

BOSTON PACIFIC COMPANY, INC.

INFORMATION, INSIGHT, AND IMPACT FOR THE ENERGY INDUSTRY

SUMMARY OF THE EXPERT REPORT
OF CRAIG R. ROACH
(dated September 28, 2010)

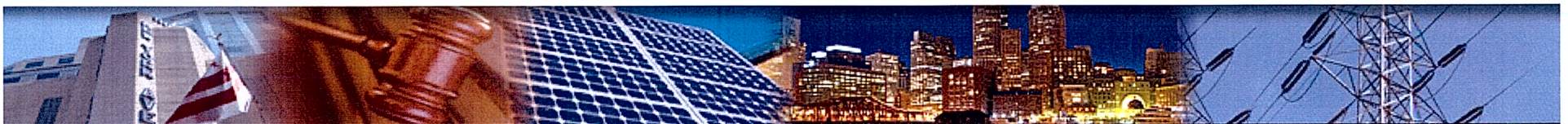
Concerning
The Harmonization of ATC

On behalf of
Énergie Brookfield Marketing, Inc.

Régie de l'énergie
DOSSIER: R-3669-2008
DÉPOSÉE EN AUDIENCE
Date: 19/04/2011
Pièces n°: C-6-61
EBM

Phase 2

EBM



THE HARMONIZATION OF ATC

- A. Background on HQT's "Harmonization" Proposal [e.g. the Québec-New England Intertie]
 - 1. Motivated by FERC Order 890 – Reciprocity is concern
 - 2. Reduce ATC from 2,000 MW to 1,200 MW
 - 3. Allocate all 1,200 MW of ATC to HQT Affiliate
 - 4. Denied Rollover (Renewal) of Brookfield's 306 MW

THE HARMONIZATION OF ATC

5. The Régie's Decision in the Brookfield Case

- The Régie ruled that HQT violated Section 2.2 of the

Tariff by denying Brookfield's rollover request

Ainsi, la Régie conclut que la décision du Transporteur de refuser les demandes de renouvellement des Conventions MATI-NE et des Conventions ON-NE pour le seul motif que l'ATC sur le chemin HQT-NE défini à la suite de l'implantation de l'harmonisation était insuffisant, contrevient à l'article 2.2 des Tarifs et conditions. (Régie Decision D-2010-160 at ¶116)

THE HARMONIZATION OF ATC

- The reliability of the HQT transmission system is not in jeopardy, so there is no justification for firm service curtailments under Section 13.6 of the Tariff
La Régie conclut que l'état de la situation actuelle sur le chemin HQT-NE ne met pas en péril l'exploitation fiable du réseau de transport et ne justifie pas, selon la preuve au dossier, l'application de réductions de service conformément à l'article 13.6 des Tarifs et conditions. (Régie Decision D-2010-160 at ¶125)

THE HARMONIZATION OF ATC

- The Régie notes that there was no degradation of service on the Intertie even when firm reservations total more than 1,500 MW

En l'espèce, la preuve au dossier n'a pas démontré que le Transporteur faisait face à une contrainte réelle sur son réseau pouvant justifier l'application de réductions du service ferme prévu à l'article 13.6. À cet égard, la Régie retient du témoignage de monsieur Sylvain Clermont, témoin du Transporteur, qu'il n'y a pas eu de dégradation du service sur le chemin HQT-NE, même si les réservations fermes sur ce chemin totalisent plus de 1 500 MW. (Régie Decision D-2010-160 at ¶123)

THE HARMONIZATION OF ATC

- B. Four policy questions to judge HQT harmonization proposal for any Intertie
1. What is the purpose of harmonization?
 2. What is the right level of ATC after harmonization?
 3. What is the right allocation of that remaining ATC?
 4. Is the allocation consistent with the tariff?

