



# **TRANSMISSION PROVIDER CODE OF CONDUCT**

**HYDRO-QUÉBEC TRANSÉNERGIE**

**June 21, 2004**

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## 1. DEFINITIONS

In this *Transmission Provider Code of Conduct*, the definitions below apply.

**Act:** *An Act respecting the Régie de l'énergie* (R.S.Q., c. R-6.01)

**Affiliate:** Any entity affiliated with the Transmission Provider, referred to in Schedule 1 of this *Code of Conduct*.

**Code of Conduct:** This *Transmission Provider Code of Conduct*.

**Company:** Hydro-Québec.

**OASIS:** Open Access Same-Time Information System, the Web-based software used to request, approve and administer a transmission service, and disseminate information about the transmission system.

**Régie:** The Régie de l'énergie.

**Subsidiary:** A subsidiary as defined in the *Companies Act* (R.S.Q., c. C-38).

**Tariff:** The applicable text of the *Hydro-Québec Open Access Transmission Tariff* as adopted and modified from time to time by the Régie.

**Transmission customer:** Any eligible customer (or its designated agent) that can or does execute a transmission service agreement or that can or does receive a transmission service.

**Transmission Provider:** Hydro-Québec when carrying on electric power transmission activities within the meaning of the Act.

**Wholesale market activities:** The purchase or sale of electric energy for intended resale, except under supply agreements entered into by Hydro-Québec for electricity distribution to meet Québec needs.

## 2. INTERPRETATION

- 2.1 No provision of this *Code of Conduct* shall be interpreted as amending provisions of the *Tariff*.

## 3. PURPOSE

- 3.1 This *Code of Conduct* is intended to prevent any form of preferential treatment by the Transmission Provider toward Affiliates by controlling behaviour and the exchange of employees and information.
- 3.2 This *Code of Conduct* is also intended to prevent, through rules governing transactions between the Transmission Provider and Affiliates, financing of the latter, in whole or in part, by transmission customers.

## 4. RULES OF CONDUCT

### General Rules

- 4.1 The Transmission Provider is distinct from all other divisions and units conducting corporate activities for the Company and its subsidiaries.
- 4.2 Transmission Provider offices shall be physically separate from those of Affiliates, except for persons within the Transmission Provider carrying out work not regulated under the Act.

### Employee Conduct

- 4.3 Transmission Provider employees shall work independently of those of Affiliates conducting wholesale market activities.
- 4.4 No Transmission Provider employee shall allow an employee of an Affiliate involved in wholesale market activities:
- i) to take part in operations related to the transmission system or assume transmission system reliability duties; or
  - ii) to have access that differs in any way from the access given other transmission customers to the System Control Centre or similar facilities used for transmission operations or for transmission system reliability functions.
- 4.5 Transmission Provider employees may be transferred to duties related to wholesale market activities provided such transfers do not serve to circumvent this *Code of Conduct*.

Employees of Affiliates involved in wholesale market activities may be transferred to duties with the Transmission Provider provided such transfers do not serve to circumvent this *Code of Conduct*.

Notices of employee transfers referred to in this Section of the *Code of Conduct* shall be promptly posted on OASIS for at least 90 days.

The information posted on OASIS shall include the employee's name, position before the transfer, position after the transfer and the effective date of the transfer.

- 4.6 No Transmission Provider employee shall disclose information giving preferential treatment regarding the Transmission Provider's transmission system to an employee of an Affiliate involved in wholesale market activities or of another entity not affiliated with the Transmission Provider, through non-public communications outside OASIS or by access to information not posted on OASIS and not available at the same time to the general public without restriction.
- 4.7 Should a Transmission Provider employee in violation of this *Code of Conduct* disclose information not posted on OASIS, the Transmission Provider shall immediately post such information on OASIS.
- 4.8 The Transmission Provider shall not share, directly or indirectly, business information obtained from existing or potential transmission customers, or set down in response to an OASIS transmission or ancillary service request, with employees of Affiliates involved in wholesale market activities, except to the limited extent that such information shall be posted on OASIS in response to a transmission or ancillary service request.
- 4.9 Neither the Transmission Provider nor any of its employees shall use whatsoever intermediary to disclose to or share with employees of Affiliates involved in wholesale market activities information explicitly prohibited in Sections 4.6 and 4.8 of this *Code of Conduct*.
- 4.10 No Transmission Provider employee shall make any statement implying that an existing or potential customer will receive preferential treatment because it does business with an Affiliate.

#### **Accounting Data**

- 4.11 The Transmission Provider shall keep accounting records distinct from those of Affiliates, except for services within the Transmission Provider for activities not regulated under the Act.

- 4.12 The accounting information system used by the Transmission Provider shall allow it to identify specifically accounting data for transactions it carries out with Affiliates, both as a customer and as a supplier.
- 4.13 When required to evaluate certain transactions where it acts as a customer, the Transmission Provider shall take all necessary measures to obtain from the Affiliate acting as supplier, justification of the costs the latter uses for such transactions.
- 4.14 When necessary, the Transmission Provider shall provide the Affiliate with the cost of capital rate to use to calculate the full cost.
- 4.15 For any transaction, or set of related transactions during the same year, between the Transmission Provider and an Affiliate for an amount of \$1,000,000 or more, the Transmission Provider shall make, keep and submit upon request to the Régie, distinct records identifying the Affiliate with which the transaction(s) took place, and describing the goods or services transacted and the costing method used.

