

1    **Q.     [Response to Request for Information NP-IC-013]**

2           **If InterGroup believes that Industrial customers should be able to capture the**  
3           **marginal cost savings from conservation initiatives, does InterGroup believe that**  
4           **Industrial customers should capture the marginal cost of Industrial customer**  
5           **initiatives that increase their load and not share those costs with other**  
6           **customers? If not, please explain why reductions in load should be treated**  
7           **differently from increases in load.**

8    **A.     Messrs Bowman and Najmidinov offer two parts to the answer.**

9           First, for marginal changes in supply, including both relatively small increases and  
10          relatively small decreases (consistent with CDM), Messrs Bowman and Najmidinov did  
11          express support for the above principle as part of their acknowledgement and support for  
12          the principles of the Industrial Rate Design report (despite the timing being inappropriate  
13          for implementing that report at this time). However this principle is addressed in those  
14          types of two block industrial rates by providing that for major changes in load (such as a  
15          new customer coming on line, or a customer adding a production line to their operation)  
16          a re-basing of the customer's first block size would be necessary to ensure fair and non-  
17          discriminatory access to the same cost-of-service type rates as other customers.

18          Second, taken to a logical extreme, the principle above could be viewed as an  
19          expression of support for a "vintaged" rate system, where each customer is charged a  
20          rate based on when they joined the system, and the marginal cost drivers at that time. In  
21          this manner a customer may be a "new" customer who faces rates reflective of Holyrood,  
22          but in a few years an "even newer" class of customer might arise who are charged a  
23          marginal rate reflective of Labrador infeed power. Subsequently, the "old" customers  
24          may face even higher rates as their power source (e.g., Bay D'Espoir) faced the next  
25          generation of major rebuilding. Such vintaging of rates is not only impractical, it is  
26          effectively premised on principles of differing customer rights of ownership to be served  
27          by tiers of generation, and as such is generally antithetical to regulated ratemaking.

1       The issue for CDM is not to extrapolate to illogical extremes, but to provide appropriate  
2       incentives for customers to participate on a non-discriminatory basis, for relatively  
3       modest changes in load. Under the proposed system: a) industrial customers are not  
4       treated consistently with the favourable treatment afforded to NP, and b) industrial  
5       customers face lower encouragement to participate in CDM than the savings they could  
6       generate for the system, and as such would be expected to have a lower CDM  
7       investment than may otherwise be achieved.