

1 **Section 1: Proposal to Not Rebase Power Supply Costs**
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3 **Q. (Section 1, page 1-8) Assuming that the Muskrat Falls Project continues to operate**
4 **as currently, does Newfoundland Power agree that the appropriate measure of the**
5 **marginal cost of energy is now NL Hydro's export price?**
6

7 A. Marginal energy costs on the Island Interconnected System are a function of
8 Newfoundland and Labrador Hydro's ("Hydro") operation of energy supply on the
9 provincial electricity system. As a result, Newfoundland Power relies on Hydro to
10 provide estimates of marginal energy costs.
11

12 Hydro's most recent Marginal Cost Study Update was filed with the Board in 2022.¹ It
13 stated that marginal energy costs have historically been determined based on the variable
14 costs associated with operating the Holyrood Thermal Generating Station ("Holyrood")
15 to provide energy. It also stated that, since Newfoundland and Labrador is now
16 interconnected to the North American grid, the opportunity costs associated with the
17 ability to import energy from, and sell energy to, other jurisdictions is the best
18 measurement of Hydro's marginal energy costs going forward.²
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20 Hydro's most recent marginal cost projection was provided to Newfoundland Power in
21 October 2023. Marginal energy costs for the forecast period are reflective of opportunity
22 costs associated with Hydro's ability to import energy from, and sell energy to, other
23 jurisdictions.

¹ Hydro's *Marginal Cost Study Update – 2021, Summary Report*, dated March 7, 2022, was filed with the Board as part of Hydro's *Application for Approvals Required to Execute Programming Identified in the Electrification, Conservation and Demand Management Plan 2021-2025*. The report was provided as Attachment 1 to the response to Request for Information TC-IC-NLH-001.

² See Hydro's *Marginal Cost Study Update – 2021 Summary Report*, Page 3, lines 7-16.