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From : "Matthews, Elizabeth"

To : "Thompson, Robert" , "Norris, Gary" , "Crawley, Brian" , "EMartin@nalcorenergy.com" , "GBennett@nalcorenergy.com" , "LeonaBarrington@nalcorenergy.com" , "Barron, Tracy B."

Subject : DRAFT release

Attachment : NR Regie ruling.doc;

Hi all. Please see attached draft release. Please note the premier saw an early draft but there has been much added by me since. So this is by no means final. I need wording from Nalcor in the first paragraph and also general feedback on the tone, content, accuracy, etc. Goal is to release this in time for the technical briefing.

Catherine – would you mind printing off copies and delivering them to Gilbert and Robert? Thanks.

Elizabeth Matthews
Director of Communications
Office of the Premier
Government of Newfoundland and Labrador
709.729.3960 (0)

Executive Council
Natural Resources
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Quebec's Refusal of Transmission Access Once Again Demonstrates Their Arrogance and Predatory Business Practices

Today's ruling of the Régie de l'énergie (Régie), Québec's energy regulator, on applications by Nalcor Energy once again demonstrate that province's arrogance and predatory business practices said the Honourable Danny Williams, Premier of Newfoundland and Labrador. Nalcor had filed complaints with the Régie against Hydro-Québec Transénergie (HQ) as a result of HQs NEED WORDING ON THIS FROM NALCOR

"The blatant disregard of the Régie on the basic principles of open access and competitive markets is staggering," said Premier Williams. "The arguments put forward by Nalcor to allow transmission of Lower Churchill power through Quebec were sound, legitimate arguments that we firmly believe should have been accepted. Hydro-Québec is required to provide fair and reasonable access to its transmission lines under its own tariff rules which they have adopted from the United States. We were willing to pay our fair share and a substantial tariff and to play by the rules. What Quebec has done today is to tell the people of Canada and the United States that they will go to any lengths to ensure they have complete and absolute control over hydroelectricity transmission in North America."

The principles of open access and competitive markets have changed the structure of the electricity industry in the US and also influenced the electricity industry structure in Canada. In obtaining FERC authorizations, entities like Hydro-Québec must structure themselves and operate in a manner so as to mitigate potential market power, the most fundamental means of which is to provide open access to their own jurisdictions. Quebec's actions to date have not been in the spirit of open access and reciprocity. While the issues under dispute are complex, the essence of these complaints is very simple in that Nalcor does not believe that the Hydro-Québec Open Access Transmission Tariff (OATT) has been applied in a non-discriminatory and transparent manner.

"We will make a decision in the very near term as to what appeal avenues we will pursue" added Premier Williams. "The irony is that Quebec promotes itself as a leader in clean, green energy solutions yet they are doing absolutely everything in their power to ensure that this tremendous green project stay shelved so to ensure their own control over the market. In an effort to ensure the rest of Canada and North America is able to get competitively priced power, we intend to move forward."

Premier Williams said that although this decision is obviously not the desired outcome, the province through Nalcor will continue with plans for development of the Lower Churchill project.

"By no means does this decision mean that we are stopping or slowing down plans to develop this extraordinary clean, renewable energy project," said the Honourable Kathy Dunderdale, Minister of Natural Resources. "We knew the potential for this unfortunate decision and this is precisely why we have been pursuing two alternative routes to market, including the Labrador-Island Link, the Maritime route as well as the pursuit of a separate 740 MW transmission service request into the Maritimes and New England. This is a wonderful clean energy project and we are anxious to move forward."

The Premier added that not only did the Régie show a complete lack of regard for open access principles; they went beyond the scope of the complaints they were hearing and suggested the transmission lines in Labrador and Upper Churchill generating facility are under the control of Hydro-Québec. This completely ignores the Upper Churchill contract and the realities of that existing project,

"In essence, the Régie attempted to re-write the Upper Churchill contract to give even more power and control to Québec," said Premier Williams. "To suggest that these assets are rightfully owned by Hydro-Québec is unfathomable. The Régie further made the erroneous assertion that Hydro-Québec takes priority over the Twin Co power block and recall power used by the province. This is clearly in contradiction of the Upper Churchill contract and I can assure the people of the province, we put absolutely zero credence in these statements by the Régie. Indeed, it further de-legitimizes the entire ruling."