



NEWFOUNDLAND AND LABRADOR  
**BOARD OF COMMISSIONERS OF PUBLIC UTILITIES**  
120 Torbay Road, P.O. Box 21040, St. John's, Newfoundland and Labrador, Canada, A1A 5B2

2017-01-31

**Newfoundland and Labrador Hydro**

Ms. Tracey Pennell  
Senior Counsel  
Newfoundland and Labrador Hydro  
P.O. Box 12400  
St. John's, NL A1B 4K7  
E-mail: TraceyPennell@nlh.nl.ca

**Industrial Customer Group**

Mr. Paul Coxworthy  
Stewart McKelvey Stirling Scales  
Cabot Place, 100 New Gower Street  
P.O. Box 5038  
St. John's, NL A1C 5V3  
E-mail: pcoxworthy@stewartmckelvey.com

**Newfoundland Power Inc.**

Mr. Gerard Hayes  
55 Kenmount Road  
P.O. Box 8910  
St. John's, NL A1B 3P6  
E-mail: ghayes@newfoundlandpower.com

**Teck Resources Limited**

Mr. Larry Bartlett, General Manager  
Teck Resources Limited  
Duck Pond Operations, P.O. Box 9  
Millertown, NL A0H 1V0  
E-mail: larry.bartlett@teck.com

**Consumer Advocate**

Mr. Dennis Browne, Q.C.  
Browne Fitzgerald Morgan & Avis  
Terrace on the Square, Level 2  
P.O. Box 23135  
St. John's, NL A1B 4J9  
E-mail: dbrowne@bfma-law.com

**Grand Riverkeeper Labrador Inc.**

Ms. Roberta Frampton Benefiel  
Box 569, Station B  
Happy Valley-Goose Bay, NL A0P 1E0  
E-mail: rebnfl@gmail.com

**Mr. Danny Dumaresque**

213 Portugal Cove Road  
St. John's, NL A1B 2N5  
E-mail: danny.liberal@gmail.com

Dear Sirs/Madams:

**Re: Investigation and Hearing into Supply Issues and Power Outages on the Island Interconnected System - Phase Two - 2017 Process**

The Board is writing to advise as to the next steps in the investigation into supply issues and power outages on the Island Interconnected system in January of 2014.

The Board began this investigation on January 10, 2014 and issued its interim report on May 16, 2014. This report set out the Board's concerns in relation to the reliability and adequacy of supply on the Island Interconnected system in the near term and identified the actions to be taken prior to December 1, 2014. While considerable work has been completed in relation to this issue, ongoing concerns have been expressed in relation to supply adequacy on the Island Interconnected system. Liberty concluded in its August 19, 2016 report that the supply risks until interconnection are greater than suggested by Hydro's assessment and that new generation will likely be required

prior to interconnection. The Board set out its concerns at pages 51-52 of its Phase One report, dated September 29, 2016:

In the circumstances the Board concludes that there are significant continuing risks to the adequacy and reliability of supply on the Island Interconnected system. The Board is especially concerned about continued reliance on Hydro's aging thermal units, the announced delay in the Muskrat Falls project and Liberty's conclusions in its Phase Two report. While it was Hydro's view in 2015 that the Island Interconnected system can supply all customer demand under multiple contingencies through to 2018, the Board notes that a delay in the Muskrat Falls project and deteriorated generation unit performance are two of the factors which Hydro had stated may impact its assessment. The Board believes that further urgent work is required to fully assess the circumstances and risks with a view to determining the measures that are required in relation to supply. It is imperative that circumstances continue to be closely monitored so that immediate action and decisive action can be taken where necessary to ensure adequate and reliable supply prior to interconnection with Muskrat Falls.

Hydro was directed to file a comprehensive review of supply on the Island Interconnected system. On November 30, 2016 Hydro filed an updated Energy Supply Risk Assessment and provided responses to information requests on January 13, 2017. In addition, in accordance with Order No. P.U. 22(2016), Hydro filed reports relating to its gas turbine assets and is scheduled to provide responses to requests for information in relation these reports by February 11, 2017.

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?***

This will involve the consideration of the existing circumstances, including the information filed by Hydro in relation to its supply risk analysis and recent actions taken, but will not address the supply alternatives that may be available should further actions be required. Should the Board determine that further actions are required, Hydro will be immediately directed to provide further information in relation to alternatives and recommended actions.

