

Gouvernement du Québec

O.C. 1559-96, 11 December 1996

Hydro-Québec Act
(R.S.Q., c. H-5)

Conditions and rates of wholesale electric transmission service

Hydro-Québec bylaw number 652 establishing the conditions and rates of wholesale electric transmission service

WHEREAS under section 22.0.1 of Hydro-Québec Act (R.S.Q., c. H-5), the rates and conditions upon which power is supplied are fixed by by-law of the Corporation, subject to the approval of the Government;

WHEREAS at its meetings held on 21 November and 5 December 1996, the board of directors of Hydro-Québec made Bylaw number 652 establishing the conditions and rates of wholesale electric transmission service;

WHEREAS under section 12 of the Regulations Act (R.S.Q., c. R-18.1), a proposed regulation may be approved without having been published as provided for in section 8 of that Act, where the authority approving it is of the opinion that the urgency of the situation requires it;

WHEREAS under section 13 of that Act, the reason justifying the absence of prior publication shall be published with the regulation;

WHEREAS in the opinion of the Government, the urgency due to the following circumstances justifies the absence of prior publication:

— the new regulatory framework for wholesale electric transmission in the United States will come into force on 1 January 1997;

— potential sales of Hydro-Québec to the United States will be vulnerable to complaints from the competition if the Corporation does not comply with the new regulatory framework by filing with the “Federal Energy Regulatory Commission” an application for authorization to sell electricity at market prices and a bylaw establishing the conditions and rates of wholesale electric transmission service approved by the Government;

— Hydro-Québec will be able to profit by new sales opportunities to the United States as soon as it may avail itself of the conditions of the new American regulatory framework;

— it is expedient for the Government to approve as soon as possible Hydro-Québec bylaw number 652 establishing the conditions and rates of wholesale electric transmission service;

WHEREAS it is expedient to approve the By-law;

IT IS ORDERED, therefore, upon the recommendation of the Minister of State for Natural Resources:

THAT Hydro-Québec bylaw number 652 establishing the conditions and rates of wholesale electric transmission service, attached to this Order in Council, be approved.

MICHEL CARPENTIER,
Clerk of the Conseil exécutif

Hydro-Québec bylaw number 652 respecting the conditions and rates for wholesale electric transmission service

Hydro-Québec Act
(R.S.Q., c. H-5, s. 22.0.1)

CHAPTER I
CONDITIONS GOVERNING WHOLESAL
ELECTRIC TRANSMISSION SERVICE

DIVISION I
SCOPE AND DEFINITIONS

1. The provisions of this Bylaw apply to point-to-point transmission service for the sale of electricity for resale to markets outside Québec over Hydro-Québec’s electric transmission system and its interconnections with neighboring systems.

The service agreements and the transactions resulting therefrom are governed by the laws of Québec.

2. Hydro-Québec is subject to the conditions and rates set out in this Bylaw when making Third-Party Sales under contracts executed on or after March 14, 1997.

3. In this Bylaw, the following terms and expressions have the meanings hereinafter described:

Application: a request for Transmission Service submitted by an Eligible Customer;

Completed Application: an Application that contains all of the information required under this Bylaw, accompanied with the required deposit, if any;

Control Area: an electric power system or combination of electric power systems to which a common automatic generation control scheme is applied in order to:

- (1) match, at all times, power generated and/or purchased with load;
- (2) maintain scheduled interchange with other Control Areas, within the limits of Good Utility Practice;
- (3) maintain the frequency of the electric power systems within reasonable limits in accordance with Good Utility Practice;
- (4) provide sufficient generating capacity to maintain operating reserves in accordance with Good Utility Practice;

Curtaiment, Curtail, Curtailed: a reduction in Firm or Non-Firm Transmission Service in response to a transmission capacity shortage as a result of reliability conditions related to the system or an equipment breakage;

Delivering Party: any person supplying capacity and energy to be transmitted by Hydro-Québec at Point(s) of Receipt;

Direct Assignment Facilities: construction of new facilities or modification of existing facilities described in a Service Agreement for the sole benefit of one Transmission Customer;

Dollar: the lawful currency of Canada;

Eligible Customer: any electric utility including Hydro-Québec, any power marketer or any person generating electricity, for sale for resale; the electricity sold or produced may be electricity produced in the United States, Canada or Mexico;

Facilities Study: a technical study conducted under Hydro-Québec's authority to determine the Network Upgrades or Direct Assignment Facilities and the cost and scheduled date of commissioning such Network Upgrades or Direct Assignment Facilities that are required to provide Transmission Service;

Firm Transmission Service: Transmission Service that is reserved and/or scheduled between specified Point(s) of Receipt and Point(s) of Delivery;

Good Utility Practice: the practices, methods and acts engaged in or approved in the electricity industry, which, in the exercise of reasonable judgment in light of the facts known at the time the decision is made, can be expected to accomplish the desired result at a reasonable

cost, taking into consideration commercial requirements and requirements relating to reliability, safety and expedition;

Interruption, Interrupt, Interrupted: a reduction in Non-Firm Transmission Service for economic reasons;

Load Shedding: the systematic reduction of system demand by temporarily decreasing load in response to transmission system or area capacity shortages, system instability or voltage control considerations;

Long-Term Firm Transmission Service: Firm Transmission Service with a term of one year or more;

Native Load Customers: the wholesale and retail power customers of Hydro-Québec on whose behalf Hydro-Québec undertakes to construct and operate Hydro-Québec's system to meet the needs of such customers on a reliable basis;

Network Upgrades: construction of new facilities or modification of existing facilities described in a Service Agreement that are integrated with the system for the benefit of all users;

Non-Firm Transmission Service: Transmission Service that is reserved and/or scheduled between specified Points of Receipt and Points of Delivery, according to available transmission capability, for a duration of between one hour and one month subject to Curtailment or Interruption;

OASIS (Open Access Same-Time Information System): the information system in effect in North America and used by Hydro-Québec to indicate available transmission capability or by the Transmission Customer to submit an Application for Transmission Service;

Parties: Hydro-Québec and the Transmission Customer;

Point(s) of Delivery: point(s) on the Transmission System specified in a Service Agreement where capacity and energy transmitted by Hydro-Québec are made available to the Receiving Party;

Point(s) of Receipt: point(s) on the Transmission System specified in a Service Agreement where capacity and energy are made available to Hydro-Québec by the Delivering Party;

Receiving Party: any person receiving the capacity and energy transmitted by Hydro-Québec to Point(s) of Delivery;

Regional Transmission Group: a voluntary organization of Transmission Service owners, Transmission Service users or other persons who coordinate Transmission Service planning, expansion, operation and use on a regional or interregional basis;

Reserved Capacity: the maximum amount of capacity and energy that Hydro-Québec agrees to transmit for the Transmission Customer between the Point(s) of Receipt and the Point(s) of Delivery; Reserved Capacity is expressed in whole megawatts based on a 60-minute interval commencing on the clock hour;

Secondary Point(s) of Receipt and Delivery: Point(s) of Receipt and Delivery other than those referred to in a Service Agreement;

Service Agreement: the initial agreement, including any amendments and supplements thereto, entered into by the Transmission Customer and Hydro-Québec for Transmission Service provided pursuant to this Bylaw;

Service Commencement Date: the date Hydro-Québec begins to provide Transmission Service pursuant to the terms of a duly executed Service Agreement;

Short-Term Firm Transmission Service: Firm Transmission Service with a term greater than or equal to one day and less than one year;

System Impact Study: an assessment made under Hydro-Québec's authority of the adequacy of the Transmission System to accommodate an Application for Firm Transmission Service and to determine whether any additional costs are required to be incurred in order to provide such service;

Third-Party Sale: any sale of electricity by Hydro-Québec for resale to markets outside Québec;

Transmission Customer: any Eligible Customer or the representative of an Eligible Customer that executes a Service Agreement with Hydro-Québec;

Transmission Service: electric transmission service provided on either a firm or non-firm basis from Point(s) of Receipt to Point(s) of Delivery;

Transmission System: the facilities owned, controlled or operated by Hydro-Québec that are used to provide Transmission Service.

