

1  
2 **AGREEMENT**  
3 **ON THE DEVELOPMENT OF ELECTRIC POWER TRANSMISSION**  
4 **RELIABILITY STANDARDS AND OF PROCEDURES AND A**  
5 **PROGRAM FOR THE MONITORING OF THE APPLICATION OF**  
6 **THESE STANDARDS FOR QUÉBEC**  
7  
8

9 **BETWEEN**

10  
11 **Régie de l'énergie**, a public body established under the *Act respecting the Régie de l'énergie*  
12 (R.S.Q., c. R-6.01) with headquarters at Tour de la Bourse, P.O. Box 001, 800 Place Victoria,  
13 2<sup>nd</sup> floor, Suite 2.55, Montréal, Québec H4Z 1A2, acting through Jean-Paul Théorêt,  
14 Chairman, duly authorized pursuant to subsection 85.4 of the *Act respecting the Régie de*  
15 *l'énergie* (R.S.Q., c. R-6.01),

16  
17 hereinafter referred to as "the Régie"  
18

19  
20 **AND**

21  
22 **North American Electric Reliability Corporation**, a corporate body established under the  
23 *New Jersey Nonprofit Corporation Act*, New Jersey Statutes Title 15A, with headquarters at  
24 116-390 Village Boulevard, Princeton, New Jersey, United States, 08540-5721, acting through  
25 Richard P. Sergel, President and Chief Executive Officer, duly authorized pursuant to  
26 Article VI, Section 1, of the Bylaws of the North American Electric Reliability Corporation,

27  
28 hereinafter referred to as "NERC"  
29

30  
31 **AND**

32 **Northeast Power Coordinating Council, Inc.**, a corporate body established under  
33 Section 402 of the *New York State Not-for-Profit Corporation Law*, with headquarters at 1515  
34 Broadway, 43<sup>rd</sup> floor, New York, New York, United States, 10036, acting through Edward A.  
35 Schwerdt, President and Chief Executive Officer, duly authorized pursuant to the Amended  
36 and Restated Bylaws of the Northeast Power Coordinating Council, Inc.,

37 hereinafter referred to as "NPCC."  
38

39  
40 **WHEREAS** subsection 85.2 of the *Act respecting the Régie de l'énergie* (the "Act") provides  
41 for the Régie to ensure that electric power transmission in Québec is carried out in accordance  
42 with the reliability standards it adopts;  
43

44 **WHEREAS** reliability refers to the degree of performance of an electric power transmission  
45 system that results in electricity being delivered to customers within accepted standards and in  
46 the amount desired and may be measured by the frequency, duration, and magnitude of  
47 adverse effects on the electric supply;  
48

49 **WHEREAS** subsection 85.4 of the Act further provides that the Régie, with the authorization  
50 of the Government of Québec, may enter into an agreement with a body that proves it has the  
51 expertise to establish or monitor the application of electric power transmission reliability  
52 standards for the purpose of developing such standards for Québec, carrying out inspections  
53 and investigations as part of plans to monitor compliance with the reliability standards that the  
54 Régie adopts, and providing the Régie with opinions and recommendations;  
55

56 **WHEREAS** NERC is a New Jersey, United States (U.S.), not-for-profit corporation  
57 sponsored by all sectors of the utility industry, including those in Québec, whose mission is  
58 the development and enforcement of reliability standards to protect the reliability, adequacy,  
59 and security of the bulk power system in North America. NERC is the successor to the North

1 American Electric Reliability Council. NERC coordinates its activities with eight (8) regional  
2 entities in North America, including NPCC;

3  
4 **WHEREAS** NERC has established the *NERC Reliability Standards Development Procedure*,  
5 in which all Québec entities subject to the reliability standards referred to in subsection 85.3  
6 of the Act may participate;

7  
8 **WHEREAS** the American National Standards Institute ("ANSI") has accredited the *NERC*  
9 *Reliability Standards Development Procedure* as being consistent with ANSI's standards  
10 development principles;

11  
12 **WHEREAS** the U.S. Federal Energy Regulatory Commission ("FERC") has certified NERC  
13 as the Electric Reliability Organization, in accordance with the *Electricity Modernization Act*  
14 *of 2005*, to develop, submit to it for approval and enforce reliability standards for the bulk  
15 power system in the United States, subject to certain delegation provisions for the eight (8)  
16 regional entities in North America, including the delegation provisions for NPCC described  
17 below;

