

HQ TransÉnergie Hearing R-3669-2008- Phase 2

Information Requests Submitted by: Robert A. Sinclair, Potomac Economics, on Behalf of Newfoundland and Labrador Hydro.

Qualifications: Dr. Sinclair is an energy economist specializing in wholesale electricity market monitoring and transmission system monitoring.

In the forgoing information requests please observe the following:

“HQT” refers to Hydro Quebec TransÉnergie

“HQD” refers to Hydro Quebec Distribution

“HQT 890 OATT” refers to the Open Access Transmission Tariff HQT has proposed in connection with Demande R-3669-2008 – Phase 2 (version March 27, 2009).

“*Pro forma* 890 OATT” refers to the pro forma OATT attached as Appendix C to U.S. Federal Energy Regulatory Commission Order 890 (“Order 890” refers to Final Rule in Federal Energy Regulatory Commission Docket Nos. RM05-17-000 and RM-05-25-000. “Order 890 A” refers to Final Rule in Federal Energy Regulatory Commission Docket Nos. RM05-17-001, 002 and RM-05-25-001,002).

The phrase “consistent with or superior to” is used as these words are meant in paragraph 135 of the *pro forma* 890 OATT

HQT’s filing text entitled: “*Fiches sur les modifications proposées aux tarifs et conditions des services de transport d’Hydro-Québec*” (HQT-2, Document 1) lists the themes of the modifications proposed to the text of HQT’s OATT. These themes along with the related OATT articles are as follows:

- Uniformité et transparence pour le calcul de la capacité de transfert disponible: Appendice C; Appendice C-1
- Crédits pour clients du service en réseau intégré propriétaires d’installations de transport; Article 30.9.
- Cession ou revente de capacité: Articles 23.1; 23.2; 23.3; Appendice A-1
- Pénalités liées à l’exploitation : pénalités pour utilisation du réseau sans réservation ou au-delà de la capacité réservée: Articles 3; 28.6; 36.5.
- Services Complémentaires; Annexes 2, 3, 6, 7.

- Service ferme conditionnel et nouvelle répartition de la production: Articles 13.4; 13.5; 13.6; 14.7; 15.14; 19.1; 19.3; 27; 32.3; 40.3.
- Droit de renouvellement: Article 2.2.
- Acquisition du service de transport : délais pour études d'impact, prolongation pour commencement du service et priorité des réservations: Article 13.2; 14.2; 17.2; 17.7; 18.2; 19.9; 32.5.
- Désignation des ressources en réseau, justification et suppression: Articles 1.50; 1.51; 29.2; 30.1; 30.2; 30.3; 30.4; 37.1; 38.1; 38.2; 38.3; 38.5.
- Service secondaire: Articles 28.4; 36.3.
- Normalisation des règles et pratiques d'affaires: affichage sur sites OASIS et Web; Article 4.
- Réciprocité: Article 6.
- Solvabilité: Article 11; Appendice L

The Final Rule issued by FERC in Order 890 organizes the reform under the following headings:

- I. Consistency and Transparency of ATC Calculations
- II. Coordinated, Open and Transparent Planning
- III. Transmission Pricing
- IV. Non-Rate Terms and Conditions (which includes redispatch and conditional firm notions as well as Designation of Network Resources)
- V. Enforcement.

The information requests in this document are grouped by FERC's five categories of reform and also by the themes identified by HQT.

The information requests are predicated on the principle that an OATT text that does not exactly match the Pro Forma 890 OATT must meet the standard of being "consistent or superior". In this context, the information requests take into consideration FERC "Commission Determinations" by which FERC directs or requires that certain actions be taken by transmission providers in order to ensure that the text of the OATT meets the requirements of the reform.

The requirements and directions given by FERC should be reflected in the actions taken by HQT in the context of the reform, if the HQT text is to be "consistent or superior". Thus the

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information requests are based on a consideration of the proposed HQT modifications relative to the FERC final order 890 and 890A.

I. CONSISTENCY AND TRANSPARENCY OF ATC CALCULATIONS

- HQT Theme: Uniformité et transparence pour le calcul de la capacité de transfert disponible: Appendice C; Appendice C-1

1. Preamble Consistency and Transparency of ATC Calculations of FERC 890

Order 890 Paragraph 193. In the NOPR, the Commission proposed to take action under FPA section 206 to remedy undue discrimination in the provision of transmission service. The Commission recognized that while Order Nos. 888 and 889 require transmission providers to offer and post any available transfer capability (ATC) on their OASIS, and file the methodology they use to calculate ATC as Attachment C to their OATTs, the industry has not developed a consistent methodology for evaluating ATC nor have transmission providers adequately made their ATC calculation methodology transparent. This inconsistency and lack of transparency creates the potential for undue discrimination in the provision of open access transmission service.

Order 890 Paragraph 196. In light of these concerns, we direct public utilities, working through NERC reliability standards and NAESB business practices development processes, to produce workable solutions to complex and contentious issues surrounding improving the consistency and transparency of ATC calculations.

