

Requests for Information

Q. Is Newfoundland Power of the opinion that the existing seasonal and time-of-use rates should be reviewed to determine changes to encourage more conservation? If yes, describe the process for such review. If not, why not?

A. It is Newfoundland Power's opinion that a review of existing seasonal and time of use rates is not required at this time to encourage more conservation.¹ It is Newfoundland Power's opinion that as soon as a more current electrical system marginal cost study is available such a review may be worthwhile.²

Electrical system marginal cost estimates are a critical input in evaluating possible changes to seasonal and time of use rates. Newfoundland and Labrador Hydro ("Hydro") has indicated that a new marginal cost study will be required upon completion of the commercial arrangements between Nalcor and Hydro for the cost of electricity from Muskrat Falls and for the costs for the new transmission infrastructure.³ Conducting a review of rates in advance of understanding marginal cost would not be consistent with public utility practice.

Currently, Newfoundland Power has approximately 8 MW of curtailable load available through its Curtailable Service Option ("CSO"). Newfoundland Power is of the opinion that possible changes to the CSO to promote greater participation may be worthwhile at this time.⁴ Possible changes to the CSO include modifying the curtailment request process so that curtailments are only required when they are necessary to support the Island Interconnected System.⁵ More effective use of the CSO could modestly increase the amount of curtailable load available to the Island Interconnected System.⁶

¹ Newfoundland Power conducted a comprehensive review of its Domestic and General Service rates and an evaluation of alternative rates over the period 2008 to 2010 (the "Retail Rate Review"). The Retail Rate Review was conducted in consultation with Hydro, the Consumer Advocate and Board staff. Changes to general service rates which increased the differential between winter and non-winter demand charges, implementation of the Domestic Optional Seasonal Rate and authorization of the ongoing Time-of-Day Rate Study were among the outcomes of the Retail Rate Review.

² It is also Newfoundland Power's opinion that seasonal and time of use rates cannot be expected to provide the scale of reductions in customer load requirements on a timely basis that would have been required to significantly limit the impact of supply shortages during the period January 2-8, 2014. See response to Request for Information PUB-NP-017.

³ See the response to Request for Information CA-NLH-033 at Hydro's 2013 General Rate Application.

⁴ The Rate Design Report submitted to the Board as part of the Retail Rate Review noted that changes to the CSO were required.

⁵ Currently, customers availing of the CSO are expected to curtail load to reduce demand at the time of Newfoundland Power's forecast system peak in addition to Hydro's requirements for customers to curtail load to support the Island Interconnected System. This results in additional required curtailments for customers and makes the CSO less attractive than it otherwise would be. Limiting required curtailments to those necessary to support the Island Interconnected System would practically require changes to Hydro's Utility Rate.

⁶ Newfoundland Power estimates there may be an additional 8 to 10 MW of potential curtailable load available if improvements to the CSO are made.

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- 1 Changes to the CSO have been discussed by Hydro, the Consumer Advocate and
2 Newfoundland Power.⁷ Review of this matter would be appropriate at Hydro's currently
3 outstanding 2013 General Rate Application.

⁷ This matter was addressed in Hydro's report on *Review of Demand Billing to Newfoundland Power* filed with the Board in April 2008. On many peak days when Newfoundland Power is requesting curtailments to manage its peak, the system has adequate generation available to meet customer demand requirements and the curtailments are not required from a system perspective.