

1 Q. **Reference: Volume I, Section 6.2.3, Section 6.11, and Volume 3, Exhibit 20, Issue Topic:**
2 **Newfoundland Power Generation Credit**

3 Please explain the rationale for changing the test for the Newfoundland Power Generation
4 Credit from a combined Hydraulic Generation Credit and Thermal Generation Credit to separate
5 tests for the hydraulic and thermal components when Newfoundland Power's Generation Credit
6 is based on the Company's combined hydraulic and thermal generation capacity and is credited
7 as such in the Utility rate to Newfoundland Power and in the allocation of costs in Hydro's Cost
8 of Service Study.

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11 A. The rationale for changing the test from a joint test to separate tests is from a reliability
12 perspective. Newfoundland and Labrador Hydro ("Hydro") would like to confirm, heading into
13 each winter period, if Newfoundland Power Inc.'s ("Newfoundland Power") hydraulic and
14 thermal capacity can each meet the amount they are being credited for, and thus be relied
15 upon. Conducting the tests separately is the only manner in which this can be confirmed. In
16 addition, evaluating Newfoundland Power's hydraulic and thermal capacity as a combined
17 resource does not reflect the manner in which these assets are typically dispatched and relied
18 upon from a system operations perspective. Hydro's operational practice is generally to request
19 that Newfoundland Power maximize available hydraulic generation before committing higher-
20 cost standby generation resources. Where thermal generation from Newfoundland Power is
21 required, advance notice is provided to operating staff, and these units are typically dispatched
22 only after other thermal generation alternatives, including Hydro's own thermal resources, have
23 been fully utilized. As a result, requests to maximize Newfoundland Power's hydraulic
24 generation occur more frequently than requests for thermal generation. Consequently,
25 hydraulic generation is often relied upon independently of thermal generation, rather than as a
26 combined resource, in supporting system operations and reliability.