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HYDRO QUEBEC IS BURYING THE FACTS

Boston, MA: New England Power Generators Association (NEPGA) members are committed to fierce competition on a level playing field to provide the most cost-effective, reliable and environmentally-responsible electricity supplies for consumers. NEPGA strongly opposes government-mandated carve-outs, like those proposed in Massachusetts Senate Bill 1965. Such carve-outs stifle competition and would cost consumers billions. This bill demonstrates that, absent out-of-market interventions, HQ and other provincially-owned utilities appear unwilling to compete on a level playing field in New England's electricity market.

On March 16, Hydro Québec (HQ) issued a press release titled "The New England Power Generators Association should not be afraid of competition from clean Québec hydropower." NEPGA would like to offer a brief response.

HQ Statement: *Hydro-Québec sells at market prices outside the province.*

As a provincially-owned utility, HQ's finances intermingle utility revenues with taxpayer dollars. HQ noted in its 2015 Annual Report that electricity exported to markets like Massachusetts provided a **\$2.36 billion (Canadian) dividend to the Quebec government**. Such a massive annual payment amounts to a subsidy to the taxpayers of the Province through the revenues generated by the government-owned utility's electricity exports. In other words, if Massachusetts businesses and residents are locked into long-term contracts at a higher delivered cost than what is otherwise available in the competitive market, they are simply subsidizing their counterparts in Quebec.

Dr. Sue Tierney of the Analysis Group developed a detailed report on the ramifications of out-of-market contracts with provincially-owned utilities. Dr. Tierney found that "long-term contracts for large-scale hydropower from Canada will not be cheap and will not have the hoped for result of lowering consumers' electric rates." Dr. Tierney concluded that such contracts represent "**\$777 million in above-market costs that Massachusetts consumers would be paying every year**. Such an exorbitant cost does not appear to be justified..." (emphasis added)

HQ Statement: *"[T]he region's supply problem ... has nothing to do with deliveries from Canada."*

Since July 2013, four of the last six electricity shortage events or severe operational issues in New England were related to curtailments of imports from HQ.¹ That's a fact. Fortunately, ISO New England was able to keep the lights on precisely because New England generators were able to fill the gap left by lost HQ imports.

HQ frequently exports nearly 2,000 megawatts (MW) into New England across existing transmission lines. However, only 225 MW of those exports will be subject to the same stringent performance obligations and non-performance penalties that New England generators must adhere to, with *no excuse* for non-performance. The contracts HQ is seeking under Senate Bill

¹ [September 9, 2015](#); [December 4, 2014](#); [December 14, 2013](#); and [July 13, 2013](#)

1965 include a “force majeure” clause to excuse delivery failures. This is a clear example of unfair treatment of electricity supply resources and continues HQ’s history of interruptible imports.

By contrast, 3,200 MW of new plants are currently under development within New England to replace older, retiring plants in compliance with the region’s strict performance obligations. These new plants represent billions of dollars in local investment, hundreds of construction jobs and millions of dollars in property tax revenues to host communities.

Senate Bill 1965 is simply a bad bet for Massachusetts consumers, sending billions of their dollars to a provincially-owned utility. Hydro-Quebec doesn’t deserve the subsidy and Massachusetts consumers deserve true competition among all resources, regardless of whether they’re based here or imported.

NEPGA’s mission is to support competitive wholesale electricity markets in New England. We believe that open markets guided by stable public policies are the best means to provide reliable and competitively-priced electricity for consumers. A sensible, market-based approach furthers economic development, jobs and balanced environmental policy for the region.

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