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(Executive Council)

(Natural Resources)

Province directs Newfoundland and Labrador Hydro to apply for transmission access with Hydro-Québec TransÉnergie

Premier Danny Williams, Minister of Natural Resources Ed Byrne, and President and CEO of Newfoundland and Labrador Hydro (NLH) Ed Martin today announced that the Provincial Government directed NLH, as the execution lead for the Lower Churchill development, to submit an application to Hydro-Québec TransÉnergie (Hydro-Québec's transmission division) for transmission service to transmit Lower Churchill power from the Labrador/Quebec border to markets in Quebec, Ontario, the maritime provinces and the northeast United States.

“As the province continues to examine options for the development of the Lower Churchill hydro resource, NLH has filed an application to transmit power from this province into Quebec and other markets,” said Premier Williams. “We have always said that a Newfoundland and Labrador-led development will be given prime consideration, and this application process is an important step as we pursue the feasibility of this option. We also continue to examine markets, financing options and our overall ability to execute the project while realizing maximum benefits for the province.”

NLH is availing of Hydro-Québec's open access transmission tariff, which is intended to provide electricity generators the opportunity to transmit their production both within and through Quebec. This application means that NLH could follow existing procedures that allow third parties to book transmission capacity, and pay a tariff to use Hydro-Québec TransÉnergie's transmission system in order to directly access electricity markets.

“We are also continuing to evaluate the original short-listed EOI submissions and we look forward to finalizing that process soon,” added Premier Williams. “NLH's transmission application will give us an understanding of the costs and technical considerations of getting this power to market in the context of a Newfoundland and Labrador-led project.”

Today's announcement is another step in a multi-phase process to determine how the province will proceed with the development of the Lower Churchill hydro resource.

“The time is right for the development of this project,” said Minister Byrne. “The future requirements for clean, reliable energy in the coming decades are significant and we're ready to put together the best deal to take this power to market and contribute to meeting these requirements. I want to be clear that this application does not mean that we have made the policy decision to export all of this power out of Labrador. Both the provincial government and NLH will continue with a full and extensive consultation process with key stakeholder groups, especially in Labrador.”

NLH has contacted the key stakeholder groups directly to provide an update on today's announcement.

Mr. Martin explained, “We’re keeping our options open as we continue to analyze the feasibility of this development. We have been rigorously evaluating this project from every perspective to completely understand what needs to be done to successfully execute this project and realize our goal of maximum benefits to the province.”

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BACKGROUND

Transmission Application Process and Open Access Transmission Tariff

Newfoundland and Labrador Hydro (NLH), as the lead for the Lower Churchill hydro resource development, has submitted an application to Hydro-Québec TransÉnergie (HQT) for transmission service through Quebec to transmit Lower Churchill power from the Labrador/Quebec border through Quebec to markets in Quebec, Ontario, the maritime provinces and northeastern United States.

This is the first of several steps contained in HQT’s open access transmission tariff (OATT) to potentially wheel electricity across Hydro-Québec’s transmission system. The steps in the process are:

1. An application for service;
2. Completion of an initial assessment by Hydro-Québec to determine the impacts on their transmission system;
3. Detailed engineering studies by Hydro-Québec to identify costs and schedules for implementation of any necessary transmission upgrades;
4. Entering in to a long-term transmission service contract with Hydro-Québec TransÉnergie should this alternative prove to be a feasible one; and
5. Actual construction of the necessary transmission upgrades.

At any time in the process prior to entering into a service agreement with HQT , NLH can elect to cancel the service request and withdraw from the process.

An Open Access Transmission Tariff (OATT) sets forth terms and conditions and rates under which a transmission provider (HQT) provides its transmission services to its transmission

customers. The OATT in Quebec follows the US Federal Regulatory Commission's own OATT. The OATT must be open and non-discriminatory to parties other than the owners of the transmission system. The purpose is to promote competition between electricity generators, eventually increasing competition in the supply and marketing of electricity.

Most jurisdictions in Canada have opened their transmission systems to allow third parties access. In some cases, these OATTs were adopted specifically to comply with United States regulations, which require Canadian transmission owners and their affiliates to provide reciprocal access to their systems in order to participate in competitive wholesale electricity markets in the U.S. In other cases, the process was part of market restructuring in Canada.

In order to use the transmission service in Quebec, an application must be made to the owner of the transmission system (HQT) for use of transmission capacity for a specified period of time. A transmission tariff must be paid over the duration of the transmission service agreement. Requests for service can be made for short or long periods of time. Bookings are made on a first come, first serve basis, with priority going to longer-term bookings.

The rates and terms applied to the use of a transmission system must be administered in a non-discriminatory manner with independent regulation of the service. The customers of the transmission service must agree to provide comparable transmission services on similar terms and conditions on any transmission that they or their affiliates own, control or operate.

If a transmission system is not adequate to accommodate a request for transmission service, the transmission provider must notify the transmission customer. A study of the upgrades required to accommodate the service request must be undertaken and, subject to certain cost-sharing terms, the transmission upgrades must be undertaken as long as they do not impair system reliability or impair the existing system.

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