

NOVA SCOTIA ENERGY BOARD

IN THE MATTER OF: The *Public Utilities Act*, R.S.N.S. 1989, c. 380 as amended

-and-

IN THE MATTER OF: AN APPLICATION by NOVA SCOTIA POWER
INCORPORATED for approval of an Extra Large
Industrial Dispatchable Above-the-Line Tariff applicable
to Port Hawkesbury Paper

RESPONSE TO INFORMATION REQUESTS

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1 **IG Request IR-1:**

2
3 **Reference:** N-19, Evidence of InterGroup, p. 5/pdf p. 7.

4
5 **Preamble:** In s. 4.1, Inclusion of Interruptible Load in 3CP Calculation InterGroup
6 **stated:**

7 *In InterGroup's experience this is a common problem with*
8 *"interruptible" loads that reflect a considerable portion of a*
9 *customer's ordinary electricity needs. While there are alternative cost*
10 *allocation methods that could help address this, in the context of the*
11 *SA, the load parameters modelled by NSP in the application are*
12 *reasonable and should be approved.*

- 13 a) Please identify the "alternative cost allocation methods" contemplated here.
14
15 b) For each such alternative method, please describe: (i) how it would operate in the
16 context of the ELID Tariff; and (ii) whether it would produce a demand cost
17 allocation to PHP that is higher or lower than the 65 MW approach adopted by
18 NSPI.
19
20 c) Does InterGroup agree that a cost allocation approach based on PHP's expected
21 CBL operating load (approximately 120 MW) would be among those alternative
22 methods? If not, please explain why.
23
24 d) Does InterGroup consider any of those alternative methods to be more consistent
25 with the principle that an ATL customer should pay its proper allocation of
26 embedded system costs? Please explain.
27
28 e) InterGroup states that its endorsement of the NSPI parameters is made "in the
29 context of the SA." Does InterGroup consider itself bound by the SA load
30 parameters?

31 **CA Response IR-1:**

- 32
33 a) The core issue in InterGroup's view is that including only 8MW of PHP's load would
34 under-represent the degree to which PHP makes use of and benefits from the
35 transmission system in its normal course of business. Unreasonably under-
36 representing an industrial customer's capacity requirements for normal course of
37 business activities, to the degree that the customer could not reasonably operate
38 at that capacity during an extended interruption, results in cost allocation transfers
39 to other customer classes.
40

41 As an example of how this issue has surfaced in other jurisdictions, InterGroup
42 notes the Federal Energy Regulatory Commission's Order dated July 17, 2020 in
43 Docket No. ER19-1661-002:
44

1 46. As the Commission recognized in the Coincident Peak Order,
2 “voluntary load reductions during the 1-CP events are obscuring the
3 level of transmission usage by Dominion’s customers.” The
4 Commission found that Dominion’s detailed examples show that
5 “certain wholesale customers are voluntarily reducing demand
6 during the 1-CP events and returning to normal levels of demand
7 during off-peak times.” Such load reductions provide Dominion with
8 an inaccurate depiction of transmission usage because such
9 artificially lowered demand at the annual peak is not representative
10 of actual customer demand.

11
12 In short, the core principle from InterGroup’s view is that a narrow focus on a
13 customer’s ability to reduce demand in single or small number of peak hours,
14 without regard for whether such lowered capacity levels are consistent with
15 sustainable business operations, are likely to result in an underallocation of costs
16 to that customer.

17
18 One set of options to address this as InterGroup understands them relate to
19 methods to objectively verify what a credible baseline load is for a customer that
20 subscribes to interruptible or demand response programs. Examples include the
21 Electric Reliability Council of Texas (ERCOT) Demand Response Baseline
22 Methodologies.¹

23
24 There may also be rate design options that reduce the incentive and opportunity
25 for large customers to avoid paying a reasonable share of the transmission system.
26 The Alberta Utilities Commission commented on this in its decision on the Alberta
27 Electric System Operator (AESO) Bulk, Regional and Modernized Demand
28 Opportunity Service Rate Design Application, noting that in its view 12 CP
29 avoidance results in cost shifting and the AESO should propose billing
30 determinants that more broadly reflect on-peak consumption.²

- 31
32 b) InterGroup has not completed a quantitative analysis related to alternative options.
33
34 c) Yes. InterGroup agrees the CBL baseline would be one cost allocation approach
35 that could be considered.
36
37 d) InterGroup’s evidence was focused on the assertion by PHP’s consultant that
38 PHP’s interruptible loads should be excluded from the 3-CP resource capacity
39 allocator, and commenting that that outcome, in InterGroup’s view, would result in
40 an unreasonably low cost allocation to PHP and unreasonable cost shifting to other
41 customers.

