

1 **Q. Reference: Granular pricing – Island Industrial Customers**

2 What would be the barriers to Hydro moving to each of the following forms of pricing, which
3 would add granularity to the rate offering, and how quickly could such a move be made if it was
4 considered desirable:

5 a) weekly pricing variations

6 b) 3 period pricing (i.e., on-peak/off-peak/shoulder, similar to that used by Manitoba
7 Hydro)

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10 A. a) As stated in the evidence, the determination of the frequency in which the non-firm price
11 gets updated requires a balancing of customer rate stability with the degree of certainty
12 desired with respect to the market value of exports.¹ Applicants for the Labrador
13 Interconnected System Non-Firm Rate would prefer more rate certainty than proposed by
14 Newfoundland and Labrador Hydro (“Hydro”). Hydro believes the use of forecast monthly
15 average price provides a reasonable balance for the Labrador Interconnected System
16 customers which would be subject to price variability applying to their full load
17 requirements.

18 If desired by Island Industrial Customers (“IIC”), Hydro would consider a proposal to revise
19 the timing of price variations for the non-firm rate for the Island, subsequent to Hydro
20 gaining experience with the proposed revised non-firm rate design. Given the non-firm price
21 would apply to only a portion of the load for IIC (i.e., load in excess of their firm load
22 requirements), the additional price variability may provide additional opportunity for
23 customer benefits at times when the market price is low.

24 b) Based on recent marginal cost studies, Hydro determined the current system load profile did
25 not support the use of a shoulder peak period for electricity pricing during system peak

¹ “Application for a Non-Firm Rate for Labrador,” Newfoundland and Labrador Hydro, September 15, 2022, sch. 1, sec. 2.3.3, p. 8/13–14.

- 1 days. As electrification advances, Hydro will continue to monitor its system load profile to
- 2 determine if the use of a shoulder peak period may be appropriate in future.