

1 Q. Reference: 2018 Cost of Service Methodology Review Report, p. 18 (29 pdf)

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Citation:

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3.11 Allocation of Net Export Revenues

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Hydro recommends:

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(i) net export revenues be used to reduce the Muskrat Falls supply costs to be recovered through the rates of customers on the Island

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Interconnected System;

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(ii) net export revenues be classified in the same manner as the classification of the Muskrat Falls Project costs in the cost of service study; and

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(iii) net export revenues be included in the test year cost of service study for rate making with variations from forecast net export revenues be dealt with through a deferral account mechanism.

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Hydro plans to include any revenues that result from the sale of carbon credits, due to the closure of Holyrood, in net export [sic] revenues.

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a) Please specify how “net export revenues” are defined.

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b) Please explain the relationship between the “net exports revenues” discussed in section 3.11 and the “export revenues” discussed in section 2.4. Insofar as this distinction affects the responses provided to LAB-NLH-004, please explain how.

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c) In the event that export of hydraulic power results in the creation of carbon credits in the importing regions, please indicate how the resulting revenues will be attributed.

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- 1 A. a) Newfoundland and Labrador Hydro (“Hydro”) considers net export revenues to equal
2 the revenues from the sale of energy net of all costs incurred in selling energy into
3 external markets.
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- 5 b) Section 2.4 of the “Cost of Service Methodology Review” refers to the “sharing of the
6 net revenues from these exports”. The exports revenues discussed in Section 3.11 are
7 the same as the net export revenues discussed in Section 2.4. There is no distinction
8 and no effect to the response provided to LAB-NLH-004.
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- 10 c) In the event that export of hydraulic power results in the creation of carbon credits in
11 the importing regions, it is expected that the value of the carbon credits would either
12 be reflected in a higher selling price for energy in the market and higher net export
13 revenues, or the sale of carbon credits may create a separate revenue stream
14 depending on how the importing region manages its carbon market (there remains
15 uncertainty as to how the ongoing evolution in clean energy markets will eventually
16 settle).
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- 18 In Section 3.11 of the “Cost of Service Methodology Review”, Hydro has proposed that
19 net export revenues that accumulate to Hydro be used to reduce the Muskrat Falls
20 supply costs to be recovered through the rates of customers on the Island
21 Interconnected System. Hydro also proposed that net export revenues be classified in
22 the same manner as the classification of the Muskrat Falls Project costs in the cost of
23 service study.