



NATIONAL ASSEMBLY OF QUÉBEC

FIRST SESSION

FORTY-THIRD LEGISLATURE

Bill 2
(2023, chapter 1)

**An Act mainly to cap the indexation
rate for Hydro-Québec domestic
distribution rate prices and to further
regulate the obligation to distribute
electricity**

**Introduced 2 December 2022
Passed in principle 7 February 2023
Passed 15 February 2023
Assented to 16 February 2023**

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EXPLANATORY NOTES

This Act amends mainly the Hydro-Québec Act in order to cap the indexation rate for domestic electricity distribution rate prices. In addition, the Act provides that Hydro-Québec must financially compensate municipal electric power systems and the Coopérative régionale d'électricité de Saint-Jean-Baptiste de Rouville for financial losses caused by that cap.

The Act further amends the Hydro-Québec Act to specify that Hydro-Québec is to pay a charge into the Generations Fund for all the water powers it exploits in Québec. It also validates the charges paid into that fund by Hydro-Québec since 1 January 2007.

The Act amends the Act respecting the Régie de l'énergie to give the Government the power to determine by regulation the cases in which and conditions on which Hydro-Québec or another holder of exclusive rights does not have the obligation to distribute electricity. It empowers the Minister of Economy, Innovation and Energy to authorize the distribution of electricity to a person where that obligation does not apply and determines the criteria the Minister must take into account before issuing an authorization.

Lastly, the Act contains transitional provisions.

LEGISLATION AMENDED BY THIS ACT:

- Hydro-Québec Act (chapter H-5);
- Act to reduce the debt and establish the Generations Fund (chapter R-2.2.0.1);
- Act respecting the Régie de l'énergie (chapter R-6.01).

Bill 2

AN ACT MAINLY TO CAP THE INDEXATION RATE FOR HYDRO-QUÉBEC DOMESTIC DISTRIBUTION RATE PRICES AND TO FURTHER REGULATE THE OBLIGATION TO DISTRIBUTE ELECTRICITY

THE PARLIAMENT OF QUÉBEC ENACTS AS FOLLOWS:

CHAPTER I

AMENDING PROVISIONS

HYDRO-QUÉBEC ACT

1. Section 16 of the Hydro-Québec Act (chapter H-5) is amended by replacing “under the second paragraph of section 32” in the first paragraph by “under section 16.1 of this Act”.

2. The Act is amended by inserting the following section after section 16:

“**16.1.** The Company shall pay a charge into the Generations Fund for all the water powers it exploits in Québec, including those placed at its disposal under section 32.

The Company shall pay the charge according to the terms prescribed by section 69.3 of the Watercourses Act (chapter R-13).

The rate of the charge is \$0.88 per 1,000 kilowatt-hours computed on 1 January 2023 and is to be adjusted on 1 January each year according to the percentage of increase, in relation to the preceding year, in the Consumer Price Index for Canada, as published by Statistics Canada under the Statistics Act (Revised Statutes of Canada, 1985, chapter S-19). For that purpose, the Consumer Price Index for a year is the average monthly index for the 12 months ending on 30 September of the preceding year.

Where an annual average or the percentage computed under the third paragraph or where the rate of the charge thus adjusted has more than two decimals, only the first two decimals are kept and the second decimal is increased by one unit if the third decimal is 5 or over.

The Minister shall publish, in the *Gazette officielle du Québec*, the rate of the charge so adjusted.”

3. Section 22.0.1.1 of the Act is amended

(1) by inserting “, and the prices of Rates D, DM, DN, DP, DT, Additional electricity–Photosynthesis or Space Heating to Raise Crops, Winter Credit Option–Rate D and Flex D, of the Dual-Energy Domestic Rate–Inukjuak System and of the Credit for supply applicable to domestic rates” at the end of the first paragraph;

(2) by inserting the following paragraphs after the second paragraph:

“The prices of Rates D, DM, DN, DP, DT, Additional electricity–Photosynthesis or Space Heating to Raise Crops, Winter Credit Option–Rate D and Flex D, of the Dual-Energy Domestic Rate–Inukjuak System and of the Credit for supply applicable to domestic rates are adjusted by operation of law on 1 April each year, according to the following formula:

$$A \times (1 + B).$$

In the formula in the third paragraph,

(1) the letter A represents a rate price as at the preceding 31 March;

(2) the letter B represents the lesser of

(a) the rate corresponding to the annual change in the overall average Québec consumer price index without alcoholic beverages, tobacco products and recreational cannabis for the 12-month period ending on 30 September of the year preceding that for which the price referred to in subparagraph 1 is to be adjusted; and

(b) the top rate of the Bank of Canada’s inflation-control range as at 30 September of the year preceding that for which the price referred to in subparagraph 1 is to be adjusted.”;

(3) by replacing “Notwithstanding the first paragraph” in the introductory clause of the third paragraph by “Despite the preceding paragraphs”.

