

---

BEFORE THE NOVA SCOTIA UTILITY AND REVIEW BOARD

In the Matter of an Application by Nova Scotia Power Incorporated requesting approval to require the Licensed Retail Supplier to provide security for costs incurred to implement the Renewable to Retail market; and to provide direction regarding the scope and extent of section 3G of the Electricity Act as it relates to NS Power incurring and carrying implementation costs prior to the operation of the tariff construct

- and -  
The Electricity Act

(NSUARB M11874)

**Evidence of Caroline Palmer**

**On Behalf of Counsel to Nova Scotia Utility and Review Board**

**November 1, 2024**

## **Table of Contents**

I.	INTRODUCTION.....	1
II.	SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS.....	2
III.	NS POWER’S REQUEST FOR LETTER OF CREDIT .....	3

1   **I.   INTRODUCTION**

2  
3   **Q.   Please provide your name, title, and business address.**

4   A.   My name is Caroline Palmer. I am a Principal Associate at Synapse Energy Economics  
5       (“Synapse”), located at 485 Massachusetts Avenue, Suite 3, Cambridge, MA 02139.

6   **Q.   Please describe Synapse.**

7   A.   Synapse is a research and consulting firm specializing in electricity and gas industry  
8       regulation, planning, and analysis. Our work covers a range of issues, including economic  
9       and technical assessments of demand-side and supply-side energy resources; energy  
10      efficiency policies and programs; integrated resource planning; electricity market  
11      modeling and assessment; renewable resource technologies and policies; and climate  
12      change strategies. Synapse works for a wide range of clients, including state attorneys  
13      general, offices of consumer advocates, trade associations, public utility commissions,  
14      environmental advocates, the U.S. Environmental Protection Agency, U.S. Department of  
15      Energy, U.S. Department of Justice, the Federal Trade Commission, and the National  
16      Association of Regulatory Utility Commissioners. Synapse has over 30 professional staff  
17      with extensive experience in the electricity industry.

18   **Q.   Please summarize your professional and educational experience.**

19   A.   I am a Principal Associate at Synapse. From 2019 to 2024, when I joined Synapse, I  
20       worked at Strategen Consulting, where I provided expert witness and consulting services  
21       on behalf of public interest clients in regulatory proceedings. Before joining Strategen, I  
22       conducted a Fulbright Research Fellowship in Greece and supported clean energy policy  
23       consulting at Meister Consultants Group (now Cadmus). I hold a Master of Public Policy

1 from the Goldman School at the University of California Berkeley and a Bachelor of  
2 Science from Georgetown University. My resume is attached as Exhibit 1.

3 **Q. Have you previously testified before the Nova Scotia Utility and Review Board?**

4 A. No. I have sponsored testimony in the United States before the New York Public Service  
5 Commission, Maine Public Utilities Commission, the Massachusetts Department of  
6 Public Utilities, the Oklahoma Corporation Commission, and the North Carolina Utilities  
7 Commission, and have assisted with testimonies and regulatory analyses in numerous  
8 additional jurisdictions.

9 **Q. On whose behalf are you providing evidence in this case?**

10 A. I am providing evidence on behalf of Counsel to the Nova Scotia Utility and Review  
11 Board ("Board").

12 **Q. What is the purpose of this evidence?**

13 A. The purpose of this evidence is to address Nova Scotia Power's ("NS Power" or "the  
14 Company") application requesting approval to require the licensed retail supplier  
15 ("LRS") Renewall to provide a Letter of Credit ("LOC") as security for costs incurred to  
16 implement the Renewable to Retail ("RtR") market.

17 **II. SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS**  
18

19 **Q. Please describe your findings and recommendations.**

20 A. Based on the analysis provided below, I find the following:

- 21 • NS Power's concerns about the timing and magnitude of implementation costs are not  
22 directly attributable to Renewall;

- 1 • Providing the requested LOC could act as a barrier to market entry and hinder the
- 2 development of retail competition in Nova Scotia;
- 3 • If the RtR market fails and cannot be paid back as originally planned, it is reasonable for
- 4 ratepayers to support the cost of RtR market implementation given its policy-driven
- 5 nature;
- 6 • I recommend that the Board reject NS Power's request for an LOC. If the Board approves
- 7 an LOC for Renewall, it should not approve the full \$6.4 million magnitude that NS
- 8 Power requests.

9 **III. NS POWER'S REQUEST FOR LETTER OF CREDIT**

10

11 **Q. Please summarize NS Power's application.**

12 A. NS Power expects to spend \$6.4 million to implement the RtR market, \$3.8 million of

13 which it has spent as of September 2024.<sup>1</sup> In its 2016 Order approving tariffs and terms

14 and conditions, the Board approved the deferral and amortization of the RtR market

15 implementation costs, with the recovery of such costs and the tax-effect to be included as

16 part of a future Annually Adjusted Rate process.<sup>2</sup> However, NS Power has recently

17 requested a Letter of Credit from Renewall, the only approved LRS in Nova Scotia, "to

18 address the potential risk to NS Power and its customers from a cost recovery

19 perspective."<sup>3</sup> NS Power intends for the LOC to cover the full estimated RTR

20 implementation costs of \$6.4 million.<sup>4</sup>

---

<sup>1</sup> NSUARB Staff IR-1.

<sup>2</sup> Order in M06214. June 10, 2016.

<sup>3</sup> NS Power Application in M11874. September 4, 2024.

<sup>4</sup> NSUARB Staff IR-9.

