



Centre de recherche sur la gouvernance

# MODELING AND REMODELING THE GOVERNANCE OF HYDRO-QUÉBEC

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## HYDRO-QUÉBEC IN SHORT

- Nationalisations in 1944 and 1963
- Ontario did the same in ...1907
- Catching up with development in North America: a mix of modernisation and nationalism: the Quiet Revolution
- Province –building elsewhere in Canada also
- Working in French in a large enterprise
- Engineers at the helm
- Technological success
- 25 percent of the total investments in 1978 in Quebec
- Policy instruments first, policies later



## EARLY GOVERNANCE

- A CEO coming from the ranks
- 12 commissars
- A very informal relation (but frequent) with prime ministers Bourassa and Lévesque
- A collegial decision making and accelerated development
- A « ministère de tutelle » unable to control HQ
- Subscribers, not clients
- 39 percent of energy in Québec and cheap rates



## COMING OF AGE GOVERNANCE

- A board of directors
- The restructuring of a large enterprise
- The arrival of Guy Coulombe, the former civil servant, as CEO
- Moving from engineers to an economic logic
- Outages in the 1980s, the ice storm in 1998
- How many more billions in revenue could be extracted from Hydro-Québec?



## TODAY'S GOVERNANCE (1)

- The FERC
- The Régie de l'énergie and the Bureau d'audiences publiques sur l'environnement (BAPE)
- « Le Suroît » gas power facility crisis
- The 2006 law on corporate governance
- Growing profits in a regulated industry, dividends and wind power
- Improved reliability of the system (the 2003 blackout)



## TODAY'S GOVERNANCE WITH THE 2006 LAW (2)

- A separate president of the board from the CEO
- An increasing role for the auditor general
- Three committees of the board: governance, audit and human resources
- Independent board members who understand the business?
- A new system to select board members in theory
- Official presentations of the strategic plan and annual reports in front of standing committees
- Still, the visibility of Hydro-Québec and Hafsi's theory
- Increased demand for dividends



## A DIVISION OF TASKS

- Hydro-Québec Production generates power for the Quebec market and sells power on wholesale markets.
- Hydro-Québec TransÉnergie: the most extensive transmission system in North America.
- Hydro-Québec Distribution provides the supply of electricity in Quebec
- Hydro-Québec Équipement et Services Partagés manages the equipments and build the dams





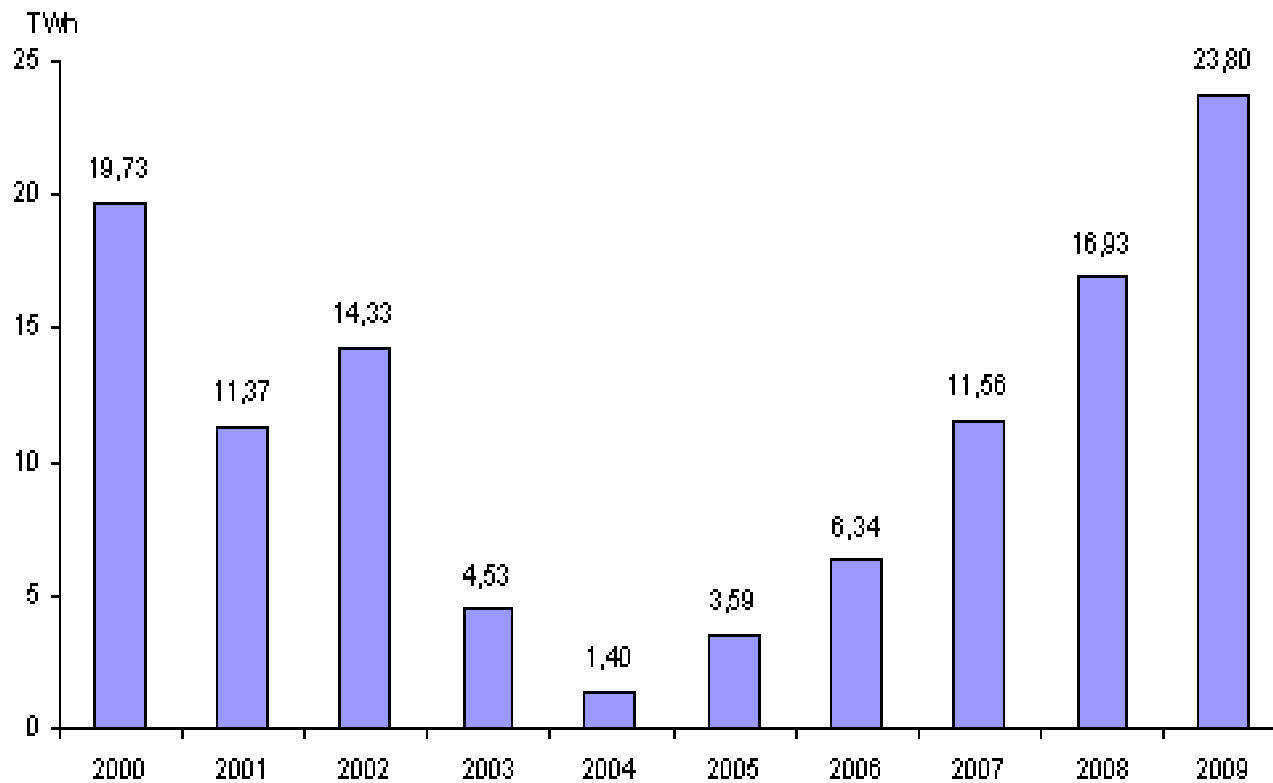
## OTHER CONSIDERATIONS

- A still very popular enterprise?: « Its our truck » but becoming an enterprise « like the others »
- No privatization planned although engineers are in private firms
- Problems with corruption for construction
- Overcapacity of production and falling prices on the US market
- Rain and exports
- Exports but no concentration (New Brunswick's failed deal)
- A slowly growing demand
- Cheap hydraulic power gives a competitive advantage on the »US market





