

CALL FOR TENDERS AND CONTRACT AWARD PROCEDURE FOR ELECTRICITY SUPPLY CONTRACTS OF ONE YEAR AND LESS

INTRODUCTION

In its electric power distribution activities, Hydro-Québec (“Distributor”) must enter into electricity supply contracts to satisfy Québec market needs that exceed the heritage pool electricity and to purchase blocks of energy determined by government regulation. To this end, the Distributor must issue calls for tenders to potential suppliers. This document sets out the procedure to be followed for calls for tenders involving electricity supply contracts of one year and less.

As prescribed in the *Act respecting the Régie de l'énergie*, a call for tenders procedure must:

1. Allow for the participation of all interested suppliers by being issued with an adequate timeframe;
2. Grant equal treatment to all sources of supply, unless the call for tenders provides for all or part of the needs to be met, for a particular source of supply, with a block of energy determined by government regulation;
3. Favor the awarding of supply contracts on the basis of the lowest price for the conditions and amount of power required, taking into account the applicable cost of transmission and when supplying a block of energy, taking into account the maximum price fixed by government regulation;
4. Allow for more than one contract to meet the need identified by the Distributor, in which case the supplier who allows for the quantity required to be met can be asked to reduce the quantity of power he offered without changing the price per unit.

The call for tenders and contract award procedure for electricity supply contracts of one year and less comprises four (4) steps described in the following sections:

1. Issuing the call for tenders;
2. Bid submission and opening;
3. Bid selection;
4. Signing of a Transaction Confirmation.

The actions of the Distributor's employees and persons hired by the Distributor to participate in the call for tenders process are governed by a code of ethics on calls for tenders management approved by the *Régie*. The Distributor mandates one or more independent firms (hereafter referred to collectively as the "mandated firm") to assist it in evaluating the bids and applying the call for tenders procedure.

1. ISSUING THE CALL FOR TENDERS

1.1 Call for tenders document

The call for tenders document contains all the information required for potential suppliers to submit a bid. For instance, it includes a statement on the purpose of the call for tenders, a description of the products requested, including the amount of capacity and energy, the delivery period, instructions to bidders including the process schedule and bid forms. The call for tenders document also includes a description of the monetary criteria taken into account in the bid evaluation process along with the minimum applicable requirements (such as the minimum requirements regarding the bidder's financial capacity).

The Distributor is responsible for selecting the methods used to evaluate the monetary criteria and must ensure that the call for tenders document conforms to the supply plan's objectives.

1.2 Availability of call for tenders document

A draft version of the call for tenders document is filed with the *Régie* within a reasonable period of time prior to the launching of the call for tenders.

The call for tenders document is available on the Distributor's Web site as soon as the call for tenders has been officially launched.

1.3 Launching of call for tenders

The date the call for tenders is launched is determined by the Distributor based on the needs identified and the time required to complete the call for tenders. The triennial supply plan may provide a timetable for calls for tenders regarding electricity supply contracts of one year and less. An updated schedule will be presented in the supply plan's annual progress report.

1.4 Dissemination of call for tenders

To ensure that the call for tenders reaches as wide an audience as possible, several methods may be used, at the Distributor's discretion:

- Press release for wide publication, more particularly in trade publications in the North American energy sector;
- Notice on Distributor's Web site. This site is accessible to everyone;
- Targeted distribution of a summary document to potential suppliers. To this end, a list of potential suppliers is updated regularly by the Distributor based on publicly available information and expressions of interest from suppliers and previous bidders.

1.5 Eligibility

To be eligible to take part in the call for tenders, potential bidders must first sign a Master Agreement with the Distributor before the call for tenders is launched. If such an agreement is not signed, then bidders must fill out and send back the registration form found in the call for tenders and meet the requirements described in the call for tenders document.

1.6 Pre-bid conference

A pre-bid bid conference for potential bidders interested in taking part in the call for tenders may be held if the Distributor deems it necessary. Potential bidders wishing to attend the pre-bid conference are asked to register in advance. However, attendance at the pre-bid conference is not mandatory in order to submit a bid. The conference's format is determined by the Distributor.

The Distributor keeps a confidential register of participants at the pre-bid conference. The Distributor prepares the minutes of the conference, including the questions asked and the answers given during the question period. These minutes are posted on the Distributor's Web Site. If the Distributor cannot answer a question during the conference, the answer will be provided at a later time and then posted on the Distributor's Web site.

1.7 Communication with bidders

Any amendments, corrections or additions to the call for tenders document or to any supporting document provided to eligible bidders as part of the call for tenders are communicated electronically or in writing to all eligible bidders. Any amendments, corrections or additions are also found on the Distributor's Web site.

Any questions or requests in relation to the call for tenders should be forwarded to the Distributor's designated representative. The Distributor agrees to answer all questions sent in by eligible suppliers. The answers are provided by telephone, electronically or in writing (using the same method as the original request). In all cases, answers are posted on the Distributor's Web site without identifying the question's author.

2. BID SUBMISSION AND OPENING

2.1 Bid submission

Bids must be sent by fax or e-mail to the bid office designated by the Distributor before the closing date and time indicated in the call for tenders document. Bids are kept at the bid office until they are opened.

An up-to-date inventory is kept of the bids received. Bids received after the bid closing date and time shall not be considered.

2.2 Bid opening

On the date and at the time indicated in the call for tenders document for bid submission, the representative of the mandated firm transmits to the Distributor through the appropriate means all of the bids for evaluation.

Incomplete bids are identified at bid reception by the Distributor and an inventory of the missing information is prepared.

When, according to the Distributor, the missing information is such that it compromises bidder equality or the evaluation of the bid, the bid is rejected.

With respect to other incomplete bids, a request is sent to each bidder specifying the additional information required and the time allotted to provide it. Once this

time has expired, the bid is rejected if the bidder has not provided the required information to the Distributor.

3. BID SELECTION

3.1 Selection process

In accordance with Section 74.1 of the *Act respecting the Régie de l'énergie*, bids are selected with the aim of finding the bid or bids that will allow the Distributor to satisfy, at the lowest total cost for the conditions required, the supply needs that have been identified.

The selection process involves two (2) steps based on the bid assessment criteria.

First, bids that do not meet the minimum requirements listed in the call for tenders document are not kept for future consideration.

Second, the remaining bids are divided into categories according to the features of the products offered (capacity only, capacity and annual energy, capacity and winter energy only, etc.). An evaluation of monetary criteria is then conducted along with an evaluation of any interactions between the various bids.

The bid or bids with the lowest total cost for the conditions required are then retained.

The Distributor keeps minutes of every meeting held for the evaluation and selection of bids. The representative of the mandated firm attends each of these meetings.

3.2 Bid selection announcement

A notice of acceptance is sent to each of the selected bidders specifying the products retained, the quantities and the delivery periods, as the case may be.

Following the transmission of the notice of acceptance, the following information is made public: average purchase cost, quantity of energy awarded, number of bidders, and total quantity of energy submitted.

Bidders whose bids are not selected are notified in writing.

4. SIGNING A TRANSACTION CONFIRMATION

When the retained bidder has already signed a Master Agreement, the parties sign a Transaction Confirmation in the days following the Distributor's acceptance notice. Otherwise, the retained bidder shall sign a Master Agreement and a Transaction Confirmation.

In the cases determined by regulation adopted under Section 74.2 of the *Act respecting the Régie de l'énergie*, execution of the signed Transaction Confirmation is conditional to the Régie's approval. If approval is not obtained by the *Régie*, the transaction is cancelled.