1 **Q. Why has NS Power requested such security from Renewall at this time?**

2 A. NS Power recognizes that RtR implementation costs are intended to be recovered in retail  
3 rates through RtR tariffs but is seeking additional assurance that the costs will be  
4 recovered “given the magnitude of these costs, the significant time it has taken for an  
5 LRS to enter the market, and the continued evolution of the timeline on which Renewall  
6 is proposing to initiate service.”<sup>5</sup>

7 **Q. Are NS Power’s concerns about the timing and magnitude of implementation costs**  
8 **directly attributable to Renewall?**

9 A. No. While NS Power notes that it has been nearly 10 years since its M06214  
10 submissions,<sup>6</sup> Renewall cannot be held responsible for the fact that no other LRS has  
11 entered the market in this time, or for the Board-approved arrangement that NS Power  
12 must carry tariff development costs until an LRS begins collecting retail costs. Further, it  
13 has been far less than 10 years since NS Power incurred most of the costs that it proposes  
14 to include in Renewall’s LOC: M06214 implementation costs approved in 2016 were  
15 approximately \$800,000, which have grown to \$1.4 million over the deferral period.<sup>7</sup> The  
16 remaining \$2.4 million spent to date was incurred in 2023 and 2024.

17 As for the magnitude of costs, these implementation costs would be the responsibility of  
18 all LRSs, if there were others. Once operational, Renewall will be responsible for  
19 collecting and paying implementation costs from its retail customers, but until then, there  
20 is no certainty that Renewall will be the only LRS on whom to assign the costs.

21 **Q. What is your assessment of how the requested LOC may impact RtR market**  
22 **participation?**

---

<sup>5</sup> NS Power Application in M11874. September 4, 2024.

<sup>6</sup> NS Power Application in M11874. September 4, 2024.

<sup>7</sup> NSUARB Staff IR-1.

1 A. I am concerned that requiring the LRS to provide such a significant LOC before the LRS  
2 has even begun to take service could act as a barrier to market entry and hinder the  
3 development of retail competition in Nova Scotia. It seems unreasonable and excessively  
4 burdensome to require an emerging market participant to furnish unanticipated financial  
5 guarantees, midway through entering the market, to cover costs for which it is not solely  
6 responsible. If requiring the LOC might hinder Renewall or other LRSs from entering the  
7 market, it would indeed impede formation of the market.

8 **Q. Has NS Power denied that its request creates a potential market barrier to entry?**

9 A. Yes. NS Power instead contends that an LOC is consistent with the requirement set out in  
10 section 3G(2)(b) of the *Electricity Act*, that retail suppliers and their customers are to be  
11 responsible for all costs related to the provision of service by retail suppliers to their  
12 customers that would otherwise be the responsibility of NS Power and its customers.<sup>8</sup>

13 **Q. How does NS Power expect to collect the RtR implementation costs if the Board**  
14 **does not grant the requested Letter of Credit, and if a functioning RtR market is**  
15 **never established or fails prior to full collection of costs incurred?**

16 A. NS Power would seek ratepayer recovery of any unrecovered implementation costs,  
17 which it views as prudently incurred costs associated with providing service.<sup>9</sup>

18 **Q. Would ratepayer recovery of implementation costs be reasonable if the RtR market**  
19 **fails or does not establish?**

20 A. Yes. While the intent of the RtR tariff structure is, appropriately, that retail suppliers and  
21 their customers bear the implementation costs once operational, if the market fails, it is  
22 reasonable to recover these policy-driven market implementation costs from all  
23 ratepayers, provided that they are prudently incurred and Board-approved. Requiring

---

<sup>8</sup> NSUARB Staff IR-13.

<sup>9</sup> CA IR-5.

1           instead that the LRS provide an LOC before it takes service could impede the formation  
2           of the market and undermine the intent of the Electricity Act. Once retail suppliers are  
3           established, they should pay back the costs, as envisioned in M06214.

4   **Q.   Is it possible that NS Power shareholders could be responsible for implementation**  
5   **costs if the RtR market fails or does not establish?**

6   A.   It is possible that policymakers or the Board may consider the RtR implementation costs  
7           to be NS Power's shareholders' responsibility, to avoid making them ratepayers'  
8           responsibility, but as noted above, I consider it reasonable to assign ratepayer  
9           responsibility if the RtR market fails and cannot be paid back as originally planned.

10 **Q.   Do you recommend that the Board approve NS Power's request for an LOC?**

11 A.   No. First, as discussed above, Renewall cannot currently be held solely responsible for  
12           the timing and magnitude of the implementation costs NS Power anticipates.  
13           Additionally, given my concern that the requested LOC could act as a barrier to market  
14           entry and hinder the development of retail competition in the RtR, I do not recommend  
15           granting NS Power's request for an LOC. If Renewall and/or the RtR market fail, NS  
16           Power could reasonably collect the implementation costs through ratepayer recovery, due  
17           to their policy-driven nature.

18 **Q.   If the Board approves NS Power's request for an LOC, what do you recommend it**  
19 **consider in establishing the LOC value?**

20 A.   As discussed above, it is important to consider the magnitude of costs for which  
21           Renewall should be held responsible. NS Power's request attributes all of the market  
22           implementation costs, and the slow development of the market, to Renewall. However,  
23           Renewall's entrance to the market triggered only the costs incurred since then. Thus,  
24           Renewall should not be required to submit an LOC for any more than the \$2.4 million NS



1           Power has spent since it entered the market. Security for these costs should also be shared  
2           with any LRS that joins the RtR in the future.

3   **Q.    Does this conclude your direct testimony?**

4   A.    Yes, it does.