18  
19 **WHEREAS** by means of legislation or other provisions, Ontario, New Brunswick, Manitoba,  
20 British Columbia, Alberta, Saskatchewan and Nova Scotia, have made or will make  
21 mandatory the NERC reliability standards;

22  
23 **WHEREAS** the Régie has concluded that NERC has proven that it has the expertise to  
24 develop and monitor the application of electric power transmission reliability standards;

25  
26 **WHEREAS** NPCC is a not-for-profit corporation in New York State, United States, having  
27 the purpose of promoting and enhancing the reliable and efficient operation of the  
28 international, interconnected bulk power systems in northeastern North America through the  
29 development of regional reliability standards and compliance assessment and enforcement of  
30 continent-wide and regional reliability standards, coordination of system planning, design and  
31 operations, and assessment of reliability, pursuant to an agreement with NERC which  
32 designates NPCC as a cross-border regional entity for the northeastern United States and  
33 delegates authority from FERC. Additionally, NPCC establishes regionally specific, more  
34 stringent reliability criteria and monitors and enforces compliance with such criteria;

35  
36 **WHEREAS** NPCC has developed the *NPCC Regional Reliability Standards Development*  
37 *Procedure*, approved by NERC on October 23, 2007 and adopted by FERC on March 21,  
38 2008, for the purpose of developing specific reliability standards for interconnected networks  
39 in northeastern North America in which Québec entities subject to the reliability standards  
40 referred to in subsection 85.3 of the Act may participate;

41  
42 **WHEREAS** the Régie has concluded from NPCC's more than four decades of international  
43 reliability assurance that NPCC has the expertise to develop, monitor the application of, and  
44 assess compliance with electric power transmission reliability standards and criteria;

45  
46 **WHEREAS** the Régie has resolved, for the reasons set out above, to mandate NERC and  
47 NPCC to develop reliability standards that the Régie adopts for electric power transmission in  
48 Québec and the procedures and a program for the monitoring of the application of these  
49 standards, and provide the Régie with opinions and recommendations pursuant to the present  
50 agreement (the "Agreement");

51  
52 **WHEREAS** pursuant to subsection 85.5 of the Act, the Régie designated a reliability  
53 coordinator for Québec in its Decision D-2007-95;

54  
55 **WHEREAS** pursuant to subsection 85.6 of the Act, the said reliability coordinator must file  
56 with the Régie the reliability standards proposed by a body that has entered into an agreement  
57 with the Régie under subsection 85.4 of the Act, as well as any variant or other standard the  
58 reliability coordinator considers necessary, an evaluation of the relevance and impact of the  
59 standards filed and the identification of the entities that may be subject to the reliability  
60 standards;

1 **WHEREAS** pursuant to subsection 85.7 of the Act, the Régie may request the reliability  
2 coordinator to modify a standard filed or submit a new one;

3  
4 **WHEREAS** pursuant to subsection 85.7 of the Act, the Régie shall adopt the reliability  
5 standards and set the date for their coming into force;

6  
7 **WHEREAS** pursuant to subsection 85.7 of the Act, the reliability standards may provide for a  
8 schedule of sanctions, including financial penalties, that apply if standards are not complied  
9 with and refer to reliability standards set by a standardization agency that has entered into an  
10 agreement with the Régie;

11  
12 **WHEREAS** pursuant to subsection 85.8 of the Act, the reliability coordinator shall submit to  
13 the Régie a guide describing criteria to be taken into account in determining the sanction for  
14 non-compliance with a reliability standard;

15  
16 **WHEREAS** pursuant to subsection 85.9 of the Act, if an entity is the object of a violation  
17 allegation to a reliability standard, it has at least twenty (20) days to submit observations to the  
18 body mandated by the Régie for the monitoring of the application of the reliability standards  
19 before this body reports to the Régie and recommends the application of a sanction, if need be;

20  
21 **WHEREAS** pursuant to subsection 85.13 of the Act, the reliability coordinator must submit  
22 to the Régie, for approval, a register identifying the entities subject to the reliability standards  
23 adopted by the Régie;

24  
25 **WHEREAS** the parties to the Agreement recognize the need to coordinate and to cooperate  
26 for the enhancement of the reliability of the North American bulk power system, including  
27 Québec's electric power transmission system, and to facilitate the exchange of experience,  
28 information and data related to that system;

