Q. **Re: RRAS, 2019 Update, Vol. I, page 13 (39 pdf)**

Citation :

4.2.3 Energy Criterion

A review of the system energy capability and forecast requirements have resulted in the recommendation to extend the existing energy planning criteria to cover the entire Newfoundland and Labrador Interconnected System, as follows:

Energy: The Newfoundland and Labrador Interconnected System should have sufficient generating capability to supply all of its firm energy requirements with firm system capability.

Further detail can be found in Volume I, section 3.3 of the 2018 Filing.

Preamble :

Section 3.3.2 of the 2018 Filing (p. 20, or p. 51 pdf) provides essentially the same statement as the one cited.

a) Please identify where in the 2018 Filing further detail about the energy criterion can be found.

b) Is it Hydro's proposal to cease to prepare a supply-demand balance for energy for the Labrador Interconnected System, but only for the integrated NLIS? If so, please explain the reasoning underlying this proposed shift in planning procedures.

c) Please confirm that, until now, it has been Hydro's objective to identify least-cost means to satisfy energy needs within the Labrador Interconnected System, and within the Island Interconnected System.

d) Please confirm that, under the proposed modification, Hydro would no longer have as an objective to identify least-cost means to satisfy energy needs within either the Labrador Interconnected System or the Island Interconnected System, but only within the integrated Newfoundland and Labrador Interconnected System.

e) Please elaborate on the way that Hydro would address a scenario where additional energy resources were required in Labrador under i) the pre-existing and ii) the proposed approaches to energy planning.

f) More specifically :

i. Please elaborate on the differences between the pre-existing and the proposed planning approaches, in the event that the least-cost solution from the perspective of the LIS would not constitute the least-cost solution from the perspective of the NLIS.

ii. Please explain the assumptions that would be used, for the purposes of a least-cost analysis, to evaluate the cost of using energy provided under the Muskrat Falls Power Purchase Agreement to meet any energy shortfall in Labrador.

iii. Please explain how this proposed planning paradigm would handle a situation where the cost of meeting forecast energy demand in Labrador through new energy resources in Labrador would result in lower costs for Labrador consumers than would using energy provided under the Muskrat Falls Power Purchase Agreement.

g) In P.U. 37(2019), the Board accepted the results of a Settlement Agreement which provides that :

Systemization

8. The Parties agree that the Labrador Interconnected System and Island Interconnected System shall continue to be treated as separate systems for Cost of Service purposes.

Please explain why, if the LIS and IIS are to continue to be treated as separate systems for Cost of Service purposes, they should not also be treated as separate systems for planning purposes.

A. a) The citation is consistent across both Newfoundland and Labrador Hydro's ("Hydro") 2018 Reliability and Resource Adequacy Study ("2018 Filing") and its 2019 Update to the Reliability and Resource Adequacy Study as Hydro's proposed energy planning criteria is the same in both filings. The note with respect to further detail about energy criterion as contained in the 2018 Filing refers more generally to the additional detail contained in the 2018 Filing with respect to modelling practices and assumptions.

b) Hydro has proposed energy planning criteria for the entire Newfoundland and Labrador Interconnected System. Please refer to Hydro's response to LAB-NLH-003 for additional detail on Hydro's proposed energy planning criteria.

c) Hydro's objective in system planning continues to be focused on development of least-cost resources which satisfy established system planning criteria. In advance of the in-service of the Labrador-Island Link ("LIL"), which electrically connects the Island Interconnected System to the Labrador Interconnected System, it was not possible to jointly plan these systems. As such, while Hydro did plan these systems on a separate basis, it was not with the intention of minimizing costs for the Island Interconnected System or the Labrador Interconnected System specifically, but rather planning the system on a separate basis was necessitated by the electrical separation of the two systems. Now that the Island Interconnected System and Labrador Interconnected System will be interconnected, planning for the Newfoundland and Labrador Interconnected System will result in least-cost system planning.

d) Please refer to Hydro's response to LAB-NLH-003.

e) Please refer to Hydro's response to LAB-NLH-003.

f) Please refer to Hydro's response to LAB-NLH-003.

g) In the Cost of Service Methodology, Hydro proposed to maintain separate cost of service studies for the Labrador Interconnected System and the Island Interconnected System for the purpose of determining customer rates. There are legislative provisions which influenced Hydro's proposal on this matter. These include the Government direction

exempting customers on the Labrador Interconnected System from paying costs related to the Muskrat Falls Project and the Labrador Industrial Rates Policy implemented for establishment of industrial rates with respect to the pricing for generation supply.

However, resource planning is not impacted by legislative provisions with respect to the establishment of customer rates. Hydro's resource planning is focused on development of least-cost resources to serve the province which satisfy established system planning criteria. Treating the systems separately from a planning perspective when they are no longer separate systems would not be consistent with Hydro's mandate to provide least-cost, reliable service.