DIVISION II ANCILLARY SERVICES

4. The services that are necessary to ensure the transmission of capacity and energy from resources to loads

while maintaining reliable operation of the Transmission System and other interconnected transmission systems in accordance with Good Utility Practice are:

- (1) scheduling, system control and dispatch service;
- (2) reactive supply and voltage control from generation sources service;
- (3) regulation and frequency response service;
- (4) energy imbalance correction service;
- (5) operating reserve - spinning reserve service;
- (6) operating reserve - supplemental reserve service.

5. The Transmission Customer must list in its Application the ancillary services that it undertakes to purchase from Hydro-Québec.

6. In the event the Transmission Customer makes use of Hydro-Québec's ancillary services without having purchased them, it must pay the equivalent of 150 % of the applicable rates provided in Sections 187 to 189.

§1. Services provided

7. Hydro-Québec provides to all Transmission Customers and the latter are required to acquire:

- (1) scheduling, system control and dispatch service;
- (2) reactive supply and voltage control from generation sources service;
- (3) operating reserve - spinning reserve service.

8. Hydro-Québec provides to all Transmission Customers serving load within Hydro-Québec's Control Area and the latter are required to acquire regulation and frequency response service.

§2. Services offered

9. Hydro-Québec offers to all Transmission Customers operating reserve - supplemental reserve service.

10. Hydro-Québec offers to all Transmission Customers serving load within Hydro-Québec's Control Area energy imbalance correction service.

11. The Transmission Customer may not decline the offer of ancillary services referred to in Sections 9 and 10 unless it has acquired them from another source.

DIVISION III RECIPROCITY

12. The Transmission Customer is obligated to provide Hydro-Québec with a Transmission Service comparable to the one it receives, on similar terms, over all facilities used for the transmission of electricity.

Such facilities must be owned, controlled or operated by the Transmission Customer or the Transmission Customer's affiliates.

13. A Transmission Customer that is a member of a power pool or Regional Transmission Group is obligated to provide all members of such power pool or Regional Transmission Group with a Transmission Service comparable to the one it receives, on similar terms, over all facilities used for the transmission of electricity.

Such facilities must be owned, controlled or operated by the Transmission Customer that is a member of a power pool or Regional Transmission Group or by the Transmission Customer's affiliates.

14. This service reciprocity requirement also applies to any Eligible Customer that owns, controls or operates transmission facilities and uses an intermediary to request Transmission Service in accordance with the provisions of this Bylaw.

15. If the Transmission Customer does not own, control or operate transmission facilities, it must include in its Application a sworn statement of a duly authorized representative attesting that the purpose of its Application is not to assist an Eligible Customer to avoid the service reciprocity requirement contemplated by this section.

16. The Transmission Customer must also demonstrate, upon submitting its application, that the owners or lessees of the transmission systems that will wheel the capacity and energy of Delivering Parties and Receiving Parties undertake to provide Transmission Service comparable to Hydro-Québec's, on similar terms, over facilities used in their respective transmission systems.

DIVISION IV BILLING AND PAYMENT

17. After the first day of each month, Hydro-Québec bills the Transmission Customer for the charges for the services provided during the preceding month.

18. The invoice must be paid by the Transmission Customer within 20 days of receiving it.

19. Payment of the invoice must be made in Dollars in immediately available funds payable to Hydro-Québec, or by wire transfer to a bank named by Hydro-Québec.

20. Regardless of the method of transmission of payment, the invoice is considered as having been paid on the date payment is received by Hydro-Québec.

21. Interest on any unpaid amounts, including amounts placed in escrow, is at a rate two percentage points higher than the prime commercial rate per annum as then in effect and announced from time to time by the Bank of Montreal at its principal office in Montréal, Québec.

22. Interest on delinquent amounts is calculated from the due date indicated on the invoice.

23. In the event the Transmission Customer fails to pay the invoice at the due date and such failure to make payment is not corrected within 30 days of receipt of a notice to that effect, Hydro-Québec may suspend service.

DIVISION V ACCOUNTING

24. Hydro-Québec records the following amounts in separate accounts:

(1) the revenues it receives from Transmission Service when making Third-Party Sales;

(2) costs of expenditures it makes to perform System Impact Studies or Facilities Studies to determine if it must carry out Network Upgrades or Direct Assignment Facilities in order to make Third-Party Sales;

(3) the revenues it receives for System Impact Studies or Facilities Studies. Division VI - Liability

25. Neither Hydro-Québec nor the Transmission Customer may be held liable for failure to perform any obligation under this Bylaw due to fortuitous events, labour disturbances, wars, insurrections, riots, fires, storms or floods, earthquakes, explosions, breakages or accidents to machinery or equipment, Curtailments, Interruptions, orders, statutory or regulatory provisions or restrictions imposed by a military government or by a lawfully established civilian government, or any other cause beyond their control.

Notwithstanding the first paragraph, Hydro-Québec or the Transmission Customer must take all necessary steps to perform such obligation.

26. In no event may Hydro-Québec be held contractually or extra-contractually liable for damage to property resulting from the obligations contemplated by this Bylaw or the Service Agreement.

DIVISION VII **CREDITWORTHINESS**

27. For the purpose of determining the financial ability of the Transmission Customer to meet its obligations, Hydro-Québec may make credit inquiries in accordance with customary commercial practices.

28. Hydro-Québec may require the Transmission Customer to provide and maintain in effect during the term of the Service Agreement an unconditional and irrevocable letter of credit as security for the performance of the obligations under this Bylaw or the Service Agreement or any alternative form of security proposed by the Transmission Customer and accepted by Hydro-Québec.

DIVISION VIII **DISPUTE RESOLUTION**

§1. Internal procedures

29. Subject to Section 31, any dispute between a Transmission Customer and Hydro-Québec involving the Transmission Service is referred to a representative designated by Hydro-Québec and a representative designated by the Transmission Customer.

30. In the event the designated representatives are unable to resolve the dispute within 30 days of their designation, such dispute is submitted to the external arbitration procedure contemplated by Subdivision 2 hereof unless the Parties agree upon another procedure.

31. Where the dispute concerns billing, Hydro-Québec continues to provide the services contemplated by the Service Agreement if the Transmission Customer satisfies the following conditions:

(1) the Transmission Customer continues to make all payments not in dispute;

(2) the Transmission Customer deposits the disputed amount into an escrow account pending resolution of the dispute.

If the Transmission Customer fails to meet these requirements, Hydro-Québec may give notice to the Transmission Customer of its intention to suspend service upon the expiry of a 30-day period following such notice.

§2. External arbitration

32. Any external arbitration is conducted under the authority of an arbitrator appointed by the Parties.

33. If the Parties fail to agree upon the arbitrator within 10 days of the referral of the dispute to arbitration, each Party will choose one arbitrator to sit on a three-member arbitration panel.

The two arbitrators so appointed must, within 20 days, select a third arbitrator as presiding arbitrator.

34. The arbitrators must be knowledgeable in electric utility matters, including wholesale electric transmission issues, and may not have any direct or indirect interest in any business likely to create a conflict between their personal interests and the duties relating to their office.

35. The arbitration is governed by the provisions of Book VII of the Code of Civil Procedure of Québec (R.S.Q., c. C-25) *mutatis mutandis* and is held in Montréal, Québec.

36. Unless otherwise agreed, the arbitrators must render their arbitration award within 90 days of the appointment of the presiding arbitrator.

37. The arbitrators have jurisdiction to interpret and apply the provisions of this Bylaw and of any Service Agreement entered into pursuant to this Bylaw.

38. Each Party is responsible for its own costs and either one half of the fees of the arbitrator or the fees of the arbitrator appointed by it and one half of the fees of the third arbitrator.

DIVISION IX **FIRM TRANSMISSION SERVICE**

§1. Reservation priority

39. For purposes of determining whether capability on Hydro-Québec's Transmission System is adequate to accommodate an Application for Firm Transmission Service, all Completed Applications for such service received by Hydro-Québec before May 14, 1997 are deemed to have been filed simultaneously.

A lottery system conducted by a third party designated by Hydro-Québec is used to assign reservation priorities for such Applications.

All other Completed Applications for Firm Transmission Service received after May 14, 1997 are assigned a reservation priority pursuant to this subdivision.

40. Long-Term Firm Transmission Service has priority over Non-Firm Transmission Service.

41. Long-Term Firm Transmission Service is available in the chronological sequence in which each Transmission Customer reserves service.

42. Upon the expiry, extension or renewal of the Service Agreement, a Transmission Customer taking Long-Term Firm Transmission Service has a reservation priority on condition that such Transmission Customer agrees to pay the rate then applicable and that the duration of the Service Agreement is at least equal to a competing Application from an Eligible Customer.

