Q. (Reference response to CA-NLH-34) The response indicates that Nalcor is not required to pay for transport of power and energy on the Maritime Link, but other entities might be so required. Why is Nalcor not required to pay for use of the ML; i.e., is the cost of the ML part of the cost of the Muskrat Falls project? Will Island Interconnected Customers be required to pay for the ML, either explicitly or implicitly? If so, would Island Interconnected Customers potentially be required to pay for the costs of the ML twice if Hydro were to purchase power over the ML from a marketer other than Nalcor Energy Marketing?

A. As stated in Hydro's response to CA-NLH-182, Nalcor is not required to pay for use of the Maritime Link (ML). As part of the broad suite of Muskrat Falls agreements between Nalcor and Emera, Emera has agreed to provide Nalcor with transmission rights over the ML, as well as other rights, in exchange for the delivery of the Nova Scotia Block.

Hydro is obliged to pay all costs that Nalcor incurs with respect to the development of Muskrat Falls. In that sense, Hydro, and therefore, Hydro's customers, have enabled the payment for the overall suite of agreements that support Muskrat Falls and the development of the ML. Following from this suite of agreements, Hydro will be able to acquire energy from Nalcor Energy Marketing (NEM) without incurring any additional costs arising from NEM's use of the ML to deliver this energy. Nalcor and Emera are the only entities whose existing arrangements enable them to use the ML at no additional cost. Any other external entity that transmits energy via the ML to Bottom Brook (the termination of the ML in Newfoundland) is expected to incur a cost for use of the ML.

Any external entity that takes service on the ML would only be able to obtain non-firm transmission service because NEM will hold all the firm rights on the ML. Such third party would only pay a portion of the ML cost that is in proportion to its use and would only be able to use it if NEM is not. If Hydro purchased energy from such external entity and the terms of this purchase were that Hydro accepted delivery at Bottom Brook, then it is hypothetically possible that Hydro would indirectly incur additional costs for the use of the ML to deliver these purchases by compensating the external entity for its payments for ML use. However, there would be a price differential between the cost of delivering energy to Hydro at Bottom Brook by the external entity versus the procurement of the equivalent amount of energy by NEM at Woodbine (the Nova Scotia termination of the ML) which can then be delivered to Hydro at Bottom Brook for no additional cost. This price differential would have to be paid by Hydro, and since Hydro is obliged to procure energy at least cost, it is extremely unlikely that Hydro would ever purchase energy delivered to it at Woodbine, which is the only scenario in which Hydro could be said to effectively "pay" twice for the use of the ML.