29  
30 **WHEREAS** the Québec electric power transmission system is an asynchronous  
31 interconnection and NERC and NPCC have recognized it as an Interconnection, it may,  
32 therefore, require reliability standards or variants of such standards specific to this  
33 Interconnection;

34  
35 **NOW THEREFORE**, the Régie, NERC and NPCC agree as follows:

36  
37 **1. INTERPRETATION**

38  
39 **1.1 Exclusivity of Agreement**

40  
41 This Agreement constitutes the entire agreement between the parties with respect to the  
42 development of reliability standards applicable to Québec and of the procedures and a  
43 program for the monitoring of the application of such standards, and opinions and  
44 recommendations provided by NERC or NPCC with respect to such standards and the  
45 electric power transmission reliability in Québec. It supersedes all prior agreements and  
46 understandings, both written and oral, among the parties with respect to the subject matter  
47 of this Agreement.

48  
49 **1.2 Governing law and competent jurisdiction**

50  
51 This Agreement shall be governed by the laws of Québec, and the courts of Québec shall  
52 have exclusive jurisdiction to settle any disputes arising herefrom.

53  
54 **1.3 Headings**

55  
56 The headings of this Agreement are for convenience of reference only and shall not define,  
57 limit, or otherwise affect any of the terms or provisions hereof.

58  
59 **2. REPRESENTATIVES**

60  
61 For the purposes of the application of the Agreement, the Régie designates Gilbert Neveu,  
62 Executive Director, as its representative; NERC designates David Cook, Vice President, as its

1 representative; and NPCC designates Edward A. Schwerdt, President, as its representative.  
2 Each of the parties undertakes to expeditiously advise the other parties of any change in its  
3 representative.  
4

### 5 **3. PURPOSE OF AGREEMENT**

6  
7 **3.1** The Régie hereby retains the services of NERC and NPCC as experts in the  
8 development of electric power transmission reliability standards. NERC and NPCC shall  
9 develop, in accordance with their standards development procedures, electric power  
10 transmission reliability standards applicable to Québec, and propose them to the reliability  
11 coordinator for adoption by the Régie. The services of NERC and NPCC are also required  
12 as technical experts to advise the Régie with respect to the review of the reliability  
13 standards and of the sanction guide which will be filed by the reliability coordinator, and to  
14 provide the Régie with opinions and recommendations.  
15

16 **3.2** The Régie also retains the services of NERC and NPCC as experts in the monitoring  
17 of the application of electric power transmission reliability standards. NERC and NPCC  
18 shall develop, taking into account Québec's legal and regulatory environment and in  
19 accordance with their applicable compliance monitoring procedures, specific procedures  
20 and a program for the monitoring of the application of electric power transmission  
21 reliability standards in Québec which they are able to implement. The Régie shall be  
22 responsible for the said procedures and program.  
23

24 **3.3** The said specific procedures and program for the monitoring of the application of  
25 electric power transmission reliability standards in Québec will be submitted to a  
26 consultation with the entities subject to the reliability standards.  
27

28 **3.4** Subsequent to the said consultation and upon authorization from the Government of  
29 Québec, a second agreement shall detail the mandates granted by the Régie to NERC and  
30 to NPCC with respect to the implementation of the said procedures and program for the  
31 monitoring of the application of electric power transmission reliability standards in Québec  
32 and the provision of opinions and recommendations to the Régie in this regard.  
33

### 34 **4. UNDERTAKINGS OF NERC AND NPCC**

35  
36 **4.1** NERC and NPCC undertake to develop electric power transmission reliability  
37 standards applicable to Québec in accordance with their procedures, namely the *NERC*  
38 *Reliability Standards Development Procedure* and the *NPCC Regional Reliability*  
39 *Standards Development Procedure*. To this end, NERC and NPCC undertake, within the  
40 framework of their respective procedures, to take note of the comments and opinions  
41 submitted by the Québec reliability coordinator, the electric power carriers and users of  
42 electric power transmission services in Québec.  
43

44 **4.2** NERC and NPCC undertake to ascertain that any electric power transmission  
45 reliability standards specific to Québec, and/or any variant of such standards specific to  
46 Québec, which the reliability coordinator deems necessary to ensure the reliability of  
47 electric power transmission in Québec, is as stringent as the NERC reliability standards  
48 applicable in the rest of North America.  
49