Such reservation priority is retained upon the expiry of any Service Agreement for Long-Term Firm Transmission Service.

43. Reservations for Short-Term Firm Transmission Service are assigned based upon the duration of the service applied for. If the Transmission System becomes oversubscribed, Applications for longer term service preempt Applications for shorter term service up to the following deadlines:

(1) one day before the commencement of daily service;

(2) one week before the commencement of weekly service;

(3) one month before the commencement of monthly service.

44. Prior to the expiry of the deadlines contemplated by Section 43, if available transmission capability is insufficient to satisfy all Applications, an Eligible Customer with a reservation for shorter term service has a pre-emptive right, before losing its reservation priority, to match an Application by an Eligible Customer that has reserved longer term service.

45. Upon the expiry of the deadlines contemplated by Section 43, reservation priorities may no longer be modified.

§2. Service Agreement

46. Hydro-Québec tenders a standard form Service Agreement provided in Attachment I to an Eligible Customer that submits a Completed Application for Firm Transmission Service.

§3. Network Upgrades, Direct Assignment Facilities or redispatch of resources

47. Hydro-Québec carries out Network Upgrades or Direct Assignment Facilities if Hydro-Québec determines that it is not capable of providing Firm Transmission Service without degrading or impairing the reliability of service to Native Load Customers and other Transmission Customers taking Firm Transmission Service or interfering with its ability to meet prior firm contractual commitments to others.

48. The Transmission Customer must pay Hydro-Québec for the cost of the work referred to in Section 47.

49. When Hydro-Québec can more economically relieve any system constraint by redispatching resources, Hydro-Québec must do so provided the Eligible Customer agrees to pay for such redispatch.

50. Any redispatch of resources, Network Upgrade or Direct Assignment Facilities costs billed to the Transmission Customer are specified in the Service Agreement prior to the commencement of service.

§4. Curtailment of service

51. Subject to the priority of Firm Transmission Service over Non-Firm Transmission Service, any Curtailment on the Transmission System or a portion thereof that is required to maintain the reliability of such system must be made, on a non-discriminatory basis, among the various Transmission Customers where Curtailments effectively relieve the constraints on the system.

52. If multiple Transmission Customers must be subject to Curtailments, Curtailments are allocated, where possible, in the following order:

(1) proportional Curtailments among Transmission Customers taking Firm Transmission Service, including Third-Party Sales, which do not result in Load Shedding with respect to Native Load Customers;

(2) proportional Curtailments among Native Load Customers and Transmission Customers taking Firm Transmission Service which result in Load Shedding with respect to Native Load Customers.

Such Curtailments are made in accordance with Good Utility Practice.

53. When Hydro-Québec determines that an electrical emergency exists on its Transmission System and implements emergency procedures to Curtail Firm Trans-

mission Service, the Transmission Customer must immediately make the Curtailments required by Hydro-Québec.

54. In the event of an emergency or any other unforeseen condition that impairs or degrades the reliability of the Transmission System and where Hydro-Québec cannot act in accordance with Section 53, Hydro-Québec may, in its sole discretion, Curtail Firm Transmission Service, in whole or in part, and notifies, where possible, all affected Transmission Customers of the Curtailments it intends to make.

§5. Reserved Capacity at Point(s) of Receipt and Point(s) of Delivery

55. Hydro-Québec provides Firm Transmission Service from Point(s) of Receipt to Point(s) of Delivery.

56. Each Point of Receipt or Point of Delivery at which firm transmission capacity is reserved by the Transmission Customer must be set forth in the Service Agreement along with a corresponding capacity reservation associated with each Point of Receipt or Point of Delivery.

57. The Transmission Customer may purchase Transmission Service to make sales of capacity and energy from multiple generating units that are on the Transmission System.

In such case, the resources are designated as multiple Points of Receipt, unless the multiple generating units are at the same generating plant, in which case they are treated as a single Point of Receipt.

58. The Transmission Customer taking Firm Transmission Service may:

(1) change its Points of Receipt and Points of Delivery to obtain Transmission Service on a non-firm basis pursuant to Section 164;

(2) request a modification of the Points of Receipt or the Points of Delivery on a firm basis pursuant to Sections 165 and 166.

59. Reserved Capacity is billed in accordance with Chapter II.

60. The Transmission Customer may not exceed its firm Reserved Capacity at each Point of Receipt and at each Point of Delivery.

61. Any Transmission Customer, including Hydro-Québec with respect to its Third-Party Sales, that exceeds its firm Reserved Capacity at any Point of Receipt

or Point of Delivery, must pay the equivalent of 150 % of the rates contemplated by Subsection 1 of Section 183 for capacity in excess of the firm Reserved Capacity.

§6. Scheduling of service

62. Every Transmission Customer taking Firm Transmission Service must submit its schedule to Hydro-Québec no later than 10 a.m. the day prior to the Service Commencement Date.

Schedules submitted after the above-mentioned time are accommodated, if practicable.

63. The Transmission Customer must submit an hour-to-hour schedule of the capacity and energy to be transmitted in units of 1,000 kW/hour.

64. Transmission Customers within Hydro-Québec's service area with multiple Applications for Transmission Service at a Point of Receipt, each of which is under 1,000 kW/hour, may consolidate their Applications at a common Point of Receipt into units of 1,000 kW/hour for scheduling and billing purposes.

65. Scheduling changes are authorized up to 30 minutes before the start of the next clock hour provided that the Delivering Party, the Receiving Party and Hydro-Québec agree upon such changes.

66. Hydro-Québec provides to the Delivering Party's system operator an hour-to-hour schedule equivalent to that provided by the Receiving Party, taking losses into account, and delivers the capacity and energy agreed upon in such schedule.

67. Should the Transmission Customer, the Delivering Party or the Receiving Party revise or terminate its schedule, it must immediately notify Hydro-Québec and Hydro-Québec may adjust the schedule accordingly for capacity and energy to be received and to be delivered.

DIVISION X
NON-FIRM TRANSMISSION SERVICE

§1. Reservation priority

68. Hydro-Québec offers Non-Firm Transmission Service from transmission capability in excess of that needed to ensure reliable service to Native Load Customers and other Transmission Customers taking Firm Transmission Service.

69. Reservation priority is assigned based on the duration of the Transmission Service requested having regard for the following principles:

(1) priority is assigned to reservations for a longer duration of service;

(2) Non-Firm Transmission Service over Secondary Point(s) of Receipt and Secondary Point(s) of Delivery has the lowest priority;

(3) in the event the Transmission System is constrained, competing Applications of equal duration are prioritized based on the highest price offered by Eligible Customers.

Before losing its reservation priority, an Eligible Customer that has already reserved shorter term service has a pre-emptive right to match an Application for longer term service.

70. Subject to Section 118, a Transmission Customer taking Non-Firm Transmission Service is entitled to reserve sequential terms of service without having to wait for the initial term to expire before requesting another term so that the total duration for which the reservation applies is greater than one month.

§2. Service Agreement

71. Hydro-Québec tenders a standard form Service Agreement provided in Attachment II to an Eligible Customer that submits a Completed Application for Non-Firm Transmission Service.

§3. Reserved Capacity

72. Non-Firm Transmission Service includes transmission of energy on an hourly basis and transmission of scheduled short-term capacity and energy on a daily, weekly or monthly basis, but not exceeding one month's reservation for any one Application.

73. Any Transmission Customer, including Hydro-Québec with respect to its Third-Party Sales, that exceeds its non-firm Reserved Capacity at any Point of Receipt or Point of Delivery, must pay the equivalent of 150 % of the rates contemplated by Subsection 2 of section 183 for capacity in excess of the non-firm Reserved Capacity.

74. Hydro-Québec has no obligation to plan its Transmission System in order to have sufficient capacity for Non-Firm Transmission Service.

75. Non-Firm Transmission Service is subject to availability of the Transmission System and to Curtailment or Interruption.

§4. Scheduling of service

76. The provisions of Sections 62 to 67 apply to the scheduling of Non-Firm Transmission Service.

§5. Curtailment or Interruption of service

77. Subject to the priority of Firm Transmission Service over Non-Firm Transmission Service, any Curtailment or Interruption on the Transmission System or a portion thereof that is required to maintain the reliability of such system must be made, on a non-discriminatory basis, among the various Transmission Customers where Curtailments or Interruptions effectively relieve the constraints on the system.