42
43 InterGroup did not develop an opinion on an alternative value than agreed to in the
44 SA for 2026 and 2027, but would recommend that at a minimum, for periods

¹ Available: <https://www.ercot.com/services/programs/load>.

² AUC Decision 26911-D01-2022. Paragraphs 68 through 73.

beyond 2027, the Board direct NSP to develop an approach for verifying a reasonable baseline capacity for PHP that reflects normal business operating needs.

- e) In InterGroup's view, the SA load parameters were agreed upon by the parties to the SA to be reflected in the NSPI proposed Above-the-Line tariff for PHP for the 2026 and 2027 test years.

IG Request IR-2:

Reference: N-19, Evidence of InterGroup, p. 10/pdf p. 12.

Preamble: In s. 5.0, Proposed ELID Dispatchable Rider, InterGroup stated:

Note however that the ELIADC Tariff includes a Variable Capital Charge (VCC) that PHP pays "for NS Power's incremental generation and delivery of electricity to PHP in the amount of \$3.34/MWh", and as such does appear to contribute to the recovery of the fixed transmission and generation costs under the ELIADC Tariff.

The VCC component is not included in the proposed ELID Tariff structure and does not appear to be considered in the DR credit transfer ratio of 100% to PHP. Note that even at a reduced PHP net energy consumption of 304,000 MWh forecast in 2027, the VCC payment by PHP would exceed \$1.0 million annually, or approximately 20%-30% of the actual benefit that NSP estimates can be realized by PHP via DR credit.

- a) Please confirm that InterGroup's view is that NSPI's justification for increasing the DR credit sharing ratio from 25% to PHP (under the ELIADC) to 100% to PHP (under the proposed ELID), is that PHP, as an ATL customer, now contributes to the recovery of fixed system costs? If not, what is InterGroup's understanding?
- b) Is it InterGroup's position that the noted justification is incomplete, given that PHP was already contributing to some fixed cost recovery via the VCC under the ELIADC? If not, please explain.
- c) Does InterGroup support some form of benefit sharing like under the current ELIADC rather than a 100% allocation of all calculated DR savings to PHP? Please explain.

CA Response IR-2:

- a) Confirmed.
- b) Confirmed. Please also see the response to CA (PHP) IR-5(a).

- 1
2 c) InterGroup supports lower than 100% DR credit ratio to PHP. The proposed DR
3 credit to PHP is based on a modeled (i.e. theoretical) PHP Customer Baseline
4 Load with any payment to PHP being fully recovered from other customers via
5 FAM. The DR ratio level would only determine the scale of costs recovered from
6 other ATL customers via FAM.
7

8 **IG Request IR-3:**
9

10 **Reference: N-19, Evidence of InterGroup, p. 10/pdf p. 12.**
11

12 ***In InterGroup's view, the proposed ELID Tariff includes many moving***
13 ***parts, including changes as compared to the ELIADC Tariff, with***
14 ***complex interactions between different components. Given this, the***
15 ***proposed change in the DR credit ratio to PHP is very big and its***
16 ***reasonableness should be further tested.***

17 **And, in its Recommendations at p. 2/pdf p. 4:**
18

19 ***Recommendation 2: InterGroup recommends that the Board consider***
20 ***the reasonableness of the DR savings proposed to be credited to PHP.***

- 21 a) Please identify the specific factors or criteria that InterGroup would apply in
22 assessing whether the quantum of DR savings proposed to be credited to PHP is
23 reasonable.
24
25 b) Does InterGroup agree that the experience under the ELIADC, where the ADC
26 mechanism was found by Bates White to have "not performed as expected" and
27 may have imposed costs on other customers, is a relevant consideration in
28 assessing the reasonableness of the proposed DR credit design?
29
30 c) In InterGroup's view, would a benefit-sharing arrangement (e.g., retaining a portion
31 of calculated DR savings for other ATL customers) provide a more reasonable
32 framework for managing the risk of CBL over-estimation rather than a 100%
33 allocation to PHP? If not, please explain what alternative safeguard would be
34 adequate.
35
36 d) In calculating the VCC as representing approximately 20–30% of the expected DR
37 credit PHP may realize each year, could this percentage be used as a proxy for
38 credit sharing? Please explain why or why not.

