

1 **Q. Reference: Application**

2 How will the reliability of the Labrador-island link affect the proposed pricing of the non-firm
3 rate for the IIC? Why does Hydro propose to charge the higher of the cost of thermal
4 generation or the net value of export power as indicated in Section 5.2 of Schedule 1
5 Attachment 1?

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8 **A.** The proposed pricing approach takes into consideration concerns with the reliability of the
9 Labrador-Island Link (“LIL”). If the LIL does not perform reliably during high load periods, the
10 Holyrood Thermal Generating Station may be selectively operated to provide energy to the
11 system. While Newfoundland and Labrador Hydro (“Hydro”) is proposing to revise the Island
12 Industrial Customer Non-Firm Rate to include the market value of exports as an option for the
13 incremental cost (i.e., consistent with the Labrador Interconnected System Non-Firm Rate),
14 Hydro is also proposing to continue to have the option to apply thermal fuel costs as an
15 incremental cost in computing the non-firm price. Schedule 3¹ provides for different prices to be
16 determined depending upon whether the non-firm energy is supplied by a thermal generation
17 source or a non-thermal generation source.

18 Hydro is not proposing to charge the higher of the cost of thermal generation or the market
19 value of power.

¹ “Application for a Non-Firm Rate for Labrador,” Newfoundland and Labrador Hydro, September 15, 2022, sch. 3.