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### **Quebec's Refusal of Transmission Access Once Again Demonstrates Its Arrogance and Discriminatory Business Practices**

Today's ruling of the Régie de l'énergie (Régie), Québec's energy regulator, on a transmission service request by Nalcor Energy once again demonstrates that province's arrogance and discriminatory 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 HQ's failure to apply the rules of open access fairly to Nalcor's service request.

"The blatant disregard of the Régie on the basic principles of open access and non-discrimination 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 open and fair 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 up to \$200 million annually for a 30-year period."

"While we are disappointed by this ruling, we are not surprised as it is consistent with Quebec's history of attempting to stop this project from proceeding unless it is on their terms," continued Premier Williams. "The absurdity of their decision is embarrassing to Quebec. 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 market dominance over electricity markets in northeastern North America."

The principles of open access and competitive markets have changed the structure of the electricity industry in the United States 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.

"Nalcor will make a decision in the very near term as to what appeal avenues will be pursued," added Premier Williams. "This process before the Régie has already taken four years which is onerous and unfair by any standard as Hydro-Québec projects have been given the green light in the interim period. 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 is shelved to protect their own commercial interests. It is in the interests of electricity markets in the northeast to have more participants and therefore for the Lower Churchill project to proceed. In an effort to guarantee that the rest of Canada and North America are able to get competitively priced

power, we intend to move forward. Further, we see it as most unfortunate that Quebec is a strong advocate for free trade, in particular with the European Union, but does not seem to want to apply those principles to its own neighbours."

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 724 MW transmission service request into the Maritimes and New England. This is an extremely attractive 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, the realities of that existing project and provincial rights and jurisdictions.

"In essence, the Régie has ignored the limits to Hydro-Québec's power entitlements under the 1969 contract to give Hydro-Québec the majority of the access on the existing corridor from Labrador into Québec," said Premier Williams. "To suggest that these assets are under the control of Hydro-Québec TransEnergie is quite simply wrong and patently unreasonable. The Régie further made an erroneous assertion by disregarding other contracts serving load in Labrador from the Churchill Falls plant, that Hydro-Québec takes priority over the Twin Co power block which supplies IOCC and recall power used by the province, in particular for the people of Labrador. 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 regulatory process."

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