39 **CA Response IR-3:**
40

- 41 a) In InterGroup's view, the following factors need to be considered in assessing the
42 quantum of DR savings proposed to be credited to PHP:
43

- NSP cost-of-service study (COSS) already reflects interruptible service credit from other ATL customers in the PHP cost allocation and rate setting. (See Exhibit 6 of M12451 N-21(C)(i); and M12661, Exhibit N-1(i) tab “ELID Rate Design”).
- Variable Capital Charge (VCC) under the current ELIADC Tariff that PHP pays “for NS Power’s incremental generation and delivery of electricity to PHP” is not included in the proposed ELID Tariff structure.
- While NSP justifies full DR credit to PHP by stating that by becoming ATL customer PHP would contribute to the recovery of fixed costs, other ATL customers now share the cost of high marginal cost generation that would be charged to PHP before as noted in Mr. Bowman’s Evidence.³
- The proposed DR credit to PHP is based on a modeled (i.e. theoretical) PHP Customer Baseline Load, which assumes a high load factor for PHP. However, this assumption is not aligned with load seasonality noted by PHP.
- Any DR credit amount to PHP would be fully recovered from other customers via FAM. As such, the DR ratio level would only determine the scale of costs recovered from other customers for the payments made to PHP.

b) Yes.

c) Yes. Please see the response to subpart (a).

d) This percentage could be used as a proxy for the DR credit allocation, as this is an existing charge to PHP under the ELIADC Tariff which would no longer apply under the proposed ELID Tariff, while NSP is also proposing to increase the DR credit ratio to PHP from the current 25% level.

IG Request IR-4:

Reference: N-19, Evidence of InterGroup, p. 12/pdf p. 14.

Preamble: In s. 6.0, Proposed ELID Interruptible Rider, InterGroup stated:

NSP confirmed that PHP can simultaneously receive (i) a DR credit for being dispatched down through the Dispatchable Rider and (ii) an interruptible credit for having its load interrupted under the Interruptible Rider. Note that this credit relates to the same portion of the load — i.e., the credits are not stacked where NSP identifies a portion of the load receiving a DR credit and a separate incremental load receiving an Interruptible Rider credit. In InterGroup’s view there is a risk that pairing the proposed Dispatchable Rider with the proposed Interruptible Credit credits PHP twice for effectively the same provision. This could reflect a benefit to PHP beyond 100% of the system benefits, at the expense of other ATL customers.

³ Exhibit N-25, page 12.

- 1 a) Does InterGroup consider that the risk that PHP could be simultaneously credited
2 under both the DR and the IR for the same dispatch-down of load, represents a
3 fundamental design problem, rather than merely an operational risk to be
4 managed? If not, please explain.
5
6 b) Please describe what mechanism InterGroup believes would adequately prevent
7 the double-counting.
8
9 c) In InterGroup's view, does the double-counting risk support Mr. Bowman's
10 Recommendation 4 that there should be little to no IR credit value in the ELID
11 tariff? If not, please explain what level of IR credit InterGroup considers appropriate
12 in light of this risk.

13 **CA Response IR-4:**

- 14
15 a) Yes.
16
17 b) InterGroup believes that the proper mechanism should be aligned with key
18 regulatory rate principles, in particular:
19
 - Simplicity and understandability;
 - Freedom from controversies as to proper interpretation;
 - Avoidance of undue discrimination;
 - Fairness of rates in the cost allocation among customers.
20
21
22
23
24 Any IR credit mechanism proposed by NSP should identify the load related to the
25 interruptible service, which should be separate from the load related to the DR
26 service.
27
28 c) InterGroup notes that IR credit value to be included in the proposed ELID tariff was
29 part of the 2026-2027 GRA Settlement Agreement. Accordingly, InterGroup
30 considers that IR credit should be approved for the 2026 and 2027 test years.
31 However, for future years, in the absence of a proper IR credit mechanism clearly
32 showing no risk of double-counting the service value of DR and IR service,
33 InterGroup supports Mr. Bowman's recommendation that there should be little to
34 no IR credit value in the ELID tariff.
35

36 **IG Request IR-5:**

37 **Reference: N-19, Evidence of InterGroup, p. 13/pdf p. 15.**

38 ***NSP further confirmed that LIIR customers who are not held as***
39 ***Operating Reserve could be physically interrupted ahead of PHP***
40 ***despite PHP's priority status....***

41 ***NSP states that it remains to be determined whether Priority***
42 ***Interruptible service provides value to the system and if so, to which***
43 ***customers and how the associated costs should be recovered. As***

1 ***such, NSP proposes to examine the value of PHP's PI service in the***
2 ***next General Rate Application (GRA).***

- 3 a) Given that LIIR customers who are not on Telemetry and Control ("T&C") can be,
4 and in practice are physically interrupted ahead of PHP in the dispatch stacking
5 sequence, does InterGroup agree that PHP's designation as a "priority"
6 interruptible customer does not, in practice, result in PHP being the first load
7 interrupted? If not, please explain.
8
9 b) Does InterGroup agree that, given PHP is almost invariably already dispatched
10 down under the DR during any period of system constraint (and thus has no load
11 available to interrupt), the Priority Interruptible designation provides no additional
12 practical benefit to the system?
13
14 c) If both (a) and (b) are agreed, what justification does InterGroup consider there to
15 be for the 10% Priority Interruptible credit in the 2026 and 2027 test years? Please
16 explain.

