

1 Q. Appendix A, page 4: For Hydro, which is lesser: the marginal operating costs or the
2 opportunity costs?

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5 A. This response has been provided by Christensen Associates Energy Consulting.

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In general, opportunity costs are expected to be above marginal operating costs as a result of the source of supply on the Island being predominantly hydraulic production. There may be some timeframes when opportunity costs are less than marginal operating costs or, because of transmission constraints, Hydro's power system is separated from regional markets as far as market transactions are concerned.