Questions

- 1.1 Has HQT engaged with the NAESB on a development process to insure that the proposed ATC calculation and posting requirements match the standards that are developed in the industry in light of the above captioned FERC requirement?
- 1.2 If the answer to 1.1 is affirmative, is it possible to have details of the comments and recommendations made by the NAESB? If the answer is negative, please provide the reasons why it was deemed irrelevant to proceed in collaboration with NAESB.

2. Preamble “Necessary Degree of Consistency”

Order 890 Paragraph 210. Accordingly, we conclude that industry-wide consistency of all ATC components (TTC, ETC, CBM, and TRM) and certain data inputs and exchange, modeling assumptions, calculation frequency, and coordination of data relevant for the calculation of ATC will reduce the opportunities for the exercise of discretion that may lead to undue discrimination against unaffiliated transmission customers.

Questions

- 2.1 On the notion of ETC (existing transmission commitments), how has HQT established that the data inputs and assumptions are consistent and meet the “necessary Degree of Consistency” required?
- 2.2 Has the Régie de l’énergie ever authorized the “QCRD” concept as a transmission class?
- 2.3 Has the Régie ever approved or verified the adequacy of the elements that are included in the QCRD class?
- 2.4 If the response to 2.3 is negative, under what authority is HQT using this class of transmission?

3. Preamble Consistent Application of ATC Calculation Principles

Order 890 Paragraph 212. (...) we direct public utilities, working through NERC, to modify related ATC standards by implementing the following principles for firm and non-firm ATC calculations: (1) for firm ATC calculations, the transmission provider shall account only for firm commitments; and (2) for non-firm ATC calculations, the transmission provider shall account for both firm and non-firm commitments, postbacks of redirected services, unscheduled service, and counterflows.

Question

- 3.1 Are these principles identified in paragraph 212 already followed by HQT? If not, what is the justification and will they be integrated in the methodology?

4. Preamble Process to Achieve Consistency

Order 890 Paragraph 221. The Commission directs public utilities, working through NERC and NAESB, to modify the ATC-related reliability standards and business practices in accordance with specific direction provided in this Final Rule. As we explain above, the development of a more coherent and uniform determination of ATC across a region will help limit the potential for undue discrimination in the calculation of ATC. The Commission concludes that the NERC reliability standards development process and the NAESB business practices development process are the appropriate forums for developing this consistency.

Order 890 Paragraph 223. (...) We also direct public utilities to work through NAESB to develop business practices that complement NERC's new reliability standards within 360 days after the publication of the Final Rule in the Federal Register. (...)

Finally, we direct NERC and NAESB to file, within 90 days of publication of the Final Rule in the Federal Register, a joint status report on standards and business practices development and a work plan for completion of this task within the timeframe established above.

Question

4.1 How is HQT able to ensure consistency with the NAESB business practices?

5. Preamble ATC Components – existing Transmission Commitments (ETC)

Order 890 Paragraph 240. In the NOPR, the Commission expressed its view that the lack of consistency in modeling of existing transmission commitments (ETC) resulted in excessive discretion in determining how much capacity a transmission provider sets aside for native load, including its network customers. The Commission therefore proposed the development of a consistent methodology for determining the capacity needed and set aside for native load usage. The Commission also proposed that accounting for transmission reservations in an ATC/AFC calculation be more consistent. The Commission further proposed that public utilities, working through NERC, establish and specifically identify the reservations to be used in determining ETC.

Order 890 Paragraph 245. We agree with TDU Systems that inclusion of all requests for transmission service in ETC would likely overstate usage of the system and understate ATC. We therefore find that reservations that have the same point of receipt (POR) (generator) but different point of delivery (POD) (load), for the same time frame, should not be modeled in the ETC calculation simultaneously if their combined reserved transmission capacity exceeds the generator's nameplate capacity at POR. This will prevent overly unrealistic utilization of transmission capacity associated with power output from a generator identified as a POR.

Order 890 Paragraph 246. We agree with NERC that some elements of ETC are candidates for business practices rather than reliability standards. Accordingly, we direct public utilities, working through NAESB, to develop business practices necessary for full implementation of the developed MOD-001 reliability standard.

Questions

- 5.1 In the modelling of the ETC calculation, does HQT have any situations in its system where the transmission capacity reserved exceeds the generator's nameplate capacity at POR?
- 5.2 In the modelling of the ETC calculation, does HQT have any situations in its system where the transmission capacity reserved plus any other firm commitments for the generator exceeds the generator's nameplate capacity at POR?
- 5.3 In the modeling of the ETC calculation, is there an adjustment made when the transmission capacity reserved exceeds the generator's nameplate capacity at POR in order to identify properly a realistic utilization of the transmission capacity?
- 5.4 If not, is HQT overstating the transmission capacity use through the ETC for a reason justified by a NAESB business practice?

6. Preamble Modeling Assumptions and input data

Order 890 Paragraph 293 We believe that counterflows, if treated inconsistently, can adversely affect reliability and competition, depending on how they are accounted for. Accordingly, we reiterate that public utilities, working through NERC and NAESB, are directed to develop an approach for accounting for counterflows, in the relevant ATC standards and business practices.

