

1 **Q: Reference: “Review of Existing and Proposed Network Additions Policies for**
2 **Newfoundland and Labrador Hydro,” The Brattle Group, November 19, 2019,**
3 **Executive Summary, Summary of Recommendations and Comparisons, p. 6.**
4

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

- 10
- 11 • **Option A: Be financially responsible for the network upgrades**
12 **that exceed the customers’ anticipated revenues over some fixed**
13 **period and providing security equal to the anticipated revenues;**
14 **or**
- 15
- 16 • **Option B: Adopt an interruptible rate, which avoids those**
17 **transmission costs. This choice requires assessing the**
18 **appropriate level of curtailability/interruptibility to ensure that**
19 **existing customers do not experience any reduction in the**
20 **current reliability level.**

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- 22 a) **What size threshold does Brattle recommend for individual customers? If**
23 **no threshold recommendation has yet been determined, what system**
24 **attributes should be considered in developing a size threshold?**
25
- 26 b) **If two individual customers requesting service are each below the**
27 **recommended threshold but the combined load request is above the**
28 **threshold and a transmission upgrade is required, please explain how the**
29 **cost of the transmission investment would be recovered.**
30
- 31 c) **Response to PUB-NLH-085 indicated that due to the extended periods of**
32 **extremely cold weather in Labrador, there are material challenges to**
33 **standardize interruptible/curtailment rate terms that would meet system**
34 **reliability requirements to ensure the rate would achieve its objective as a**
35 **reliable substitute for transmission capacity additions. How does Brattle**
36 **propose to overcome this challenge given Option B is provided as an option**
37 **to serve requests for increased capacity?**
38
- 39 d) **Response to PUB-NLH-085 also indicated that due to the extended periods**
40 **of extremely cold weather in Labrador, there are material challenges to**

- 1 **standardize interruptible/curtailment rate terms that would provide a level**
2 **of service to interruptible/curtailable customers that would be considered**
3 **reasonable given the material number of curtailment hours that could be**
4 **required. Did Brattle consider this system attribute relevant in proposing**
5 **Option B as an option to serve requests for increased capacity? Please**
6 **explain your response.**
7
- 8 **e) What level of security deposit does Brattle recommend (i.e., how many**
9 **months of average bills)?**
- 10
- 11 A. a) Brattle has not recommended a size threshold. The size threshold should
12 balance the practical considerations, including administrative burden, with the
13 principle of avoiding undue discrimination.
14
- 15 b) If the requests come from two unique and independent customers under the size
16 threshold, the network upgrade costs would be socialized following the existing
17 cost of service allocations.
18
- 19 c) In response to PUB-NLH-085, which included a request for Hydro to “comment
20 on curtailment rates in lieu of or as a complement to the NAP,” Hydro stated,
21 “Under Hydro’s current approach, if the system impact study determines that
22 curtailment rates are a sound alternative to reliably meet system load
23 requirements, Hydro would determine the required curtailment terms and
24 contact customers to assess interest.” This approach of offering an interruptible
25 rate mirrors “Option B” recommended by Brattle. However, the Brattle Report
26 recommended allowing individual customers to make the economical choice
27 between “reasonableness” of the service quality offered through an interruptible
28 rate or the cost of network upgrades. We recognize that there may be challenges
29 to designing the terms of an interruptible rate and that parties should collaborate
30 on that design and development.
31
- 32 d) Please refer to the response in part c.
33
- 34 e) One of the Brattle Report’s recommendations was the requirement for a
35 customer needing a network upgrade to provide some form of financial security
36 equal to anticipated revenues to protect existing customers from harm should
37 that customer exit the system before producing sufficient revenue to recover the
38 cost of the network upgrade. Shorter time-periods for anticipated revenues, and
39 thus for securitization required, result in less risk to existing customers because
40 cost-causing customers must pay a larger portion of costs upfront. Longer time-

1 periods for anticipated revenues result in higher risk to existing customers
2 because a more significant portion of network upgrade costs are insured through
3 financial security, which would need to be called-on if the customer exits the
4 system early. We believe that it would be appropriate for the Board to, among
5 other factors, consider the appropriate time period for anticipated revenues
6 based on the risk of the customer exiting the system before its revenues
7 sufficiently recover the costs. The policies surveyed in the Brattle Report
8 identified requirements to provide security ranging from 5 to 25 years of
9 projected customer revenues.