

**Information Note**  
Department of Natural Resources

**Title:** Muskrat Falls Project Workplan for 2013

**Issue:** To provide background information on the 2013 work required to advance the implementation of the Muskrat Falls Project (the Project)



**Background and Current Status:**

- The following is a list of work priorities to advance the implementation of the Project in 2013:

**1. Lands Regulations**

- *An Act Respecting the Use and Expropriation of Land for the Purpose of the Muskrat Falls Project* (the Act) was introduced and passed in the House of Assembly in December 2012. This Act governs the acquisition of land and land interests that are necessary for the Project.
- The Act specifies that certain aspects relating to land acquisition will be achieved through appropriate regulations to be drafted. These regulations are specifically related to: expropriation, statutory easements, and municipal permitting.
- Nalcor has advised that the regulations are required to be in place once the LIL is released from Environmental Assessment, which is currently anticipated in Q1 2013.

**2. Formal Nalcor-NLH Agreements**

- Formal agreements are required between Nalcor and NLH for the provision and purchase of Muskrat Falls power. It is anticipated that up to 18 formal agreements will be required. One example is the power purchase agreement between NLH and the responsible Nalcor subsidiary.
  - Nalcor and NLH have been working on drafts for a number of these agreements and during the Fall of 2012, were engaged with government on the development of a Term Sheet which would outline the principles of a number of the 'key' agreements. The Term Sheet was not finalized as a number of outstanding issues were not resolved prior to the introduction of Muskrat Falls legislation in the Fall session of the House of Assembly.
  - Nalcor has recently advised that the formal agreements must be completed prior to approaching lenders in Q2 2013.
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#### 4. Labour Issues

- It is anticipated that there may be labour issues to be addressed, including legislative amendments. NR is currently in contact with Nalcor to determine what, if any, labour issues are outstanding that need to be dealt with in the short-medium term.

#### 5. Financing Directives

- *An Act To Amend The Electrical Power Control Act, 1994, The Energy Corporation Act and The Hydro Corporation Act, 2007* was introduced and passed in the House of Assembly in December 2012. Included in these amendments is the definition of the Muskrat Falls Project, establishment of Government authority to direct the Board of Commissioners of Public Utilities (PUB) on matters relating to the Project, and establishment of Newfoundland and Labrador Hydro's (NLH) exclusive right to supply/sell power to retailers and industrial customers on the Island.
- As the Project will be financed on a non-recourse basis and cost recovery assurance is required, Government will need to direct the PUB that all Project related costs incurred by NLH for the purchase and delivery of power from the Project will be recovered from Island ratepayers.



#### 6. Project Oversight

- In April 2012, Cabinet directed NR and JUS, in consultation with Nalcor, to develop options for a Muskrat Falls Project accountability protocol that builds upon existing mechanisms (including public reporting), which would include an independent process to review costs associated with the Project to determine reasonability (MC2012-0240).
- Two Project phases under consideration for accountability oversight include development /construction phase and operations phase.
- A decision/direction note was drafted in 2012 providing an overview of options and considerations for Government regarding accountability oversight for the Project. The note recommended that Government utilize Nalcor's independent engineer during the Project development phase and provide periodic reports to Government. For the operations phase, Government could direct the Auditor General to carry out periodic reviews of Project expenditures.
- To implement the recommendation (if accepted), NR, JUS and FIN will need to work with Nalcor and the Auditor General to draft appropriate terms of reference and develop any

necessary legislative amendments (to facilitate engagement of the Auditor General) as may be required.

#### **7. System Operator/Reliability Coordinator**

- The System Operator (SO) is an entity responsible for operating a bulk electricity transmission system. It does not necessarily own assets but it ensures transmission of electrical power from generation plants over the electrical grid to regional or local electricity distribution operators. The Reliability Coordinator (RC) function includes the responsibility for the reliable operation of the bulk power system.
- In order to facilitate the Muskrat Falls Project as well as the various power arrangements and, where required, compliance with the necessary requirements of the U.S Federal Energy Regulatory Commission (FERC) and North American Reliability Corporation (NERC), a formalized SO and RC should be established in the province.
- There are various options for the SO and RC as well as governing responsibilities and rules which will need to be analyzed prior to bringing forward options for Government consideration. Consultancy advice may also be required to review various models employed in other jurisdictions and consider suitable options for NL.
- NR and JUS will need to consult with Nalcor to determine what will be required in 2013 and, subsequently, a more specific work plan will need to be considered.

#### **8. Emera Sanction Agreement/Federal Loan Guarantee**

##### **Action Being Taken:**

- Timelines are currently being finalized with the appropriate entities and NR is continuing to advance the implementation of the Project.

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**7 January 2013**