please refer to part a) of this response.

2           **c)** As Hydro has noted in previous matters, while its approach to achieving distribution  
3           reliability does not formally consider its distribution customers' willingness to pay, Hydro  
4           does appreciate that its actions impact its customers and strives to balance reliability  
5           performance and costs to provide reasonable electrical service to its distribution customers.  
6           Please refer to Hydro's response to CA-NLH-026 of this proceeding for further discussion of  
7           Hydro's customer engagement practices.