50 **4.3** NERC and NPCC undertake to develop, in accordance with their compliance  
51 monitoring procedures, namely the *NERC Rules of Procedures*, the *NERC Uniform*  
52 *Compliance Monitoring and Enforcement Program* and the *NPCC Compliance Monitoring*  
53 *and Enforcement Program*, specific program and procedures for the monitoring of the  
54 application of electric power transmission reliability standards adapted to Québec's legal  
55 and regulatory environment.  
56

57 **4.4** NERC and NPCC undertake to have representatives present or, as necessary, to  
58 testify as technical experts at the hearings the Régie will hold, if need be, when filings  
59 regarding reliability standards are examined by the Régie pursuant to subsections 85.6 and  
60 85.7 of the Act, and when the sanction guide filed by the reliability coordinator pursuant to  
61 subsection 85.8 of the Act is reviewed.  
62

1 **4.5** NERC and NPCC undertake to submit to the Régie, at the Régie's request, opinions  
2 or recommendations during the proceedings referred to in Article 4.4, including but not  
3 limited to opinions or recommendations respecting matters submitted to the Régie's  
4 consideration by the reliability coordinator.

5  
6 **4.6** NERC and NPCC undertake to inform the Régie promptly of potential threats to the  
7 reliability of the electric power transmission system in Québec.

8  
9 **4.7** NERC and NPCC undertake to submit to the Régie, at the Régie's request or on their  
10 own initiative, opinions or recommendations on all matters related to the reliability of  
11 electric power transmission in Québec.

12  
13 **4.8** NERC and NPCC undertake to collaborate closely with the Régie on the  
14 implementation of this Agreement and to take into consideration all instructions and  
15 recommendations from the Régie related to this Agreement.

16  
17 **4.9** NERC and NPCC undertake to develop the procedures and a program for the  
18 monitoring of the application of the electric power transmission reliability standards for  
19 Québec which they will be able to implement, and to provide the Régie with opinions and  
20 recommendations.

21  
22 **4.10** NERC and NPCC hereby represent and warrant that during the term of this  
23 Agreement each of them shall remain validly existing and in good standing pursuant to all  
24 applicable laws relevant to this Agreement.

## 25 26 **5. REMUNERATION**

27  
28 **5.1** The total remuneration received by NERC and NPCC for, among other things,  
29 developing and monitoring the application of electric power transmission reliability  
30 standards in the United States and Canada (and, in the case of NERC only, in Mexico) is  
31 allocated in accordance with the currently effective calculation method approved by the  
32 NERC Board of Trustees.

33  
34 **5.2** Québec's share of that total remuneration is currently paid by Hydro-Québec  
35 TransÉnergie, Québec's electric power carrier, as approved by the Régie in its decisions in  
36 which it fixes or modifies the electric power carrier's rates pursuant to section 49 of the  
37 Act.

38  
39 **5.3** Québec's share of the total remuneration approved by NERC's Board of Trustees in  
40 consideration of the monitoring of the application of electric power transmission reliability  
41 standards in Québec by NERC and NPCC will be paid by the Régie as of the date of  
42 signing the Agreement and shall cover all the services they undertake to provide to the  
43 Régie under this Agreement.

44  
45 **5.4** Québec's share of the total remuneration will continue to be paid by Hydro-Québec  
46 TransÉnergie, as approved by the Régie, with the exception of the portion of Québec's  
47 share, referred to in Article 5.3, which will be paid by the Régie as of the date of signing  
48 the Agreement.

49  
50 **5.5** NERC and NPCC agree that this remuneration shall cover all the services they  
51 undertake to provide under this Agreement.

52  
53 **5.6** NERC and NPCC shall provide the Régie with the draft versions of their respective  
54 annual Business Plans and Operating Budgets by May 31<sup>st</sup> of each year and with the final  
55 versions of the said documents by August 15<sup>th</sup> of each year.

56  
57 **5.7** By December 1<sup>st</sup> of each year, at the latest, NERC and NPCC shall provide the Régie  
58 with their final budgets for the coming calendar year for the portion of Québec's share that  
59 will be paid by the Régie, in order to allow the Régie to prepare its own budget.

