

February 19, 2007

**Courier and Fax**

Me Véronique Dubois  
Secrétaire  
**Régie de L'Énergie**  
800, Place Victoria, bureau 255  
Montréal, (Québec) H4Z 1A2

**Re : Demande R-3624-2007 – Observations**

Dear Me Dubois,

In the file here above captioned Ontario Power Generation (OPG) would like to offer the following comments.

As we understand the contractual arrangements between Hydro Québec Distribution (HQD) and Hydro Québec Production (HQP) which is the subject of this review, HQD has the right to receive capacity and energy from HQP at a price of Cdn\$52.50. We further understand that HQD has determined that for a period of approximately 10 months it is unable to make use of this capacity and energy. Current forward prices for energy only products in neighbouring markets for the balance of the year are trading at prices in Canadian dollars of \$56.50 in New York, \$81.65 in New England and \$59.10 in Ontario. This capacity and energy therefore appears to have a market value substantially greater than the price that HQD is obligated to pay under the contract. This contractual position is therefore of considerable value to HQD and its ratepayers. If HQD has the right under its contract with HQP to resell this energy, then it should take steps to realize this value by offering it on the open market to other potential purchasers rather than simply returning the energy to HQP.

If HQD were to re-market this energy, perhaps using an RFP process, OPG would potentially bid to purchase this energy. We would expect that other participants in the Task Force established as a result of the Régie's decision D-2006-66 as well as other power marketers that are active in neighbouring markets would also be potential buyers. Such an order by the Régie would have the additional benefit of helping to establish a domestic market for energy in Québec, which would benefit TransÉnergie as the transmitter of such energy.

If the HQD/HQP contract contains provisions restricting HQD's ability to re-sell surplus energy or capacity, then OPG would recommend that the Régie consider, when reviewing future contracts, whether such restrictions are in the interests of HQD's ratepayers.

In summary, OPG encourages the Régie to order HQD to re-sell this energy through some form of public offering to ensure that its ratepayers receive the maximum benefit from this contract and to take this opportunity to enhance the energy market within Québec.

Regards

A handwritten signature in black ink, appearing to read 'Barry A. Green', with a stylized flourish at the end.

Barry A. Green  
Director, Markets and Research

c. Participants