

CANADA

RÉGIE DE L'ÉNERGIE

PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL

NO.: R-3558-2005

HYDRO-QUÉBEC, a public corporation legally constituted under the *Hydro-Québec Act* (R.S.Q., c. H-5) with its head office at 75 René-Lévesque Blvd. West, in the City and District of Montreal, Province of Québec, H2Z 1A4;

Applicant

**REQUEST TO APPROVE A CALL FOR TENDERS AND CONTRACT AWARD
PROCEDURE FOR ELECTRICITY SUPPLY CONTRACTS OF ONE YEAR AND LESS**

[Section 74.1 of the *Act respecting the Régie de l'énergie* (R.S.Q., c. R-6.01)]

**THE APPLICANT RESPECTFULLY SUBMITS THE FOLLOWING IN SUPPORT OF
ITS APPLICATION:**

1. Hydro-Québec is a company where some of its activities, in particular those related to the distribution of electricity, are subject to the jurisdiction of the Régie de l'énergie (the Régie), as provided for in the *Act respecting the Régie de l'énergie* (the Act);
2. Hydro-Québec, in its electricity distribution activities (the Distributor), is required to distribute electricity to anyone requesting it in the service area where it has an exclusive distribution right (Sect. 76 of the Act);
3. As part of its distribution activities, the Distributor must ensure it has a sufficient source of supply to meet the needs of all its customers;
4. To meet the electricity needs of its Québec customers, the Distributor has 165 TWh in heritage pool electricity, as described in the following provisions:
 - Sect. 22, *Hydro-Québec Act*, R.S.Q., c. H-5;
 - Sect. 52.2, *Act respecting the Régie de l'énergie*, R.S.Q., c. R-6.01;

- Order in council regarding the characteristics of the supply in heritage pool electricity for Québec markets, D.1277-2001, October 24, 2001, G.O. 2, 7705.
- 5. To meet the needs of its Québec customers that exceed the heritage pool of electricity, the Distributor must enter into electricity supply contracts, mainly through calls for tenders;
- 6. On July 24, 2001, in decision D-2001-191, the Régie approved a “Call for tenders and contract award procedure for electricity supply contracts” and a “Code of ethics on call for tenders” (Docket R-3462-2001);
- 7. On November 17, 2004, in decision D-2004-245, the Régie approved a request for a dispensation from having to use the call for tenders procedure in order to be authorized to enter into short and very short-term (less than three (3) months) electricity supply contracts (Docket R-3539-2004);
- 8. In its 2005-2014 Supply Plan, the Distributor stated that it intended to file an application with the Régie for the adoption of a call for tenders procedure specific to short-term electricity supply contracts, which is the reason for this application;
- 9. Section 74.1 of the *Act respecting the Régie de l'énergie* stipulates that, to ensure that suppliers responding to a call for tenders are treated with fairness and impartiality, the electric power distributor shall establish and submit for approval to the Régie, which shall make its decision within 90 days, a call for tenders and contract award procedure and a code of ethics on call for tenders management applicable to the electricity supply contracts required to meet the needs of Québec markets in excess of the heritage pool of electricity, or the needs to be met through a block of energy determined by government regulation under section 112 of the Act;
- 10. Under Section 74.1 of the *Act respecting the Régie de l'énergie*, a call for tenders and contract award procedure for electricity supply contracts of one year and less shall:
 - “ (1) *allow all interested suppliers to tender by requiring the tender solicitation to be issued in due time;*
 - (2) *grant equal treatment to all sources of supply unless the tender specifications provide that all or part of the needs met by a particular source of supply must be supplied out of an energy block determined by regulation of the Government;*
 - (3) *favour the awarding of supply contracts based on the lowest tendered price for the required quantity of electric power and in keeping with the required conditions, taking into account the applicable transmission cost and, where the tender specifications provide that all or part of the needs met by a particular source of*

supply must be supplied out of an energy block, taking into account the maximum price established by regulation of the Government;

(4) provide that, following a tender solicitation, contracts may be awarded to two or more suppliers, in which case a supplier offering the required quantity of electric power may be invited to reduce the quantity offered without modifying the tendered unit price.”

11. To reflect the imperatives of the short-term electricity market and comply with the provisions of Section 74.1 of the *Act respecting the Régie de l'énergie*, the Distributor submits to the Régie for approval a call for tenders and contract award procedure for electricity supply contracts of one year and less, along with proof supporting the need for such a special procedure, as shown in exhibits **HQD-1** and **HQD-2** produced in support hereof;
12. The Distributor intends to apply the code of ethics on call for tenders management, already approved by the Régie (Decision D-2001-191, R-3462-2001), as part of the short-term call for tenders procedure described herein;
13. Given that Section 74.1 of the *Act respecting the Régie de l'énergie* stipulates that the Régie shall render a decision regarding this application within 90 days and that Section 25 of said Act does not require that any public hearings be held, the Distributor is asking the Régie to process the application with written representation;
14. This application is well founded in fact and in law.

WHEREFORE, MAY IT PLEASE THE RÉGIE TO:

GRANT this application;

APPROVE the Distributor's call for tenders and contract award procedure for electricity supply contracts of one year and less presented as Exhibit **HQD-2**.

MONTREAL, February 16, 2005

Affaires juridiques
Hydro-Québec
(Yves Fréchette)

SOLEMN AFFIRMATION

I, the undersigned, GILLES CÔTÉ, Manager, Approvisionnement énergétique, direction Approvisionnement en électricité, division Hydro-Québec Distribution, on behalf of the applicant Hydro-Québec, at 75 boul. René-Lévesque Ouest, 22nd floor, in the city of Montreal, Province of Québec, do solemnly affirm the following:

1. This application to approve the Distributor's call for tenders and contract award procedure for electricity supply contracts of one year and less, presented in Exhibits **HQD-1** and **HQD-2**, was prepared under my supervision and control;
2. All of the facts alleged in this application are true.

Signed in Montréal, on February 16, 2005.

GILLES CÔTÉ

Solemnly affirmed in my presence in Montréal,
on February 16, 2005.

Commissioner for Oaths
for all districts