

1 Q. LAB-NLH-65: Re: LAB-NLH-043

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3 **Citation:**

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

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

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11 **Preamble:**

12 Paragraph c) implies that Hydro does not and will not sell electricity on the
13 wholesale market.

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15 Please:

16 a) confirm or correct the statement in Preamble.

17

18 b) clarify if, under the Power Purchase Agreement concerning Muskrat Falls power,
19 Hydro could ever be in a position of having committed to take more electricity
20 than its customers might require at any given moment; and

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22 c) clarify if function separation is the only FERC approved structure for compliance
23 with the Standards of Conduct for transmission providers, or if other structures
24 (e.g. separate corporate entities) are also acceptable to FERC.

- 1 A. a) It is not confirmed. If Hydro determines that is it going to monetize any portion
2 of its supply, while protecting native load, Nalcor Energy Marketing will perform
3 this function on Hydro's behalf.
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- 5 b) It is possible that Hydro could be in a position of having committed to take more
6 electricity than its customers might require at any given moment. In any period
7 where this occurs, an amount of energy equal to the difference between what is
8 committed to Hydro and what is required by its customers can be exported or
9 deferred for future use on behalf of its customers.
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- 11 c) The primary goal of the Federal Energy Regulatory Commission (FERC)
12 Standards of Conduct is to ensure functional separation. It can be accomplished
13 in a number of ways, such as functional separation within Hydro, or as a
14 separate entity.