

FOLLOW-UP TO THE REQUESTS OF THE RÉGIE

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1 **1 INTRODUCTION**

2 In various decisions, the Régie of energy (the "Régie") formulated
 3 requirements for which it demanded follow-ups from the Transmitter in
 4 regard to Phase 2 of its request relating to the modification of the conditions
 5 of transmission services.

6 The Transmitter first of all presents a concordancy schedule between
 7 the requests of the Régie and the sections of the evidence containing the responses to
 these requests.

8 It then provides information concerning some of these requirements.

9 **2 CONCORDANCY SCHEDULE BETWEEN THE REQUESTS OF THE**
 10 **RÉGIE AND THE EVIDENCE**

11 The table below indexes the requests of the Régie and indicates the
 12 documents written in response to these requests. Certain answers were
 13 produced during Phase 1 of the request of the Transmitter while the
 14 others are provided in documents produced in support of Phase 2.

Decision D-2002-95 (R-3401-98)		Part
Page	IDENTIFICATION OF TRANSMISSION ACTIVITIES (AND NON-REGULATED ACTIVITIES)	
51	Specification the services offered to the Large Enterprise customers, the manner in which they are invoiced and the amounts involved.	Phase 1 : HQT-10, Document 1, R73.1 page 145
	PROJECTED INVESTMENTS	
73	Forecasted investments and impacts on the rates over 10 years.	Phase 1 : HQT-4, Document 1 and HQT-10, Document 1, R7.2 page 10

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Decision D-2002-95 (R-3401-98) (continuation)		Part
Page	COST ALLOCATION METHODOLOGY	
213	Inclusion in the cost allocation study of the necessary data to examine the energy component to be applied to the cost of departure stations and the connection lines with the power stations.	Phase 2 : HQT-3, Document 7
215	Filing a detailed cost allocation study respecting the orientations of the Régie. In procedural decision D-2004-206 relating to Phase 1, the Régie indicated that it would treat in Phase 2 the allocation study filed by the Transmitter on October 1 st , 2003.	Phase 2 : HQT-3, Document 1
	PERFORMANCE INDICATORS	
304	Report on the discussions in progress between Hydro-Quebec and the industrial customers to handle the concerns of industrial customers.	Phase 2 : HQT-2, Document 1, 4.2 <i>Customers Satisfaction</i>
	COMPLAINT EXAMINATION PROCEDURE	
354	(Request specified in the decision D-2002-180). Proposition to modify decisions D-98-16 and D-98-25 to include the possibility of an emergency treatment if a request is refused by the Transmitter and to modify the title of the decision in a way to include the idea there that the procedure also targets the Transmitter. In procedural decision D-2004-206 concerning Phase 1, the Régie indicated that it would deal during Phase 2 of the amendment to the complaint procedure filed by the Transmitter on November 14, 2003.	Phase 2 : HQT-2, Document 1, 4.3 <i>Accelerated complaint examination procedure</i> HQT-2, Document 4

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Decision D-2002-286 (R-3401-98)		Part
Page	RATES AND CONDITIONS	
22	Report on the use of the HQT reception point.	Phase 2: HQT- 5, Document 1, 3 Point HQT
Request R-3549-2004 – Phase 1		Part
Page	EXPENDITURE NECESSARY FOR SERVICE DELIVERY	
	Hqt-10 Document 1, p. 128 and Hqt-10, Document 1.7, p. 31: level of detail of the data relating to depreciation	Phase 2 : HQT-3, Document 8
Decision D-2005-50 (R-3549-2004)		Part
Page	REGULATORY PRINCIPLES	
8	Work schedule for incentive based regulation and procedures of the working group.	Phase 2 : HQT-1, Document 2
	PERFORMANCE INDICATORS	
18	More ambitious targets for the achievement of the objectives stated in the decision.	Phase 2 : HQT-1, Document 2
20	Targets for service reestablishment after an interruption, relative to the Index of continuity of the transmission service.	Phase 2 : HQT-1, Document 2

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3 INFORMATION CONCERNING CERTAIN REQUESTS OF THE RÉGIE 4 IN DECISION D-2005-50

5 In decision D-2005-50 concerning Phase 1 of the request of
6 the Transmitter, the Régie formulated certain requests pertaining to:

- 7 • the procedures of the Transmitter relating to the implementation of
- 8 incentive based regulation,

- 1 • performance indicators and their targets, and
2 • the implementation of the continuity index of the transmission service.
3 The Transmitter provides the information in the following paragraphs
4 concerning each one of these requests.

