

**Section 2.6, page 27: Does NL's regulatory system adequately cover sales to others?**

With respect to system cost allocation for exports, the transmission tariff structure established by the Newfoundland and Labrador System Operator (NLSO) and approved by the Board allocates transmission costs between two customer groups; those that use Network Services and those that use Point-to-Point Transmission Service. Network Integration Transmission Service are designed to supply the load within the Newfoundland and Labrador transmission system (i.e. end users of electricity in Newfoundland and Labrador), and Point-to-Point Transmission Service is used for wholesale transactions between systems (i.e. exports). This methodology clearly and transparently distinguishes and allocates costs associated with each activity, is consistent with accepted practices in North America, and has been reviewed and approved by the Board. Hydro has requested of all available transmission capacity in NL, both Network and Point-to-Point and must abide by the terms of transmission service and the related policies and procedures as approved by the Board.

With respect to the commercial construct by which NL Hydro may be compensated for use by Nalcor of its Point-to-Point transmission rights, a number of short term arrangements have been implemented to capture near term opportunities and these have been reviewed and approved by the Board. NL Hydro is working with Nalcor (and its other affiliates) to formalize a long term commercial structure to govern how the parties transact in the external electricity markets and share in the value. This long term relationship will also be discussed in an appropriate forum with the Board.

Under section 70 of the *Public Utilities Act*, a public utility cannot make a sale to a customer in the province unless the rate for that sale is first approved by the Board. Under section 5 of the *Hydro Corporation Act, 2007*, Hydro may make sales for use by people outside the province if that sale is approved by the Lieutenant Governor in Council.