

1 Q. **Re: Page 9, lines 10-11**

2 State when the criteria of minimum reserve was added to Hydro's generation
3 planning criteria and why it was added.

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6 A. Recommendation 2.7, page 34, from the Liberty Consulting Group's report titled
7 *"Supply Issues and Power Outages Review - Island Interconnected System"*, filed on
8 December 17, 2014 stated: *"2.7 Validate a reasonable and practical criterion for
9 reserve margins, although not necessarily in the form of a rigid number, and
10 characterize the degree of risk associated with that criterion."*

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12 Hydro's response to this report, *Newfoundland and Labrador Hydro's Response to
13 the Phase I Report by Liberty Consulting* (the Hydro Reply), dated February 5, 2015,
14 included a discussion of reserve margin. The conclusion was that a margin of 240
15 MW on the P90 peak was proposed as an appropriate reserve margin. From page
16 15, lines 15-17 of the Hydro reply: *"...the IIS will be capable of supplying all
17 customer demand even under many of the potential multiple contingencies, and the
18 risk of generation shortfall does not materially increase until reserves fall below 240
19 MW."*

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21 At that time the 240 MW reserve margin criterion was formally adopted in addition
22 to the pre-existing Loss of Load Hours criterion. This 240 MW reserve criterion has
23 been utilized since that time from a daily operational perspective as well as a
24 planning perspective.