78. In the event of an emergency or any other unforeseen condition that impairs or degrades the reliability of the Transmission System, Hydro-Québec may, in its sole discretion, Curtail Non-Firm Transmission Service, in whole or in part, and notifies, where possible, all affected Transmission Customers of the Curtailments it intends to make.

79. Hydro-Québec may, in its sole discretion, Interrupt, in whole or in part, Non-Firm Transmission Service in order to accommodate:

(1) an Application for Firm Transmission Service;

(2) an Application for Non-Firm Transmission Service of greater duration;

(3) an Application for Non-Firm Transmission Service of equal duration with a higher price.

80. Hydro-Québec Curtails or Interrupts Non-Firm Transmission Service to the Transmission Customer when deliveries for transmission are Curtailed or Interrupted at Point(s) of Receipt.

81. If multiple Transmission Customers must be subject to Curtailments or Interruptions, Curtailments or Interruptions are made first, where possible, to transactions of the shortest duration; transactions of equal duration are prioritized based on the highest price offered by Eligible Customers.

Notwithstanding the first paragraph, Non-Firm Transmission Service over Secondary Point(s) of Receipt and Secondary Point(s) of Delivery is Interrupted first.

Such Curtailments or Interruptions are made in accordance with Good Utility Practice and in particular so as to avoid spilling water at hydroelectric power plants.

Where possible, Hydro-Québec notifies all affected Transmission Customers of the Curtailments or Interruptions it intends to make.

DIVISION XI DETERMINATION OF AVAILABLE TRANSMISSION CAPABILITY

82. A description of Hydro-Québec's methodology for assessing available transmission capability posted on OASIS is contained in Attachment III.

83. In the event such an assessment indicates that sufficient transmission capability does not exist to accommodate an Application, Hydro-Québec performs a System Impact Study.

DIVISION XII NETWORK UPGRADES OR DIRECT ASSIGNMENT FACILITIES

84. Hydro-Québec carries out Network Upgrades or Direct Assignment Facilities to provide the Firm Transmission Service applied for if Hydro-Québec determines that it cannot accommodate a Completed Application for Firm Transmission Service because of insufficient capability on its Transmission System.

This obligation applies only to Network Upgrades or Direct Assignment Facilities that Hydro-Québec can legally carry out.

85. The Transmission Customer must pay Hydro-Québec for the cost of the work referred to in Section 84.

86. Hydro-Québec conforms to Good Utility Practice in determining the need for, the design of, and the carrying out of Network Upgrades and Direct Assignment Facilities.

87. Whenever Hydro-Québec determines the need to carry out Network Upgrades or Direct Assignment Facilities, it may defer providing Transmission Service until commissioning Network Upgrades or Direct Assignment Facilities.

DIVISION XIII REAL POWER LOSSES

88. Hydro-Québec is not obligated to provide the real power losses that are associated with all transmission service.

89. The Transmission Customer must replace the losses associated with the Transmission Services as calculated by Hydro-Québec.

90. The factor applicable to the real power loss corresponds to a rate of 7 % of the maximum hourly flow, as measured at the Point(s) of Receipt.

Hydro-Québec may replace this rate by specific rates, which may vary for different transmission paths and different time periods. The new rates are posted on OASIS.

DIVISION XIV OBLIGATIONS OF THE TRANSMISSION CUSTOMER

91. Transmission Service is provided by Hydro-Québec if the following conditions are satisfied by the Transmission Customer:

(1) the Transmission Customer has made a Completed Application in accordance with Section 71;

(2) the Transmission Customer meets the creditworthiness criteria set forth in Sections 27 and 28;

(3) the Transmission Customer has arrangements in place prior to the commencement of service for the use of any other transmission service necessary to effect the delivery to Hydro-Québec;

(4) the Transmission Customer agrees to pay for any Network Upgrades or Direct Assignment Facilities carried out to respond to its Application, whether or not the Transmission Customer takes Transmission Service for the full term of its reservation;

(5) The Transmission Customer has executed a Service Agreement.

DIVISION XV ARRANGEMENTS WITH OTHER TRANSMISSION SYSTEMS

92. Any service scheduling arrangements that may be required by other transmission systems continue to be the responsibility of the Transmission Customer requesting Transmission Service.

93. Unless waived by Hydro-Québec, the Transmission Customer must identify to Hydro-Québec the other transmission systems previously authorized by the Transmission Customer on behalf of the Delivering Party and the Receiving Party to schedule the capacity and energy to be transmitted by Hydro-Québec.

94. Hydro-Québec undertakes to assist the Transmission Customer, to the extent practicable, in negotiating arrangements with other transmission systems, in

particular by providing the Transmission Customer with information or data required by such other systems pursuant to Good Utility Practice.

DIVISION XVI **ARRANGING FIRM TRANSMISSION SERVICE**

§1. Application

95. Any Application for Long-Term Firm Transmission Service must be made in writing to Hydro-Québec at least 60 days prior to the first day of the month in which service is to commence and, where possible, Hydro-Québec considers Applications submitted at shorter notice.

96. Applications for Short-Term Firm Transmission Service are subject to an expedited procedure determined by the Parties within the time indicated in Section 109 and must include the information required on OASIS.

97. Prior to implementation of OASIS at Hydro-Québec, a Completed Application may be transmitted by fax or by telephone over Hydro-Québec's time-recorded telephone line. Each of these methods provides a time-stamped record for establishing the priority of the Application.

§2. Completed Application

98. A Completed Application contains all of the information necessary for arranging Firm Transmission Service including:

- (1) the identity, address, telephone number and fax number of the entity requesting service;
- (2) a statement that the entity requesting service is or will be an Eligible Customer at the Service Commencement Date;
- (3) the location of the Point(s) of Receipt and the Point(s) of Delivery and the identities of the Delivering Parties and the Receiving Parties;
- (4) the location of the generating facility(ies) supplying the capacity and energy and the location of the load ultimately served by the capacity and energy transmitted; Hydro-Québec agrees to treat this information as confidential, except to the extent that disclosure of this information is required by this Bylaw, any other statutory or regulatory provision or judicial order, or for system reliability purposes pursuant to Good Utility Practice or Regional Transmission Group transmission information sharing agreements;

(5) a description of the supply characteristics of the capacity and energy to be delivered;

(6) an estimate of the capacity and energy to be delivered to the Receiving Party;

(7) the Service Commencement Date and the duration of service;

(8) the transmission capacity required for each Point of Receipt and each Point of Delivery on Hydro-Québec's Transmission System; Eligible Customers may combine their Applications in order to satisfy the minimum transmission capacity requirement.

§3. Deposit

99. Any Completed Application for Firm Transmission Service must include a deposit of either one month's rate for the Reserved Capacity or the sum of the applicable rates for the Reserved Capacity for Applications for service of a duration of less than one month.

100. The deposit required for Network Upgrades or Direct Assignment Facilities is made in accordance with Section 140.

101. Hydro-Québec refunds the deposit, with interest, less reasonable costs incurred, in the following cases:

- (1) the Application is rejected because it does not meet the conditions set forth in this Bylaw;
- (2) the Application was submitted by a losing bidder in connection with a request for proposals;
- (3) Hydro-Québec is unable to carry out or complete Network Upgrades or Direct Assignment Facilities needed to meet a Transmission Customer's Application for service;
- (4) the Application is withdrawn or terminated.

102. Hydro-Québec provides to the Eligible Customer a complete description of all the costs deducted from the refunded deposit.

103. The deposit is returned to the Transmission Customer, with interest, upon expiration of the Service Agreement.

104. Applicable interest is the prime commercial rate per annum as then in effect and announced from time to time by the Bank of Montreal, at its principal office in Montréal, Québec, and is calculated from the day the deposit is credited to Hydro-Québec's account.

§4. Deficient Application

105. If an Application fails to meet the requirements of this Bylaw, Hydro-Québec notifies the entity requesting service within 15 days of receipt of the Application and specifies the deficiencies.

106. Hydro-Québec assists an Eligible Customer, through informal communications, to remedy deficiencies in its Application.

107. If despite this assistance, the Application remains deficient, Hydro-Québec returns it to the applicant.

108. Upon receipt of a new or revised Application that complies with the requirements of this Bylaw, Hydro-Québec assigns a new reservation priority to the Eligible Customer, which reservation priority is determined according to the date of receipt of such Application.