17 **CA Response IR-5:**

- 18
19 a) Yes.
20
21 b) Yes, and this is supported by NSP statement that it remains to be determined
22 whether Priority Interruptible service provides value to the system.
23
24 c) InterGroup notes that the 2026-2027 GRA SA stipulated that the priority
25 interruptibility service that may be provided by PHP is modelled at an additional
26 10% credit. In InterGroup's view, the SA load parameters were agreed upon by the
27 parties to the SA to be reflected in the NSPI proposed Above-the-Line tariff for
28 PHP for the 2026 and 2027 test years.
29

30 **IG Request IR-6:**

31 **Reference: N-19, Evidence of InterGroup, p. 13/pdf p. 15.**

32 ***Recommendation: Based on these considerations, the Board should***
33 ***approve the Interruptible Service component to the ELID Tariff only for***
34 ***the 2026 and 2027 test years with a review to be completed prior to***
35 ***2028.***

- 36 a) In the absence of any quantified value for priority interruptibility service, rather than
37 approving a 10% premium for a service whose value "remains to be determined,"
38 in InterGroup's view would it be reasonable for the Board to withhold or defer any
39 such credit pending a future review and evidence of value?
40
41 b) Please describe the specific factual matters or analytical issues that InterGroup
42 considers should be addressed in the review it recommends be completed prior to
43 2028.

- 1
2 c) Does InterGroup agree that if the review confirms that PHP is essentially never
3 interruptible in practice, having already been optimally dispatched, then the
4 appropriate outcome would be elimination rather than revision of the IR credit? If
5 not, please explain.
6
7 d) In recommending a review, does InterGroup recommend imposing reporting
8 obligations on NSPI during 2026 and 2027 to validate the IR credit? If so, please
9 explain and specify the recommended reporting requirements.
10
11 e) Does InterGroup consider the current IR credit value proposed by NSPI
12 (\$7.638/kVA in 2026, plus 10% PI) to be appropriately calibrated for the test years,
13 having regard to the near-zero probability that PHP load will actually be available
14 to provide interruptible service? If not, what credit level does InterGroup consider
15 appropriate for the interim period?

16 **CA Response IR-6:**

- 17
18 a) Please see the response to CA (IG) IR-5(c).
19
20 b) Please see the response to CA (IG) IR-4(b).
21
22 c) Yes.
23
24 d) InterGroup has not considered any reporting obligations on NSPI during 2026 and
25 2027 to validate the IR credit. Please see the response to CA (IG) IR-4(b) for the
26 IR credit mechanism requirements considered by InterGroup to validate the IR
27 credit.
28
29 e) Please see the response to CA (IG) IR-4(c).
30

31 **IG Request IR-7:**

32 **Reference:** N-19, Evidence of InterGroup, p. 2/pdf p. 4.

33 **Preamble:** In s. 2.0, InterGroup summarizes its recommendations, including the
34 following:

35 ***Recommendation 3: Considering that Operating Procedures directly***
36 ***affect the DR credit calculation, InterGroup recommends that this***
37 ***document must be subject to Board approval. This will ensure the***
38 ***document is transparent and not revised between NSP and PHP to the***
39 ***disadvantage of other ATL customers.***

40 ***Recommendation 5: Considering the complexity of the proposed ELID***
41 ***Tariff, InterGroup recommends that the Board undertake a review of***

1 ***the ELID Tariff approved in this Matter after the first year of***
2 ***implementation.***

- 3 a) Does InterGroup recommend that the Operating Procedures be approved as a pre-
4 condition to approval of the ELID? If not, how or when does InterGroup
5 contemplate these be approved?
6
7 b) Please describe the scope of the recommended first-year review.
8
9 c) Is the review to be done based on a calendar year, or within a year of PHP taking
10 service under the new tariff?
11
12 d) Does InterGroup agree that NSPI should be required to provide quarterly reporting
13 on DR credit calculations and accrued values (including estimates of the annual
14 DR credit payable), rather than annual reporting only, so that meaningful
15 monitoring can occur during — not just after — the first year? If so, does InterGroup
16 support Mr. Bowman's Recommendation 6 in this respect? If not, please explain.

17 **CA Response IR-7:**

- 18
19 a) Yes, with allowance for future refinements, also subject to the Board approval.
20
21 b-c) InterGroup considers that the scope of the first-year review should include testing
22 the performance of each approved ELID Tariff component within a full year of PHP
23 taking service under the new tariff against outlined targets and objectives in the
24 NSP's application.
25
26 d) Yes, InterGroup supports Mr. Bowman's recommendation that the Board should
27 clarify that reporting on the DR status, including estimates of the annual DR to be
28 funded by ATL customers, is provided at least quarterly by NSP.
29
30
31