Hydro-Québec seeks approval for renewable energy tenders

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New renewable energy calls for tenders coming out of Québec will be in place by the end of 2021.

On Sept. 10, 2021, Hydro-Québec filed an application with the Québec Energy Board requesting approval of the grids for the bid evaluation criteria for the 480 MW renewable energy and 300 MW wind energy calls for tenders. They are expected to be approved by December 10.

The tenders are to be launched no later than December 31, according to the draft regulations published this past July. The publication of the regulations and the day they come into force are still pending, however.

The first tender is for a total of 480 MW of renewable energy capacity at peak and 1.4 TWh in energy during the winter. The second tender is for a total of 300 MW of installed wind energy capacity for an operating period of at least 20 years and at most 30 years. The 30-year term is favoured in the grid. In addition, Hydro-Québec wants to include a renewal clause in the contracts for these two blocks of renewable energy, which it may exercise at its discretion.

While the cost of electricity remains the primary criterion in the proposed weighting of these two calls for tenders, sustainable development will be an important criterion for the 480 MW block. As for the 300 MW block of wind energy, the criteria favours projects that meet or exceed regional and provincial economic benefits objectives.

480 MW renewable energy block

The 480 MW block tender is open to any type of renewable energy approved by the Energy Board. Renewable energy is defined as electricity generated from non-fossil energy sources such as wind, solar, geothermal, wave, tidal, hydro, biomass and biogas. Thermal energy sources that use at least 75 per cent renewable fuels will also be considered renewable for the purposes of the call for tenders.

According to Hydro-Québec, the type of weighting it proposes will allow the renewable thermal sector to have clear targets to meet in order to satisfy sustainable development requirements. Specifically, it will negatively weigh three indicators:

- GHG emissions associated with the proportion of non-renewable fuel used;
- Source of supply for natural gas renewable fuels; and
- Recovery of thermal waste.

This call for tenders will be open to essentially all renewable energy sectors.

300 MW wind power block

Québec and regional content guarantees represent 20 points out of 100 in the grid. The proposed minimum requirement for Québec content is 50 per cent, but a bidder who only meets the minimum requirement will be penalized by 10 points. To reach the maximum of 10 points for this criterion, Hydro-Québec is proposing a 70 per cent Québec content guarantee by the bidder.

For regional content, the minimum requirement is 25 per cent and the maximum is 45 per cent. Again, the minimum penalizes the bidder by 10 points while the bidder will gain 10 points for the maximum.

It is specified that regional expenses may be incurred in the regional county municipality (RCM) where the project is located, in the RCM of La Matanie and in the administrative region of Gaspésie-Îles-de-la-Madeleine.

We also note that payments to “local collectivities” must be at an annual rate of $5,700 per MW installed on the territory.

A prerequisite is the participation of the “local sector” in the project. “Local sector” means either a RCM, a local municipality or band council, a Cree or Northern village municipality, the Naskapi village municipality or the Kativik Regional Government.

The local sector must participate in the control of the project at the time of the tender and for the duration of the contract.

The local sector must hold 50 per cent of the participation in the project for the bidder to reach the status quo in the grid. A participation of more than 50 per cent gives 2.5 points, while a participation of 60 per cent gives the maximum of five points. There are penalties of up to five points for participation of less than 50 per cent.

As mentioned above, the recommended operating life for the project is 30 years, which gives the bidder two points on the grid. A 20-year duration is the minimum requirement, but penalizes the bidder by two points.

Finally, Hydro-Québec mentions that bidders could propose more than one alternative duration for their projects, depending in particular on the useful life of the generation equipment associated with the projects.

Conclusion

These new calls for tenders will allow for the continuing development of wind energy in Québec and, we hope, of other renewable energy sources under the 480 MW block. It will be necessary to take action early to ensure that the project meets the tender criteria, including the obligation to have a local sector partner at the time of submission for the 300 MW block project.

Stay tuned for the Energy Board's response to Hydro-Québec's request. In the meantime, do not hesitate to contact our energy team to discuss these upcoming opportunities.

By

Julie Belley Perron, Sylvie Bouvette, Shane Freitag, Morgane L. Besner

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BLG Offices

Calgary
Centennial Place, East Tower
520 3rd Avenue S.W.
Calgary, AB, Canada
T2P 0R3

T 403.232.9500
F 403.266.1395

Ottawa
World Exchange Plaza
100 Queen Street
Ottawa, ON, Canada
K1P 1J9

T 613.237.5160
F 613.230.8842

Vancouver
1200 Waterfront Centre
200 Burrard Street
Vancouver, BC, Canada
V7X 1T2

T 604.687.5744
F 604.687.1415

Montréal
1000 De La Gauchetière Street West
Suite 900
Montréal, QC, Canada
H3B 5H4

T 514.954.2555
F 514.879.9015

Toronto
Bay Adelaide Centre, East Tower
22 Adelaide Street West
Toronto, ON, Canada
M5H 4E3

T 416.367.6000
F 416.367.6749

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