

1 Q. The Labrador interconnected system is expected to be linked to the Island
2 interconnected system in the foreseeable future. Please explain whether Hydro
3 considers that, following interconnection, the marginal cost of power on both
4 systems will be similar (after consideration of losses and installation of additional
5 equipment).

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8 A. Under the NERA 2006 marginal cost methodology, the marginal cost of power for
9 both the Island and Labrador for the post interconnection period is based on
10 market prices with differences in Labrador and island costs related to losses. Hydro
11 would consider the marginal cost of power on both systems to be similar after
12 consideration of losses, following interconnection.

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14 Hydro is currently in the process of reconfirming the marginal cost methodology.

15 This exercise will be finished in 2015.