

1 Q. Why did Hydro propose that the non-firm rate reflect its exports to the New York and New  
2 England markets in the prior month? Why did it not include sales to Ontario, the Maritimes and  
3 Quebec? What would the price of non-firm power be if established on the basis of all export  
4 markets rather than the two named?

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7 A. Newfoundland and Labrador Hydro (“Hydro”) proposed the New York and New England markets  
8 for the non-firm proxy prices for the following reasons:

- 9           **i.** These are Hydro’s two primary export markets;
- 10           **ii.** New York and New England are open markets with forward market prices which  
11 are practical to use in Hydro’s price formula; and
- 12           **iii.** It enables monitoring of projected non-firm rates by customers for planning  
13 purposes.

14 Hydro did not propose to use Ontario, the Maritimes, or Québec in pricing non-firm energy for  
15 the following reasons:

- 16           **i.** Currently the Ontario market only has a real time market and not a day-ahead  
17 market which has limited this market as a secondary market for Hydro;<sup>1</sup>
- 18           **ii.** The Maritimes export prices are forecasted to be linked to the only open market  
19 in the area which is New England (i.e., connected to New Brunswick), and  
20 already included in the price formula;
- 21           **iii.** The Maritimes market is a bilateral market with no forward market curve or  
22 public prices; and
- 23           **iv.** The Québec market is also bilateral market with no forward market to enable  
24 price discovery for non-firm customers.

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<sup>1</sup> Hydro currently forecasts minimal sales to Ontario, If Ontario was included in the calculation, minimal impact would be expected to the non-firm price.

1 Hydro will continue to monitor its export sales and the markets to determine if the price setting  
2 formula and process continues to be indicative of Hydro's export markets. If there are material  
3 changes that are not encompassed in the proposed formula, Hydro will consider updating the  
4 formula to continue to reflect Hydro's export market experience.