#### **Training and Information**

- 4.16 The Transmission Provider shall provide its employees with information sessions or material so that the individuals concerned are constantly aware of the rules in this *Code of Conduct* and abreast of changes to them.
- 4.17 The Transmission Provider shall also inform Affiliates with which it does business of the rules in this *Code of Conduct* and changes to them.

#### **Application of the Tariff**

- 4.18 Transmission services provided by the Transmission Provider to Affiliates shall be in accordance with the *Tariff*.

Applications for transmission service submitted to the Transmission Provider by Affiliates shall be treated in the same way as applications by a non-affiliated transmission customer.

The *Tariff* shall be applied to Affiliates in the same way as to non-affiliated transmission customers.

#### **Transactions with Affiliates**

- 4.19 Assets, goods and services, whether related to electricity or not, that are transferred or supplied by the Transmission Provider to Affiliates, shall be so in accordance with the transfer price policy recognized by the Régie and described in Section 5 of this *Code of Conduct*.

When Transmission Provider employees are on loan to Affiliates for certain periods of time, the cost of their services shall be reimbursed to the Transmission Provider in accordance with the transfer price policy recognized by the Régie and described in Section 5 of this *Code of Conduct*.

- 4.20 Assets, goods and services, whether related to electricity or not, that are acquired by the Transmission Provider from Affiliates, shall be so in accordance with the transfer price policy recognized by the Régie and described in Section 5 of this *Code of Conduct*.

When employees of Affiliates are on loan to the Transmission Provider for certain periods of time, the cost to the Transmission Provider of their services shall be in accordance with the transfer price policy recognized by the Régie and described in Section 5 of this *Code of Conduct*.

## 5. TRANSFER PRICE POLICY

- 5.1 The transfer price used for transactions between the Transmission Provider and Affiliates shall correspond to the full cost of the goods or services provided, including a return on the assets used to provide such goods or services using the cost of capital rate then in force for establishing the return on rate base for the Transmission Provider.

Should it not be possible to know precisely the full cost of a good or service provided by an Affiliate, the Transmission Provider shall estimate the full cost, including a justification of underlying assumptions.

- 5.2 For the transfer of assets between the Transmission Provider and Affiliates, or wholly owned subsidiaries, the transfer price shall correspond to the book cost of the assets. When a third party is involved, the transfer shall be at a negotiated price.
- 5.3 The Transmission Provider shall submit to the Régie for prior authorization any exception to the requirements in Sections 5.1 and 5.2 and specify why it is necessary and justified.

## 6. RESPONSIBILITY FOR APPLYING THE CODE

- 6.1 The Director – Marketing of the Transmission Provider is responsible for applying the rules set out in this *Code of Conduct*.

He or she may lay down internal management rules that Transmission Provider managers shall apply and for which they are accountable.

- 6.2 The Director – Marketing of the Transmission Provider is responsible for organizing and overseeing the information process and ongoing training for Transmission Provider employees, and for establishing the channels needed to do so with the managers responsible for Affiliates.

- 6.3 The Director – Marketing of the Transmission Provider shall be assigned to receiving any consumer complaint lodged directly or through a Transmission Provider employee or an employee of an Affiliate, and shall deal with the complaint following the complaint examination procedure approved by the Régie under Chapter VII of the Act.

- 6.4 The Director – Marketing of the Transmission Provider shall submit annually to his or her President a report on the application of the *Code of Conduct*, accompanied by a certificate of compliance from the Controller.

The annual report on the application of the *Code of Conduct* shall be submitted to the Régie.



## **7. SPECIAL PROVISIONS**

- 7.1 Regardless of any conflicting provision in this *Code of Conduct*, in an emergency affecting transmission system reliability, the Transmission Provider may take all measures necessary for the power system to continue operating.

The Transmission Provider shall post on OASIS any emergency that entailed a departure from this *Code of Conduct* within 24 hours of such departure.

## **8. PUBLICATION**

The *Code of Conduct* shall be posted permanently on:

- the intranet site of the Transmission Provider
- the Web site of the Transmission Provider
- OASIS

## **9. COMING INTO FORCE**

This *Code of Conduct* comes into force on June 21, 2004.

## **SCHEDULE 1 – AFFILIATES**

The following entities are considered affiliates of the Transmission Provider for the purpose of applying this *Code of Conduct*:

- Other Hydro-Québec divisions
- Business units carrying out Hydro-Québec corporate activities
- Persons within the Transmission Provider carrying out work not regulated under the Act
- First-tier Hydro-Québec subsidiaries
- Second-tier Hydro-Québec subsidiaries and their subsidiaries
- Limited partnerships and joint ventures under the effective control of Hydro-Québec