

**Demande de renseignements n° 1**  
**d'Option consommateurs à Hydro-Québec Distribution**  
***Demande d'approbation d'une entente globale cadre***  
**Dossier R-3568-2005**

1. Reference: HQD-1, Doc 1, p. 4, section 2.1, and p. 12, section 4, lines 10 - 14

Preamble:

The R-3568-2005 evidence indicates that the need for a Framework Agreement (*entente cadre*) with HQP was raised in the first supply plan, as far back as 2001 or 2002. In D-2002-169 (p 50), the Régie directed HQD to present an agreement to be concluded with HQP before March 31, 2004. Section 2.1 attempts to justify why such an agreement has not yet been approved by the Régie even though the Heritage Pool is expected to be exceeded this year and HQD is currently using involuntary energy purchases as part of its day-to-day system management.

Questions:

- 1.1 When did the Framework Agreement negotiations begin between HQD and HQP?
  - 1.2 Please provide a schedule that for each year, starting with the year negotiations commenced, sets out the number of times staff from HQD and HQP formally met to negotiate the Framework Agreement.
  - 1.3 From HQD's perspective, is a signed and Régie approved agreement with HQP necessary for the year 2005? Please explain.
  - 1.4 Did the delay in reaching an agreement until February 2005 compromise HQD's negotiating position with respect to HQP? Please explain your answer.
2. Reference: HQD-2, Doc 1, p 4, clause 4.1; R-3550-2004, HQD-5, Doc 6, p. 20, DDR 14.4.2

Preamble:

In the context of the current supply plan proceeding, RNCREQ received the following response for question 14.4.2:

14.4.2 Dans une telle situation, qui fixerait le prix à payer par le

Distributeur pour cette énergie de dépassement ?

**Réponse:**

**Faute d'une entente avec le Distributeur, le prix serait fixé unilatéralement par Hydro-Québec Production.**

This response indicates that in the case where a Framework Agreement was not put in place by 2006, that HQP would unilaterally set a price for Heritage Pool overages.

In clause 4.1 of the Framework Agreement (p 4), the agreement indicates that it is subject to approval by the Régie.

Questions:

2.1 Please confirm that the RNCREQ IR response 14.4.2 cited above is still valid. If not, why not?

2.2 Based on clause 4.1 of the Framework Agreement, what are the arrangements with HQP in the event that the Régie does not approve the agreement as proposed?

3 Reference: HQD-1, Doc 1, pp 4-5, section 2.2.

Preamble:

*Les besoins couverts par l'Entente sont ceux se manifestant après que le Distributeur ait utilisé, de façon raisonnable, tous ses moyens d'approvisionnement. Par moyen d'approvisionnement on entend ici: l'électricité patrimoniale, les produits acquis sur les marchés de long terme et de court terme, l'électricité interruptible et tout autre moyen à la disposition du Distributeur. (HQD-1, Doc 1, p 5, section 2.2)*

Section 2.2 implies that the interruptible power option will be used before the Framework Agreement purchases.

Questions:

3.1 Given the impact that interrupting customers can have on the customers concerned and the Quebec economy, please explain why it is in the best interests of Hydro-Québec and Quebec overall to interrupt industrial customers when there is supply available from HQP to keep the interruptible companies in operation?

3.2 Please provide a copy of the relevant sections from HQD's Interruptible Tariff that demonstrate that interruptible customers can be cut even if there is power available on the Quebec system to meet the local load.

- 3.3 Regarding the citation above from section 2.2, does *tout autre moyen à la disposition du Distributeur* – any other means available to the Distributor – include overcontracting either on the long-term or short-term markets to build a supply buffer in excess of forecast needs instead of taking power from HQP under the pricing formula of the Framework Agreement? Please explain.
- 3.4 Regarding the citation above from section 2.2, does *tout autre moyen à la disposition du Distributeur* – any other means available to the Distributor – include authorizing TransÉnergie to participate in real-time markets on behalf of HQD to meet very short term needs? Please explain.
- 3.5 Regarding the citation above from section 2.2, please define what HQD means by *de façon raisonnable* – in a reasonable manner and provide an example of the use of all supply means in a reasonable manner.
- 3.6 Please explain in detail what would constitute an “unreasonable manner” for HQD to use all of its supply means, as per the citation above and illustrate with examples.
- 4 Reference: HQD-1, Doc 1, pp 4-5, section 2.2 and R-3550-2004, HQD-5, Doc 4.1, p 6, Response 2.5

Preamble:

In R-3550-2004, HQD provided the following response to FCEI’s expert:

5. Under the agreement contemplated, would it be possible for HQ-D to specify in a given hour a Heritage energy “stick” that is smaller than the HQ-D load and utilize energy under this agreement to make up the difference, notwithstanding that other “sticks” remain available that would more closely match the HQ-D load in that hour?