Question

6.1 How are counterflows accounted for in the ATC calculations?

Order 890A Paragraph 868. In response to a commenter request, the Commission clarified in Order No. 890 that a customer may not designate as a network resource a seller's choice power purchase agreement that is sourced by generating units internal to the transmission provider's control area, since evaluating the effect on ATC would be problematic. The Commission stated that, if a customer wishes to have a choice of resources that are internal to the particular transmission provider's control area from which to dispatch power, it must designate each of the resources as network resources.

Order 890A Paragraph 891. The Commission affirms the finding in Order No. 890 that on-system seller's choice contracts generally do not provide enough information to satisfy the requirements for designation as a network resource. For on-system resources, the location of the capacity is necessary for determining the effect of a proposed designation on transmission capacity, both for evaluating the acceptability of the resource itself, and for allowing future transmission service requests to be evaluated

Questions

6.2 Does section 37.1(iii) of the HQT OATT meet the 890A requirements as noted in paragraphs 868 and 891, by requiring an annual submission to HQT from HQD of a description of each of the resources which contributes to the Heritage Pool (including its designated capacity)? If the response is affirmative, please provide a copy of the most recently filed current and 10 year projection.

6.3 If the answer to 6.2 is negative, how does HQT monitor the need for a particular facility to schedule point-to-point service when the facility's designated capacity is exceeded when servicing non-designated loads?

7. Preamble Transparency

Order 890 Paragraph 327. We also require transmission providers to document their processes for coordinating ATC calculations with their neighboring systems.

Question

- 7.1 How is HQT meeting this requirement with each of the neighboring systems namely: Ontario, New York, New England, New Brunswick and Newfoundland and Labrador?

8. Preamble Additional Data Posting

Order 890 Paragraph 413. The Commission adopts the proposed requirement to post on OASIS metrics related to the provision of transmission service under the OATT. Specifically, transmission providers must post (1) the number of affiliate versus non-affiliate requests for transmission service that have been rejected and (2) the number of affiliate versus non-affiliate requests for transmission service that have been made. This posting must detail the length of service request (e.g., short-term or long-term) and the type of service requested (e.g., firm point-to-point, non-firm point-to-point or network service). The Commission also will require transmission providers to post their underlying load forecast assumptions for all ATC calculations and, to post on a daily basis, their actual daily peak load for the prior day. The Commission directs transmission providers to work through NAESB to develop standards for consistent methods of posting the new requirements on OASIS.

Order 890 Paragraph 416 (...)We direct transmission providers to post load forecasts and actual daily peak load for both system-wide load (including native load) and native load, as this data will be useful to customers and regulators.

Questions

- 8.1 How will HQT proceed with the posting of this information? Would you please provide an example using 2008 transmission reservations.
- 8.2 What NAESB standard has HQT adopted to meet this requirement?

II. Coordinated, Open and Transparent Planning

- HQT Theme No planning provisions provided; an equivalent process exists (Attachment K).

9. Preamble The Need for reform

Order 890 Paragraph 422. We do not believe that the existing pro forma OATT is sufficient in an era of increasing transmission congestion and the need for significant new transmission investment. We cannot rely on the self-interest of transmission providers to expand the grid in a non-discriminatory manner. Although many transmission providers have an incentive to expand the grid to meet their state-imposed obligations to serve, they can have a disincentive to remedy transmission congestion when doing so reduces the value of their generation or otherwise stimulates new entry or greater competition in their area.

For example, a transmission provider does not have an incentive to relieve local congestion that restricts the output of a competing merchant generator if doing so will make the transmission provider's own generation less competitive. A transmission provider also does not have an incentive to increase the import or export capacity of its transmission system if doing so would allow cheaper power to displace its higher cost generation or otherwise make new entry more profitable by facilitating exports.

Order 890 Paragraph 424. The existing pro forma OATT does not counteract these incentives in the planning area because there are no clear criteria regarding the transmission provider's planning obligation. Although the pro forma OATT contains a general obligation to plan for the needs of their network customers and to expand their systems to provide service to point-to-point customers, there is no requirement that the overall transmission planning process be open to customers, competitors, and state commissions.

Order 890 Paragraph 437. Accordingly, each public utility transmission provider is required to submit, as part of a compliance filing in this proceeding, a proposal for a coordinated and regional planning process that complies with the planning principles and other requirements in this Final Rule. In the alternative, a transmission provider (including an RTO or an ISO, as discussed below), may make a compliance filing in this proceeding describing its existing coordinated and regional planning process, including the appropriate language in its tariff, and

show that this existing process is consistent with or superior to the requirements in this Final Rule. Under either of these approaches, the process must be documented as an attachment to the transmission provider's OATT.

Order 890 Paragraph 438. At the outset, we note that the planning obligations imposed in this Final Rule do not address or dictate which investments identified in a transmission plan should be undertaken by transmission providers. Furthermore, except for the discussion below of cost allocation for transmission investments under Principle 9, the planning obligations included in this Final Rule do not address whether or how investments identified in a transmission plan should be compensated. Through the principles described below, we establish a process through which transmission providers must coordinate with customers, neighbouring transmission providers, affected state authorities, and other stakeholders in order to ensure that transmission plans are not developed in an unduly discriminatory manner.

