

**MEMORANDUM OF UNDERSTANDING  
BETWEEN  
THE RÉGIE DE L'ÉNERGIE  
AND  
THE NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION**

**1. General Provisions**

This Memorandum of Understanding (MOU) between the Régie de l'énergie du Québec (REQ) and the North American Electric Reliability Corporation (NERC) reflects the desire for a continuing and cooperative relationship in the exchange of experience, information, and data related to reliability of the North American electricity supply system.

The REQ has statutory responsibility for regulating the electricity sector in the Province of Québec, Canada, as described in *An Act Respecting the Régie de l'énergie* (L.R.Q., c. R-6.01) (the Act), and other applicable statutes. NERC is an organization, sponsored by all sectors of the electric utility industry, whose mission is to improve the reliability of bulk power system in North America. NERC has been certified as the Electric Reliability Organization (ERO) by the Federal Energy Regulatory Commission under U.S. legislation.

This MOU recognizes that the REQ is a statutory body with specific legislative powers and authorities, and that those powers and authorities are subject to limitations and constraints that result from the REQ's Act.

This MOU reflects the REQ current powers and authorities; however, it is expected that the Act will be amended, so that the REQ would have the ability to adopt or approve ERO standards applicable to the Québec Interconnection, enforce ERO standards, ensure ERO funding, and participate in ERO oversight. This MOU shall therefore be amended to account for changes to the Act.

**2. Development and Approval of Reliability Standards**

NERC and the REQ acknowledge the importance of the active participation of Québec electricity sector participants in the standards development process.

The Act provides that "[t]he electric power carrier shall establish operating standards and technical requirements, including standards of reliability for its

*electric power transmission system, and submit them to the Régie for approval (...)"*

Pursuant to Section 73.1 of the Act, NERC reliability standards may be approved by the Régie and become mandatory for the electric power carrier in Québec. These reliability standards and any changes thereto would have to be filed by the electric power carrier for approval by the REQ.

NERC commits to notify the REQ as soon as the Standards Committee approves a Standard Authorization Request and assigns it for development by a drafting team in order for the REQ to have an advance notice of the content of the reliability standards to be filed by the electric power carrier for approval by the REQ.

### **3. Compliance**

Compliance with NERC reliability standards in Québec is implemented through the obligation of the electric power carrier to establish operating standards and technical requirements, including reliability standards for its electric power transmission system, and to submit them to the Régie for approval (§73.1 of the Act). The electric power carrier, which exercises reliability coordinator functions within the Québec Interconnection, can impose operating limits and directives to other transmission owners and users to ensure the reliability of the bulk power system. In addition, the Régie has the jurisdiction to authorize the electric power carrier to acquire, construct or dispose of immovables or assets for transmission purposes and to extend, modify or change the use of their transmission system (§73 of the Act). Therefore, a major investment required to meet a reliability standard would have to be approved by the Régie.

The parties agree that NERC will provide to the REQ relevant information on issues related to reliability compliance including reports on:

- Reliability standards violations;
- Compliance audits and spot checks;
- Readiness evaluations;
- Disturbance reports;
- Reliability assessments and benchmarking information; and
- Reports by delegated regional entities, where applicable.

In regards to compliance audits and readiness evaluations in Québec, it is agreed that REQ staff shall be invited to participate.

#### **4. Electric Reliability Organisation (ERO) Issues**

In addition to the issues addressed above, the parties will discuss issues arising from the formation of the ERO including:

- Reliability standard approval and remand
- Penalties for non-compliance with standards
- Funding

Principles for addressing these issues are outlined in the following paragraphs:

##### *4.1 Standard Approval/Remand*

Prior to the filing for approval of a reliability standard with any governmental entity, NERC shall provide the REQ with a pre-filing briefing of the reliability standard filing.

NERC commits to contact the REQ promptly in the event a standard is remanded.

NERC and the REQ will work together, in coordination with other stakeholders, in relation to concerns raised as a result of any remand prior to re-filing the standard for approval, to the extent permitted by, and as appropriate within the context of, the REQ's powers and authorities.

##### *4.2 Penalties*

NERC and the REQ acknowledge that NERC cannot impose financial penalties within Québec for violations of NERC reliability standards. However, NERC shall inform the REQ of such violations and the associated simulated penalties.

##### *4.3 Funding*

The REQ recognizes the importance of ensuring funding for the ERO and regional entities' activities concerning reliability. NERC and the REQ acknowledge that recovery of the corresponding costs is currently considered as part of the annual REQ review of the cost of service of the electric power carrier under its jurisdiction.

## **5. Amendment and Termination of This Memorandum**

This MOU will continue until replaced or amended by the signatories, or terminated by either signatory on 30 days notice.

## **6. Points of Contact**

For all purposes related to this MOU, the points of contact shall be as follows:

for NERC:

David Cook  
Vice President & General Counsel  
North American Electric Reliability Corporation  
116-390 Village Blvd.  
Princeton, New Jersey 08540  
(609) 452-8060  
david.cook@nerc.net

for the REQ:

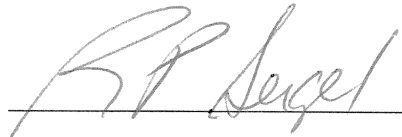
Gilbert Neveu  
Director general  
Régie de l'énergie  
Tour de la Bourse, C.P. 001  
800, Victoria Square, Suite 2.55  
Montréal (Québec)  
H4Z 1A2  
(514) 873-2452, extension 226  
gilbert.neveu@regie-energie.qc.ca

These points of contact can be changed at any time by notification to the other signatory.

NERC agrees to include the REQ contact, or a person designated for this purpose by the REQ contact, on its e-mail circulation list.

**7. Signature**

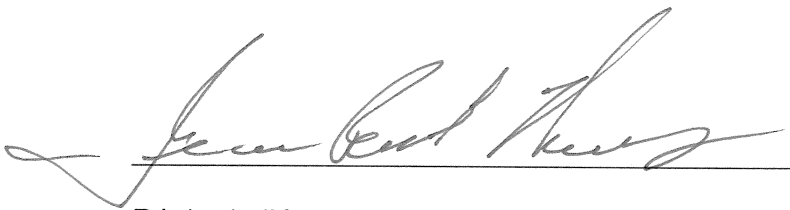
Signed this 8<sup>TH</sup> day of DECEMBER 2006:



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North American Electric Reliability Corporation

Original signed by Richard P. Sergel  
President and CEO



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Régie de l'énergie du Québec

Jean-Paul Théorêt  
President