Q. **Reference: Application, Chapter 6, page 6.15**

Hydro states "Hydro implemented a quarterly blocking structure in the wholesale rate charged to Newfoundland Power effective January 1, 2025. Hydro is proposing to revise the existing block structure so that approximately the same proportion of revenue for Hydro (power purchase costs for Newfoundland Power) is reflected in each quarter, based on the 2027 Test Year costs."

a) Has Hydro given consideration to any other rate designs for Newfoundland Power? Provide a summary of the rate designs considered and the analysis that led to Hydro's proposed rate design.

b) Did Hydro consider implementing a real-time pricing rate with the potential to change rates hourly for Newfoundland Power and the Island Industrial customers? Would this potentially help Hydro manage periods of high cost and/or high risk to reliability based on financial incentives rather than the current command and control method, and be similar to how competitive electricity markets work?

c) Did Hydro consider the real-time pricing rate offerings in other provinces for large industrial customers? For example, Ontario had a real-time pricing rate offering for its large industrial customers more than 30 years ago before implementing its competitive electricity market.

A. **a)** Newfoundland and Labrador Hydro ("Hydro") has not given consideration to any other rate designs for Newfoundland Power Inc. ("Newfoundland Power"). Hydro last updated the rate design for Newfoundland Power to reflect the change in marginal cost from the price of fuel at the Holyrood Thermal Generating Station to the opportunity cost of the market value of exports. The proposed change in the rate design, including changes to the block structure, was approved in Board of Commissioners of Public Utilities Board Order No. P.U. 1(2025).

b) No. Hydro has not considered implementing real time pricing at this point. The primary goal of changes to the Newfoundland Power rate design and the proposed Island Industrial rate design is to reflect marginal pricing based on export value with limited other changes. A change to a real time pricing would require detailed analysis of the costs associated with such a move, benefits to customers and Hydro, and any impacts with the current rate mitigation plan.

c) Please refer to part b) of this response.