

1 **Q. Reference: Volume I, Section 2.2.2, page 2.19**

2 Hydro states that Energy Marketing utilizes imports and exports to support ponding activities.
3 Based on reports filed with the Board over the past couple of years, ponding activity has been
4 minimal.

5 **a)** Is Hydro anticipating that Energy Marketing will be participating in ponding activities
6 more frequently going forward? Explain.

7 **b)** Describe the system conditions which provide opportunities for ponding activities.

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10 **A. a)** Newfoundland and Labrador Hydro (“Hydro”) does not anticipate an increase in ponding
11 activities going forward. As addressed in part b) of this response, alignment of the
12 conditions required to undertake ponding activities is not a common occurrence. Ponding
13 activities are an economic activity and must be undertaken with the certainty that there will
14 be a net gain to Hydro.

15 **b)** Energy Marketing utilizes importing and exporting to support ponding activities by
16 purchasing energy during lower-priced periods and selling energy during higher-priced
17 periods. The cost of imports is not only the price of energy but also includes: (i) market fees
18 (if purchased from a structured market); (ii) transmission costs through other systems such
19 as New Brunswick and Nova Scotia; (iii) Hydro’s system; and (iv) losses through each system.

20 Within the Island Interconnected System, ponding activity requires the availability of
21 transmission from the Maritime Link into the Island Interconnected System (importing) and
22 out of the Island Interconnected System to the Maritime Link (exporting). In addition, in
23 order to import energy to the Island, there must be generation capacity that can be reduced
24 to allow the imports to be delivered to the Island Interconnected System. To export from
25 Island reservoirs, economic generation capacity would need to be available in order to
26 generate the energy for export. Outside of the Island Interconnected System, depending on

1 the origin of the import, transmission must be purchased through the New Brunswick and
2 Nova Scotia systems; the opposite is required to export ponded energy. In order to
3 undertake ponding activities on the Island, it would be necessary to align all required
4 transmission paths with the right generation capacity.

5 Lastly, if reservoirs on the Island Interconnected System are at risk of spill, import activities
6 are not permitted, while export activities are permitted. Conversely, if the Island is
7 experiencing a drought period, ponding imports are permitted while exports are not.