



Joint Committee on Telecommunications, Utilities and Energy

September 29, 2015

Testimony of HQUS

Good Afternoon Chairman Downing, Chairman Golden and members of the Committee. My name is Carolyn O'Connor. I am the Director of External Affairs for HQUS, the US subsidiary of Hydro Quebec.

Thank you for holding this hearing.

Hydro-Quebec ("HQ") is a vertically-integrated utility serving the province of Quebec. HQ owns, and has access to, over 40,000 MW of hydroelectric capacity and operates one of the most robust transmission systems in North America. It utilizes 15 interconnection points from its system to export approximately 30 TWhs of energy each year, including to the New England grid.

HQ supports SB 1965 and 1757 and HB 2861 because they create an opportunity that does not otherwise exist today -- for new transmission infrastructure and low-carbon supply to enter the marketplace.

These bills allow the participation of large hydropower for the first time to assist the state in meeting emissions reductions and other goals. In many respects, these bills are the next step in the evolution of state action to meet its policy requirements -- and acknowledgement that a broad set of clean energy resources are needed to be successful.

Large hydropower from Quebec is critical to these efforts because it is one of the most cost-effective and scalable clean energy resources, and offers multiple benefits. The reliability, flexibility, fuel diversity and environmental attributes of Québec hydropower are perfectly suited to meet the state's energy challenges, including to reliably integrate increasing levels of intermittent renewables onto the grid.

I will take a moment to touch on some of the important elements of the bills.

First, broadening the resources that are eligible to participate in a solicitation process ensures more competition and in turn lowers costs.

Second, authorizing utilities to participate in regional solicitations enables the consideration of larger-scale projects and allows access to economies of scale in energy infrastructure projects. This provision solidifies Massachusetts' participation in Clean Energy RFP.

Third, provisions that authorize long-term contracts and/or delivery commitments -- are key elements as they are the mechanisms that will allow projects to be built *if* they are selected in a competitive solicitation and approved by the Public Utilities Commission.

Long term contracts provide a greater level of certainty necessary to pursue the construction of new transmission interconnections, including transmission facilities that would be needed in Quebec.

As an example, it was two long term contracts that enabled the construction of the Phase II transmission line to move forward in the late eighties. Phase II is a major interconnection between Quebec and New England. While the original contracts have expired, the line continues to provide significant quantities of energy to the New England power system around the clock today.

Long term contracts can also facilitate a long-term commitment for HQ to deliver energy into New England on a firm basis, including when energy is needed most during summer and winter periods.

This is important because HQ delivers energy into four export markets based on the economics of these markets. Economic conditions can and will change in the future. Absent a long-term commitment to deliver energy into New England HQ's delivery decisions will be based solely on future economics in this markets. Beyond a relatively modest long-term contract we have with Vermont utilities, HQ has no commitment to deliver energy into New England.

HQ is aware that analysis is being presented, and you heard some of it described today, about the performance of HQ's long-term contracts with Vermont utilities. HQ has serious concerns about the accuracy of that analysis and intends to release a detailed response in the coming days, which I will provide to this Committee.

While long-term contracts are needed to enable investments by HQ, these structures are also designed to provide benefits to consumers.

HQ has the ability to offer a wide range of long-term contracts, depending on the objectives of the buyers, including fixed priced contracts for buyers seeking price stability within their portfolio, and market following contracts for those who prefer a price structure that tracks market prices.

In closing, HQUS supports SB 1965 and 1757 and HB 2861 because they create an opportunity to achieve new infrastructure -- and strengthen the authority of the state to act on such an opportunity.

Thank you.