

Des femmes, des hommes, des régions, **nos ressources...**



## **Creation of the *Régie de l'énergie* (Québec energy board) A Step Toward Sustainable Regulation**

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# 1996 Energy Policy – A look back

## The State as regulator – vs. – The State as shareholder

### The State as regulator:

- Arbitration difficult (public, consumer and shareholder interests)
- Possibility of political interference
- Indirect and limited public participation

# 1996 Energy Policy – Guiding Principles

**The creation of an energy board (Régie de l'énergie) for:**

- regulating the activities of natural gas distributors
- regulating Hydro-Québec

**Guarantee of fairness and transparency when analyzing Hydro-Québec rates**

**Orientation toward the deregulation of electricity production**

# Creation of the Régie de l'énergie

- December 1996: Act respecting the Régie de l'énergie
- June 1997: Creation of the Régie de l'énergie
- August 1998: Advice from the Régie on the determination and implementation of rates for the supply of electric power
- June 2000: Amendment to the Act respecting the Régie de l'énergie

# Transmission rates of Hydro-Québec TransÉnergie

- May 1997: First transmission rates and opening up of the wholesale electricity market
- May 2, 1998: Régie given jurisdiction over setting of transmission rates
- 1999: Adoption by the Régie of rate principles for electricity transmission
- 2000: Inclusion in legislation of the “postage stamp” rate principle
- 2002: For the first time, setting by the Régie of Hydro-Québec TransÉnergie transmission rates

# Rates applied by Hydro-Québec Distribution

- May 2, 1998: Transfer to the Régie of jurisdiction over rates applied by Hydro-Québec Distribution
- February 1998: Responsibility for examining consumer complaints given to the Régie
- 2001: Order-in-council extending the rate freeze until 2004
- August 2003: Order-in-council lifting the rate freeze
- December 2003: For the first time, setting by the Régie of Hydro-Québec Distribution rates

# Supply of electricity

## The supply for Québec markets is guaranteed by:

- a “heritage pool” of 165 TWh (2.79¢/kWh)
- a tendering process overseen by the Régie de l'énergie
- a supply cost integrated into rates

# Government participation

## Regulatory levers:

- Energy blocks for specific sources
- Maximum capacity of producers' facilities
- Order-in-council on economic, social and environmental concerns

# Government participation – Regulatory levers

## Energy blocks for specific sources:

- Support for emerging energy sources (wind, biomass)
- Integration of regulations by the Régie de l'énergie into the decision-making process
- Calls for tenders reserved for these alternative energy systems by Hydro-Québec Distribution

# Government participation – Regulatory levers

## Maximum capacity of producers' facilities:

- Program limited to renewable energies
- Program conducted outside tendering procedure
- Small hydroelectric generating stations ( $\leq 50$  MW) and micro-production program (to come)
- Integration of the regulation into the Régie's decision-making process

# Government participation – Regulatory levers

## Order-in-council on economic, social and environmental concerns:

- Rates: social concerns – low income households
- Supplies: economic, social and environmental concerns
  - Economic benefits
  - Important industrial development
  - Community development
- Integration of orders-in-council into the Régie's approach

# Public policy makers and sustainable regulation

## Creation of the Régie de l'énergie: A step toward sustainable regulation

- Mission of the Régie:

“In the exercise of its functions, the Régie shall promote the satisfaction of energy needs through sustainable development. To that end, the Régie shall have due regard for economic, social and environmental concerns and for equity both on the individual and collective planes. The Régie shall also foster the conciliation of the public interest, consumer protection and the fair treatment of distributors.”

# Public policy makers and sustainable regulation

## Priority to energy efficiency

- Hydro-Québec Distribution and gas distributors must demonstrate efforts to use energy more efficiently before establishing the terms of any contract they sign.

# Public policy makers and sustainable regulation

## 2006-2015 Energy Strategy: Commitment to improving the electricity price signal

- In its decisions, the Régie has:
  - made residential rates more progressive;
  - accepted a reform aimed at reducing degression in commercial rates;
  - supported a pilot project to test “time-of-use” rates (residential sector).

# Public policy makers and sustainable regulation

## Sustainable development: Regulatory government levers

- Promotion of new emerging energies
- Development with respect for the environment
- Development by and for communities

# Summary

- Objectives of fairness and transparency achieved
- Sustainable regulation approach integrated from the very beginning
- Hydro-Québec in better financial health

**THANK YOU!**