**Réponse:**

**Le Distributeur ne décide pas des bâtonnets patrimoniaux, il décide des autres moyens à sa disposition. Voir également la réponse précédente.** (HQD-5, Doc 4.1, p 6, Response 2.5)

Questions:

- 4.1 Given a situation in planning the hourly dispatch where HQD can meet very short-term demand for a given hour either through (i) under-resourcing in order to trigger involuntary purchases; or (ii) the interruptible option, which option will HQD choose and why?
- 4.2 Is the choice between options (i) and (ii) entirely at HQD’s discretion?

- 5 Reference: HQD-1, Doc 1, p 5, section 2.3

Questions:

5.1 Does HQD agree that if there is only one supplier (i.e. HQP) for the involuntary energy, then there is an increased onus on HQD to demonstrate the reasonableness of the price formula for Framework Agreement purchases? If not, why not?

- 6 Reference: HQD-1, Doc 1, p 5, section 2.3 and HQD-2, Doc 1, pp 8-9, clause 12.1

Preamble

In clause 12.1 of the Framework Agreement, a *Force majeure* is defined as unforeseen external event that might result in the inability of one of the parties to the contract to meet its obligations.

Questions:

6.1 Excluding a *Force majeure*, what is the commitment on the part of the HQP to ensure that HQD will be able to make Framework Agreement purchases as required? Please explain.

6.2 What processes have been put in place by HQP to ensure that supply is available?

6.3 In the event of low water conditions, will HQP still have to ensure the availability of supply to HQD under the Framework Agreement? Please explain.

6.4 Are there any other suppliers in Quebec who could supply such a service in a limited way and/or for certain months of the year? Please explain.

- 7 Reference: HQD-1, Doc 1, pp 5-6, section 2.4

Questions:

7.1 For the 300 highest load hours, why is the Framework Agreement price formula based on the DAM market prices, instead of the Real-Time or HAM market prices, as established by NYISO?

7.2 What is the currently forecast average annual cost per kWh for deliveries of the TransCanada Energy contract in 2006 (as per A/O 2002-01)?

7.3 What is the average capacity factor expected in 2006 for the TCE plant (constructed as per A/O 2002-01) for the period of time after it commences operation?

7.4 Please confirm that HQD does not know until year end for which hours of the year it is paying 7.5 ¢/kWh or 30 ¢/kWh for involuntary energy. If it will know before year end, please explain how.

7.5 Please confirm that HQD, in planning the actual resource dispatch for a given hour or day, does not know if the involuntary energy available costs 7.5 ¢/kWh or 30 ¢/kWh?

7.6 Does this uncertainty reduce HQD's ability to manage the daily operation of its system on a least cost basis?

8 Reference: HQD-1, Doc 1, pp 6-7, section 3.1

Questions:

8.1 Besides the interruptible rates, what other references were considered for the highest 300 load hours and why were they rejected for purposes of pricing the Framework Agreement Product?

8.2 In particular were the following potential references considered:

- (i) Real-time markets as established by NYISO?
- (ii) HAM markets as established by NYISO?
- (iii) DAM markets as established by NYISO?
- (iv) (i) – (iii) with some variation, such as a 10% premium, other than a floor of 30 cents/kWh?

8.3 For 8.2 (i) – (iv) above, please explain why each potential reference should be rejected as a basis for setting the Framework Agreement price.

9 Reference: HQD-1, Doc 1, p 7, section 3.1

*Ainsi, le prix de 7,5 ¢/kWh correspond au coût moyen des approvisionnements du Distributeur acquis par appel d'offres tel qu'estimé pour l'année 2005 dans la cause tarifaire (R-3541-2004).*

Questions:

9.1 Please show the derivation of the 7,5 ¢/kWh, including which calls for tender underlie the number, as well as their average unit price and the amount of energy contracted for.

9.2 Please provide the exact references in R-3541-2004 for the explanation in 9.1.

9.3 Were any other references, besides the average cost of the CFTs and purchases under the TCE contract considered for purposes of setting the Framework Agreement price for those hours outside of the top 300? If so please describe and explain why they were rejected.

