Montréal, October 14, 1998 – The Régie de l'énergie has released the opinion concerning the development of wind energy in Québec which it submitted to the Minister of State for Natural Resources on September 30, 1998 in response to a request made by the Minister on December 8, 1997. More specifically, the Régie recommended setting a quota for wind energy in Hydro-Québec’s future resource plans in order to develop and promote this resource.

The Minister of State for Natural Resources also requested an opinion from the Régie on how a quota of this type could be implemented, particularly with respect to the size of the quota and the purchase price which would be socially acceptable for Québec. In the Minister’s view, it is important to move quickly to integrate wind capacity into Québec’s economy, in view of the rapid global development of wind energy in recent years.

The panel of commissioners which issued the opinion consisted of André Dumais, Anthony Frayne and François Tanguay.
Recommended approach

To produce its opinion, the Régie first published an issues paper setting out all the questions which were to be discussed at the hearings. This paper was distributed to the public and to interveners. Interested parties then submitted their comments and suggestions to the panel of commissioners.

Twenty applications to intervene were received. The Régie recognized 18 of the applicants as interveners and allowed two other interested parties to file written comments. The full list of participants appears at the end of this news release.

While the briefs were being written and filed, one intervener, the Grand Council of the Cree (Eeyou Istchee)/Cree Regional Authority, withdrew and another, Les Ami(e)s de la Terre, did not file a brief. The hearing was therefore held from May 25 through 29, 1998 in the Régie's audience room in Montréal with the participation of representatives of 18 organizations from the industrial, environmental and social sectors.

A summary of the opinion provided to the government appears below. A full copy of the document is posted on the Régie's Website at www.regie-energie.qc.ca, under Quoi de neuf.
SUMMARY

This opinion concerns the setting of a quota for wind energy quota in Hydro-Québec’s future resource plans in order to promote the development of wind capacity. It is being submitted in response to a request made by the Minister of State for Natural Resources on December 8, 1997 and is the result of a public hearing process, in the course of which the Régie heard evidence from 18 interveners representing various interests in Québec society.

While global wind power has shown significant growth over the past 10 years, with cumulative installed capacity of 7,636 MW as of 1997, the situation in Québec is very different; here, wind energy is a virtually untapped resource. Possible sites and the economic potential in Québec remain to be determined.

The world wind capacity market totals about $1.5 billion. Europe has particularly strong growth rates, in contrast with North America. This growth is related to a steady decline in production costs. In addition, environmental considerations weigh heavily in favour of wind power, despite visual impacts. The absence of greenhouse gas emissions has induced some countries, including the U.S., to introduce incentives for the development of wind capacity. There is therefore a real window of opportunity, and Québec must act now to seize it. If Québec wants to develop a wind industry with a strong Québec component, it must move quickly to confront the growing competition.

However, the Régie notes that, given the current energy market in Québec, adding a wind power quota to Hydro-Québec’s resource portfolio cannot be justified by generation needs, since less costly alternatives exist.

In the Régie’s view, introducing a quota of this type is warranted essentially by the desirability of creating a significant industrial infrastructure in Québec which would generate economic benefits in terms of jobs, regional development, tourism, and exports of components and of electricity.
After studying the submissions, the Régie concludes that no wind energy industry can develop and survive unless it is supported by a program which demonstrates a real willingness to support the industry in the long term. The Régie therefore considers it important to design a program for a sufficiently long duration and with a large enough quota to provide such support.

The Régie therefore recommends that, under this program, the quota be set at 50 MW installed capacity on an annual basis, so as to promote the manufacture of 60-70 750kW wind turbines. This quota would be incorporated into Hydro-Québec's resource plan; it would take effect in the year 2002 and extend over nine years, divided into three phases of three years each. Under the program, capacity would total 450 MW by the year 2011.

The purchase price will be determined through a bidding process, but the Régie recommends that a ceiling of 5.8 c/kWh (the price of the Le Nordais project) be set.

Since it is the Régie's view that only economic development considerations justify setting a quota for the purchase of wind power in Hydro-Québec's resource plan, the Régie concludes that the government, which will reap the economic benefits, should fully cover the financial consequences of the difference between the generation cost of wind generation and of hydro generation. This difference is currently estimated at approximately $3 million for the first year and will exceed $19 million per year for the planned capacity in total.

This program will be implemented through a bidding process, which will be overseen by a task force acting under the supervision of the ministère des Ressources naturelles; this group will coordinate and monitor the program's progress and application. In this respect too, the government has a vital role to play, particularly in terms of its management of natural resources.

The Régie notes Hydro-Québec's decision to support the development of wind power only as a purchaser, not as the architect of the program. The private sector will therefore act as both promoter and financier for the development of this resource.
Lastly, the Régie wants to point out that two important items were not included in the mandate it received for this study: Hydro-Québec’s resource plan and Hydro-Québec’s future generation costs.

Copies of the opinion are available at the offices of the Régie de l’énergie in Montréal and Québec City:

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Association Québécoise des Énergies renouvelables (AQER)
Association québécoise de la production d'énergie renouvelable (AQPER)
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