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Delivered by E-mail

Doreen Friis
Regulatory Affairs Officer/Clerk
Nova Scotia Utility and Review Board
3rd Floor 1601 Lower Water Street
PO Box 1692 Unit "M"
Halifax NS B3J 3S3

Dear Ms. Friis:

Re: **M08059 – Generation Utilization and Optimization**

These comments are submitted on behalf of the Industrial Group with respect to the proposed Terms of Reference document prepared by Synapse Energy Economics Inc. ("Synapse") for its analysis in this matter.

On page 2 of the document, Synapse sets out an "illustrative" matrix, with "examples" of key parameters and range of assumptions. With respect to the load, Synapse suggests it will be using the current forecast and energy efficiency; ("EE") *increased* energy efficiency and *highest* energy efficiency. It is recommended that Synapse also run a scenario with *lower* energy efficiency such that the base load is the current forecast with a high and a low scenario. Likewise, with sustaining capital requirements, it appears that Synapse plans to model the current projections and then increased sustaining capital and then a still higher level of sustaining capital.

As a general observation, the Industrial Group recommends one base set run with the current forecast of load and capital and then sensitivity runs with a high and a low scenario.

ATL and BTL Loads

The structure of the "Below-the-Line" (BTL) Load Retention Tariff is such that Port Hawkesbury Paper (PHP) pays for the incremental energy cost to supply it, but is not charged for the fixed capital-related (return, depreciation , taxes) or fixed operating-related costs of generation. NSPI's generation portfolio contains—and will increasingly contain—a large amount of high-cost "must take" supply (wind, COMFIT, Muskrat Falls). As a result, the incremental energy cost to serve the LRT load—which is primarily based on thermal generation-- is lower than the average cost to serve the remaining "Above-the-Line" (ATL) ratepayers. In this situation, the lowest cost to serve the total load (ATL plus BTL) may not be the lowest cost to serve only the BTL load.

The Industrial Group recommends that all scenarios be run with BTL <u>included</u> and with BTL <u>excluded</u>. Sensitivities could be run such that after 2020, PHP is a) assumed to continue BTL and b) changed to ATL.

Demand-Side Resources

Synapse observes that "the duration of the highest winter peak loads is infrequent" (page A-7) and that with added demand response load "the need for the last 150 MW – or the last 300 MW – is diminished". The interruptible load offers demand response. Both the customers providing interruptible load and the credit for interruptibility have remained static for several years, (despite the increases in the cost of energy). Interruptibility and actual interruptions impose a cost on those customers. A "slimmer" thermal generation fleet will likely increase the number of interruptions and the cost to customers (including lost production). At some point the costs of these more frequent interruptions will drive a switch to firm load.

The Industrial Group recommends that Synapse investigate the potential for attracting additional interruptible load which will offer demand response by increasing the credit.

Scope of Work and Milestones

The scope of work is outlined beginning at page 3, and this can be cross-referenced with the table shown on page 5 which proposes milestones, dates and deliverables. It appears that the first time planned for stakeholder input is following the delivery of an "inputs assumption" memorandum (Item G). There is no explicit milestone that corresponds to this.

The Industrial Group recommends there be sufficient opportunity for stakeholders to review the assumptions, and sensitivity parameters, to provide comments thereon and to allow for the opportunity for Synapse to modify those assumptions as appropriate prior to finalizing the assumptions and undertaking the modeling and draft report.

Following the issuance of the draft report and technical conference at the end of November when Synapse intends to solicit feedback from stakeholders, there is no further modeling prior to completion of the "Final Report" in December which will "address feedback".

The Industrial Group suggests that sufficient time be included in the schedule to ensure that stakeholder concerns and questions can be addressed – including through additional modeling, if requested - before the Final Report.

Thank you for the opportunity to provide these comments on the draft Terms of Reference.

Respectfully,

Nancy G. Rubin

NGR/lmc

cc Participants in M08059