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Le 2 juillet 2009
No de dossier : 10887/118243.18

PAR COURRIEL

Me Véronique Dubois, Secrétaire
Régie de l'énergie
800, Place Victoria, 2^e étage, bureau 255
Montréal (Québec)
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Objet : Demande de modification des tarifs et conditions des services de transport d'Hydro-Québec au 1er janvier 2009 – Dossier R-3669-2008 – Phase 2

Chère consœur,

La présente vise à transmettre les réponses du Docteur Sinclair aux demandes de renseignements N^o 1 et N^o 2 de la Régie de l'énergie.

Espérant le tout conforme, veuillez agréer, chère consœur, l'expression de nos sentiments les plus distingués.

FASKEN MARTINEAU DuMOULIN s.r.l.

A handwritten signature in blue ink that reads "André Turmel".

André Turmel
AT/cf

c.c : Mes Carolina Rinfret et Jean Morel, procureurs d'Hydro-Québec et à tous les intervenants

**DEMANDE DE RENSEIGNEMENTS N° 1 DE LA REGIE DE L'ENERGIE (LA REGIE) A NLH RELATIVE
A LA DEMANDE DE MODIFICATION DES TARIFS ET CONDITIONS DES SERVICES DE TRANSPORT
D'HYDRO-QUEBEC A COMPTER DU 1^{ER} JANVIER 2009 - PHASE 2**

Uniformité et transparence pour le calcul de la capacité de transfert disponible

1. Référence : Pièce C-13-7, NLH, page 8.

Préambule :

« Section 44.1 of the revised HQT OATT states that Attachment C-1 will come into force « at the date of HQT's new OASIS system ». HQT does not specify when this new OASIS system will be ready, thus delaying indefinitely the coming into force of the new ATC requirements and, therefore, delaying indefinitely the full implementation of the Order 890 reforms. »

Demande :

1.1 Veuillez préciser si, selon NLH, les modalités du nouvel appendice C-1 peuvent être appliquées temporairement dans le système OASIS actuel ? **[According to NLH, can the methods of the new appendix C-1 be applied temporarily to current OASIS system current?]**

Response (by Dr. Sinclair): I would not advise applying the methods of the new Appendix C-1 to the current OASIS system. This is because, as explained in my testimony, Appendix C-1 requires clarification and completeness. If Appendix C-1 is not clarified and completed, it would be possible (indeed necessary) for HQT to exercise discretions in important matters, creating the opportunity to discriminate in the provision of transmission services. For example, Appendix C-1 does not indicate how the planning horizon or operating horizon ATC is calculated. Hence, if Appendix C-1 were applied under the current OASIS, HQT would have to rely on undisclosed methods to calculate key ATC values. Also as explained in my testimony, Appendix C-1 contains a "QC" class that appears to allow the use of Native-Load Transmission Service for importing from non-designated resources.

Appendix C-1 involves a series of interconnecting elements that, in at least the two key elements discussed above, show a need for HQT to clarify and explain further its plan for implementing the changes. Hence, as I explain in my testimony, this should be accomplished in technical sessions to stakeholders, including regulators.

2. Références : i) Pièce C-13-7, NLH, page 8 ;
ii) Pièce B-73, HQT-2, document 1, Appendice C-1, pages 1-2.

Préambule :

(i) « *While there is mention in Attachment C-1 of annual, monthly, weekly, and daily transfer capability, the Attachment does not contain the required mathematical algorithm for the planning horizon.* »

(ii) Le Transporteur présente les équations de base relatives au calcul de la capacité de transfert pour un horizon prévisionnel.

Demande :

2.1 Veuillez préciser le « *mathematical algorithm for the planning horizon* » qui, selon NLH, devrait être inclus à l'Appendice C-1. [*Please specify the "mathematical algorithm for the planning horizon" that, according to NLH, should be included to the Appendix C-1.*]

Response (by Dr. Sinclair): The form of the mathematical algorithm for the planning horizon should be similar to the form expressed in the scheduling and real-time horizons as indicated in the Appendix C-1. The primary difference is in the time period associated with the individual component of the algorithms.

The planning horizon involves ATC for periods one day ahead and longer (e.g., daily transmission service, weekly transmission service, monthly, etc.). Usually, the ATC is posted on OASIS for up to a year ahead. Hence, the various elements in the algorithms shown in Appendix C-1 would need to correspond to the appropriate time horizon.

In addition, however, questions persist as to some of the underlying elements, such as the "QC" class of service, as discussed in my testimony. Also, with respect to the longer-term, the Appendix C-1 does not specify how existing native-load transmission rights are established. Critical to this question is whether the rights on an interface are limited to the designated network resource capacity, or some other measure. The Appendix C-1 (in section 3b) states that the network needs are represented by a point-to-point reservation. But what is the basis of the point-to-point reservation? Is it limited to the contractual capacity rights of the designated resources or some other basis, for example, historical use? FERC policy generally establishes the contracted capacity of a designated resource as the transmission right for network (native-load) rights.

