

RÉGIE DE L'ÉNERGIE

HYDRO-QUÉBEC DISTRIBUTION'S APPLICATION
FOR APPROVAL OF THE
PROPOSED 2005-2014 SUPPLY PLAN

FILE R-3550-2004

RESPONSE OF WILLIAM HARPER TO OC UNDERTAKING NUMBER 1
ECONALYSIS CONSULTING SERVICES

ON BEHALF OF:
OPTION CONSOMMATEURS

JUNE 15, 2005

Régie de l'énergie
DOSSIER: R-3550-2004
DÉPOSÉE EN AUDIENCE
Date: 16 juin 2005
Pièces n°: OC-2

**Mesures contributives applicables au Manitoba (demandé par HQD) /
Contributive Measures Applicable to Manitoba (requested by HQD)**

Manitoba Hydro is a member of the Mid-Continent Area Power Pool (MAPP). Unlike most other regions of the Eastern Interconnect, MAPP has an enforceable reserve margin. Mandatory Planning Reserve Margins in MAPP are 15% for all non-hydro units and 10% for hydro units. For Manitoba Hydro, which is predominantly a hydro-based system (i.e., roughly 90% of total capacity is hydro), a reserve margin of 12% is considered adequate. This 12% capacity reserve is meant to protect against equipment breakdown, peak load increases due to extreme weather and peak load increases due to higher load growth in the short-term. MAPP monitors a member's planning reserve on a monthly basis after-the-fact and assesses payments when a member records a shortage. These payments are distributed to all remaining members.

The 12% reserve margin applies to firm domestic load plus firm exports minus firm contracted imports for the entire period. Manitoba Hydro currently does not have to carry reserves on any of its contract (export) sales because they are either System Participation Agreements which do not require reserves or have an exemption as part of the contract. In terms of imports, Manitoba Hydro has negotiated diversity agreements with a number of US utilities that experience domestic peak loads in the summer months. Under these arrangements Manitoba Hydro makes power available to diversity customers in the summer months (May to October). In return, these customers make available equivalent power to Manitoba Hydro in the winter months (November to April). Currently, Manitoba Hydro has 550 MW of diversity imports.

All utilities in MAPP are members of a Generation Reserve Sharing Pool which allows each member to reduce the operating reserves it is required to carry on a day to day basis to cover contingency requirements.