

1 **Q. Re: Non-Firm Rate Presentation, page 11**

2 Citation:

3 Non-Firm or Surplus/Excess Energy

- 4 ● Enables the utility to increase sales without additional system investments.
 - 5 ○ Utility does not consider non-firm energy sales in system planning to
 - 6 determine additional transmission or generation investments.
- 7 ● The amount of non-firm energy available fluctuates as firm load requirements
- 8 change on the system by hour, day, week, month or year.
 - 9 ○ Customer interruptions can be frequent (i.e., not just system peak times).

10 **a)** Does Hydro reserve the right to cease deliveries altogether to a non-firm customer?
11 Does it reserve the right to cease deliveries permanently?

12 **b)** In the event of substantial firm load growth in Labrador (e.g. as a result of new mining
13 projects), it is plausible to expect that, at some point, there would not be significant
14 amounts of non-firm energy available?

15 **c)** Given the responses to the previous questions, please explain why Hydro considers it
16 plausible that new customers meeting the established criteria (minimum 1.5 MW at
17 transmission voltage) would set up shop in Labrador to take service under the non-firm
18 rate. Or does Hydro believe that the rate will only be used by existing customers who
19 are unable to meet their energy needs, in whole or in part, through firm service?

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22 **A. a)** Yes, Newfoundland and Labrador Hydro (“Hydro”) reserves the right to cease deliveries to a
23 non-firm customer. This is an important attribute of non-firm power which allows Hydro to
24 sell surplus power when it is available without requiring additional system investments. The

1 proposed Non-Firm Energy Rate notes, under availability, that Hydro may interrupt or curtail
2 the supply of non-firm energy at its sole discretion to deal with system constraints.¹

3 **b)** Yes, if there is growth in the firm load in Labrador then there will be less non-firm energy
4 available for non-firm customers. However, if additional firm transmission capacity is added
5 to serve the growth in firm load, the amount of non-firm capacity available could be
6 replenished.

7 **c)** In the fall of 2021, Hydro solicited applications from customers interested in a non-firm rate
8 option whereby customers could avail of surplus energy when available but accept
9 interruptions when the system does not have capacity to provide service. This option would
10 require no additional common transmission capacity investment in the Labrador
11 Interconnected System and would be an alternative to obtaining service under the Network
12 Additions Policy (“Policy”) as no contribution for the provision of additional firm capacity
13 would be required from customers availing of non-firm service.² Hydro received 17 requests
14 for total capacity which exceeded available non-firm capacity for all seasons in both
15 Labrador East and Labrador West. As interest in the non-firm option exceeded the available
16 non-firm capacity in both regions, applicants were allocated non-firm capacity on an equal
17 basis for each season. Hydro communicated the potential allocated non-firm capacity and
18 requested deposits from applicants to enable Hydro to complete the assessments required
19 to estimate the cost of connecting each customer to the transmission system. Although
20 several customers withdrew their request for non-firm capacity at that time, other
21 applicants remained.

22 There remains uncertainty on how many customers will accept non-firm service as the
23 pricing approach and terms and conditions are not approved by the Board.

¹ “Application for a Non-Firm Rate for Labrador,” Newfoundland and Labrador Hydro, September 15, 2022, sch. 2, p. 1 of 3.

² In its report on Hydro’s proposed Policy, The Brattle Group Inc., a consultant retained by the Board of Commissioners of Public Utilities (“Board”), recommended that the Policy include a non-firm rate option. On June 30, 2021, Hydro filed with the Board a report with respect to the feasibility of the addition of a non-firm rate option to the Policy outlining the capacity which could potentially be made available on a non-firm basis as well as considerations regarding the required attributes of potential non-firm service.