§5. Response to a Completed Application

109. Following receipt of a Completed Application for Firm Transmission Service, Hydro-Québec makes a determination of available transmission capability and notifies the Eligible Customer, not later than 30 days after the date of receipt of such Application, and informs the Eligible Customer whether or not it is necessary to perform a System Impact Study.

DIVISION XVII EXECUTION OF SERVICE AGREEMENT

110. Where a System Impact Study is required, Sections 121 to 134 govern the execution of a Service Agreement.

111. In the event a System Impact Study is not required, the Eligible Customer must execute and return the Service Agreement within 15 days following the date of its tender by Hydro-Québec, failing which the Application is deemed withdrawn or terminated.

This section does not limit the right of an Eligible Customer to submit another Application.

DIVISION XVIII EXTENSIONS FOR COMMENCEMENT OF SERVICE

112. The Transmission Customer may obtain up to five one-year extensions for the commencement of service by paying a non-refundable annual reservation fee, for each year or fraction thereof, equal to one month's rate for Firm Transmission Service.

113. If during any extension of the Service Commencement Date an Eligible Customer submits a Completed Application for Firm Transmission Service, and such Application can be satisfied only by releasing all or part of the Reserved Capacity, the original Reserved Capacity is released unless the Transmission Customer agrees to pay, within 30 days following receipt of a notice by Hydro-Québec, the rate of Firm Transmission Service for its Reserved Capacity as of the Service Commencement Date indicated in the Eligible Customer's Application.

In the event the Transmission Customer decides to release the Reserved Capacity, the reservation fee is forfeited.

DIVISION XIX NON-FIRM TRANSMISSION SERVICE

§1. Application

114. Eligible Customers requesting Non-Firm Transmission Service must submit a Completed Application to Hydro-Québec.

115. Applications for Non-Firm Transmission Service must contain the information required on OASIS.

116. Prior to implementation of OASIS at Hydro-Québec, a Completed Application may be submitted by fax or by telephone over Hydro-Québec's time-recorded telephone line. Each of these methods provides a time-stamped record for establishing the priority of the Application.

§2. Completed Application

117. A Completed Application contains all of the information necessary for arranging Non-Firm Transmission Service including:

(1) the identity, address, telephone number and fax number of the entity requesting service;

(2) a statement that the entity requesting service is or will be an Eligible Customer at the Service Commencement Date;

(3) the location of the Point(s) of Receipt and the Point(s) of Delivery and the identities of the Delivering Parties and the Receiving Parties;

(4) the maximum amount of capacity requested at each Point of Receipt and Point of Delivery;

(5) the proposed dates and hours for initiating and terminating Transmission Service.

Hydro-Québec may also ask the Eligible Customer to provide the location of the facilities supplying the electricity to be transmitted and the location of the ultimate load. Hydro-Québec agrees to treat this information as confidential, except to the extent that disclosure of this information is required by this Bylaw, any other statutory or regulatory provision or judicial order, or for system reliability purposes pursuant to Good Utility Practice or Regional Transmission Group transmission information sharing agreements.

§3. *Reservation of Non-Firm Transmission Service*

118. Reservations for Non-Firm Transmission Service must be submitted, based on their duration, as follows:

- (1) for monthly service no earlier than 60 days before the commencement of service;
- (2) for weekly service no earlier than 14 days before the commencement of service;
- (3) for daily service no earlier than 2 days before the commencement of service;
- (4) for hourly service no earlier than 8 a.m. the day before the commencement of service.

Applications received later than 10 a.m. the day before the Service Commencement Date are accommodated to the extent practicable.

§4. *Determination of available transmission capability*

119. Following receipt of an Application, Hydro-Québec makes a determination of available transmission capability on a non-discriminatory basis.

120. Such determination is made, based on the duration of service requested, as follows:

- (1) within 30 minutes after receipt of an Application for hourly or daily service;
- (2) within 4 hours after receipt of an Application for weekly service;
- (3) within 2 days after receipt of an Application for monthly service.

DIVISION XX

ADDITIONAL STUDIES FOR FIRM TRANSMISSION SERVICE APPLICATIONS

§1. *System Impact Study*

121. Hydro-Québec determines whether a System Impact Study is needed and so informs the Eligible Customer.

122. In the event Hydro-Québec determines that a System Impact Study is necessary, it tenders, within 30 days following the date of receipt of a Completed Application, a System Impact Study agreement pursuant to which the Eligible Customer agrees to pay Hydro-Québec for the cost of performing the System Impact Study.

123. In the event an Eligible Customer fails to execute and return the Service Agreement within 15 days following the date of its tender by Hydro-Québec, the Application is deemed withdrawn or terminated.

124. The System Impact Study agreement specifies the maximum applicable costs, based on Hydro-Québec's estimate of the actual cost and time for completion of the System Impact Study. The costs may not exceed the actual cost of the study.

125. The methodology for conducting a System Impact Study is described in Attachment IV.

The System Impact Study identifies any system constraints and resource redispatch options, additional Direct Assignment Facilities or Network Upgrades required to provide the service applied for.

126. In conducting the System Impact Study, Hydro-Québec may rely on existing transmission planning studies. The Eligible Customer is not assessed a charge for such existing studies unless modifications to such existing studies are required to evaluate the impact of the Eligible Customer's Application on the Transmission System.

127. If, in response to multiple Applications, a single System Impact Study is sufficient, the cost of that study is prorated among the various Eligible Customers.

128. Hydro-Québec records the cost of System Impact Studies that it conducts on its own behalf pursuant to Section 24.

129. Hydro-Québec conducts the System Impact Study within 60 days following the date of receiving a System Impact Study agreement executed by the Eligible Customer.

130. In the event Hydro-Québec is unable to complete the System Impact Study within the time period indicated in Section 129, Hydro-Québec so notifies the Eligible Customer and indicates an estimated completion date for the study along with the reasons why additional time is required.

131. Hydro-Québec makes available to the Eligible Customer a copy of the System Impact Study and accompanying work papers.

132. Hydro-Québec uses the same diligence in conducting the System Impact Study for an Eligible Customer as it uses when conducting studies for itself.

133. Hydro-Québec must notify the Eligible Customer immediately upon completion of the System Impact Study if the Transmission System is adequate to accommodate the Application for service in whole or in part or if there is little likelihood that Network Upgrades or Direct Assignment Facilities will be needed.

134. In the event the Eligible Customer fails to execute a Service Agreement within 15 days of the notice contemplated by Section 133, its Application is deemed withdrawn or terminated.

§2. Facilities Study

135. If a System Impact Study indicates that Network Upgrades or Direct Assignment Facilities are needed to respond to the Eligible Customer's Application for service, Hydro-Québec, within 30 days of completion of the System Impact Study, tenders to the Eligible Customer a Facilities Study agreement pursuant to which the Eligible Customer agrees to pay Hydro-Québec for the cost of performing a Facilities Study.

136. In the event an Eligible Customer fails to execute and return the Facilities Study agreement within 15 days following the date of its tender by Hydro-Québec, the Application is deemed withdrawn or terminated.

137. Hydro-Québec conducts the Facilities Study within 60 days following the date of receiving a Facilities Study agreement executed by the Eligible Customer.

138. In the event Hydro-Québec is unable to complete the Facilities Study within the time period indicated in Section 137, Hydro-Québec so notifies the Eligible Customer and indicates an estimated completion date for the study along with the reasons why additional time is required.

139. The Facilities Study includes an estimate of the cost of Direct Assignment Facilities to be billed to

the Transmission Customer and the Transmission Customer's proportionate share of any required Network Upgrades, in accordance with this Bylaw, and specifies the time required to complete the necessary work and provide the service applied for.

140. The Transmission Customer must provide Hydro-Québec with a letter of credit or other form of security accepted by Hydro-Québec equivalent to the cost of the Network Upgrades or Direct Assignment Facilities.

141. Upon completion of the Facilities Study, Hydro-Québec tenders a Service Agreement to the Eligible Customer. If a Transmission Customer fails to execute and return the said Service Agreement accompanied with the required letter of credit or security within 30 days following the date of its tender by Hydro-Québec, the Application is deemed withdrawn or terminated.