#### 10 References:

(i) *Ainsi, le prix applicable pour les 300 plus grandes valeurs horaires de l'électricité mobilisée par le Distributeur au titre de l'électricité patrimoniale correspond au prix applicable en vertu du tarif de l'électricité interruptible du Distributeur.*

(HQD-1, Doc 1, p 6, section 3.1)

(ii) *Pour les 300 heures les plus chargées, le prix de 30 ¢/kWh prévu à l'Entente correspond au coût de moyens d'approvisionnement pour des achats en fine pointe, lesquels devraient être acquis par le Distributeur si l'Entente n'était pas en vigueur...* (HQD-1, Doc 1, p 9, section 3.2)

(iii) Hydro-Québec's Open Access Transmission Tariff, p. 126.

#### Questions:

10.1 Apart from the comparison with the interruptible power rate, and even considering the volatility of the costs associated with the agreement (as per Table 2 –HQD-1, Document 1, page 10-), what other demonstration can HQD provide that to support the claim in citation (ii), above, that for the 300 highest load hours, 30 ¢/kWh corresponds to the cost of peak supply that should be acquired by HQD if the Framework Agreement were not in place?

10.2 Table 2 (HQD-1, Document 1, page 10) indicates that the average historic cost of the 300 highest priced winter hours was 9.8 cents/kWh (US) or 12,15 cents (Canadian) based on HQD's exchange rate. Please explain how this benchmark supports the 30 cents/kWh price proposed in the Framework Agreement for the 300 highest load hours?

10.3 Has HQD considered using as the pricing basis for the Framework Agreement, the pricing arrangements established for the Energy Imbalance service provided by Hydro-Québec under its Open Access Transmission Tariff? (Note: Under the current Tariff, a Transmission customer compensates the Transmission Provider (TransÉnergie) for additional energy delivered at a rate of 10.41 ¢/kWh and is compensated for additional energy supplied at a rate of 1.28 ¢/kWh.) If not, please explain why.

10.4 Has HQD studied arrangements in other jurisdictions to determine if there are any comparable agreements for the provision of involuntary energy that could be used as pricing models for the Framework Agreement? If so, please elaborate. If not, why not?

11 Reference: HQD-1, Doc 1, p 8, section 3.2, Table 1

Questions:

11.1 Using the same probabilities as in line 1 of Table 1, please indicate for each of the probability estimates for how many hours of the year that Framework Agreement purchases are expected to be required. For example, there is a 10% probability that service under the Framework Agreement will be required for “x” hours or less.

11.2 If we conceptually think of the Framework Agreement purchases being supplied by a single dedicated generating station, what would be the average annual capacity factor of the generating station?

11.3 If there is some uncertainty as to the average annual capacity factor, please provide a schedule setting out the potential range of capacity factors and their probabilities.

12 Reference: HQD-1, Doc 1, p 10, section 3.3

Questions:

12.1 Please compare the flexibility of the Framework Agreement purchases with the flexibility of buying on the NYISO market in real-time?

13 Reference: HQD-1, Doc 1, p 10, section 3.2, Table 2

Questions:

13.1 Instead of the average HAM prices, please modify Table 2 using (i) average DAM prices for the hours when prices were highest in the winter months; and (ii) Real-time prices, for the hours when prices were highest in the winter months, as established by NYISO for the Hydro-Québec zone.

13.2 Please provide another table for the years 2000-2004 inclusively with average DAM, HAM and Real-time prices that correspond to the 300 hours when HQD’s load was the highest.

13.3 Please also provide the average DAM, HAM and Real Time price for each of the years 2000-2004 based on all hours in the year.

13.4 For the years 2000-2004, please provide a schedule indicating the distribution of HQD's highest 300 load hours across the various month of the year ?

14 Reference: HQD-1, Doc 1, pp 4-5, section 2.2 and pp 5-6, section 2.4

Question

14.1 In the cold months, could HQD envisage a situation in which to avoid or reduce the probability of a 30 ¢/kWh involuntary energy charge for the high load hours, it would operate the system in such a way as to increase the likelihood of having unused Heritage Pool energy? Please explain your answer.

15 Reference: HQD-1, Doc 1 and HQD-2, Doc 1

Question

15.1 Please outline and reference any previous Régie directives regarding a potential Framework Agreement between HQD and HQP and indicate how these have been considered in the current filing. Describe how HQD has incorporated these directives in the Framework Agreement.

15.2 Are there Régie directives regarding a potential Framework Agreement that have not been taken into account in the current filing? If not, why not?

15.3 Please confirm that a previous Régie directive required that HQD, in the context of the Framework Agreement, should explore ways of maximizing the available Heritage Pool energy.

15.4 Please confirm that one of the ways of maximizing the available Heritage Pool energy, as previously suggested by the Régie, included the possibility for HQD to sell surplus energy.

15.5 Please explain why the current Framework Agreement does not provide for the possibility for HQD to sell surplus energy.

15.6 Please suggest when such a possibility could be made available to HQD.