## SALES OUTSIDE QUÉBEC





**Tableau 2 : Opinions about the privatisation of Hydro-Québec**

	2003		2013	
Totally agree	9	25	6	18
Slightly agree	16		12	
Slightly disagree	22	68	21	72
Totally disagree	46		51	
other	7		10	

N=700


**TABLE 1 : HYDRO-QUÉBEC (1996-2012)**

	SALES OF ELECTRICITY (TWH)		FINANCIAL PERFORMANCE (MILLIONS \$ CANADIAN)		
	IN QUÉBEC	OUT OF QUÉBEC	REVENUES	NET PROFIT	DIVIDEND
1996	144,5	19,0	7680	520	0
1997	147,3	15,2	8423	786	357
1998	142,8	18,6	8812	679	279
1999	147,0	16,0	9608	906	453
2000	152,8	37,3	11429	1078	539
2001	152,2	42,4	12578	1108	554
2002	158,6	54,2	13002	1526	763
2003	161,1	15,8	11425	1931	965
2004	165,9	14,4	10698	2435	1350
2005	169,2	15,3	10890	2252	1126
2006	167,3	14,5	11161	3741	2342
2007	173,2	19,6	12330	2907	2095
2008	170,4	21,3	12717	3141	2252
2009	165,3	23,4	12334	3035	2168
2010	169,5	23,3	12238	2515	1886
2011	170,0	26,8	12392	2611	1958
2012	168,4	35,3	12228	860	645

**SOURCE : ANNUAL REPORTS**



## A STATE WITHIN THE STATE?

- Improved governance but
- A technological core that remains difficult to understand for people outside (and it is not nuclear power)
- A new government, a minister in charge coming from the « environmentalist » division and the closing of the only nuclear plant
- Rate increases to improve the quality of the service and dividends plus to integrate wind production which is not needed
- Public mission and exports: do they go well together?
- It is still a strategic industrial sector
- What does the state want? The instrument but not the policy?

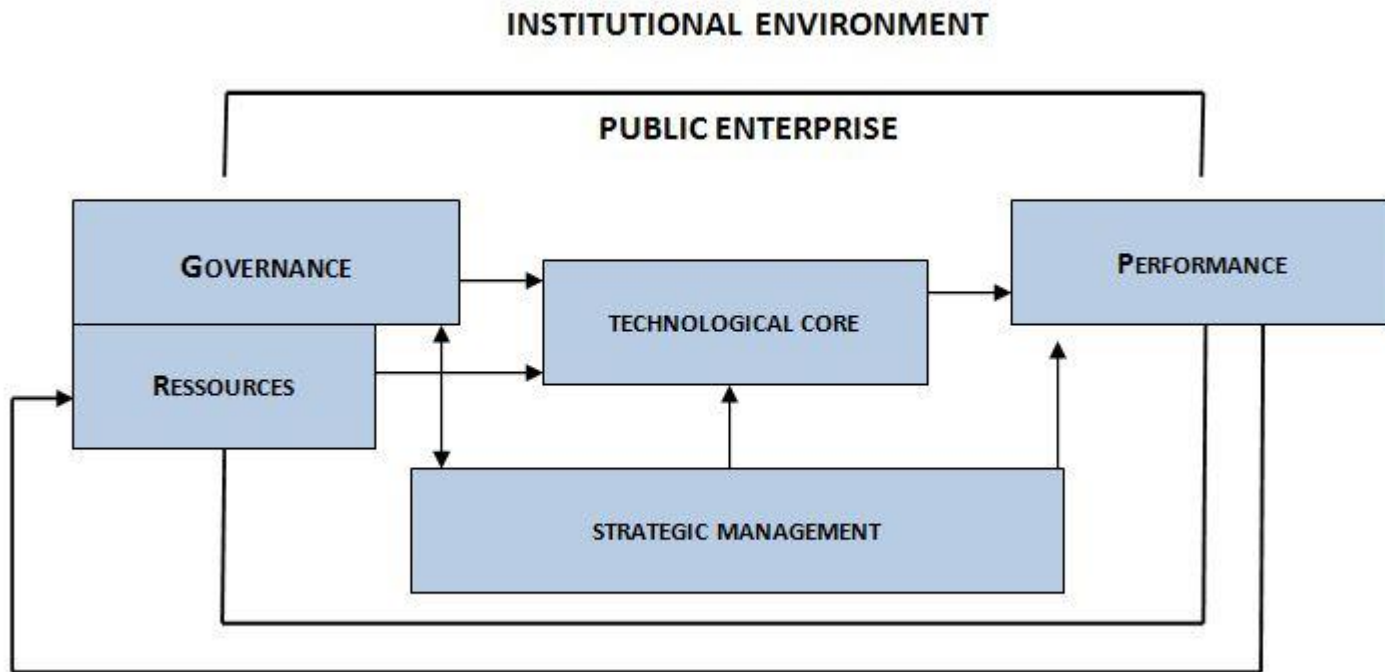


## IN OTHER WORDS

- Some decoupling between politics and management: an hybrid organization at arms length
- No need for external capital so no need for PPP or the state in this regard
- Strengthened accountability and still limited transparency
- Legitimacy and technical capacity
- A more efficient enterprise: less employees, better service, better knowledge of the industry
- A public enterprise adapting to a changing world



## A BROADER FRAMEWORK?





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