

1 Q. Please refer to PUB-Nalcor-050, Attachment 2, page 14 and 15. Please describe how  
 2 the 2021 NERC cost estimates for the Labrador Island Link and the Labrador  
 3 Transmission Assets were derived.

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6 A. During 2015, AESI prepared a reliability gap analysis to determine the cost to  
 7 Nalcor/Hydro of implementation of NERC reliability standards by August 31, 2017  
 8 when interconnection with Nova Scotia was anticipated to be completed. The  
 9 results of that gap analysis forecasted an annual \$3.5M to maintain compliance.  
 10 The details of the forecasted annual costs are provided below in the Table 1:  
 11 Forecasted Annual NERC Costs. Note these costs are exclusive of any regulator or  
 12 government costs to implement a mandatory regime.

**Table 1: Forecasted Annual NERC Costs**

(millions)	Internal	External	Total
NON-CIP annual costs	0.4	0.8	1.2
Event analysis	0.1	0.0	0.1
Operator annual re-certification exam	0.0	0.0	0.0
Operator annual re-certification preparation	0.1	0.0	0.1
CIP annual operating costs	0.6	0.1	0.6
CIP ongoing funding	0.1	0.0	0.1
New ICP staff & vegetation management staff	0.3	0.0	0.3
NERC membership	0.1	0.0	0.1
NPCC membership	0.1	0.0	0.1
Margin	0.5	0.3	0.8
<b>Total</b>	<b>2.3</b>	<b>1.1</b>	<b>3.5</b>

13 Subsequently, it was decided to proceed with a plan to implement the standards on  
 14 a voluntary and not a mandatory basis. Through this voluntary process the NERC  
 15 standards have been prioritized into phases for drafting of detailed Nalcor/Hydro

16 policies and procedures. This process is ongoing. Prior to implementing the policies  
17 and procedures, they will be evaluated for their benefits and costs to implement.  
18 Voluntary implementation will be carried out over time as the management of  
19 Nalcor and Hydro determine it is appropriate in order to provide cost effective  
20 reliability benefits to electricity consumers in the province. Based on this change in  
21 approach, an estimate of \$2.3M was carried to ensure sufficient funds to cover  
22 compliance.