142. A revised estimate must be made in the event of any change in the design of the work arising from inability to site or carry out the Network Upgrades or Direct Assignment Facilities.

143. A revised estimate is also required if, before the completion of the work, any of the situations contemplated by Section 25 occurs and affects the final cost of the Network Upgrades or Direct Assignment Facilities.

144. If the work required to carry out the Network Upgrades or the Direct Assignment Facilities does not impair reliability of the Transmission System or degrade existing Firm Transmission Service, Hydro-Québec proceeds to perform the work within a reasonable time.

DIVISION XXI

PARTIAL INTERIM SERVICE

145. If Hydro-Québec determines that it does not have adequate transmission capability to transmit the total amount requested in a Completed Application for Firm Transmission Service, Hydro-Québec provides the portion of such Firm Transmission Service that can be accommodated through redispatch of resources without carrying out Network Upgrades or Direct Assignment Facilities.

146. Hydro-Québec does not provide the additional amount of requested Firm Transmission Service until commissioning the required Network Upgrades or Direct Assignment Facilities.

DIVISION XXII EXPEDITED PROCEDURES FOR NETWORK UPGRADES OR DIRECT ASSIGNMENT FACILITIES

147. The Eligible Customer may expedite the process of carrying out Network Upgrades or Direct Assignment Facilities by requesting Hydro-Québec to tender to it an expedited Service Agreement pursuant to which the Eligible Customer agrees to pay Hydro-Québec for all costs contemplated by this Bylaw.

148. In order to exercise this option, the Eligible Customer, within 30 days of the date of receiving the results of the System Impact Study, requests Hydro-Québec in writing to tender to it an expedited Service Agreement.

149. The cost estimate for the Network Upgrades or Direct Assignment Facilities is not binding on Hydro-Québec and the Eligible Customer must agree in writing to pay Hydro-Québec for the actual cost of the work.

150. If the Eligible Customer fails to execute and return such expedited Service Agreement within 15 days of the date of its receipt, the Application is deemed withdrawn or terminated.

DIVISION XXIII INABILITY OR DELAYS

151. If Hydro-Québec cannot meet the completion deadlines for the Network Upgrades or Direct Assignment Facilities, it promptly notifies the Transmission Customer accordingly.

152. In such circumstances, within 30 days of the date of notifying the Transmission Customer, Hydro-Québec convenes a technical meeting with the Transmission Customer to evaluate the alternatives available.

153. Hydro-Québec makes available to the Transmission Customer a copy of studies and accompanying work papers relating to the inability to complete the work or to the delays and all information that is in the possession of Hydro-Québec that is needed by the Transmission Customer to evaluate any alternatives.

DIVISION XXIV ALTERNATIVES

154. When Hydro-Québec determines that alternatives exist to the originally planned project for Network Upgrades or Direct Assignment Facilities, Hydro-Québec presents such alternatives for consideration by the Transmission Customer.

155. If, upon review of such alternatives, the Transmission Customer wishes to maintain its Completed Application subject to completion of the alternatives, it may request Hydro-Québec to submit a revised Service Agreement for Firm Transmission Service.

156. If the alternatives permit only Non-Firm Transmission Service, Hydro-Québec must promptly tender a Service Agreement for Non-Firm Transmission Service to the Transmission Customer.

157. In the event Hydro-Québec concludes that no alternative exists or in the event of disagreement with the Transmission Customer as to the proposed alternatives, the Transmission Customer may request that the dispute be submitted to the dispute resolution procedure contemplated by Division VIII.

158. If Hydro-Québec and the Transmission Customer mutually agree that no other alternatives exist and the required service cannot be provided out of existing capability, the obligation to provide Firm Transmission Service terminates and the Transmission Customer is responsible for payment of all costs incurred by Hydro-Québec up to the time work on the Network Upgrades or Direct Assignment Facilities was suspended.

DIVISION XXV CONSTRUCTION OF FACILITIES ON OTHER TRANSMISSION SYSTEMS

159. Hydro-Québec is not responsible for performance of any necessary engineering studies, for obtaining permits or for construction of transmission facilities required on other transmission systems or for obtaining any statutory or regulatory approvals for such facilities.

160. Hydro-Québec undertakes to assist the Transmission Customer, to the extent practicable, in negotiating arrangements with other transmission systems, in particular by providing the Transmission Customer with information or data required by such other systems pursuant to Good Utility Practice.

161. If the Network Upgrades or Direct Assignment Facilities require the addition of facilities on other transmission systems, Hydro-Québec coordinates the construction on its system with the construction required on such other systems.

162. Hydro-Québec, after consultation with the Transmission Customer and representatives of such other transmission systems, may defer the carrying out of Network Upgrades or Direct Assignment Facilities, if the new facilities on such other transmission systems cannot be completed in a timely manner.

163. Hydro-Québec notifies the Transmission Customer in writing of the basis for any decision relating to the deferral of the carrying out of Network Upgrades or Direct Assignment Facilities and specific problems which must be resolved before it initiates or resumes the carrying out of Network Upgrades or Direct Assignment Facilities.

DIVISION XXVI CHANGES IN SERVICE SPECIFICATIONS

§1. Modifications on a non-firm basis

164. A Transmission Customer taking Firm Transmission Service may request Hydro-Québec to provide Transmission Service on a non-firm basis over Secondary Point(s) of Receipt and Point(s) of Delivery, in amounts not to exceed its firm capacity reservation, without incurring an additional charge for Non-Firm Transmission Service or executing a new Service Agreement, subject to the Transmission Customer meeting the following conditions:

(1) service provided over Secondary Point(s) of Receipt and Secondary Point(s) of Delivery is non-firm only;

(2) the sum of all Firm and Non-Firm Transmission Service does not exceed the Reserved Capacity in the Service Agreement under which such services are provided to such Transmission Customer;

(3) the Transmission Customer retains its right to schedule Firm Transmission Service at the Point(s) of Receipt and the Point(s) of Delivery specified in the Service Agreement in the amount of its original capacity reservation;

(4) service over Secondary Point(s) of Receipt and Secondary Point(s) of Delivery on a non-firm basis does not require an Application for Non-Firm Transmission Service to be made. However, all other terms and conditions set forth in this Bylaw, except as to transmission rates, apply to Transmission Service on a non-firm basis over Secondary Point(s) of Receipt and Secondary Point(s) of Delivery.

§2. Modifications on a firm basis

165. Any request made by a Transmission Customer to modify Points of Receipt and Points of Delivery on a firm basis is treated as a new Application for service.

However, the Transmission Customer is exempted from paying any additional deposit if the capacity reservation does not exceed the amount reserved in the existing Service Agreement.

166. While such new Application is pending, the Transmission Customer retains its reservation priority for Firm Transmission Service at the existing Points of Receipt and Points of Delivery specified in the Service Agreement.

DIVISION XXVII SALE OR ASSIGNMENT OF TRANSMISSION SERVICE

167. A Transmission Customer may sell or assign, in whole or in part, the rights under its Service Agreement to another Eligible Customer.

168. A Transmission Customer that sells or assigns its rights is the Reseller and the Eligible Customer that acquires such rights is the Assignee.

169. The price of the transaction may not exceed the greater of the following amounts:

(1) the original rate paid by the Reseller;

(2) Hydro-Québec's maximum rate in force at the time of the assignment.

170. If the Assignee does not request any change in the Point(s) of Receipt or the Point(s) of Delivery, or any change in any other term or condition of the original Service Agreement, the Assignee receives the same Transmission Service and the same reservation priority as did the Reseller.

171. The Reseller notifies Hydro-Québec of any sale or assignment of the Transmission Service as soon as possible and prior to the commencement of service to the Assignee.

172. The Assignee is subject to all the conditions of this Bylaw.

173. If the Assignee requests a change in the Point(s) of Receipt or the Point(s) of Delivery, or a change in any other condition of the original Service Agreement, Hydro-Québec authorizes such change provided that it does not impair the operation or reliability of Hydro-Québec's generation, transmission or distribution systems.

174. The Assignee must pay Hydro-Québec the cost of any System Impact Study needed to evaluate the capability of the Transmission System to accommodate the proposed changes and any additional costs resulting from such changes.

175. The Reseller remains liable for the performance of all obligations under the Service Agreement, unless the Parties agree otherwise.