To assist, the Board has asked Liberty to provide a report addressing whether the opinion expressed in its August 19, 2016 report on the risks to the adequacy and reliability of the Island Interconnected system, assuming an isolated island scenario, has been affected in any way by Hydro's actions and the information filed since that time. Liberty's report should be available by the third week of February and requests for information, responses, issues lists and submissions will be scheduled on an expedited basis. The shortened timeframe will be to ensure that this matter is concluded this spring. The Board may also determine that it is appropriate to proceed on the basis of the written record to address this narrow but critical issue.

In relation to the longer term issues, while interconnection with Muskrat Falls has now been delayed until 2019-2020, the Board is concerned that some of the outstanding work to be done by

Hydro may take some time to complete. In particular the Board is concerned in relation to the long lead times which are associated with regulatory compliance, the execution of complex commercial agreements and the purchase and installation of major equipment and plant which may be determined to be required as plans for interconnection become finalized. The Board notes Liberty's statement in relation to post interconnection, at page 105 of its August 19, 2016 report:


Hydro has identified what needs to be done, but there is no evidence as yet that it will be as effective in actually implementing those plans. The complexity of the transition organization, the numerous vacancies, the limited plans for new talent, concerns with existing organizational capabilities, current organizational upheaval, and delays in Muskrat Falls and the LIL are all reasons to suspect that the implementation challenge will be very difficult. Hydro needs to establish a greater sense of urgency and demonstrate that it is up to this challenge.

Liberty concluded that there are a number matters that need to be addressed and set out a number of recommendations relating to the work to be done in relation to a wide range of matters critical to addressing adequacy and reliability post interconnection. In particular Liberty noted that there were a number of significant studies and plans to be completed in relation to the Labrador Island Link and further that there does not appear to be suitable progress in resolving certain issues related to the Maritime Link.

The Board believes that it is critical that the required work is undertaken to ensure the reliability and adequacy of supply on the system upon interconnection. To assist in moving this matter forward, the Board will ask Liberty to develop a preliminary list of issues which should be addressed to assess adequacy and reliability on the Island Interconnected system upon interconnection setting out the critical outstanding information in relation to these issues. This list will be completed in the next several weeks and will be provided to the parties for comment.

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](mailto:jglynn@pub.nl.ca) or by telephone 709-726-6781.

Yours truly,

  
Cheryl Blundon  
Board Secretary

CB/epj

ccc **Newfoundland and Labrador Hydro**  
Mr. Geoff Young, Email: [gyoung@nlh.nl.ca](mailto:gyoung@nlh.nl.ca)  
NLH Regulatory, E-mail: [NLHRegulatory@nlh.nl.ca](mailto:NLHRegulatory@nlh.nl.ca)  
**Newfoundland Power Inc.**  
Mr. Ian Kelly, Q.C., E-mail: [ikelly@curtisdawe.com](mailto:ikelly@curtisdawe.com)  
NP Regulatory, E-mail: [regulatory@newfoundlandpower.com](mailto:regulatory@newfoundlandpower.com)  
**Industrial Customer Group**  
Mr. Dean Porter, E-mail: [dporter@poolealthouse.ca](mailto:dporter@poolealthouse.ca)  
**Consumer Advocate**  
Mr. Stephen Fitzgerald, E-mail: [sfitzgerald@bfma-law.com](mailto:sfitzgerald@bfma-law.com)  
Ms. Sarah Fitzgerald, E-mail: [sarahfitzgerald@bfma-law.com](mailto:sarahfitzgerald@bfma-law.com)  
Ms. Bernice Bailey, E-mail: [bbailey@bfma-law.com](mailto:bbailey@bfma-law.com)  
**Vale Newfoundland and Labrador Limited**  
Mr. Denis Fleming, E-mail: [dfleming@coxandpalmer.com](mailto:dfleming@coxandpalmer.com)  
**Grand Riverkeeper Labrador, Inc.**  
Mr. Philip Raphals, E-mail: [Philip@centrehelios.org](mailto:Philip@centrehelios.org)  
Ms. Prunelle Thibeau-Bédard, E-mail: [prunelletb@gmail.com](mailto:prunelletb@gmail.com)