Question

9.1 On what basis is HQT's investment authorization process to be considered "consistent with or superior" (as this test is described at paragraph 14 of Order 890) with the coordinated planning process envisaged in proforma 890? Please provide a copy of the OATT required attachment which documents the process.

10. Preamble Planning Principles

Order 890 Paragraph 453. (...)Transmission providers are, however, required to craft a process that allows for a reasonable and meaningful opportunity to meet or otherwise interact meaningfully.

Order 890 Paragraph 454. (...) we fully intend that the planning process adopted herein provide for the timely and meaningful input and participation of customers into the development of transmission plans. This means that customers must be included at the early stages of the development of the transmission plan and not merely given an opportunity to comment on transmission plans that were developed in the first instance without their input.

Order 890 Paragraph 471. *In addition transmission providers will be required to reduce to writing and make available the basic methodology, criteria, and processes they use to develop their transmission plans, including how they treat retail native loads, in order to ensure that standards are consistently applied. This information should enable customers, other stakeholders, or an independent third party to replicate the results of planning studies and thereby reduce the incidence of after-the-fact disputes regarding whether planning has been conducted in an unduly discriminatory fashion.*

Order 890 Paragraph 486. *The Commission adopts the information exchange principle as to both network and point-to-point transmission customers. Accordingly, we will require transmission providers, in consultation with their customers and other stakeholders, to develop guidelines and a schedule for the submittal of information. In order for the Final Rule's planning process to be as open and transparent as possible, the information collected by transmission providers to provide transmission service to their native load customers must be transparent and, to that end, equivalent information must be provided by transmission customers to ensure effective planning and comparability.*

Order 890 Paragraph 487. *We also believe that it is appropriate to require point-to-point customers to submit any projections they have of a need for service over the planning horizon and at what receipt and delivery points.*

Order 890 Paragraph 524. *(...)as discussed above, it is not in the economic self-interest of transmission providers to expand the grid to permit access to competing sources of supply. A transmission provider has little incentive to upgrade its transmission capacity with its interconnected neighbors if doing so would allow competing suppliers to serve the customers of the transmission provider. We therefore find, as discussed in greater detail above, that greater coordination and openness in transmission planning is required, on both a local and regional level, to remedy undue discrimination.*

Order 890 Paragraph 543. *Some commenters argue that economic upgrades should be considered only in the context of individual requests for service under the pro forma OATT. The Commission disagrees. The process for addressing individual requests for service under the pro forma OATT is adequate for customers who request specific transmission rights to purchase power from a particular resource in a particular location during a defined time period. However, it does not provide an opportunity for customers to consider whether potential upgrades or*

other investments could reduce congestion costs or otherwise integrate new resources on an aggregated or regional basis outside of a specific request for interconnection or transmission service.

Order 890 Paragraph 546. (...) we direct transmission providers, in consultation with their stakeholders during development of their Attachment K compliance filings (as discussed above), to develop a means to allow the transmission provider and stakeholders to cluster or batch requests for economic planning studies so that the transmission provider may perform the studies in the most efficient manner. We will also require the requests for economic planning studies, as well as the responses to the requests, be posted on the transmission provider's OASIS or web site, subject to confidentiality requirements.

Order 890 Paragraph 547. The Commission will modify the principle to allow customers to choose the studies that are of the greatest value to them. Specifically, we are modifying the principle to require that stakeholders be given the right to request a defined number of high priority studies annually (e.g., five to ten studies) to address congestion and/or the integration of new resources or loads. The intent of this approach is to allow customers, not the transmission provider, to identify those portions of the transmission system where they have encountered transmission problems due to congestion or whether they believe upgrades and other investments may be necessary to reduce congestion and to integrate new resources.

Order 890 Paragraph 586. (...)We direct transmission providers to work with other participants in the planning process, as part of the collaborative process described above, to develop their cost recovery proposals in order to determine whether all relevant parties, including state agencies, have the ability to recover the costs of participating in the planning process.

Questions

- 10.1 Please explain how the interaction with customers defined in the above referenced paragraphs from Order 890 is included in the planning process in place at HQT?
- 10.2 Please explain how the information is gathered and distributed to the customers, stakeholders, regulators and interconnected neighbours?

- 10.3 Please explain how HQT’s planning process is “consistent with or superior to” the process referred to at paragraph 453 of the *pro forma* 890 OATT whereby transmission providers are required to “craft a process that allows for a reasonable and meaningful opportunity to meet or otherwise interact meaningfully” with customer and other stakeholders.
- 10.4 Please explain how HQT’s planning process is “consistent with or superior to” the process referred to at paragraph 460 of the *pro forma* 890 OATT whereby transmission providers are required to establish transmission planning meetings [that are] open to all affected parties including, but not limited to, all transmission and interconnection customers, state commissions and other stakeholders.
- 10.5 Please explain how HQT’s planning process is “consistent with or superior to” the process referred to at paragraph 471 of the *pro forma* 890 OATT whereby transmission providers are required to reduce to writing and make available the basic methodology, criteria, and processes they use to develop their transmission plans, including how they treat retail native loads, in order to ensure that standards are consistently applied.
- 10.6 Will HQT’s planning process make sufficient information available such that it will enable transmission customers to replicate planning studies? If so, how? If not, please explain.
- 10.7 Please explain how HQT’s planning process is “consistent with or superior to” the process referred to at paragraph 472 of the *pro forma* 890 OATT whereby transmission providers make available information regarding the status of upgrades identified in their transmission plans in addition to the underlying plans and related studies [and provide] ready access to this information in order to facilitate coordination and oversight.
- 10.8 Please explain how HQT’s planning process is “consistent with or superior to” the process referred to at paragraph 494 of the *pro forma* 890 OATT whereby the transmission provider is required after considering the data and comments supplied by customers and other stakeholders, to develop a transmission system plan that (1) meets the specific service requests of its transmission customers and (2) otherwise treats similarly-situated customers (e.g., network and retail native load) comparably in transmission system planning.