4. The Act is amended by inserting the following section after section 22.0.1.2:

“22.0.1.3. The Company shall financially compensate a municipal electric power system governed by the Act respecting the Régie de l’énergie (chapter R-6.01) and the Coopérative régionale d’électricité de Saint-Jean-Baptiste de Rouville governed by the Act respecting the Coopérative régionale d’électricité de Saint-Jean-Baptiste de Rouville and repealing the Act to promote rural electrification by means of electricity cooperatives (1986, chapter 21) if the Company is shown, for a year, that the application of the rate provided for in subparagraph *b* of subparagraph 2 of the fourth paragraph of section 22.0.1.1 for the adjustment of the prices of Rates D, DM, DN, DP, DT, Additional electricity–Photosynthesis or Space Heating to Raise Crops, Winter Credit

Option–Rate D and Flex D, of the Dual-Energy Domestic Rate–Inukjuak System and of the Credit for supply applicable to domestic rates, compared to the rate provided for in subparagraph *a* of that subparagraph, for the adjustment of the prices of the electricity distribution rate at which that municipal system or the Coopérative purchases electricity from the Company, causes them a financial loss.”

5. Section 32 of the Act is amended by striking out the second, third, fourth and fifth paragraphs.

ACT TO REDUCE THE DEBT AND ESTABLISH THE GENERATIONS FUND

6. Section 3 of the Act to reduce the debt and establish the Generations Fund (chapter R-2.2.0.1) is amended by replacing “32” in subparagraph 1 of the first paragraph by “16.1”.

ACT RESPECTING THE RÉGIE DE L’ÉNERGIE

7. Section 76 of the Act respecting the Régie de l’énergie (chapter R-6.01) is amended

(1) by inserting “, except in the cases and on the conditions determined by regulation of the Government for each of those holders of exclusive rights” at the end of the first paragraph;

(2) by replacing the second paragraph by the following paragraphs:

“Where the obligation set out in the first paragraph does not apply, the holder of exclusive rights must obtain the authorization of the Minister to distribute electric power to a person or class of persons at the applicable rate set out in Schedule I to the Hydro-Québec Act (chapter H-5).

Before issuing a distribution authorization, the Minister shall take into account, among other things, the holder of exclusive rights’ technical capabilities for connection as well as the economic benefits and social and environmental impacts of the use of the electric power requested.

The Minister may require from the holder of exclusive rights any information that is relevant for the purposes of the second paragraph.”

8. Section 112 of the Act is amended by inserting the following subparagraph after subparagraph 2.3 of the first paragraph:

“(2.4) the cases in which and conditions on which each holder of exclusive rights does not have an obligation to distribute electric power in accordance with the first paragraph of section 76;”.

CHAPTER II

TRANSITIONAL AND FINAL PROVISIONS

9. Despite any inconsistent provision, the charges paid into the Generations Fund by Hydro-Québec since 1 January 2007 under section 32 of the Hydro-Québec Act (chapter H-5), as it read on 15 February 2023, are deemed to have been validly paid into the Fund. Those sums belong to the Government.

10. Until the coming into force of the first regulation made by the Government under subparagraph 2.4 of the first paragraph of section 112 of the Act respecting the Régie de l'énergie (chapter R-6.01), enacted by section 8, the obligation to distribute electric power set out in the first paragraph of section 76 of the Act respecting the Régie de l'énergie does not apply to any new request, any request for an additional load or any request from a customer having a special contract, which is for 5,000 kilowatts or more of power and regarding which the holder of exclusive rights did not enter into an agreement before 2 December 2022 that provides for a financial commitment from the party having made the request.

Where the obligation referred to in the first paragraph does not apply, a holder of exclusive rights must obtain the authorization of the Minister to distribute electric power to a person or class of persons at the applicable rate set out in Schedule I to the Hydro-Québec Act.

Before issuing a distribution authorization, the Minister must take into account, among other things, the holder of exclusive rights' technical capabilities for connection as well as the economic benefits and social and environmental impacts of the use of the electric power requested.

The Minister may require from the holder of exclusive rights any information that is relevant for the purposes of the second paragraph.

This section has effect despite the decisions of the Régie de l'énergie in files R-4057-2018 and R-4045-2018.

11. This Act comes into force on 16 February 2023, except section 7, which comes into force on the date of coming into force of the first regulation made under subparagraph 2.4 of the first paragraph of section 112 of the Act respecting the Régie de l'énergie, enacted by section 8.

