

# BLACKBURN ENGLISH

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OUR FILE:

April 7, 2014

Ms. Lana Myatt  
Administrative Assistant IV – Regulatory Affairs  
***Nova Scotia Power***  
1223 Lower Water Street  
Halifax, NS B3J 3S8

Dear Ms. Myatt:

***RE: M05522 – 2014 IRP Assumptions (DSM and Additional Details)***

Further to your letter dated March 28, 2014 regarding Nova Scotia Power's (NS Power's) draft Demand Side Management (DSM) and Demand Response (DR) Assumptions, the Nova Scotia Small Business Advocate ("the SBA") wishes to submit its comments and observations as summarized below. Please consider this response as preliminary as the SBA has been informed that the provincial government is expected to table new legislation, possibly as early as today, regarding Efficiency Nova Scotia ("ENSC") that has the potential to affect DSM and the IRP assumptions already presented. Upon review of that legislation, the SBA may send a revised version of this letter at a later date.

The SBA wishes to submit the following comments and questions regarding the specific draft assumptions proposed by NSPI as well as comments on its overall approach to conducting the 2014 IRP process with stakeholder input.

**Specific comments and questions about NSPI DSM and DR assumptions in the 2014 IRP:**

**1. Environmental/Emissions**

- a. **Constraints** –How will NSPI incorporate the A & B Scenarios for emissions constraints? Why not plan for the more stringent resources since there will be many IRPs prior to reaching the points where the Scenarios A & B diverge?
- b. **Targets**- Should IRP study emissions reduction targets that go beyond compliance in order to establish the impact of policy changes that might ratchet down emissions? Should the IRP evaluate renewable energy strategy targets beyond RES compliance?

**2. Existing Supply Side Options**

- a. **What are the costs to maintain each existing generating resource?** How much will certain generating units operate under various Maritime Link energy delivery scenarios? Does the ability to keep thermal generation operating well beyond 50 years, as noted on Slide 41, make some units exempt from evaluating for economic obsolescence?
- b. In Slides 28 and 29 what is the basis for NSPI's rationale for assuming that **\$500 million dollars should be spent on existing hydroelectric facilities?** Does this total reflect variable costs among the NSPI hydro facilities?

**3. DSM Options: See discussion in Section III.1., below.**

**4. Load Forecast**

The low forecast should assume flat or declining industrial load. The SBA hopes that growth from its industrial constituents helps drive economic recovery in Nova Scotia. However, the SBA also recognizes the risk that small commercial customers will shoulder an unnecessary burden if the plan is not flexible or robust.

**5. Wind Capacity Factor & Integration Costs**

The SBA requests specific assumptions on how NSPI intends to evaluate any potential strategic and cost advantages to wind procurement through purchase power agreements versus NSPI ownership.

**6. Import Options**

Please explain the apparent inconsistency among the natural gas forecasts, emissions costs and import price assumptions over the study period.

**7. Future Supply Options**

Will each supply option provided on slides 19 to 22 be separate options in the IRP analysis or will NSPI establish separate generation options to represent a group of similar supply options?

**8. Natural Gas Price Forecasts**

Why is the assumption made that there are CO2 emissions limits or costs established for the reference natural gas forecast and not in either of the high and low forecasts?

## **Comments on NSPI's approach to conducting the 2014 IRP stakeholder review process:**

In addition to these specific questions and comments, the SBA would like to provide comments regarding NS Power's approach to conducting the IRP process to address resource planning objectives through the choice of metrics and methodology. The SBA also comments on the way NSPI has chosen to include stakeholders in that process. Finally, the SBA provides suggested resource plan themes for consideration in the Stakeholder process.

### **I. Goals & Metrics**

First and foremost, the SBA believes, it is important for the stakeholders to come to agreement on the objectives of the IRP. This includes establishing the metrics that NS Power intends to look at to determine the best resource plan or even the good resource plans. This would also include discussion of policy goals and objectives that are implicitly and explicitly going to factor into the analysis and the ultimate decisions and report.

