November 7, 2018

Dear [Name]:

Re: Your request for access to information under Part II of the Access to Information and Protection of Privacy Act (File # NR-247-2018)

On October 31, 2018, the Department of Natural Resources received your request for access to the following records/information:

Copy of the note: Summary of Liberty Consulting Group’s Report on Supply Adequacy for upcoming winter.

I am pleased to inform you that a decision has been made by the Department of Natural Resources, confirmed by the Deputy Minister, to provide access to the requested record. The record is attached.

We are providing access to the most information possible but have made redactions in accordance with Section 29(1)(a) of ATIPPA, 2015 as follows:

29. (1)(a) The head of a public body may refuse to disclose to an applicant information that would reveal advice, proposals, recommendations, analyses or policy options developed by or for a public body or minister.

As set out in section 42 of the Act you may ask the Information and Privacy Commissioner to review the department’s decision to provide access to the requested information. A request to the Commissioner must be made in writing within 15 business days of the date of this letter or within a longer period that may be allowed by the Commissioner. Your request should identify your concerns with the department’s response and why you are requesting a review.

The request for review may be addressed to the Information and Privacy Commissioner

P.O. Box 8700, St. John’s, NL, Canada A1B 4J6 t 709.729-1466
is as follows:

Office of the Information and Privacy Commissioner
2 Canada Drive
P.O. Box 13004, Stn. A
St. John’s, NL. A1B 3V8

Telephone: (709) 729-6309
Toll-Free: 1-877-729-6309
Facsimile: (709) 729-6500

Pursuant to section 52 of the Act, you may also appeal directly to the Supreme Court Trial Division within 15 business days after receiving the department’s decision.

Please be advised that responsive records will be published following a 72 hour period after the response is sent electronically to you or five business days in the case where records are mailed to you. It is the goal to have the responsive records posted to the Completed Access to Information Requests website within one business day following the applicable period of time. Please note that requests for personal information will not be posted online.

For further details about how an access to information request is processed, please refer to the Access to Information Policy and Procedures Manual at http://www.atipp.gov.nl.ca/info/index.html.

If you have any questions, please feel free to contact me at 709-729-0463 or rhynes@gov.nl.ca.

Sincerely,

Rod Hynes

Rod Hynes
ATIPP Coordinator
Information Note
Department of Natural Resources

Title: Summary of Liberty Consulting Group's Report on Supply Adequacy for upcoming winter

Issue: To provide a summary of Liberty Consulting Group's Analysis of Newfoundland Island Interconnected System (IIS) Power Supply Adequacy for the winter 2018-19.

Background and Current Status:

- Liberty Consulting Group (Liberty), at the request of the Board of Commissioner of Public Utilities (PUB), submitted a report to the PUB on August 30, 2018 on the Analyses of Newfoundland Island Interconnected System (IIS) Power Supply Adequacy for the winter 2018-19 (the Report).

- The Report provides Liberty's analysis of near term power supply adequacy of Newfoundland Hydro (NLH) and observation on the changing operating and supply situation as the Labrador Island Link (LIL) and Muskrat Falls (MF) approach operation.

- The report was critical of Nalcor's progress in numerous instances noting that exposure to supply related outages persists. Specifically, the Report notes that lack of clarity in the reliable in-service date of LIL and poor performance of the Holyrood Thermal Generation Station (HTGS) will considerably increase the risk of supply related outages on the IIS. The report also raises concerns regarding NLH's other generation assets, as well as the practicality of using the Maritime Link (ML) to help ensure adequate electricity supply.

Labrador Island Link

- Liberty advises it is uncertain of the in-service date of the LIL and its anticipated impact on supply of recall power. It further noted that Nalcor representatives were unwilling to provide information about LIL schedule to Liberty.

- Liberty concluded that the LIL is unlikely to be "reliably in commercial operation" by the beginning of winter thereby impacting supply of recall power to the island.

- Liberty further noted that even when the LIL enters commercial operation that it will likely prove somewhat unreliable due to the following factors: 1) its planned operation as a monopole in its first year of commissioning; 2) delivery delays on behalf of GE; 3) the limited duration of planned testing to achieve a "minimum successful run" – 20 days versus 60 days for similar projects, according to Liberty; and 4) the typical problems associated with any new facility in its early operation.

- Comparing favorable and unfavorable supply outlook for winter 2018-19, Liberty states that delay of in-service date of LIL results in violation of NLH's established reliability criteria and resulting heightened risk.

- The Report notes that the current organization structure of Nalcor and Hydro places responsibility for construction of the LIL with Nalcor, but makes Hydro the entity dependent on the LIL entering reliable service. Liberty notes with regard to this situation that it has "observed transparency and accountability concerns in connection with this distinction."
Liberty recommends an enhanced and more frequent PUB oversight of NLH regarding the LIL in-service date. It also recommends that the PUB direct NLH to develop contingency plans to mitigate the consequences associated with the eventuality that LIL will not be available or will be significantly unreliable, for all or part of the coming winter season.

**NLH Generation Assets**
- The Report notes that issues caused by deteriorating generation assets, such as Holyrood, and the Hardwoods and Stephenville combustion turbines are well known. It also notes, that Holyrood “continues to impose major uncertainty” with regard to electricity supply.

- Liberty also raises concerns about emerging issues at NLH’s hydro generation assets. The report highlights “new and expanding” issues related to penstock (hydroelectric water flow mechanism) deterioration at Bay d’Espoir, along with various other maintenance issues at Upper Salmon, Hinds Lake, and Cat Arm. Liberty advises that “the [PUB] should be concerned about the number of issues [related to hydro assets] and the length of time during which they continue to be unresolved.”

- Liberty notes that this deterioration of assets demands action by Hydro management. It also concludes that the “major threat for this winter is the Holyrood TGS” and that this “threat could produce very severe consequences on days when the LIL is unavailable.”

**Maritime Link**
- The report notes that while the ML “is indeed producing substantial benefits”, the lack of access to firm capacity is a notable shortcoming, and Liberty expects these existing benefits (primarily off-island purchases and various reliability/protection capabilities) to become less practical in the future due to commercial and operational issues.

**Analysis:**
- Liberty judges that three conditions are required to create a major outage: 1) the LIL not being in service; 2) loss of more than one unit at Holyrood; and 3) high electricity demand (ie. a very cold, windy day).

- In response to Liberty’s report, NLH has noted the following:
  - With respect to the continuation of the LIL in the project delivery phase, NLH notes that as with any system constraint NLH faces, it monitors the situation closely and continues to work with Nalcor to ensure NLH understands the reasons for the delay and how it may impact the system. NLH advises that NLH is developing a contingency plan to manage any shortfall in the assumed supply over the LIL, and it is confident that can be done through things like; imports over the ML, capacity assistance agreements, and other items which will be fully outlined in a report to be filed by early October 2018.
  - With respect to questions raised by Liberty regarding thermal and hydro units, NLH advises that it “firmly believes that the right work, and the right level of investment, has been made to ensure reliability this winter.”
Action Being Taken:
- NLH advises that it will file a response to the Report on Friday, September 7 to address questions and the recommendations put forward by Liberty. NLH expects follow up information will be filed with the PUB and Liberty in the weeks subsequent as various initiatives develop and conclude. Such initiatives will further document the coming winter supply planning.

- NR will continue to monitor and advise on these issues.

Prepared/Approved by: Y. Khan / M. Janes / C. Snook / J. Cowan
Ministerial Approval:

September 5, 2018