

**NLH-LAB-006.** Re: “Newfoundland and Labrador Hydro’s Proposed Network Addition Policy and Transmission Expansion Study – Addendum”. Section 3.3 pages 15-16 indicates the Régie de l’énergie du Québec concluded it was reasonable to implement the obligation to curtail for up to 300 hours for the cryptocurrency customer class.

Does this requirement apply only to the 300 MW of additional load to be made available or the 668 MW which includes both existing and new cryptocurrency customers? In providing the response, please address the statement on page 16 which states: “The creation of a dedicated block will make it possible, in limiting it to 300 MW and in requiring curtailment during 300 hours, to avoid the need to require additional capacity or energy purchases during peak hours.”

**RESPONSE:**

Mr. Raphals states:

Curtailment is addressed at several places in the Decision. For example, at para. 127, HQD proposes that curtailment be applied uniformly to the entire new rate class:

127. In addition to limiting the quantity of electricity available for the new cryptographic rate class, HQD proposes obligatory curtailment at peak, on its request, for 300 hours per year, in order to account for the inherent risks of this new category of customers.<sup>10</sup>

In paragraph 112 of its Decision (quoted on page 12 of my Addendum), the Régie specified that both existing and new cryptocurrency customers are included in the new rate class. However, this paragraph does not specifically mention curtailment, potentially opening the door to an interpretation whereby the curtailment obligation would not apply to existing customers.

Paragraph 177, the passage referenced in the question, is the conclusion to the section of the Decision entitled “Block of Megawatts”. In this paragraph, the Régie specifically states that the curtailment obligation will apply to the new block of 300 MW. However, given the context, it would not be appropriate to conclude that the Régie’s intention is that it apply only to that new block.

Indeed, paragraphs 173 and 174, which set out the Régie’s the reasoning (quoted on pages 15 and 16 of my Addendum), clearly state that it is just and reasonable that the risks inherent in the cryptocurrency mining industry be compensated by requiring the customer to bear the cost of required infrastructure and *to curtail for up to 300 hours a year, during peak periods*:

[173] According to the Régie, it is just and reasonable that the risks inherent in the cryptocurrency mining industry be compensated globally by a limitation in the amount of

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<sup>10</sup> [127] En plus d’une limitation des quantités d’électricité disponible pour la nouvelle catégorie de consommateurs d’électricité ayant un usage cryptographique appliqué aux chaînes de blocs, le Distributeur propose une obligation d’effacement en pointe, à sa demande, pour 300 heures par année, afin de prendre en compte les risques inhérents à cette nouvelle catégorie de consommateurs.

electricity available for this usage and, individually, by the fact that the cost of infrastructure to interconnect be borne by the customer as well by as the obligation to curtail during a maximum of 300 hours during system peak.

**[174] Consequently, the Régie judges that it is prudent to limit, in the context of the present file, the energy dedicated to cryptographic use applied to blockchains to 668 MW.** This represents a considerable quantity of energy. The Régie points out that it is more than twice as large as the amount of power expected to be required from HQD by the 34 data centres in Quebec, estimated to require 334 MW at maturity.<sup>11</sup>

For these reasons, I understand the Régie to mean that the entire new cryptographic rate class, including both new and existing cryptographic blockchains customers, would be subject to the curtailment obligation, which will likely be described in the HQD Rate Book. See NLH-LAB-007 for an example of this type of restriction.

To the extent that any ambiguity remains, it will be resolved in phase 3 of the Quebec proceeding later this year.

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<sup>11</sup> D-2019-052, para. [173] : Selon la Régie, il est juste et raisonnable que les risques inhérents à l'industrie du minage de cryptomonnaies soient compensés globalement par la limitation des quantités d'électricité disponible pour cet usage et, individuellement, par le fait que le coût de raccordement des infrastructures soit à la charge du client ainsi que par l'obligation d'effacement en pointe pour un maximum de 300 heures.

**[174] Par conséquent, la Régie juge qu'il est prudent de limiter, dans le cadre du présent dossier, l'énergie dédiée à l'usage cryptographique appliqué aux chaînes de blocs à 668 MW.** Cela représente déjà une quantité d'énergie considérable. La Régie tient à préciser qu'il s'agit d'une quantité deux fois plus importante que l'appel de puissance attendu par le Distributeur pour l'ensemble des 34 centres de données installés au Québec, estimé à 334 MW à maturité.