#### **Example goals and metrics include:**

1. Revenue Requirement Minimization
2. Acceptable Price of Electricity paths
3. Plan Robustness and Flexibility
4. Environmental / Emissions Outlook
5. Reliability & Energy Security for Nova Scotia.

Incorporating these metrics in the IRP process allows NS Power and stakeholders to answer key resource acquisition questions, including, for example:

#### **Key Resource Planning Questions to Address:**

1. How does the Maritime Link affect resource planning choices?
2. What are the economic benefits of the continued operation of existing thermal and hydroelectric generation?
3. What is the least cost way to meet environmental constraints?
4. What is the cost to meet various levels of emissions?
5. What is the role of DSM, energy efficiency and price responsive demand, in the resource portfolio?
6. Does more DSM spending have a measurable impact on rates now or over the 25 year planning horizon?

### **II. Stakeholder Process**

The Terms of Reference provide specifically for a Stakeholder Engagement Process, however, the SBA is concerned that the process is not more interactive. While the early efforts of NSPI are appreciated, the SBA notes that more should be done to support IRP input and transparency:

1. **Timeline for stakeholder input** – Stakeholders will not see which plans and metrics are developed and analyzed prior to the Interim Analysis Progress Report Technical Conference on June 25<sup>th</sup>, nor will they be able to provide input to additional analysis to be done prior to the September 30<sup>th</sup> Draft Report issue date.
2. **Degree of Impact of the stakeholders** – Stakeholders have only one week to comment after the draft report, with the final report to be filed with the UARB a short eight days later.

### III. Methodology

The SBA has the following preliminary comments on how NSPI evaluates DSM and selects plans through an optimization process for the 2014 IRP:

#### 1. Evaluation of DSM:

##### a. **DSM is not evaluated on an equal footing with Supply options:**

NSPI's process description develops DSM economics prior to the Evaluation and Optimization steps. Supply options are not screened as compared to avoided costs prior to IRP, but DSM options are. DSM is screened solely on economics versus avoided costs, when in fact, 'avoided costs' is an output parameter of the new resource plan.

##### b. **The IRP process should use substantial information from the DSM potential study:**

A DSM 'supply curve' should be created as an output of the DSM potential study, where the blocks are incremental DSM that can be harvested for a price.

#### 2. Evaluation and Optimization:

The SBA agrees that a process that analyzes many plans under Reference conditions, from which a subset is selected for further analysis through Scenario Testing and Risk Analysis, is very useful. The SBA has the following questions about the NSPI scenario evaluation process:

- a. *Reference Scenario Analysis* – What are the plans that will be tested? What are the metrics? Will stakeholders get to comment on the plans before the analysis?
- b. *Scenario Testing ("Worlds" Development)* – What is the process to choose or design these "Worlds". Will Plans recognize the alternative scenario at some point in time?
- c. *Risk analysis* - How will risk be evaluated? Which risks?

### IV. SBA's four Resource Plans or Strategies Proposed for Consideration:

- i. **Lowest Capital Investment Plan**
- ii. **Lowest Emissions Plan contrasted with Compliance levels of emissions**
- iii. **Maximum retirement / replacement of existing resources**
- iv. **Optimized continued operation of existing generation**

The SBA participates diligently in rate cases, major project approvals and the ACE Review Process, all to fulfill our responsibility to small businesses that the costs are necessary and prudent. The approval of the ACE Plan and certainly the proceeding to approve the Maritime Link provided the SBA with more input and details to review than the IRP. The IRP sets in motion the plans that form a major element of NSPI's

cost to serve customers. Failure to test stakeholder strategies to lower cost or to provide information on the impact of certain resources and policies would prove to be a lost opportunity for the 2014 IRP.

The SBA appreciates the opportunity to submit these comments and questions and looks forward to the opportunity to participate fully in NSPI's stakeholder process for the 2014 IRP.

Sincerely,



E.A. Nelson Blackburn, Q.C.  
SMALL BUSINESS ADVOCATE