- 10.9 Please explain how HQT’s planning process is “consistent with or superior to” the process referred to at paragraph 501 of the *pro forma* 890 OATT whereby a dispute resolution process should be available to address both procedural and substantive planning issues, as the purpose for including a dispute resolution process is to provide a means for parties to resolve all disputes related to the [the] planning process.
- 10.10 Please explain how HQT’s planning process is “consistent with or superior to” the process referred to at paragraph 542 of the *pro forma* 890 OATT whereby the process must consider both reliability and economic considerations. The purpose of this principle is to ensure that the latter is considered adequately in the transmission planning process.
- 10.11 When initiating HQT’s planning process will HQT be providing sample expansion plans and analysis of recent peak load operating situations so that customers can establish a benchmark for assessment?

III. Transmission Pricing

HQT Themes:

- Crédits pour clients du service en réseau intégré propriétaires d'installations de transport; Article 30.9.
- Cession ou revente de capacité: Articles 23.1; 23.2; 23.3; Appendice A-1
- Pénalités liées à l'exploitation: pénalités pour utilisation du réseau sans réservation ou au-delà de la capacité réservée: Articles 3; 28.6; 36.5.
- Services Complémentaires; Annexes 2, 3, 6, 7.

Preamble IESO Agreement

Letter From IESO dated March 27, 2009 where by the IESO and HQT issued a joint statement that Schedule 4 and 5 do not apply to generators located within the IESO Control Area such as are OPG Saunders generation facilities.

Order 890 paragraph 669. Some commenters stated that the Commission should require transmission providers to establish, or permit market participants to establish, markets or pools for the netting and settlement of imbalances. As explained previously, the purpose of this rule is to strengthen the pro forma OATT to remedy undue discrimination and not to impose any particular market structure. If transmission providers offer to modify their OATTs to allow such pools, we will consider such proposals.

Questions

- 11.1 Please provide more detail explaining the conclusion that imbalances “can be dealt with at a balancing authority level”.
- 11.2 How will the balancing authorities deal with the imbalances? What steps are included in the process to make it transparent and verifiable?
- 11.3 What is the nature of the agreement made with the IESO? Is it the creation of a “pool” as described in the above cited “Final Order” text par.669? Please provide a copy of the agreement.
- 11.4 Can similar arrangements as are considered with the IESO be made with other neighbouring areas? What are the standard terms and conditions for others to avail of such an arrangement?
- 11.5 Is there a process whereby such agreements are approved by the Régie?

Preamble Capacity Reassignment

HQT Theme:

- Cession ou revente de capacité: articles 23.1; 23.2; 23.3; Appendice A-1

Order 890 paragraph 85. We find that the existing cap on the reassignment of point-to-point service is no longer just and, therefore, we eliminate the cap. We believe that removing the cap will eliminate an unnecessary impediment to the resale of capacity, which in turn should increase utilization of the grid and otherwise ensure that point to point service is just, reasonable, and not unduly discriminatory.

In Québec the majority of the effective firm “wheel out” service to the U.S. has been requested by HQP (Phase I/II; Highgate; Massena; Derby). HQP has also booked firm service on 100% of the export capacity of the 1250 MW DC interconnection to Ontario. The only paths not completely under control of HQP are the paths to Labrador and to New Brunswick and 100MW on the Dennison path that requires payment of an extra \$1.52/MWh to get into the New York ISO.

Questions

- 12.1 How can the removal of a cap on the resale of transmission be viewed as an incentive to increase the resale of transmission capacity in the Québec context described above in the preamble?
- 12.2 Should the Québec OATT provide for automatic posting of unscheduled transmission prior to the close of the day-ahead markets in neighbouring areas to provide access to firm service and mitigate the potential of hoarding by HQT’s affiliate? Please explain.
- 12.3 In the reassignment process, considering that a “wheel through” service in Québec, is comprised of a combination of “wheel in” and “wheel out”; will HQT allow transmission customers to manage their transmission portfolios by allowing the assignment of transmission “in part”? For example, will a customer with a wheel in – wheel out service be permitted to reassign the wheel-out leg?
- 12.4 If the answer to 12.3 is negative, please explain why this restriction is just and reasonable?

