

1 Q. (Re: pp. 10 – 14)
2 Regarding comments on Hydro's wholesale rate structure to Newfoundland
3 Power, which would you consider to be more important for providing the correct
4 price signal to promote efficient use of resources: to price the energy at close to
5 incremental fuel cost or have a demand charge?
6

7 ANSWER:

8 Mr. Bowman believes that the wholesale power rate for Newfoundland Power
9 should include both demand and energy charges. that the charges should be time-
10 varying to reflect differences in the cost of supply in various time periods (to
11 better reflect cost causation), and that marginal cost elements should be
12 incorporated in the rate design to promote efficient use of resources. When
13 determining the appropriate level of complexity to introduce in a rate structure,
14 the incremental benefits should be compared to the incremental costs of
15 implementing the additional complexity into the rate design.