

1    **Q:    Preamble:**

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**At the Technical Conference, risks and concerns particular to customers without ties to the local community that wish to take advantage of low power prices were discussed.**

**a)    Is the Brattle Group aware of any situations where regulators have sought to ensure that the arrival of customers without ties to the local community does not result in increasing costs to local customers? If so, please comment on the approaches. If not, does the Brattle Group think it would be inappropriate to do so?**

**b)    Please comment on the similarities and differences between a) the NLPUB establishing regulatory rules and procedures designed to protect Labrador communities from rate impacts caused by customers without ties to the local community that wish to take advantage of low power prices, and b) the FERC establishing regulatory rules and procedures designed to protect Native Load from rate impacts caused by transmission customers.**

**a)    “Without ties to the local community” is not a well-defined or agreed-upon term or term common in cost of service, ratemaking and regulatory economics. Nevertheless, applying a common usage of the term as best as we understand the context, we are not aware of policies that differentiate between customers based on whether or not they have an existing relationship with the local community.**

**As presented, the policy could discriminate between “new” customers without ties to the local community and “existing” customers that do. Our position is that differentiation in rates should generally be based on differences in cost, see the response to LAB-PUB-001.**

**b)    “Without ties to the local community” is not a well-defined or agreed-upon term or term common in cost of service, ratemaking and regulatory economics.**

**Generally speaking, the FERC’s focus is on current transmission customers, and its regulatory policies related to protecting Native Load are related to the introduction of wholesale competition (i.e., to ensure that existing customers are not harmed by the introduction of wholesale competition). Specifically, the FERC wholesale policies required transmission providers to meet all transmission requests from market participants, even if that meant having to**

1 build facilities to accommodate the request. The requests were from market  
2 participants—generators and load—taking advantage of wholesale competition.  
3 The genesis of FERC policy was on protecting Native Load from the added costs  
4 required—e.g., transmission investments—to allow for and facilitate wholesale  
5 competition.

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7 In contrast, the genesis of this proceeding on Network Addition Policies is not  
8 focused on competition *per se*, it is on how best to treat and allocate the costs of  
9 transmission investment required to meet Native Load demand and specifically  
10 how to deal with unanticipated demand. Because we understand most customers  
11 connect at the distribution voltage levels, most customers affected by this policy  
12 would be treated as “native load” from the perspective of a requirement to  
13 provide service. For the reasons we discussed in our report *Review of Existing  
14 and Proposed Network Additions Policies for Newfoundland and Labrador  
15 Hydro* and given the benchmarking evidence we presented, we believe our  
16 recommended approach results in an economically efficient way to deal with  
17 network additions in Labrador.