Preamble Operational Penalties

HQT Theme:

- Pénalités liées à l'exploitation : pénalités pour utilisation du réseau sans réservation ou au-delà de la capacité réservée: Articles 3; 28.6; 36.5.

Order 890 paragraph 840. In order to ensure that the transmission provider has a basis for charging an unreserved use penalty, we modify section 13.4 of the pro forma OATT to provide that a customer that takes unreserved point-to-point transmission service and does not have a service agreement with the transmission provider is deemed to have executed the transmission provider's form of service agreement for point-to-point service. In addition, we clarify that a customer that uses more transmission service than it has reserved is also subject to charges for ancillary services.

Question

- 13.1 How will section 13.4 be applied in relation with the imbalance service? Will HQT charge ancillary services to a client using transmission without reservation as FERC stated in paragraph 840 of the final rule? If so, which ancillary charges will be charged?

Section 38.5 of the HQT 890 OATT states, in part:

The Distributor shall not operate its designated resources located in the Transmission Provider's Control Area such that the output of those facilities exceeds its designated Native Load plus losses, plus power sales under a reserved sharing program, plus sales that permit curtailment without penalty to serve its designated Native Load, unless the Distributor has to this effect entered into a Service Agreement with the Transmission Provider for Point-to-Point Transmission Service under Part II herein.

Questions

- 13.2 Section 30.4 of the Pro-forma 890 OATT states “ *The Network Customer shall not operate its designated Network Resources located in the Network Customer's or Transmission Provider's control area such that the output of those facilities exceeds its designated Network Load, plus Non-firm sales delivered pursuant to Part II of the Tariff, plus losses.*” Why does the HQT 890 OATT allow the Distributor to operate its designated resources in excess of the Native Load plus losses - up to the total of the

amount of power sales under a reserve sharing program plus sales that permit curtailment without penalty to serve its designated Native Load?

- 13.3 If the output of the designated resources located in the Transmission Provider's control area exceeds the Distributor's designated Native Load plus losses, plus power sales under a reserve sharing program, plus sales that permit curtailment without penalty to serve its designated Native load, what, if any, penalty applies?

IV Non-Rate Terms and Conditions

14. Preamble Planning Redispatch and Conditional Firm options

Refer Attachment A - screen shots of two transactions where HQT "forced acceptance" of the requested service. One transaction was for HQM (production affiliate); the second transaction was for HQD the distributor affiliate.

Questions

- 14.1 Will transactions of this nature be treated as conditional firm service requests under HQT 890 OATT? If not, what is the process for requesting service of this nature on the OASIS?
- 14.2 Are these "forced acceptances" authorized in virtue of an existing OATT rule? If so, please cite the rule.
- 14.2 Has the Régie de l'énergie authorized these types of service? If so, please reference the decision number.
- 14.3 What are the consequences on the firmness of the service thus provided?
- 14.4 Are such procedures in conformity with the NAESB business practices? If so, please cite the rule or reference permitting these procedures.

15. Preamble Hourly Firm Service

Order 890 paragraph 1177 does not require that transmission providers offer hourly firm service. However, the situation in Québec could enable HQT to offer such as service, since no congestion exists on the system.

Questions

- 15.1 Are there reliability or any other issues that could prevent the deployment of hourly firm service?
- 15.2 Are there Business practice issues that could not be resolved that would prevent HQT from offering hourly firm service?

16. Preamble Designation of Network Services

Pro forma 890 OATT Section 30.1 (Designation of Network Resources) Any owned or purchased resources that were serving the Network Customer's loads under firm agreements entered into on or before the Service Commencement Date shall initially be designated as Network Resources until the Network Customer terminates the designation of such resources.

Questions

- 16.1 Does Part III of the pro forma 890 OATT (Network Transmission Integration Service) establish the “minimum terms and conditions of non-discriminatory service” applicable to Part IV of the HQT 890 OATT (Native-Load Transmission service)?
- 16.2 If the response to (16.1) is affirmative, please explain the response.
- 16.3 If the response to (16.1) is not affirmative, please indicate the sections of the pro forma 890 OATT, if any, which establish the “minimum terms and conditions of non-discriminatory service” applicable to Part IV of the HQT 890 OATT.

- 16.4 If no sections of the pro forma 890 OATT are indicated in response to 16.3, please explain the basis for Part IV of the HQT 890 OATT meeting the “minimum terms and conditions” of the pro forma 890 OATT.
- 16.5 Is it the position of HQT that Section 30.1 of the pro forma 890 OATT (Designation of Network Resources) establishes the “minimum terms and conditions of non-discriminatory service” applicable to Section 38.1 of the HQT 890 OATT (Designation of Distributor Resources)?
- 16.6 If the response to (16.5) is affirmative, please explain the response.
- 16.7 If the response to (16.5) is not affirmative, please indicate the sections of the pro forma 890 OATT, if any, which establish the “minimum terms and conditions of non-discriminatory service” applicable to Section 38.1 of the HQT 890 OATT.
- 16.8 If no sections of the pro forma 890 OATT are indicated in response to 16.7, please explain the basis for Section 38.1 of the HQT 890 OATT meeting the “minimum terms and conditions” of the pro forma 890 OATT.
- 16.9 Do the distributor resources designated under section 38.1 of the HQT 890 OATT consist in whole or in part of “owned or purchase resources that were serving [native-load] customers under long term firm agreements entered into on or before the Service Commencement Date” (as the term Service Commencement Date is used in the pro form 890 OATT)?
- 16.10 If the response to (16.9) is affirmative, please indicate whether any distributor resources consisting of “purchases” under “firm agreements” are designated under section 38.1 of HQT 890 OATT. Please identify any such firm agreements.
- 16.11 For any such “firm agreements” identified in, response to 16.10 please indicate whether the agreement contains “make-whole” liquidated-damages provisions as discussed in paragraph 1455 of the pro forma 890 OATT. If not what criteria were applied to qualify this transaction as firm?

