

1 **Q: Re: Brattle Group Report, pages 36-37.**

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Citation:

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We have four recommendations concerning the proposed NAP:

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1. **We recommend modifying the NAP to more completely reflect the goal of cost causation. We recommend that new and requesting load over a size threshold be given a choice to either pay for the necessary network upgrades or choose an interruptible rate. Specifically, we recommend the following high-level choices:**

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- **Option A: Be financially responsible for the network upgrades that exceed the customers' anticipated revenues over some fixed period and providing security equal to the anticipated revenues;**

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or

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- **Option B: Adopt an interruptible rate, which avoids those transmission costs. This choice requires assessing the appropriate level of curtailability/interruptibility to ensure that existing customers do not experience any reduction in the current reliability level.**

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Preamble:

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Recommendations 2 through 4 apply only to customers that choose "Option A" from Recommendation 1.

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- a) **Would Brattle agree that it is in fact making a single primary recommendation; namely, "that new and requesting load over a size threshold be given a choice to either pay for the necessary network upgrades or choose an interruptible rate", and that the remaining recommendations provide additional detail regarding this primary recommendation? If not, please explain how Recommendations 2-4 could be implemented if Recommendation 1 is not retained by the Board.**

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- 1 **b) Is the Brattle Group’s recommendation to modify “the NAP to more**
2 **completely reflect the goal of cost causation” limited to the addition of the**
3 **choice between Option A and Option B (Recommendation #1), and the**
4 **additional recommendations for those that choose Option A**
5 **(Recommendations #2 through #4)? More specifically, please indicate**
6 **whether the Brattle Group also recommends adopting, modifying or**
7 **eliminating each of the following elements of Hydro’s NAP as described in**
8 **sections IV.B. and V.A. of the Brattle Group report:**
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- 10 **i. The “banking” implicit in Hydro’s proposed Upstream Capacity**
11 **Charge;**
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- 13 **ii. The revenue-based investment credit, offered to industrial**
14 **customers only; and**
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- 16 **iii. The benefit for reductions to expected unserved energy (EUE),**
17 **based on the approximate cost of projected gas turbine fuel use.**
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- 19 **c) For Option B, how would Brattle recommend addressing a situation where**
20 **the level of curtailability/interruptibility required to ensure that existing**
21 **customers do not experience any reduction in the current reliability level**
22 **changes over time? Assume, for example, that at the time the new customer**
23 **comes on line, curtailment over 300 hours per year is sufficient to avoid the**
24 **need for new transmission resources, but that, ten years later, the peak**
25 **period has broadened such that, without curtailment, available**
26 **transmission capacity would be exceeded during 310 hours. Should the**
27 **curtailment requirements be reassessed periodically, or set in stone when**
28 **the customer is first accepted for service?**
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- 30 **d) Is the Brattle Group explicitly recommending that the choice between**
31 **Option A and Option B be mandatory for all loads “over a size threshold”,**
32 **or is it open to the possibility that this choice should only be required of**
33 **certain categories of loads?**
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- 35 **e) Does the term “network upgrades” in Brattle Group Recommendation #1**
36 **(choose between Option A and Option B) refer only to the transmission**
37 **system, or might it also include upgrade costs related to the distribution**
38 **system, above and beyond any such costs that could be directly assigned to**
39 **the new customer? If the former, how does the Brattle Group propose that**

1 existing customers be protected from additional distribution system costs
2 resulting from a new customer?
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4 **f) Please indicate the types of customers covered by the network upgrade policies**
5 **described in section III of the Brattle Group report, for each of the six**
6 **Canadian jurisdictions and the US federal jurisdiction surveyed,**
7 **distinguishing between: transmission (wheeling) customers, industrial**
8 **customers taking service at transmission vs. distribution voltages,**
9 **cryptocurrency customers and other retail customers.**

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11 A. a) Yes, we agree.

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13 b)

14 i) The Upstream Capacity Charge as proposed by Hydro is not based on a
15 “but for” analysis. Brattle recommends that the Board adopt a “but
16 for” analysis approach.

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18 Concerning the “banking” approach embedded within the Hydro
19 proposed NAP, as stated on page 35 of the Brattle Report, “Looked at it
20 another way, the Upstream Capacity Charge is not tied to the actual
21 costs that Hydro incurs to upgrade the network charge to accommodate
22 the request of the cost-causing customer. It serves as a form of
23 “banking,” essentially lending Hydro the money until it makes the
24 upgrades. We find this approach uncommon in our review of regulatory
25 jurisdictions, not in line with our view of cost causation principles and
26 complicating the problem needlessly. [emphasis added]”

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28 ii) Brattle recommends that the NAP be applied in a non-discriminatory
29 manner. As stated in Figure 1 on page 7 of the Brattle Report in the row
30 “Credit for Anticipated Revenues” the Brattle recommends crediting the
31 customer for anticipated revenues “...with security provided to ensure
32 no harm to existing customers if the new customer exits the system
33 before producing the credit for revenues.”

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35 iii) As shown in Figure 1 on page 7 of the Brattle Report in the row
36 “Inclusion of Reliability Benefits” the we recommend that reliability
37 benefits not be included, “No, cost causation should be the guiding
38 principle. Hydro’s approach to calculating reliability benefits is non-
39 standard”

- 1 c) The terms and conditions for curtailment should be specified in the applicable
- 2 tariff. We believe it would be appropriate to re-assess the terms and conditions
- 3 in the tariff periodically to ensure that reliability levels to existing customers
- 4 are maintained to the standards approved by the Board.
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- 6 d) Please refer to the response in LAB-PUB-001 part a.
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- 8 e) Please refer to the response in LAB-PUB-005 part c.
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- 10 f) Please refer to the response in LAB-PUB-001 part d.