

1 **Q: Reference: "Embedded and Marginal Cost of Service Review," The Brattle**
2 **Group, May 3, 2019, Exhibit II at p. 18/8-12**
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4 **The Muskrat Falls project is a \$10.4 billion supply project (excluding**
5 **financing costs) for which the generating source is located approximately 1,100**
6 **kilometres from the point of delivery. Please explain whether and why The**
7 **Brattle Group believes that the Federal Energy Regulatory Commission**
8 **methodology, regarding functionalization of transmission from wind farms in**
9 **the computation of an Open Access Transmission Tariff, provides an**
10 **applicable example to follow for the functionalization of the Labrador-Island**
11 **Link and the Labrador Transmission Assets.**

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13 **A.** We believe that the U.S. Federal Energy Regulatory Commission's (FERC) policy
14 on functionalization of high voltage radial lines interconnecting a generation station
15 is an applicable example to follow for the functionalization of the Labrador-Island
16 Link and the Labrador Transmission Assets. In general, FERC transmission
17 policies on functionalization and open access are the culmination of over twenty
18 years of regulatory experience on the issue of functional unbundling, non-
19 discriminatory access to the transmission grid by all market participants and the
20 creation of a workably competitive, wholesale electricity markets. We believe this
21 experience should carry some weight on the topic of functionalization of the
22 Labrador-Island Link and the Labrador Transmission Assets. We provided the
23 example of wind farms and its transmission connection because they are radially
24 connected to the transmission system and are treated as a transmission element not
25 as a generator lead.

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27 The FERC policy on transmission unbundling and non-discriminatory requirements
28 is also relevant to Canadian utilities that wish to sell energy and capacity into the
29 United States. Under the FERC's reciprocity requirements, any Canadian utility
30 that sells into U.S. wholesale electricity markets using the open access transmission
31 networks in the U.S. must demonstrate that its transmission network in Canada is
32 an open access network that can be used by market participants, including U.S.
33 utilities, to sell energy and capacity in the Canadian utilities territory. As such,
34 FERC policy is not just an example of best practices for Canadian regulators to
35 consider, it carries weight in Canada for Canadian utilities that wish to sell energy
36 and capacity into the United States.