

Code of Ethics on Conducting Calls for Tenders

1. INTRODUCTION

In its electric power distribution activities, Hydro-Québec (the "Distributor") has to set up supply contracts required to meet the needs of Québec markets. To do so, the Distributor must call for tenders among power suppliers, making sure that they are treated equally and impartially while avoiding conflicts of interest and maintaining the confidentiality of the information with which it is entrusted.

This document sets forth the principles with which the Distributor must comply in conducting calls for tenders as well as in its day-to-day activities, to prevent conferring upon Hydro-Québec in its electric power generation activities ("Generator"), upon an affiliate of Hydro-Québec acting as electric power supplier ("Affiliate") or upon any other power supplier, any advantage over the other power suppliers. This document therefore establishes a functional separation of activities related to electric power supply, between the Distributor and the Generator as well as between the Distributor and any Affiliate.

2. GENERAL RULES

- (i) The Distributor's employees involved in activities related to electric power supply or to forecasting electric power demand in Québec must work independently from the Generator's employees, those of an Affiliate or those of any other power supplier.
- (ii) Any employee of a company hired under contract to take part in activities related to electric power supply or to forecasting electric power demand in Québec must, throughout the term of his mandate, work independently from the employees of the Generator, an Affiliate or any other power supplier.
- (iii) The employees of the Distributor and of any other company hired under contract who take part in activities related to electric power supply or to forecasting electric power demand in Québec must be physically separate from the employees of the Generator as well as from those of any Affiliate or any other power supplier.

- (iv) In the event of an emergency or an exceptional situation, the Distributor takes all measures necessary to ensure the security of the power supply as well as the reliability of the distribution system, subject to the applicable provisions of the *Act respecting the Régie de l'énergie* and the regulations adopted under this Act. If any of the measures taken conflict with the rules of Sections 2 and 3 of this document, a report describing the circumstances shall be sent promptly to the *Régie de l'énergie*.

3. CONDUCT OF EMPLOYEES IN CARRYING OUT THEIR RESPONSIBILITIES

- (i) Any information that might give an advantage to the Generator, an Affiliate or any other power supplier, at the time of an eventual call for tenders by the Distributor, must be treated as privileged information. When such information must be conveyed, disclosure is coordinated by the unit of the Distributor in charge of supply for the regulated sector, which ensures that the information is made available in a way that does not discriminate against the power suppliers concerned.

Examples of such information include:

- the Québec load forecast, in energy and capacity
- the designation of loads and resources required by Hydro-Québec in its electric power transmission activities ("Transmission Provider")
- the load profile forecast
- the load forecast uncertainty.

- (ii) In accordance with power supply agreements currently in effect, the information that the Distributor must exchange with the Generator and, if applicable, with its other existing suppliers, is conveyed in keeping with the procedures established by the representatives identified under these agreements.
- (iii) When the Distributor's employees receive information from the Transmission Provider, they must use this information only for carrying out their responsibilities.

4. TRANSFERS

The employees of the Distributor and Generator or those of an Affiliate may be transferred between these business units provided that these transfers are not used to circumvent the principles set forth in this Code of Ethics.

The Distributor must make public the transfer of any employee between these business units when the responsibilities of this employee are related, within the Distributor, to electric power supply or to forecasting electric power demand in Québec and, within the Generator or the Affiliate, to the development of power generation projects or to the preparation of bid documents for calls for tenders.

Transfer notices must include the name of the employee transferred, the respective title of each position held within the Distributor and the Generator or the Affiliate and the date that this transfer takes effect.

5. CONDUCTING CALLS FOR TENDERS

5.1 GENERAL RULES

During the process of a call for tenders, the Distributor may not grant preferential treatment to the Generator, to an Affiliate nor to any power supplier whatsoever.

5.2 HANDLING OF INFORMATION

- (i) Any employee who directly or indirectly takes part in the conduct of a call for tenders, whether he is an employee of Hydro-Québec or of a company under contract, is obliged, at all times, to comply with the confidential nature of the information obtained during this call for tenders. Confidential information is that which is provided by a bidder and contains technical, trade or financial information which, if disclosed, could prove detrimental to the bidder.
- (ii) Confidential information obtained in this way is used by the people concerned only to carry out the work that they have been assigned to as part of this call for tenders.
- (iii) The Distributor may not give the Generator, an Affiliate or any power supplier whatsoever, any information over and above that which is contained in the call for tenders document, without making such information available, at the same time, to all participating power suppliers.

5.3 EVALUATION OF BIDS

Any employee taking part in the evaluation of bids or in the process of selecting power suppliers must comply with the following rules:

- (i) in carrying out his responsibilities, he must make his decisions irrespective of all partisan considerations;
- (ii) he must not accept any gift, hospitality or other advantage;
- (iii) he must keep strictly confidential any information obtained as well as the content of any discussions that took place;
- (iv) he must not make any commitments with regard to a third party or to the Generator, nor give any guarantees relating to an opinion that he may be called upon to express or relating to a decision that he may be called upon to make;
- (v) when he has finished carrying out his responsibilities, he must not disclose any confidential information nor give anyone advice based on information that is not available to the public and that he has obtained within the scope of carrying out his responsibilities;
- (vi) if he has a direct or indirect interest in a company that submitted a bid in a call for tenders, he must disclose the nature of his interest to his employer. Such disclosure must be in writing.

Moreover, any Hydro-Québec employee remains bound by the Hydro-Québec Employees Code of Conduct.

6. COMPUTER NETWORK RESOURCES

Any of the Distributor's computer files for which shared use is allowed and that contains information that may give the Generator an advantage over the other power suppliers will be protected by access codes prohibiting the Generator from obtaining such information.

7. ENFORCEMENT OF THE CODE

- (i) The Distributor's employees who take part in activities related to the supply of electric power or to forecasting the electric power demand in Québec will receive annual training on the principles of this Code of Ethics, so that they can better understand these principles and put them into practice.
- (ii) Each manager is responsible for informing those concerned of the principles contained in this Code of Ethics and for having these principles applied as well as for reporting on them within his line of authority.

- (iii) The Distributor makes sure that any employee of a company hired under contract to take part in activities related to electric power supply is bound by the rules of Sections 2, 3 and 5 of this document.
- (iv) The Distributor must keep this Code of Ethics up to date and make it available for consultation in a public place so that power suppliers can take cognizance of the principles in force.
- (v) Hydro-Québec's Secretary General is responsible for enforcing this Code of Ethics in Hydro-Québec. The Secretary General must also keep a record of any violation and if need be, the corrective measures that were brought about. Once a year this record is sent to the *Régie de l'énergie*.

Note: In consideration of the *Régie de l'énergie*'s decision D-2001-191 delivered on July 24, 2001, Hydro-Québec's Board of Directors passed a resolution in its September 14, 2001 session, stating that the principles set forth in the Code of Ethics on Conducting Calls for Tenders, in particular those set forth in Sections 3 and 5 entitled *Conduct of employees in carrying out their responsibilities* and *Conducting calls for tenders*, apply to senior management and directors, subject to the duties, responsibilities and obligations of their office.