Q. **LAB-NLH-61: Re: LAB-NLH-034**

Citation:

a) The proposed rate does not have an explicit price difference between the winter and the non-winter periods and therefore would not be considered a seasonal rate. However, if a customer's demand requirements are likely to exceed 90% of their annual Power on Order in the winter months but are not likely to do so in the non-winter months, then the higher second-price block would be the cost of adding to peak demand in the winter while the lower-priced first-block price would apply in the non-winter months. In such circumstances, the customer will perceive that the proposed rate design does include attributes of a seasonal rate design and may adjust their behavior in response.

b) The proposed design does not claim superiority to a formal seasonal rate. However, the proposed design achieves a similar seasonal effect while also providing an improved marginal price signal to manage demand requirements in all months of the year. Hydro does not rule out the use of seasonal pricing as a vehicle for rate design in the future. (emphasis added)

Preamble:

Paragraph a) appears to say that the proposed rate design is not a seasonal rate, but would have attributes of a seasonal rate in the event that a customer's demands were greater in the winter than in the summer.

Paragraph b) claims that "the proposed design achieves a similar seasonal effect" as a formal seasonal rate.

The Labrador transmission system is nearing its limits during the winter months, but not during the other months of the year.

a) Please confirm or correct the statements made in the Preamble.

b) Please confirm that, under the proposed rate, if a customer's demand requirements were to exceed 90% of their annual Power on Order in the summer months only, the rate impact would be the same as if an identical increase took place the winter months.

c) Taking into account the response to the previous question, please explain in what way the proposed rate "achieves a similar seasonal effect".

d) Please explain in detail why Hydro chose to implement the proposed rate design, rather than a true seasonal rate design.

e) Has Hydro explored the cost of service of installing wind generation to serve the winter peak in the Labrador Interconnected System? Why or why not? What have been the results of such exploration?

A. a) Hydro confirms that the statements in the preamble are correct.

b) It is confirmed.

c) The proposed rate achieves a similar seasonal effect as customer demand minimally exceeds 90% of Power on Order during summer months. Therefore, the opportunity for savings that can be achieved by the customer through

reduced demand in the summer months is materially less than the opportunity for savings that can be achieved by the customer through reduced demand in the winter months.

d) Please refer to Hydro's response to LAB-NLH-034, part b.

e) Hydro has not explored the cost of installing wind generation to serve the winter peak in the Labrador Interconnected System because wind generation is not a technically viable alternative to provide reliable capacity during peak demand periods on the Labrador Interconnected System. The issue with capacity in Labrador is that the transmission system is nearing its limits during the winter months. In order to avoid transmission upgrades, generating capacity would have to be built at the load centres in Labrador East (Happy Valley-Goose Bay) or Labrador West (Labrador City/Wabush).

While wind may have some capacity value in areas where many wind farms can be constructed over a large geographic area and where there are strong transmission ties, this is not the case in Labrador. To avoid transmission upgrades, the wind farms would have to be built near the load centres. Over long time scales, i.e. years, wind production is very consistent. However, as wind has significant variability over short time periods, it cannot be depended on to be producing power at any particular time, especially given one or two wind farms in a small geographic area. As wind generation cannot be depended on to provide capacity at peak demand times, wind generation has not been considered as a technically viable option to serve the winter peak in the Labrador Interconnected System.