60  
61 **5.8** If the Régie objects to the budgets or any invoice(s) submitted under this Agreement,  
62 it shall promptly notify NERC and/or NPCC in writing. The parties agree that, should the

1 Régie object to an invoice, payment shall be effected under protest and the objection  
2 resolved pursuant to Article 9.

### 3 4 **6. DECLARATIONS**

5  
6 NERC and NPCC do hereby declare that no applicable law, contract or other legal obligation  
7 prevents them from executing this Agreement and fulfilling their obligations hereunder.

8  
9 The Régie declares that it has been duly authorized by the Government of Québec to make  
10 this Agreement, pursuant to subsection 85.4 of the Act.

### 11 12 **7. TERM OF AGREEMENT AND TERMINATION**

13  
14 This Agreement is effective as of the date of the last signing by the parties.

15  
16 Either party may terminate this Agreement upon one year's notice to the other party.

### 17 18 **8. DEFAULT AND CURE**

19  
20 Upon the failure of a party to perform or observe any material term, condition or covenant of  
21 the Agreement, the non-breaching party shall give written notice of such breach to the  
22 breaching party (the "Default Notice"). Subject to a suspension of the following deadlines as  
23 specified below, the breaching party shall have thirty (30) days from receipt of the Default  
24 Notice within which to cure such breach; provided however, that if such breach is not capable  
25 of cure within thirty (30) days, the breaching party shall commence such cure within thirty  
26 (30) days after notice and continuously and diligently complete such cure within ninety (90)  
27 days from receipt of the Default Notice; and, if cured within such time, the breach specified in  
28 such notice shall cease to exist. Subject to the limitation specified in the following sentence, if  
29 a breach is not cured as provided in this Article, or if a breach is not capable of being cured  
30 within the period provided for herein, the nonbreaching party shall have the right to declare a  
31 default and resiliate this Agreement by written notice at any time until cure occurs, and be  
32 relieved of any further obligation hereunder. The deadlines for cure and the right to declare a  
33 default and terminate this Agreement shall be suspended during the pendency of any efforts or  
34 proceedings in accordance with Article 9 of this Agreement to resolve a dispute as to whether  
35 a breach has occurred. Resiliation of this Agreement does not extinguish any obligation  
36 existing at the time of the resiliation.

### 37 38 **9. DISPUTE RESOLUTION**

39  
40 In the event a dispute arises under this Agreement between the Régie, NERC and/or NPCC,  
41 representatives of the parties with authority to settle the dispute shall meet and confer in good  
42 faith in an effort to resolve the dispute in a timely manner. In the event the designated  
43 representatives are unable to resolve the dispute within thirty (30) days or such other period as  
44 the parties may agree upon, each party shall have all rights to pursue all remedies, except as  
45 expressly limited by the terms of this Agreement. Neither party shall have the right to pursue  
46 other remedies until the Dispute Resolution procedures of this Article 9 have been exhausted.  
47 This Article 9 shall not apply to enforcement actions against registered entities.

### 48 49 **10. LIMITATION OF LIABILITY**

50  
51 The Régie agrees not to sue NERC or NPCC or their directors, officers, employees, and  
52 persons serving on their committees and subgroups based on any act or omission of any of the  
53 foregoing in the performance of duties pursuant to this Agreement or in conducting activities  
54 under the authority of the Act, except to the extent that NERC or NPCC is found liable for  
55 gross negligence or intentional misconduct.

### 56 57 **11. ASSIGNMENT**

58  
59 NERC and NPCC may not assign their rights and obligations under this Agreement without  
60 the consent of the Régie. However, nothing in this provision shall prohibit NERC or NPCC  
61 from contracting with other entities to assist them in carrying out their responsibilities under

1 the Agreement. NERC and NPCC shall, however, remain responsible for their obligations  
2 under this Agreement.

## 3 4 **12. CONFIDENTIALITY**

5  
6 The information contained in the opinions and recommendations of NERC or NPCC to the  
7 Régie may not be copied, disclosed or distributed without the prior written permission of the  
8 Régie. In their opinions and recommendations, NERC and NPCC may identify the  
9 information they deem to be confidential.

