

- 1 Q. Why did NL Hydro select Zone A instead of Zone D for price setting?
- 2           **a)** What would be the pricing difference if Zone D were selected instead of Zone A and net  
3           revenue. What are the cost differentials?
- 4           **b)** What path and cost are associated with selling into Zone A vs. Zone D?
- 5           **c)** What are the line losses in Zone A and D?
- 6           **d)** What loss costs does NL Hydro consider acceptable to wheel power into NYSIO through  
7           Zone A instead of Zone D?
- 8           **e)** What physical location or injection points can NL Hydro physically sell into for the New  
9           York market?
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- 12 A.       **a)** One of the main reasons Newfoundland and Labrador Hydro (“Hydro”) has chosen New York  
13       Zone A is for transparency, so that customers can view the forecasted prices on a website  
14       such as CME Group. Zone A is also a more liquid trading hub than Zone D, and Zone A price  
15       forecast is included in Hydro’s Platts subscription. New York Zone D load is relatively low  
16       compared to other zones in the New York Independent System Operator system, and does  
17       not have a liquid trading market. Platts does not forecast a price for this zone and there is  
18       less transparency on the pricing for Zone D than Zone A. Hydro has assessed the other zones  
19       that are available through Platts subscription and Zone A is the most comparable zone to  
20       the Hydro injection point.
- 21       **b)** Hydro does not export energy into either Zone A or D. When exporting energy into New  
22       York, Hydro exports energy primarily into Zone M which is the import path from the Hydro-  
23       Québec system. There is no load forecast or market curve for Zone M.
- 24       **c)** Line losses are included as a component of the zones hourly prices (locational-based  
25       marginal prices) and will vary depending on system conditions.

- 1           **d)** Hydro does not wheel power to Zone A or Zone D. The Zone A price is meant as a proxy for  
2           establishing a value for Hydro's export sales.
- 3           **e)** When selling energy into New York, Hydro primarily sells energy on the Châteauguay-  
4           Massena interface; however, Hydro is not limited to selling into this interface and sells  
5           energy on different interfaces into New York from time to time.