

1 Q. **Reference page 6, lines 19-24, Labrador Interconnected System Network Additions Policy**
2 **– Summary Report.**

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4 Is the use of Expected Unserved Energy in determining value to customers an industry
5 standardized methodology in North America? Please identify other methodologies
6 considered and why they were not selected.

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9 A. The use of Expected Unserved Energy (“EUE”) is referenced by the North American Electric
10 Reliability Corporation in its “Probabilistic Adequacy and Measures” Technical Reference
11 report. This report included a review of probabilistic approaches in the measurement of
12 resource and transmission adequacy. The report included the results of a survey of over 70
13 North American jurisdictions. Of the respondents, one third use EUE metric for assessing
14 reliability. One conclusion of this report is as follows

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16 EUE along with the value of loss load (VOLL) can be used to monetize the cost of
17 loss of load to justify, prioritize or rank transmission or other capital projects.¹
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19 Newfoundland and Labrador Hydro adopted this methodology as a means to incorporate
20 Beneficiary Pays principles in the “Network Additions Policy – Labrador Interconnected
21 System.” This approach allows for the consideration of technical aspects such as equipment
22 rating increases and improved voltage profiles. The value of these aspects is assessed in
23 terms of their impact on the capacity of the transmission system and ultimately in terms of
24 customer reliability.

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26 In addition to EUE, Newfoundland and Labrador Hydro considered other methodologies for
27 the “Network Additions Policy – Labrador Interconnected System,” including the
28 assessments of the economic value of transmission expansion. Consideration of the
29 economic value of transmission system expansion would involve a review of aspects

¹ Technical Reference Report “Probabilistic Adequacy and Measures” North American Electric Reliability Corporation, at p.22 (April 2018).

- 1 including employment benefits, royalties, taxes, etc. Such an approach was deemed to be
- 2 in the domain of public policy and beyond the scope of the “Network Additions Policy –
- 3 Labrador Interconnected System.”