

1 Q. NP-NLH-002 Further to the response to Request for Information NP-NLH-001,
2 please explain the reasons for any cost differences between (i) Hydro's actual CBPP
3 Capacity Assistance costs over the past three winter seasons and (ii) costs Hydro
4 would have incurred using the Revised CBPP Capacity Assistance Agreement
5 proposed in Hydro's Application.

6

7

8 A. As shown in Hydro's response to NP-NLH-001, costs over the past three years under
9 the Revised Capacity Assistance Agreement would have been higher when
10 compared to the current agreement. This increase in costs is directly attributable to
11 the additional firm capacity assistance, operational flexibility and certainty afforded
12 to Hydro under the proposed terms of the revised agreement.

13

14 Specifically, the fixed payment charged under the Revised Capacity Assistance
15 Agreement would have been higher due to the following factors:

16

17

18

19

20

- The revised agreement extends the winter period under which capacity assistance is provided by two months. The revised agreement provides a total of six months of capacity assistance (November 1 to April 30 inclusive); the current agreement provides for only four months (December 1 to March 31 inclusive);

21

22

23

24

25

26

27

- The amount of firm capacity assistance available to Hydro has increased by 30 MW in the revised agreement. The 2014 Agreement provides for only 60 MW whereas the Revised Capacity Assistance Agreement provides 90 MW;
- The Revised Capacity Assistance Agreement eliminates the requirement for all but one of Hydro's operational gas turbines to be started prior to making a Capacity Assistance Request to CBPP giving Hydro increased operational flexibility; and

-
- 1 • There are increased operational benefits for Hydro in the revised agreement
2 including increased availability, improved response time, and a longer term
3 as described in Schedule B, Page 8 of the Application.

4
5 The variable payment has increased relative to the 2014 Agreement, but the
6 capacity assistance supplied to Hydro by CBPP provides a benefit in comparison to
7 running combustion turbines as the new rate is based on a percentage of Hydro's
8 gas turbine variable cost. Hydro notes that the variable rate has ceiling of \$0.26 per
9 kW per hour in the event of materially increased diesel prices, and a floor of \$0.20
10 per kW per hour to provide a minimum revenue incentive to CBPP to provide
11 capacity assistance. Also, when Hydro calls the Revised Capacity Assistance
12 Agreement, instead of the Holyrood gas turbine, the estimated capital cost per
13 equivalent start of \$33,000 is avoided.