176. Resellers may use OASIS to inform Eligible Customers of transmission capacity available for resale.

DIVISION XXVIII METERING AND POWER FACTOR

177. Unless otherwise agreed, Hydro-Québec is responsible for installing and maintaining compatible metering and communications equipment on its Transmission System to accurately account for the capacity and energy being transmitted; such equipment must be paid for by the Transmission Customer notwithstanding the fact that it remains the property of Hydro-Québec.

178. The Transmission Customer has access to metering data to allow it to verify measurements and billing of Transmission Service.

179. Unless otherwise agreed, the Transmission Customer must maintain a power factor within the same range as Hydro-Québec pursuant to Good Utility Practice. The determination of the power factor is specified in the Service Agreement where necessary.

CHAPTER II RATES FOR WHOLESALE ELECTRIC TRANSMISSION SERVICE

180. If Hydro-Québec offers an affiliate or attributes to its own transactions a rate discount on Transmission Service or an ancillary service, Hydro-Québec must offer at the same time the same rate discount on such Transmission Service or such ancillary service to all Eligible Customers on the same transmission path and on all unrestricted transmission paths, for the same duration.

181. Hydro-Québec posts on OASIS any information on the rate discount on Transmission Service or an ancillary service.

182. When Hydro-Québec offers a rate discount on Transmission Service or an ancillary service to non-affiliates, Hydro-Québec is not obligated to concurrently offer the same rate discount on such Transmission Service or such ancillary service to all Eligible Customers.

DIVISION I TRANSMISSION RATES

183. The transmission rate applies to the Reserved Capacity as follows:

(1) Firm Service:

- (a) Yearly delivery: \$71.09/kW/year;
- (b) Monthly delivery: \$ 8.01/kW/month;
- (c) Weekly delivery: \$ 2.00/kW/week;
- (d) Daily delivery: \$ 0.40/kW/day;

(2) Non-Firm Service:

- (a) Monthly delivery: \$ 8.01/kW/month;
- (b) Weekly delivery: \$ 2.00/kW/week;
- (c) Daily delivery: \$ 0.40/kW/day;
- (d) Hourly delivery: \$16.69/MW/hour.

DIVISION II ANCILLARY SERVICE RATES

§1. Scheduling, system control and dispatch service

184. In order to schedule electric transmission over its Transmission System, Hydro-Québec provides exclusively scheduling service in the Control Area where the transmission facilities used for Transmission Service are located.

Hydro-Québec does not have a separate rate for this service.

§2. Reactive supply and voltage control from generation sources service

185. In order to maintain voltages on the transmission facilities within acceptable limits, Hydro-Québec operates the generation facilities in the Control Area where its transmission facilities are located to produce or absorb reactive power.

Reactive supply and voltage control from generation sources service must be provided for each transaction on Hydro-Québec's transmission facilities.

Determination of the amount of reactive supply and voltage control from generation sources to be supplied is based on the reactive power support necessary to maintain transmission voltages within limits that are generally accepted in the region and adhered to by Hydro-Québec. Hydro-Québec does not have a separate rate for this service.

§3. Regulation and frequency response service

186. Hydro-Québec is obligated to maintain continuous balancing of resources with load and to maintain frequency at 60 Hz.

Hydro-Québec achieves this end by committing on-line generation whose output is raised or lowered, predominantly through the use of automatic generating control equipment, as necessary to follow the moment-by-moment changes in load.

Hydro-Québec does not have a separate rate for this service.

§4. Energy imbalance correction service

187. Hydro-Québec provides energy imbalance correction service when a difference occurs between the scheduled and the actual delivery of energy to a load located within a Control Area over a single hour.

To this end, Hydro-Québec establishes a deviation band of ± 1.5 percent, with a minimum of 1 MW, of the scheduled transaction to be applied hourly to any energy imbalance that occurs as a result of the Transmission Customer's scheduled transaction. The parties must attempt to correct any energy imbalance within the limits of the deviation band within 30 days of such imbalance or within any other reasonable period of time. If an energy imbalance is not corrected, the Transmission Customer pays Hydro-Québec for such service.

For energy imbalances within the deviation band that have not been corrected and for energy imbalances outside the deviation band, the rate is:

(1) Energy supplied by Hydro-Québec to compensate a shortfall in delivery:

150 % of the hourly energy price determined in accordance with section 214 of Hydro-Québec Bylaw Number 642 Establishing Electricity Rates and their Conditions of Application approved by Order in Council number 461-96 of April 17, 1996 and amended by Hydro-Québec bylaw number 644 approved by Order in Council number 608-96 of May 22, 1996.

(2) Energy supplied to Hydro-Québec in excess of the scheduled delivery:

50 % of the hourly energy price determined in accordance with section 214 of the said bylaw.

§5. Operating reserve - Spinning reserve service

188. Hydro-Québec provides spinning reserve service to serve load immediately in the event of a system contingency. Spinning reserve service may be provided by generating units that are on-line and loaded at less than maximum output. These generating units must be in Hydro-Québec's Control Area.

The rate for spinning reserve service is:

\$0.32/MWh for each MWh delivered at a Point of Receipt.

§6. Operating reserve - Supplemental reserve service

189. Hydro-Québec provides supplemental reserve service to serve load in the event of a system contingency. However, it is not available immediately to serve load but rather within a short period of time. Supplemental reserve service may be provided by generating units that are on-line but unloaded, by quick-start generation or by interruptible load.

The rate for supplemental reserve service is:

\$0.16/MWh for each MWh delivered at a Point of Receipt.

190. This Bylaw comes into force on March 14, 1997.

ATTACHMENT I

(s. 46)

FORM OF SERVICE AGREEMENT FOR FIRM TRANSMISSION SERVICE

1. This agreement is governed by the provisions of Hydro-Québec Bylaw Number 652 Respecting the Conditions and Rates for Wholesale Electric Transmission Service.

2. This Service Agreement, dated as of _____, is entered into by and between Hydro-Québec and _____ (the "Transmission Customer").

3. The Transmission Customer has been determined by Hydro-Québec to have submitted a Completed Application in accordance with the above-mentioned Bylaw.

4. The Transmission Customer has provided to Hydro-Québec, with its Application, a deposit in the amount of \$_____, in accordance with the above-mentioned Bylaw.

5. Service under this agreement commences on the later of _____ or the date of commissioning any Direct Assignment Facilities and/or Network Upgrades. Service under this agreement terminates on _____.

6. Hydro-Québec agrees to provide and the Transmission Customer agrees to take and pay for Firm Transmission Service in accordance with the provisions of the above-mentioned Bylaw and this Service Agreement.

7. Any notice or request by either Party regarding this Service Agreement must be delivered to the representative of the other Party as indicated below.

Hydro-Québec:

Transmission Customer:

8. Applicable taxes shall be added to all costs and rates set forth in the above-mentioned Bylaw.

IN WITNESS WHEREOF the Parties have caused this Service Agreement to be executed by their respective representatives.

Hydro-Québec:
By: _____
Name Title Date

Transmission Customer:
By: _____
Name Title Date

Specifications for Firm Transmission Service

1. Term of transaction: _____

Service Commencement Date: _____

Service termination date: _____

2. Description of capacity and energy to be transmitted by Hydro-Québec including the Control Area in which the transaction originates.

3. Point(s) of Receipt:

Delivering Party: _____

4. Point(s) of Delivery: _____

Receiving Party: _____

5. Reserved Capacity:

6. Designation of entity(ies) subject to reciprocity obligation:

7. Name(s) of any other systems intervening in the Transmission Service:

8. Transmission Service under this agreement may be subject to some combination of the rates detailed below.

8.1 Transmission rates: _____

8.2 Ancillary service rates: _____

8.3 System Impact and/or Facilities Study costs:

8.4 Direct Assignment Facilities costs: _____

8.5 Resource redispatch costs: _____

8.6 Network Upgrade costs: _____

ATTACHMENT II
(s. 71)

FORM OF SERVICE AGREEMENT FOR NON-FIRM TRANSMISSION SERVICE

1. This agreement is governed by the provisions of Hydro-Québec Bylaw Number 652 Respecting the Conditions and Rates for Wholesale Electric Transmission Service.

2. This Service Agreement, dated as of _____, is entered into by and between Hydro-Québec and _____ (the "Transmission Customer").

3. The Transmission Customer has been determined by Hydro-Québec to have submitted a Completed Application in accordance with the above-mentioned By-law.

