

Specifications for the product requested by HQD – January and February 2008

Buyer:	HQD
Product requested:	Unforced Capacity (UCAP) (As defined in Appendix 2 of this document).
Delivery periods:	<ul style="list-style-type: none"> ➤ January 2008 ➤ February 2008
Type of Deliveries:	The requirements associated with this product - Unforced Capacity- are described in Appendix 2. HQD may call on the energy associated with the capacity at any time, therefore, it shall be deliverable at all times when scheduled by HQD and shall be non-recallable. Schedules shall be provided daily by HQD at least thirty-six (36) hours before the day of delivery. The actual load factor is expected to be low but will be determined according to the actual needs of HQD.
Quantity:	In blocks of 50 MW, up to 500 MW. HQD reserves the right not to award all the quantities requested in particular if the prices of certain bids are deemed inappropriate or not competitive.
Delivery Points:	<p>Eligible delivery points are as follows:</p> <ul style="list-style-type: none"> ➤ MASS-HQT⁽¹⁾ ➤ NB-HQT⁽¹⁾ ➤ MATI-HQT⁽¹⁾ ➤ HQT (TransÉnergie's system) <p>⁽¹⁾ HQD will secure Transmission Service on TransÉnergie's system from the delivery point elected by the bidder.</p>
Price for Capacity	The bidder shall quote a fixed price in \$/kW/month applicable for each Delivery Period.

Régie de l'énergie
DOSSIER: R-3644-2007
DÉPOSÉE EN AUDIENCE
Date: 12 DÉCEMBRE 2007
Pièces n°: C-6.14 FCEI

<p>Price for Energy:</p>	<p>The price applicable to the energy scheduled by HQD shall be one of the Day Ahead Markets (DAM) listed below, plus a constant basis specified by the bidder. The value of the basis may be positive or negative, and shall be constant for a Delivery Period.</p> <ul style="list-style-type: none"> - NYISO Day Ahead Market (DAM) for Zone Hydro-Quebec (Zone M) - ISO NE Day Ahead Market (DAM) for Mass Hub
<p>Capacity Resource:</p>	<p>Eligible Capacity Resources are identified in Appendix 2. The Capacity Resources and related information associated with the Unforced Capacity offered shall be identified in the bid with the Unforced Capacity offered for each unit (a System Capacity supplier is not required to list its units). Following contracts award, HQD will validate with the control area where the Capacity Resource is located that said resource comply with the requirements set forth in Appendix 2.</p>
<p>Selection of bids:</p>	<p>For each Delivery period, bids are ranked according to the cost of electricity (in \$/MWh) offered for each Delivery Period (for the purposes of evaluation, a load factor of 10% is used). The cost of electricity shall be determined as follows:</p> <ul style="list-style-type: none"> (i) The price of the capacity component in \$/kW/month x 1000 ÷ (number of hours in the Delivery Period x 10%), plus (ii) The forward price of the applicable Day Ahead Market (DAM), plus (iii) The basis applicable to the energy component as determined by the bidder in its bid.
<p>Submission of Bids</p>	<p>Bids must be submitted by e-mail or by fax prior to 12:00 noon, on December 18, 2007.</p> <p>Phone number: 514-289-6010</p> <p>Fax number: 514-289-7355</p> <p>e-mail: HQD_CT@hydro.qc.ca</p> <p>Bidders shall submit their bid in the format of the table attached as Appendix 2 of this document.</p> <p>Contracts will be awarded no later than 4:00 p.m. the same day.</p>

APPENDIX 1

HYDRO-QUÉBEC DISTRIBUTION

Purchase of UCAP - December 2007

Bidder Information

Bidder's name: _____

Contact name: _____

Phone number: _____

Bid Price and Quantity	January 2008	February 2008
Number of Blocks offered (x 50 MW)		

Price for Capacity and Energy

Price for Unforced Capacity (US\$/kW/month)		
Basis applicable to elected DAM * (US\$/MWh)		

* Day Ahead Market elected by the bidder for the payment of energy when scheduled by HQD

Other Bid Information

Delivery Point: _____

Day Ahead Market for the payment of energy :
(NYISO, zone M or ISO NE Mass Hub) _____

Capacity Resource(s) offered*: _____

* list units with UCAP for each unit, or identify
a system _____

APPENDIX 2

ELIGIBILITY CRITERIA AND REQUIREMENTS FOR UNFORCED CAPACITY (UCAP) RESOURCES

1. Definition

Unforced Capacity:

The measure by which a generating unit is rated, in accordance with the principles and the formulas set forth in Attachment J of the NYISO Installed Capacity Manual, to quantify the extent of its contribution to satisfy a control area capacity requirement.