5 **3.1 Procedures concerning the implementation of incentive based regulation**

6 On page 8 of the decision D-2005-50, the Régie expresses the following
7 intentions concerning the establishment of a working group on the development
8 of a system of incentive based regulation:

9 *"the Régie considers that the implementation of incentive based regulation*
10 *is a significant stage in the evolution of regulation. It accepts*
11 *the proposal to set up a working group on the development of an*
12 *incentive based regulatory regime for the Transmitter. This working group*
13 *will produce its report to the Régie at the end of the year 2005. Since the Régie*
14 *maintains its objective of examining this question on a shorter horizon*
15 *than the Transmitter, it requests the latter to submit a work schedule and*
16 *invoicing methods for this working group during Phase 2 of the*
17 *current file. It encourages the Transmitter to continue with a collaborative*
18 *approach with the interveners in order to provide the best chances*
19 *to put in place an appropriate regulatory tool, which allows to create*
20 *a functional and durable incentive regime [...] "*

21 The Transmitter indicated during the hearings of Phase 1 that he
22 intended to continue the reflexion he started on incentive based regulation
23 in order to submit a report on the results of this evaluation at the end of
24 the year 2005. The Transmitter mentioned that it could, at this time,
25 begin the exchanges with the Régie and the interveners on the
26 results of this reflexion and the measures that could follow in such
27 a case.

28 The Transmitter notes in addition that the Régie wishes a
29 faster pace. He submits respectfully that he is not currently ready to engage
30 in a procedure involving the personnel of the Régie and the

1 interveners before having finished its own internal reflexion. The Transmitter
2 would like to stress the importance that he attaches to properly studying this

3 topic before discussing it with the Régie and the interveners. He also wishes to take into
account
4 the orientations which will be taken within the framework of the 2006-2010
5 Strategic Plan of Hydro-Quebec, currently under development.
6 As he committed, the Transmitter reiterates that he will submit at the end of
7 2005 a report presenting the result of its reflexion and which will then propose
8 a work plan with the Régie and the interveners along with the
9 procedures of the working group that could be constituted to this end.

11 **3.2 Indicators and their targets**

12 Within the framework of its analysis of the indicators' role, the Régie states the
13 following on page 18 of the decision D-2005-50:

14 *"the views brought forward by the Régie requires the Transmitter to establish*
15 *new and more ambitious targets in order to achieve the goals stated in*
16 *the current decision. The Régie could have fixed them itself. It appears*
17 *however more convenient to ask the Transmitter to propose such*
18 *targets. She asks him to include them in Phase 2 of the current file*
19 *to allow their public examination to the benefit of its customers. If the filing of*
20 *the evidence of the Transmitter on this topic is likely to delay the examination of*
21 *file, the Régie invites him to submit a proposal concerning the procedure*
22 *and the time frame for the examination of these during Phase 2 of the current file*
"

23 The Transmitter would first like to stress the following:

- 24 • The Régie specified on page 17 of its decision D-2005-50 that she would
25 limit herself to management incentives and would not approach the incentives
concerning
26 the return on equity, which must be treated within the framework of
27 incentive based regulation.
- 28 • The *Performance* indicators (our italics) retained by the Régie
29 are summarized in Table 2 on page 26 of the decision D-2005-50. They

1 include certain indicators proposed by the Transmitter and others
2 added or maintained by the Régie.

- 3 • In the opinion of Transmitter, some of these indicators do not constitute

4 performance indicators but rather management information
5 or benchmarking indicators.

6 • The indicators that the Transmitter uses in 2005 do not correspond
7 fully with those of Table 2 mentioned above.

8 In addition, the Transmitter subjects the following in response to the expectations of
9 the Régie:

- 10 • The adoption of targets relating to the next performance
11 indicators of the Transmitter will take place in autumn 2005, after it
12 will have evaluated the results of certain work currently undertaken so as
13 to validate and classify these indicators.
- 14 • These targets will be linked to the next strategic plan
15 of Hydro-Quebec and integrated into the 2006 business plan of the Transmitter.
- 16 • The Transmitter will thereafter be able to inform the Régie of
17 the results of this exercise.

18 **3.3 Targets for reestablishing the service after an interruption (IC Transport)**

19 In its analysis of the indicators of the Transmitter, the Régie indicates that she
20 maintains the three indicators of service reliability, including the transmission
21 service index of continuity ("IC Transport"), while adding to it a
22 target for reestablishing the service after an interruption. She indicates the
23 following on page 20 of the decision D-2005-50:

24 *"For implementing the IC Transport from the point of view of the customers, the*
25 *Régie*
26 *adds to it a target for the reestablishment of the service after an interruption.*
27 *The*
28 *Régie seeks objectives for service return within delays of approximately*
3 hours and 24 hours, except in the case of major events. It asks
Transmitter to submit these targets in Phase 2."

1 Just as he indicated in the preceding heading relating to the indicators
2 and their targets, the Transmitter stresses that the indicator that it uses in 2005
3 relative to the transmission service continuity does not correspond to that
4 concerning the reestablishment of the service after an interruption, indicated by
5 the Régie.

6 As this question will be addressed during the work of the Transmitter
7 concerning its performance indicators, it foresees being able
8 to adopt the service reestablishment targets after
9 an interruption in the fall of 2005 and to integrate them into its 2006 business plan.