4. Service under this agreement commences on _____ and terminates on _____.

5. Hydro-Québec agrees to provide and the Transmission Customer agrees to take and pay for Non-Firm Transmission Service in accordance with the provisions of the above-mentioned Bylaw and this Service Agreement.

6. Any notice or request by either Party regarding this agreement must be delivered to the representative of the other Party as indicated below.

Hydro-Québec:

Transmission Customer:

7. Applicable taxes shall be added to all costs and rates set forth in the above-mentioned Bylaw.

IN WITNESS WHEREOF the Parties have caused this Service Agreement to be executed by their respective representatives.

Hydro-Québec:
By: _____
Name Title Date

Transmission Customer:
By: _____
Name Title Date

Specifications for Non-Firm Transmission Service

- 1. Term of transaction: _____
Service Commencement Date: _____
Service termination date: _____

2. Description of capacity and energy to be transmitted by Hydro-Québec including the Control Area in which the transaction originates.

- 3. Point(s) of Receipt: _____
Delivering Party: _____
4. Point(s) of Delivery: _____
Receiving Party: _____
5. Reserved Capacity: _____

6. Designation of entity(ies) subject to reciprocity obligation:

7. Name(s) of any other systems intervening in the Transmission Service:

8. Transmission Service under this agreement may be subject to some combination of the rates detailed below.

- 8.1 Transmission rates: _____
8.2 Ancillary service rates: _____
8.3 Resource redispatch costs: _____

ATTACHMENT III
(s. 82)

METHODOLOGY FOR ASSESSING AVAILABLE TRANSMISSION CAPABILITY

1. Available transmission capability (ATC) is the amount of unused Total Transfer Capability (TTC) after consideration of system reliability margin and requirements to:

(a) meet obligations of existing Transmission Service for the delivery of Hydro-Québec's generation resources to its Native Load Customers;

(b) meet obligations of existing contracts under which Transmission Service is provided;

(c) meet obligations of existing firm and pending valid Applications for Transmission Service.

2. The following guidelines and principles are applied to assess ATC:

(a) Good Utility Practice;

(b) Northeast Power Coordinating Council (NPCC) criteria and guidelines;

(c) Hydro-Québec's applicable criteria and rules.

3. To estimate TTC, Hydro-Québec uses off-line computer simulations of its Transmission System under a specific set of assumed operating conditions. Outages of generation and transmission equipment must appear in a simulated system configuration. The Total Transfer Capability (TTC), based on contingency analysis, is the transfer capability remaining after the most critical contingency while maintaining thermal, voltage and stability performance of the system consistent with Hydro-Québec rules and practices and NPCC guidelines. In the case of radial interconnections (loads or generating units) or High Voltage Direct Current (HVDC) interconnections, no contingency is considered in the TTC calculation due to the particular arrangement of these facilities. The Transmission Customer will be advised of this situation by Hydro-Québec. However, planned or actual outages must appear in the calculation.

When estimating ATC, appropriate adjustments are made for firm reservations.

Estimated transmission capability takes account only of constraints relating to transmission equipment. Thus, at interconnections where generating units are isolated on the neighboring system, posted capability (TTC and ATC) may be higher than transferable local generating capability on the neighboring system. Analysis of the costs, limits and constraints of resource redispatch is required for every Application for reservation of Transmission Service over such interconnections. Such interconnections are posted on OASIS.

When it has been determined that sufficient transmission capability may not exist to accommodate an Application for Transmission Service, the Eligible Customer may request a System Impact Study.

ATTACHMENT IV

(s. 125)

METHODOLOGY FOR CONDUCTING A SYSTEM IMPACT STUDY

1. The System Impact Study is conducted in the following manner:

(1) System Impact will be estimated based on reliability requirements to:

(a) meet obligations under Service Agreements entered into prior to March 14, 1997;

(b) meet obligations of existing firm and pending valid Applications in accordance with this Bylaw;

(c) meet planned emergency generation import requirements;

(d) account for power flows reasonably expected to occur on the Transmission System to supply Native Load Customers;

(e) maintain thermal, voltage and stability performance of the system in accordance with the guidelines and principles;

(f) consider the ability of the system to withstand, under transfer conditions, severe but credible disturbances without experiencing cascading outages, voltage collapse or widespread blackouts, in accordance with the guidelines and principles.

(2) The Transmission System will be tested in accordance with the following guidelines and principles:

(a) explore the adequacy of the Transmission System to accommodate an Application for Transmission Service;

(b) determine whether any additional costs must be incurred in order to provide Transmission Service;

(c) discover any other potential problems.

(3) If the requested use cannot be accommodated without impairing system reliability, the System Impact Study analyzes the impact of the proposed Application for Transmission Service on thermal capability, transient and voltage stability of the Transmission System. Where operating guides can be used to increase the available transmission capability, such guides are to be used and if the operating procedure is to be exercised in another Control Area, the applicant for Transmission

Service must contact the other Control Area to determine the general availability of the operating procedure.

(4) If the System Impact Study indicates that Network Upgrades or Direct Assignment Facilities are needed to supply the applicant's Application for service, the procedures will be the same as those used by Hydro-Québec for its own system expansion. The least cost transmission expansion plan including, but not limited to, present value cost, losses, environmental aspects, reliability, will be developed for consideration by Hydro-Québec. Based on the study results, the Transmission Customer can decide whether to proceed, modify or cancel its request.

(5) Immediately upon receipt of a Facilities Study agreement, Hydro-Québec performs a more precise engineering estimate of the costs of the Network Upgrades and Direct Assignment Facilities.

2. Guidelines and principles followed by Hydro-Québec - Hydro-Québec is a member of NPCC. When performing a System Impact Study, Hydro-Québec applies the following rules, as amended and/or adopted from time to time:

- (a) Good Utility Practice;
- (b) NPCC criteria and guidelines; and
- (c) Hydro-Québec's criteria and rules.

3. Transmission System model representation - Hydro-Québec estimates Total Transfer Capability (TTC) using Transmission System models based on a library of loadflow cases prepared by Hydro-Québec for studies of the Hydro-Québec Control Area. The models may include representations of other NPCC and neighboring systems. This library of loadflow cases is maintained and updated as appropriate by Hydro-Québec and NPCC. Hydro-Québec uses system models that it deems appropriate for study of the Application for Transmission Service. Additional system models and operating conditions, including assumptions specific to a particular analysis, may be developed for conditions not available in the library of loadflow cases. The system models may be modified, if necessary, to include additional system information on load, transfers and configuration, as it becomes available.

4. System conditions - The loading on all Transmission System elements must be within normal ratings for pre-contingency conditions and within emergency conditions for post-contingency conditions. Transmission System voltage must be within the applicable normal and emergency limits for pre- and post-contingency conditions respectively.

5. Short circuit - Transmission System short-circuit currents must be within the applicable equipment design ratings.

6. Loss evaluation - The impact of losses on Hydro-Québec's Transmission System is taken into account in the System Impact Study to ensure Good Utility Practice in the evaluation of the costs to meet the Application for Transmission Service.

7. System protection - Protection requirements are evaluated by Hydro-Québec to determine the impact on existing system protection.

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O.C. 1631-96, 18 December 1996

Taxation Act
(R.S.Q., c. I-3)

Regulation — Amendment

Regulation to amend the Regulation respecting the Taxation Act

WHEREAS under subparagraph *f* of the first paragraph of section 1086 of the Taxation Act (R.S.Q., c. I-3), the Government may make regulations to generally prescribe the measures required for the application of that Act;

WHEREAS the Regulation respecting the Taxation Act (R.R.Q., 1981, c. I-3, r. 1) was made under that Act;

WHEREAS it is expedient to amend that Regulation, primarily in order to implement fiscal measures announced on 19 December 1990, 14 May 1992, 24 November 1992 and 20 May 1993 by the Minister of Finance in Budget Speeches and Minister's Statements, and announced by him on 10 February 1989, 7 July 1992 and 31 March 1994 in information bulletins;

WHEREAS the legislative amendments required to implement those announcements were made to the Taxation Act by Chapter 16 of the Statutes of 1993 and Chapter 22 of the Statutes of 1994;

WHEREAS under section 12 of the Regulations Act (R.S.Q., c. R-18.1), a proposed regulation may be made notwithstanding the publication requirement of section 8 of that Act, if the authority making it is of the opinion that the fiscal nature of the norms established, amended or repealed therein warrants it;