

Policy: Policy with respect to the management of the amounts collected following the imposition of a financial penalty

Policy number: 14

Responsibility for application: DGPR

Approved by: Jocelin Dumas

Approval date: November 22, 2018

To: All staff members

Revision date: April 25, 2022

Replaces the following policy:

Policy with respect to the management of the amounts collected following the imposition of a financial penalty – amended on April 11, 2019.

1. CONTEXT OF THE POLICY AND LEGAL FRAMEWORK

Section I of Chapter VI.1 of [An Act respecting the Régie de l'énergie](#) (chapter R-6.01.) (The Act) provides the framework for mandatory reliability standards applicable in Quebec. It is the Régie's responsibility to ensure that the transmission of electricity in Quebec is done in compliance with Quebec's electricity transmission reliability standards (reliability standards), which it adopts and implements. Quebec's reliability coordinator (the Coordinator), designated by the Régie, submits the necessary reliability standards adapted to the Quebec context to the Régie for adoption. The Coordinator also identifies the entities subject to the reliability standards.

Section 85.10 of the Act specifies that if the Régie determines that there has been a violation of a reliability standard, it shall impose financial or non-financial penalties on an entity subject to the reliability standards. Section 85.11 of the Act also provides that the amounts of the financial penalties to be imposed by the Régie shall be deposited in a distinct account dedicated to ensuring electricity transmission reliability.

This policy addresses the management of the amounts collected when such financial penalties are imposed.

2. GENERAL PRINCIPLES

2.1 Framework

The Régie has several tools to help it structure its activities regarding the reliability regime of electric power transmission.

Policy with respect to the management of the amounts collected following the imposition of a financial penalty (cont.)

Notably, in accordance with Section 85.4 of the Act, the Régie has agreements with the North American Electric Reliability Corporation (NERC) and the Northeast Power Coordinating Council Inc. (NPCC), and has developed the Quebec Reliability Standards Compliance Monitoring and Enforcement Program (QCMEP), which lays out the roles of each party.

The Régie's rules of procedure and decision making regarding the enforcement of reliability standards are defined in the [Policy Related to the Quebec Electric Power Transmission Reliability Standards Compliance Monitoring and Enforcement](#)¹.

The amount of financial penalties, which cannot exceed \$500,000 per day, is set under the terms of the [Sanction Guide for the Enforcement of Reliability Standards in Effect in Quebec](#) (the Guide)² approved by the Régie.

2.2 Enforcement Decisions

Following a recommendation of the *Bureau chargé de l'application des normes de fiabilité des réseaux de transport d'électricité*³, the Régie renders an enforcement decision where it may impose non-financial or financial penalties when it determines that a reliability standard has been violated. The Régie also sets, as applicable, the payment deadlines for the financial penalties.

A financial penalty includes two aspects. The first addresses the entity's return to compliance and the second the collection of money by the Régie.

Section 5.3 of the QCMEP states that an entity may ask NPCC, at any moment between the issuance of a notice of non-compliance and the deposition of a final recommendation with the Régie, to start discussions in order to reach a proposed settlement,. The proposed settlement, which might include financial or non-financial penalties as well as a mitigation plan to be implemented by the entity, is submitted to the Régie for its examination and decision. The sums collected as financial penalties under such proposed settlement are the subject of this policy.

2.3 Separate Reliability Account

Pursuant to section 85.11 of the Act, the financial penalties collected by the Régie are placed in a distinct account dedicated to electric power transmission reliability (the Account).

Consequently, when financial penalties are imposed, the full amount collected by the Régie is deposited in the Account, an account owned by the Régie for limited use. Any interest on the amounts collected by the Régie is also deposited in the Account.

¹ Régie internal policy posted on its network on November 23, 2021.

² By its decision [D-2016-011](#) (case R-3699-2009, phase 2), for the French version of the Guide and by decision [D-2016-102](#) (case R-3699-2009, phase 2), for the English version.

³ See the Régie's updated organization chart [in French only].

Policy with respect to the management of the amounts collected following the imposition of a financial penalty (cont.)

The amount of a financial penalty imposed by the Régie bears interest at the rate set under section 28 of the [Tax Administration Act](#) (Chapter A-6.002) upon the expiry of the deadline set by the Régie, failing payment in full before this deadline. This interest is compounded monthly.

2.4 Utilization of the Amounts Collected

In accordance with section 85.11 of the Act, the Régie provides for the funds from the financial penalties to be used to ensure electric power transmission reliability.

The Régie has identified three possible approaches to this:

- 1) Ongoing training of entities subject to the electric power transmission reliability standards, regarding electric power transmission reliability.
- 2) Research and innovation in the field of electric power transmission reliability. This approach includes notably the financial support for fundamental and applied research.
- 3) The organization of events or discussion forums in the field of electric power transmission reliability with the participation of relevant stakeholders, notably the registered entities subject to reliability standards.

Considering that the amounts of financial penalties collected will vary continually and cannot be anticipated more than a year ahead, the program of activities will be established annually and approved by the management committee of the Régie. A summary report of the results of the completed activities will be published in the Régie's annual report.

2.5 Accounting Treatment

The amounts collected by the Régie as financial penalties may not be used by the Régie to meet its general requirements or finance other activities. Section 85.11 of the Act limits the use of these amounts to the prescribed purposes, i.e. to ensure electric power transmission reliability.

3. DEVELOPMENT, DRAFTING AND UPDATE OF THE POLICY

3.1 The Direction générale, planification et réglementation

Responsible for development, drafting and update of the policy.

3.2 The Présidence and the Vice-présidence, the Direction des services juridiques, the Secrétariat, the Direction générale, planification et réglementation

Directorate(s) and department(s) having participated in the development, drafting and update of the policy.

