

NP-CA-021 **Reference: *Comments on Newfoundland Power’s 2022 Capital Budget Application*, Elenchus Research Associates Inc., August 13, 2021, page 34, line 23 to page 35, line 5.**

“While there will almost certainly be a lag of a few years from the implementation of new technologies and polices in leading jurisdictions such as California, new proven technologies will become available to, and adopted by, Canadians long before the end of the service life of grid assets build by NP in the 2020’s. [sic] All utilities, including NP, need to recognize that significant change is coming within the next decade, or two at most, before committing to further traditional investments in grid infrastructure.”

QUESTION: Is Elenchus suggesting that utilities like Newfoundland Power not make further traditional investments in grid infrastructure for the next decade or two when the potential role of new technologies and policies is better understood?

RESPONSE: Elenchus is not suggesting that necessary projects be deferred if the deferral would compromise the adequacy, reliability or safety of the electrical supply. Nevertheless, if there is credible evidence to suggest that short term alternatives will reduce the cost of the adequate, reliable and safe supply of power to customers, the least cost option may well involve a “bridging solution” that avoids committing to a 50 year asset that is at risk of being stranded.

Furthermore, in a case where a bridging solution provides flexibility in responding to the uncertain requirements of future decades, the option value of that alternative merits inclusion in the economic evaluation of the available alternatives.