THE HARMONIZATION OF ATC

C. Purpose?

1. We have no quarrel with the principle stated by FERC – make the ATCs on either side of an Intertie “consistent”
 - However, explicit goals must be set to guide implementation of the principle on each Intertie – those goals may vary by Intertie
 - The problems caused by failing to do this can be illustrated by HQT’s actions on the Québec-New England Intertie

THE HARMONIZATION OF ATC

2. HQT acknowledges that there are no reliability or congestion concerns driving its “harmonization” proposal which would cut firm transmission service available on the Intertie from 2,000 MW to 1,200 MW

« Q.244 D'accord. Et on a également, vous l'avez encore dit hier, qu'on n'avait pas de congestion du côté dans le réseau québécois et que dans ce cas-ci, la décision de coordonner les ATC ça ne découle pas nécessairement d'un problème de congestion sur le réseau québécois. C'est exact? »

R. Ça ne découle pas, c'est ce que j'ai aussi dit dans un autre dossier, ça ne découle pas d'une contrainte d'exploitation de réseau. Ça ne découle pas de congestion. Et ça ne découle pas, comme vous l'avez dit, d'un problème de fiabilité. »

(Notes sténographiques du 10 février 2011, témoignage de Sylvain Clermont, p. 164)

THE HARMONIZATION OF ATC

3. HQT says that the purpose of the harmonization is to send a signal to transmission customers that the firm ATC on the

New England side is lower than that on the Québec side

« Ça découle de considérations qui sont sur une base commerciale, qui sont sur la cohérence du message, des signaux ou du message envoyé au marché. »

(Notes sténographiques du 10 février 2011, témoignage de Sylvain Clermont, p. 164-165)

- This has been known for many years
- It has been resolved appropriately by buying firm on both sides of the Québec Intertie – just as EBMI did

THE HARMONIZATION OF ATC

4. Perhaps New England should have been the one to initiate efforts to make the ATCs on the Intertie “consistent”, but they did not, saying the fact that it is a DC line makes it unnecessary

The Phase I/II HVDC-TF is a controllable DC inter-Control Area tie line. Therefore it is not necessary to coordinate the Phase I/II HVDC-TF ATC values with the Hydro-Québec Control Area. (Exhibit C-6-78: ISO New England Inc. Transmission, Markets and Services Tariff, Schedule 20A)

THE HARMONIZATION OF ATC

D. Level of ATC?

1. Serious effort to coordinate with the other end of the Intertie must be made
2. HQT made no assessment of historical experience
3. It would be in the best interest of all to try to agree on higher level (e.g. ISO-NE, 1,400 MW)

THE HARMONIZATION OF ATC

E. Right allocation of ATC?

1. Régie Decision concluded that there was no need for curtailment demonstrated – no justification for reduced ATC
2. If need for curtailment ever demonstrated, should review alternatives

THE HARMONIZATION OF ATC

3. Pro rata decreases
 - Supported by FERC Precedent and Section 13.6 of the Tariff
4. Example of alternative to consider
 - Both level and allocation set by New England side
 - Fair
 - Economically efficient

THE HARMONIZATION OF ATC

F. HQT's Proposal consistent with tariff?

1. Régie Decision in the Complaint case makes it clear that harmonization did violate the right to rollover (renewal)
2. Régie Decision also makes it clear that, since HQT failed to show any reliability problem that would be solved with harmonization, no curtailment would be justified

THE HARMONIZATION OF ATC

- G. The British Columbia Utilities Commission authorized something akin to “harmonization” and answered all four policy questions
1. Purpose
 2. Right level of ATC
 3. Right allocation of ATC
 4. Consistency with other terms of the Tariff

THE HARMONIZATION OF ATC

H. Commercial and Competitive Harm

1. Penalties, default
2. Perceptions – HQ pushes competitors aside

THE HARMONIZATION OF ATC

- I. Bottom line policy recommendation
 1. Require case-by-case implementation for each Intertie
 2. Must answer the four policy questions before implementation
 3. The Régie has already rejected the proposed implementation for the Québec-New England Intertie