

1 Q. Are there occasions when the compensation rate proposed for the Island  
2 Interconnected system, the wholesale excess energy rate that applies to  
3 Newfoundland Power, may be higher than the effective rate and, if so, how is this  
4 consistent with the expressed primary driver of the Net Metering Policy  
5 Framework?  
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8 A. As stated in Hydro's response to CA-NLH-008(a), the customer's net energy use will  
9 be billed using the retail rates for all billing months with the exception of the  
10 settlement month on the Annual Review Date. If customers do not have unused  
11 energy credits during the settlement process, the proposal to use a marginal cost-  
12 based pay-out rate will have no impact on customers.  
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14 An alternative to payment of net excess generation strictly on a marginal cost-based  
15 rate would be to pay compensation for net excess generation based on the lesser of  
16 the marginal cost-based rate and the retail rate. This approach would still provide  
17 some benefit to customers for net excess generation but remove any incentive for  
18 customers to achieve net excess generation if the marginal cost based rate was  
19 greater than the retail rate. Hydro also considers this approach to be reasonable.