

1 Q. **Reference: Supply Cost Accounting Application, Evidence page 8 (p. 23 pdf)**

2 Citation:

3 The TFA recovers costs associated with the LIL facilities through payments by
4 Hydro to the Labrador-Island Link Operating Corporation, the LIL operating
5 entity. The payments to Labrador-Island Link Operating Corporation are based
6 on a return on rate base approach in which the annual cost recovery amount is
7 based on return on equity plus O&M costs, depreciation and taxes.

8 a. Please provide a copy of the Transmission Funding Agreement.

9 b. Is the LIL part of the transmission system managed by the NLSO? If so, please explain the
10 NLSO's role in its management.

11

12

13 A. a. A copy of the Transmission Funding Agreement can be found on the Lower Churchill Project
14 website.¹

15 b. Upon being commissioned and released for commercial service, the Labrador-Island Link will
16 form part of the Integrated Electric System.² In accordance with Section 14.3(1) of the
17 *Electrical Power Control Act*, the Newfoundland and Labrador System Operator ("NLSO") is
18 responsible for

19 (a) the safe and reliable operation of the integrated electric system; and

20 (b) providing transmission service and ensuring the availability of ancillary
21 service on the integrated electric system.

22 And more specifically, in accordance with Section 5 of the Open Access Transmission

23 Regulations, the duties and functions of the NLSO are to:

¹ "Transmission Funding Agreement," November 29, 2013, <https://muskratfalls.nalcorenergy.com/wp-content/uploads/2013/03/Transmission-Funding-Agreement_29Nov2013.pdf>

² The *Public Utilities Act* defines the Integrated Electric System as "the system for providing transmission service at or above 230 kilovolts" but not including the Maritime Link DC facilities (which are exempted from this definition in the Open Access Transmission Regulations).

- 1 (a) maintain and operate or arrange for a third party to maintain and operate,
2 on a 24-hour basis, one or more control centres for the remote monitoring,
3 control and coordinated operation of the integrated electric system;
- 4 (b) oversee and conduct scheduling, curtailment and interruption of
5 transmission service;
- 6 (c) approve and schedule maintenance and outages for the integrated electric
7 system;
- 8 (d) coordinate with system operators in other jurisdictions respecting
- 9 (i) the interchange of energy between control areas,
10 (ii) the balancing of system requirements,
11 (iii) the coordination of outages, and
12 (iv) all other functions necessary to maintain a reliable interconnection
13 between the integrated electric system and external control areas;
- 14 (e) facilitate and perform the billing of transmission service charges, the
15 collection of revenues related to transmission service and the distribution of
16 revenues from the collection of transmission charges to the transmission
17 owners; and
- 18 (f) establish and execute a transmission planning program to ensure safe and
19 reliable transmission service.