There is also an extensive amount of technical material included in Appendix C-1 that relates directly or indirectly to the various elements of the existing algorithms that prevent a precise specification of a planning horizon algorithm as requested. Without the benefit of technical explanations (ideally *via* technical sessions with HQT transmission personnel), it would be ill advised to fully endorse using the existing algorithms as a basis for a planning (or operating) horizon algorithm.

- Références :**
- i) Pièce C-13-7, NLH, page 8 ;
 - i) Pièce B-73, HQT-2, document 1, Appendice C-1, page 1.

Préambule :

(i) « *The main problem with Attachment C-1 is that it fails to provide algorithms specifying the calculation of ATC in the « operating » and the « planning » horizons. Attachment C-1 only presents the ATC calculation in the « scheduling horizon » and in what HQT terms the « real-time horizon ».* Order 890 is specific about this :

[Attachment C] must provide a detailed description of the specific mathematical algorithm the transmission provider uses to calculate firm and non-firm ATC for the scheduling horizon (same day and real time), operating horizon (day ahead and pre-schedule), and planning horizon (beyond the operating horizon) (Order at # 323). »

(ii) Le Transporteur présente les équations pour un « *horizon prévisionnel* » et pour un « *horizon temps réel* ».

(iii)

Demande :

2.2 Selon NLH, l'horizon prévisionnel du Transporteur correspond-il au « *scheduling horizon* » de la FERC. Veuillez expliquer votre réponse. [According to NLH, does the Scheduling Horizon of the Carrier corresponds to the FERC "scheduling horizon". Please explain your response.]

Response (by Dr. Sinclair): Appendix C-1 does not define what is meant by “Scheduling Horizon”, but the circumstantial evidence in Appendix C-1 suggests that Scheduling Horizon (*or l'horizon prévisionnel*) corresponds to the FERC Scheduling Horizon. To help clarify, I recommend HQT define the terms “Scheduling Horizon” and “Real-time Horizon”.

Processus de planification des installations de transport

3. Référence : Pièce C-13-7, NLH, page 17.

Préambule :

« *HQT goes on to explain that the Régie has the regulatory authority to examine and approve all transmission projects and that for projects with cost greater than \$C25 million, a special authorization is required. This process is similar to the processes used in the US to approve system expansions and upgrades.* »

Demande :

- 3.1** Veuillez préciser si les juridictions ayant un processus d’approbation des investissements en transport similaire à celui de la Régie possèdent un OATT incluant un appendice K. Veuillez les nommer. *[Please specify if jurisdictions having a transmission investment approval process similar to the one under the Régie and whether utilities subject to this process also have OATTs that include an Appendix K. Please name them.]*

It is the general policy of state regulatory commissions in the US to require transmission providers to seek approval of transmission investment expenses before they are allowed to be reflected in electricity rates. In some cases, like Mississippi and Texas, transmission investments must be pre-approved by the state regulators. In the particular instance of Mississippi and Texas, Entergy Corp operates its electric transmission system in both states under an OATT that includes an attachment K providing details on the Order 890 planning process.

**DEMANDE DE RENSEIGNEMENTS N° 2 DE LA RÉGIE DE L'ÉNERGIE (LA RÉGIE) RELATIVE À LA
DEMANDE DE MODIFICATION DES TARIFS ET CONDITIONS DES SERVICES DE TRANSPORT
D'HYDRO-QUÉBEC À COMPTER DU 1^{ER} JANVIER 2009 - PHASE 2**

1. **Référence :** Pièce C-13-7, NLH, page 24.

Préambule :

«I do not necessarily object to the agreement. In general, however, I can see why it might be reasonable to come to such an agreement. However, the rationale is not stated. It would be interesting to know, for example, what other control areas may be able to come to comparable agreements. Therefore, I recommend that the Régie require a more thorough explanation of the rationale for the agreement and the conditions under which other neighboring (like Labrador) can make agreements that avoid HQT imbalance charges.» [nos soulignés]

Demande :

1.1 Veuillez préciser dans quelles circonstances NLH pourrait provoquer des écarts de réception et être assujetti à l'annexe 4 des Tarifs et conditions. Veuillez illustrer votre réponse à l'aide d'exemples. [*Please specify in which circumstances NLH could provoke imbalance energy (receipt) and be liable to the Schedule 4 of the OATT. Please illustrate your response using examples.*]

Response (by Dr. Sinclair): With respect to imbalance issues, Labrador and Ontario are similarly situated with respect to the HQT system. This is because transmission users in Labrador and Ontario both use interfaces with Quebec to engage in wholesale power trading. In the absence of knowing the nature and terms of the agreement between HQT and IESO it is not possible to determine what benefits will result, if any, for other neighboring jurisdictions from such an agreement. It is for this reason that I suggested that the rationale and conditions for this agreement be provided to the Regie.. In my testimony, I did not intend to imply that NLH may provoke Schedule 4 charges.