

The UARB Should Say no

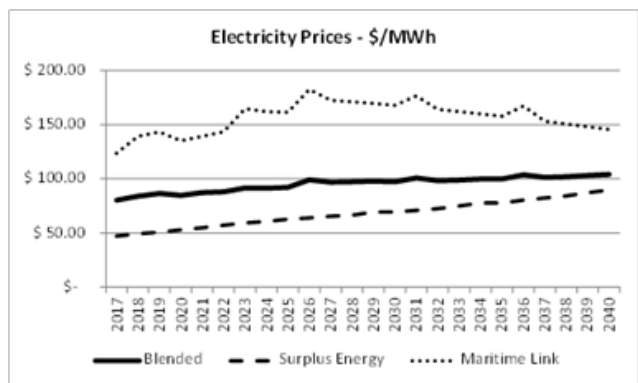
Bill Black
 New Start Nova Scotia

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The long awaited [UARB application](#) for the Muskrat Falls project was filed on Monday.

The proposed project would have Nova Scotia commit to buy the Maritime Link block of power at a price even higher than was suggested by earlier reports, and to have access to the Surplus Energy available at less than half that price as shown in the following chart, taken from Emera's application:



The graph traces rates for energy only. Each of the amounts needs to be increased for transmission and distribution, administration,

system operation, etc. to show the actual cost to ratepayers. What matters for this discussion is the relative size of the numbers.

The 'Blended' price assumes that there is twice as much 'Surplus Energy' available as Maritime Link energy. While this might be true initially, the amount of lower cost Surplus Energy will decrease as Newfoundland and Labrador's demand increases, or if Muskrat Falls produces less power than is hoped. In either case, the Blended price will be higher than shown.

The Maritime Link energy provides an extra amount in the first five years, apparently to compensate for the fact that the Link will last for 50 years but the power will only be provided for 35 years. This perfectly illustrates the problem with the whole arrangement. It is designed for the convenience of the Nalcor, the producer, not for us, the customers. A deal that would cater to our needs would provide the extra in later years.

In 2017-2019, Nova Scotia has no need of the fixed block of power, let alone the extra, to meet

its generation needs or regulatory requirements. It would be perhaps \$100 million cheaper per year for Nova Scotia to continue using our coal plants in 2018 and 2019.

What is it that the UARB is being asked to approve? Clearly it is not the building of the Muskrat Falls infrastructure and transmission across Newfoundland and Labrador. Emera and Nalcor have already committed to that regardless of what the UARB decides.

In theory, they could decide not to build the Maritime Link. But only in theory. If it is not built, 60% of the power will be stranded in Newfoundland and Labrador, earning no revenue, and the long-sought end run around Quebec will not be achieved. It is a very good bet that the Link will be built regardless of what the UARB decides about the current application.

So, the UARB is not deciding whether the project will be built. What it is deciding is whether the proposed price for the fixed block of power represents the best long term deal available to Nova Scotia.

The application provides comparisons with wind and with imports from Hydro Quebec. These comparisons are not useful. They are based on asking the alternatives to replicate what Newfoundland and Labrador wants to sell, not what Nova Scotia needs to buy. No effort has been made to engage Hydro Quebec in a serious dialogue on how they could make a competing offer based on our needs.

But a very important and highly relevant comparison can be made to New Brunswick's access to the same energy. Subject to a small cost of transmission New Brunswick will have the same access to the half price Surplus Energy as Nova Scotia, without having to pay

anything for the expensive Maritime Link energy, and without having to commit to purchases that may exceed what is needed.

New Brunswick's opportunity is a reflection of market prices. How can it be argued that the proposed arrangement for the Maritime Link energy at more than double market prices is the best possible deal for Nova Scotia?

There is no urgent need for Nova Scotia to make a decision. At the proposed cost of the Maritime Link energy we would be better off if it was not delivered before 2020. It would be better if an evaluation of our needs was available in an updated Integrated Resource Plan. It would be better if the competing alternatives had the chance to present their own case based on our needs rather than what Newfoundland and Labrador wants to sell.

Most importantly we would be better served if the proposed cost to Nova Scotia was competitive with market rates that will be available to New Brunswick and elsewhere.

The UARB is not asked to approve construction. It is asked to approve financial terms that will give us the best long term deal. What has been presented so far is not it. The government should think harder about whether it wants to continue championing this arrangement.

The UARB should say no. We need a new proposal based on competitive value to Nova Scotia, not costs to Emera and Nalcor.



Suite 204, Park West Centre
287 Lacewood Drive
Halifax NS B3M 3Y7
phone: (902) 429-1143 fax: (902) 425-1393
E-Mail: aims@aims.ca <http://www.aims.ca>