

1 Q. **Re: Exhibit 2, pages 3-4**

2 Citation:

3 Industry recognized standards, such as those developed by the Federal Energy
4 Regulatory Commission, recommend that functional separation exist between
5 power production and the NLSO.

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7 a) Please provide precise references for these “industry recognized standards”.

8 b) Is functional separation the only structure acceptable to the FERC? If not,
9 please describe the other structures commonly used for System Operators,
10 and explain why Hydro has chosen the “functional separation” model over
11 the alternatives.

12 c) Is Nalcor Energy Marketing the only entity that, according to FERC
13 standards, would require be covered by Standards of Conduct to ensure the
14 independent functioning of the NLSO, or are there also functions within
15 Hydro that would also have to remain functionally separate from it? Please
16 explain your answer.

17 d) Does the FERC have any jurisdiction over Hydro, over Nalcor, or over the NL
18 transmission system? If so, please explain the source of that jurisdiction,
19 and explain the respective roles of the FERC and the PUB.

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22 A. a) The Federal Energy Regulatory Commission (FERC) Order No. 717, requires
23 “*the transmission function employees of a transmission provider to function*
24 *independently of the marketing employees of the transmission provider.*”¹

¹ <https://www.ferc.gov/whats-new/comm-meet/2008/101608/M-1.pdf>, page 19.

1 b) Functional separation is the FERC approved structure for compliance with
2 the Standards of Conduct for transmission providers.

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4 c) The Standards of Conduct requirements apply to transmission owners and
5 operators, and govern how transmission employees interact with any
6 affiliate marketing operations. There are no functions within Hydro that
7 have to remain functionally separate from the NLSO.

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9 d) FERC does not have jurisdiction in Newfoundland and Labrador.