

1 Q. In response to PUB-NLH-001 Hydro noted that, during the transition to full Muskrat Falls Project  
2 commissioning, they believe it would be reasonable to assume that the marginal cost of energy  
3 on the Island Interconnected system would be the market value of imports.

4 (a) At what level of operation would the Holyrood Thermal Generating Station (“Holyrood  
5 TGS”) have to operate to be considered the marginal cost of energy verses the market  
6 value of imports, particularly if the LIL is not commissioned before the winter season?

7 (b) How would the impact of Holyrood TGS being the marginal cost of energy instead of the  
8 market value of imports be addressed after the fact, if all proposals in this application  
9 were approved by the Board?

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12 A. (a) If Newfoundland and Labrador Hydro (“Hydro”) was maximizing its available deliveries over  
13 the Labrador-Island Link (“LIL”) and the Maritime Link, and Hydro was also required to have  
14 the Holyrood Thermal Generating Station (“Holyrood TGS”) operating at levels higher than  
15 that required to meet system reliability requirements (historically 70 MW), there would be  
16 times when the Holyrood TGS would be considered to be providing the marginal energy  
17 supply to the Island Interconnected System. However, even if the LIL is not commissioned  
18 before the winter season (or not capable of delivering its full design capacity on a consistent  
19 basis), Hydro expects that the LIL can be operational to the extent that the Holyrood TGS is  
20 not operating to supply energy in response to changes in load on the Island Interconnected  
21 System.

22 (b) Even if, on occasion, the Holyrood TGS is required in the future to serve as the marginal  
23 energy supply to the Island Interconnected System, no changes are required to the  
24 proposals in the application. In this circumstance, there would be no exports occurring  
25 during these periods to create net export revenues to offset Muskrat Falls Project costs.  
26 Also, less fuel savings would be credited to the proposed Supply Cost Variation Deferral  
27 Account to offset the cost of the Muskrat Falls Project if the Holyrood TGS is required to  
28 continue to be the marginal energy supply for the Island Interconnected System. Therefore,

1           the proposed Supply Cost Variance Deferral Account Application will track costs effectively  
2           even if the Holyrood TGS is required to continue to be (on occasion) the marginal energy  
3           supply for the Island Interconnected System.