2. Eligible Capacity Resources

When submitting a bid for Unforced Capacity (Product #2), the bidder must identify the capacity resource («Capacity Resource») that is being offered in its bid. Eligible Capacity Resources as part of this call for tenders are the following:

2.1 System Capacity

When offering System Capacity as UCAP, the bidder commits a part of the available capacity margin of its system without identifying a specific generating unit. Eligible systems are Hydro-Quebec's system and New Brunswick's system.

2.2 Specific unit or Portfolio of units

When offering UCAP from a specific unit, the bidder commits a part or the entire capacity of this unit that would otherwise be admissible in the ICAP market of its control area. Moreover, the Capacity Resource of a 50 MW block may be comprised of more than one unit.

When offering UCAP from a portfolio of units, the bidder commits a portion of the total capacity of the generating units making up the portfolio to HQD. Generating units or portfolio of generating units from the following markets are eligible:

- Québec (excluding resources that are part of Hydro-Québec's system);
- NYISO;

3. General Requirements for UCAP

In order to qualify as UCAP, the following requirements must be met:

- The bidder must provide assurance that the Capacity Resource offered to HQD is not committed elsewhere for the period covered by the bid ;
- The energy associated with the Capacity Resource shall be deliverable to the HQ control area at all times and shall be non-recallable by the Source control area;
- UCAP and associated energy:
 - shall originate from the same control area and from the same seller;
 - are not required to be bundled resources from the same generating unit.
- The supplier shall declare or certify, as the case may be, its UCAP transaction with HQD to the operator of the control area where its capacity resource is located before the beginning of the month for which the transaction is going to take place.
- If the Capacity Resource offered as UCAP to HQD is a specific unit or a portfolio of units, this resource shall not be subject to planned maintenance work for the period covered by the bid. However, if a shutdown of the Capacity Resource is required during the relevant period, the supplier shall co-ordinate said shutdown with HQD ;
- If the Capacity Resource offered as UCAP to HQD is a specific unit or a portfolio of units, if HQD has scheduled a quantity of energy at least 36 hours prior to the day of delivery, an energy bid from this resource shall be submitted in the Day-Ahead Market of the Source control area (if applicable) for the corresponding hours and for a quantity at least equal to the capacity offered;
- The supplier shall inform the Source control area that its energy transaction is backed by UCAP when bidding or scheduling the transaction in their system.

4. Evidence of availability of the Capacity Resource :

4.1 UCAP from a system

When offering UCAP from a system, the bidder shall certify that it has a capacity margin at least equal to the amount of UCAP it is committed to provide to HQD. Following contract award, the bidder shall demonstrate the availability of the UCAP offered as per the rules of NYISO.

4.2 UCAP from a specific unit or from a portfolio of units

When offering UCAP from a specific unit or from a portfolio of units, the bidder shall indicate in the Bid Spreadsheet, for each unit or portfolio of units, the name of the resource and the quantity of UCAP offered. By submitting a bid for Unforced Capacity, the bidder certifies that the Capacity Resource offered to HQD is not committed to

another party for the period covered by the bid. This information will be validated by HQD with the operator of the control area where the unit is located in order to confirm: that the bidder is authorized to commit said resource to HQD; that the amount of UCAP offered does not exceed the quantity of UCAP that said resource is authorized to provide to the control area where the resource is located; and that the resource has not been sold twice. The maximum amount of UCAP that each unit is authorized to offer to HQD is the amount of UCAP that said unit was authorized to provide during the previous Winter capability period to the control area where it is located.

5. Damages for failure to deliver the energy associated with the UCAP committed to HQD

In the event that a UCAP supplier fails to deliver to HQD the energy associated with the Capacity Resource it committed to the HQ control area, the UCAP supplier shall be deemed to have a shortfall and as such shall pay damages to HQD, in addition to the remedies provided for in Section 4.1 of the EEI Master Agreement. However, a failure to deliver resulting from a transmission outage shall not be considered a shortfall and shall not be subject to the payment of damages under Section 5.

Damages for failure to deliver the energy associated with the UCAP shall be established for each month as follows:

A UCAP supplier deemed to have a shortfall on any given day when such energy has been scheduled by HQD shall pay to HQD damages equivalent to 25% of the UCAP revenues of that month. If the UCAP supplier fails to deliver only a portion of the associated energy, the damages payable shall be prorated accordingly. The damages paid by the UCAP supplier during a delivery period shall not exceed the revenues for the UCAP during that period.