Q. Has NL Hydro evaluated the effect of supplying export power on the proposed pricing model?

a) Does the price of surplus power in the export markets decrease as the available amount increases?

b) Has Hydro evaluated the extent to which the diminishment of supply to its export markets as a result of supplying that surplus power to local rather than to export markets will increase costs in those markets resulting in increased costs to local users?

A. **a)** Basic economics indicate that, in general, if you increase the supply of an item the price of the item would be expected to decline. New York and New England are large complex energy systems; the price of energy in these markets are calculated hourly reflecting the location-based marginal price. The impact of the change in the amount of supply to the market price would depend on the Newfoundland and Labrador Hydro ("Hydro") price submitted to the market and if exports by Hydro can affect the marginal cost of supply in the market. Hydro is projected to increase exports from ~1.5 TWh of energy per year to ~3 TWh of energy per year (excluding long-term export contracts but subject to growth in Hydro's load requirements), while the New York market is approximately 152 TWh in 2022 and New England market is approximately a 118 TWh. The projected increase in exports would change Hydro's portion of the market from 0.5% to approximately 1% (excluding long-term contracts). In general, considering the total exports from Hydro (excluding long-term export contracts) and the size of the New York and New England market, it is reasonable to assume that a projected increase in exports would not have a material impact on Hydro's export markets.

b) Hydro has not evaluated if the impact of reducing its exports will impact export market prices. Please refer to Hydro's response to part a).