- 16.12 Can an individual resource i.e., a physical plant or a purchase power agreement be designate as a native-load resource under section 38.1 of the HQT 890 OATT or is the Heritage Pool the designated native-load resource under section 38.1?
- 16.13 Does HQD pay HQT for the entire cost of the Heritage Pool Service (i.e. generation and transmission) or just for transmission service?
- 16.14 If the response to 16.9 is not affirmative, please indicate the sections of the pro forma 890 OATT which are the basis for meeting the “minimum terms and conditions of non-discriminatory service” for the designation of distributor resources in section 38.1 of the HQT 890 OATT.

Section 38.1 of the HQT 890 OATT contains the following: “Distributor Resources cannot include resources, or any portion thereof, that are committed for sale to third-party load other than the Native Load or otherwise cannot be called upon to supply the Distributor's Native Load on a non-interruptible basis except for purposes of fulfilling obligations under a reserve sharing program”.

Questions

- 16.16 Please describe what is meant by a “reserve sharing program”.
- 16.17 Does HQT currently have in place any such reserve-sharing program? If the answer is affirmative:
- a) Please indicate with whom and to what extent the capacity of distributor resources designated under section 38.1 of HQT’s current OATT is committed under such a program.
 - b) Please indicate during the past 12 months whether distributor resources designated under 38.1 of HQT’s current OATT have been obliged under such a program to provide electricity. If any such instances have occurred, please indicate how much electricity was provided from the distributor resources.
 - c) Under what conditions are distributor resources designated under section 38.1 of HQT’s current OATT committed to provide electricity under such a program.
 - d) If distributor resources designated under section 38.1 of HQT’s current OATT are committed at any instance under a reserve-sharing program, does a native-load

transmission customer have to designate replacement resources to ensure adequate supply to native-load? Please explain.

- 16.18 Under the reserve-sharing program, does HQT commit to sell electricity from designated distributor resources? Please explain.
- 16.19 If the response to 16.17 is not affirmative, please explain why HQT is proposing under HQT 890 OATT to allow designated network resource to supply reserve-sharing programs?
- 16.20 If the response to 16.17 is not affirmative, please explain the extent to which HQT has discussed such reserve-sharing arrangements with any affiliate.

Section 36.5 of the HQT 890 OATT states, in part, that: *“In the event that the Distributor uses Native-Load Transmission Service or secondary service pursuant to Section 36.3 to facilitate a wholesale sale that does not serve Native-Load, the dispositions of section 13.7 (d) will apply”*.

Questions

- 16.21 In the event that the Distributor uses Native-Load Transmission Service or secondary service pursuant to Section 36.3 of the HQT 890 OATT to facilitate a wholesale sale that does not serve Native-Load, is HQD deemed to have taken service under Part II of the OATT and if so, what provisions apply and what priority will this transmission service have compared to existing firm point-to-point and existing non-firm point-to-point reservations under section 13.6 of the HQT 890 OATT? Please explain.
- 16.22 In the event that the Distributor uses Native-Load Transmission Service or secondary service pursuant to Section 36.3 of the HQT 890 OATT to facilitate a wholesale sale that does not serve Native-Load, what will be the transmission charge for the use of this service? Please explain.

17. Preamble Obligation to designate a “Source”

Section 17.2 of HQT’s OATT requires disclosure of: (iv) the location of the generating facility(ies) supplying the capacity and energy, and (v) a description of the supply characteristics of capacity and energy to be delivered.

Questions

- 17.1 Are there any new rules within the 890 Orders that would have implications for the existing requirements under HQT OATT section 17.2, and enable a point-to-point customer to acquire long term transmission service without identifying a specific generating facility “Source”?

- 17.2 Are there any point-to-point transmission requests that have been accepted by HQT without a specific generating unit identified as a “Source”? If so, please explain how this is consistent with existing OATT requirements and, on a go forward basis, how any 890 requirements identified in response to 17.1 would apply to point-to-point service requests of this nature.

Information Requests submitted By: Robert A. Sinclair, Potomac Economics, on behalf of Newfoundland and Labrador Hydro.

