

1 **Q. Reference: Application, Schedule 2.**

2 Would the definition of a system constraint include preventing use of surplus energy from  
3 Muskrat Falls to supply Labrador non-firm customers and preventing Hydro from incurring  
4 incremental energy costs higher than the opportunity cost of exports?

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7 **A.** At this time, the TwinCo<sup>1</sup> and Recapture Blocks are sufficient to supply the amount of non-firm  
8 capacity Newfoundland and Labrador Hydro (“Hydro”) is currently proposing to make available  
9 to customers on the Labrador Interconnected System. Therefore, the use of Muskrat Falls  
10 energy is not required to supply non-firm energy on the Labrador Interconnected System.

11 Hydro notes that the incremental cost for the use of Muskrat Falls energy on a non-firm basis  
12 would also be reflective of the opportunity costs of exports. It is for that reason that Hydro is  
13 proposing the same non-firm energy price for the Island Interconnected System as is proposed  
14 for the Labrador Interconnected System when variations in energy use on the Island would  
15 impact the amount of energy exported (i.e., at times when Holyrood Thermal Generating Station  
16 fuel is not the incremental cost).

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<sup>1</sup> Twin Falls Power Corporation Limited (“TwinCo”).