10  
11 During the course of the parties' performance under this Agreement, a party may receive  
12 Confidential Information, as defined in Section 1500 of NERC's Rules of Procedure or  
13 information of the same nature considered confidential by the Régie. Except as set forth  
14 herein, the parties agree to keep in confidence and not to copy, disclose, or distribute any  
15 Confidential Information or any part thereof, without the prior written permission of the  
16 issuing party, unless disclosure is required by subpoena, law, or other directive of a court,  
17 administrative agency, or arbitration panel, in which event the recipient hereby agrees to  
18 provide the party that provided the Confidential Information with prompt notice of such  
19 request or requirement in order to enable such issuing party to (a) seek an appropriate  
20 protective order or other remedy, (b) consult with the recipient with respect to taking steps to  
21 resist or narrow the scope of such request or legal process, or (c) waive compliance, in whole  
22 or in part, with the terms of this Article. In the event a protective order or other remedy is not  
23 obtained or the issuing party waives compliance with the provisions, the recipient agrees to  
24 furnish only that portion of the Confidential Information which the recipient's counsel advises  
25 is legally required and to exercise best efforts to obtain assurance that confidential treatment  
26 will be accorded to such Confidential Information. In addition, each party shall ensure that its  
27 officers, trustees, directors, employees, subcontractors and subcontractors' employees, and  
28 agents to whom Confidential Information is exposed are under obligations of confidentiality  
29 that are at least as restrictive as those contained herein.

## 30 31 **13. NO THIRD PARTY BENEFICIARIES**

32  
33 Nothing in this Agreement shall be construed to create any duty to, any standard of care with  
34 reference to, or any liability to any third party.

## 35 36 **14. NOTICE**

37  
38 Whether expressly so stated or not, all notices, demands, requests, and other communications  
39 required or permitted by or provided for in this Agreement shall be given in writing to a party  
40 at the address set forth below, or at such other address as a party shall designate for itself in  
41 writing in accordance with this Article, and shall be delivered by hand or reputable overnight  
42 courier.

43  
44 The Régie: Mr. Gilbert Neveu, Executive Director  
45 Fax: (514) 873-3037  
46 Email: gilbert.neveu@regie-energie.qc.ca

47  
48 NERC: Mr. David Cook, Vice President  
49 Fax: (609) 452-9550  
50 Email: david.cook@nerc.net

51  
52 NPCC: Mr. Edward A. Schwerdt, President  
53 Fax: (212) 302-2782  
54 Email: eschwerdt@npcc.org

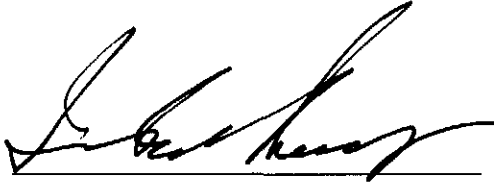
## 55 56 **15. EXECUTION OF COUNTERPARTS**

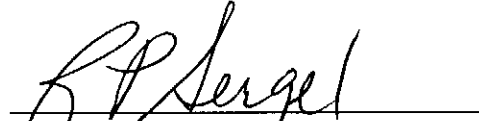
57  
58 This Agreement is executed in four (4) counterparts in French and four (4) counterparts in  
59 English and each has the same force and effect as the original.

1 **IN WITNESS WHEREOF**, the parties have caused the Agreement, in French and in English,  
2 both versions being regarded as equally authentic and valid, to be executed by their duly  
3 authorized representatives.

4  
5 Signed for and on behalf of the Régie

Signed for and on behalf of NERC

6  
7  
8  
9  
10 



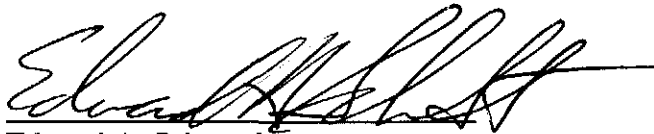
11 Jean-Paul Théorêt  
12 President  
13 Régie de l'énergie  
14 (514) 873-2452, extension 281

Richard P. Sergel  
President and Chief Executive Officer  
North American Electric Reliability  
Corporation  
(609) 452-8060

15  
16  
17 Date : 8 mai 2009

Date : 8 mai 2009

18  
19  
20 Signed for and on behalf of NPCC

21  
22  
23  
24  
25 

26 Edward A. Schwerdt  
27 President and Chief Executive Officer  
28 Northeast Power Coordinating Council, Inc.  
29 (212) 840-1070

30  
31  
32 Date : 8 mai 2009  
33