Page 25

Attachment A

Remarques du vendeur ATC insuffisants, mais acceptation forcee!`Y%|ht-

The screenshot shows a Microsoft Internet Explorer browser window displaying the Hydro-Québec TransÉnergie Oasis website. The page title is "Hydro-Québec TransÉnergie - Oasis - Microsoft Internet Explorer". The address bar shows the URL: http://www.transenergie.com/oasis/hq/html/fr/html_tsd?aref=548315&tz=ED&date=20090511140000&D&optime=20180511150000ED. The page content includes the Hydro-Québec logo, navigation links, and a section titled "Description de la demande de service de transport". Below this, there is a "Modifier la requête" link and a "Télécharger" button. A table lists the request details, including fields for "No de la demande", "Code du vendeur", "No DUNS du vendeur", "Code du client", "No DUNS du client", "Client associé", "Nom du chemin", "Point de réception", "Point de livraison", "Lieu de production", and "Lieu de consommation". A summary table shows the service period from 1 janv. 2008 00:00 HNE to 1 janv. 2016 00:00 HNE, with a purchase price of \$70820.00 and a sale price of \$70820.00. The capacity demanded is 225 and the capacity attributed is 225. Other details include "Rythme: ANNUEL", "Classe: GARANTIE", "Type: POINT_A_POINT", "Période: COMPLET", and "Fenêtre: FIDEL".

No de la demande	548315
Code du vendeur	HQT
No DUNS du vendeur	207262296
Code du client	HQM
No DUNS du client	249224247
Client associé	OUI
Nom du chemin	HQT-HIGH
Point de réception	HQT
Point de livraison	HIGH
Lieu de production	(Masqué)
Lieu de consommation	(Masqué)

Debut du service	Fin du service	Prix d'achat	Prix de vente	Capacité demandée	Capacité attribuée
1 janv. 2008 00:00 HNE	1 janv. 2016 00:00 HNE	\$70820.00	\$70820.00	225	225

Rythme	ANNUEL
Classe	GARANTIE
Type	POINT_A_POINT
Période	COMPLET
Fenêtre	FIDEL

Information Requests submitted By: Robert A. Sinclair, Potomac Economics, on behalf of Newfoundland and Labrador Hydro.

The screenshot shows a Microsoft Internet Explorer browser window with the title 'Hydro-Québec TransÉnergie - Oasis'. The address bar contains the URL: http://www.transenergie.com/oasis/hq/html/fr/html_1sd?aref=548315&z=ED&atn=20090511140000ED&optn=20180511150000ED. The main content area displays a table with the following data:

Sous-classe	STANDARD
Priorité du NERC	7
Autre priorité	0
Prix plafond	\$72000.00
Unité monétaire	CAD/MW-ANNEE
Demande préconfirmée	OUI
No de l'offre	
No de la vente	
No de référence du client	
No du contrat	
Nombre de réajustements	3745
Demande concurrente	N
Type de la demande	ORIGINAL
No de la demande primaire	
Prix négocié	
État	CONFIRME
Adresse du destinataire des avis	
Remarques sur l'état	ATC INSUFFISANTS GJ
Dépôt de la demande	19 avr. 2007 16:37:11 HAE
Échéance imposée au client	5 janv. 2008 00:00:00 HNE
Demière mise à jour	21 déc. 2007 16:23:39 HNE
Remarques du transporteur	
Référence du vendeur	
Remarques du vendeur	ATC insuffisants, mais acceptation forcée! Y%ht□
Remarques du client	
Nom du vendeur	TransEnergie
Téléphone du vendeur	514-289-4365
Télécoeur du vendeur	514-289-4693/4688
À propos de ce site	web.hq@nrc.hydro.qc.ca

Information Requests submitted By: Robert A. Sinclair, Potomac Economics, on behalf of Newfoundland and Labrador Hydro.

The screenshot shows the Hydro-Québec Oasis web application in Microsoft Internet Explorer. The page title is 'Hydro-Québec TransÉnergie - Oasis - Microsoft Internet Explorer'. The address bar shows the URL: http://www.transenergie.com/oasis/hq/html/fr/html_tsd?aref=634945&z=ED&atme=20090511140000ED&usptme=20180511150000ED.

The page content includes the Hydro-Québec logo, navigation links (English, Pour nous joindre, FAQ, Plan du site), and a date stamp: 11 mai 2009 14:07:58 HAE. The main section is titled 'Description de la demande de service de transport' and contains a 'Modifier la requête' link and a 'Télécharger' button.

Below this, there is a list of links: 'Liens: [Consulter les réaiguillages]'. A table of service details is displayed:

Debut du service	Fin du service	Prix d'achat	Prix de vente	Capacité demandée	Capacité attribuée
1 avr. 2009 00:00 HAE	1 avr. 2019 00:00 HAE	\$0.00	\$0.00	4885	4885

Additional fields include: Rythme (ANNUUEL), Classe (GARANTII), Type (RESEAU), Période (COMPLET), Fenêtre (MOBILE), and various identification numbers (No de la demande: 634845, Code du vendeur: HQT, etc.).

The second screenshot shows a detailed view of the service class 'QC_RD'. It includes fields for priority (7), unit (CAD/MW-ANNEE), and status (CONFIRME). A 'Remarques du vendeur' field contains the text: 'ATC insuffisants, mais acceptation forcee! Y%> p.D'. Other remarks include 'Remarques du client: Cette reservation doit se terminer le 31/08/2041'.