



Clean Energy

Association
Of British Columbia

June 6th 2011

Mr. John Dyble
Deputy Minister to the Premier

Mr. Peter Milburn
Deputy Minister of Finance

Ms. Cheryl Wenezenki-Yolland
Associate Deputy Minister, Environmental Assessment Office

Dear Deputy Ministers:

Reference: BC Hydro Review

The Clean Energy Association of British Columbia (CEBC) is pleased to present the attached submission material for your BC Hydro Review. Our submission follows on from the meeting that our team had with Messrs. Carr and Brown on May 9, 2011.

The 'bottom line' messages we wish to present the review panel are:

- ✓ If past is prologue British Columbia will require significantly more clean energy over the coming years.
- ✓ If other jurisdictions continue to have increasing renewable portfolio standards (as they are likely to over the medium to longer term) significant electricity export opportunities will open up for British Columbia's public and private electricity generators.
- ✓ Clean energy power producers account for an extremely small proportion (2.6%) of the proposed 32.1% increases, this fact needs to be presented to British Columbians.
- ✓ Clean energy power producers' electricity is cost effective when compared to new generation sources recently undertaken or being proposed by BC Hydro. Based on apples to apples comparisons our clean energy projects match or are less per MWh than projects such as Aberfeldy, Waneta or Site C.
- ✓ Clean Energy BC strongly supports cost effective conservation and demand side management measures. A critical evaluation and comparison of new generation and DSM is required.

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The necessity for a review came out of public response to BC Hydro's March 1, 2011 application to the BC Utilities Commission seeking a rate increase of 9.73% in each of the years 2012 to 2014. The concern was over possible negative impacts on BC families and other power consumers. The terms of reference for the review are specific and focus on operational and administrative matters but give authority for the panel to examine other matters it deems appropriate.

The panel's perspective must be forward thinking and long term oriented. Just as the current rate increase request is based upon actions and decisions taken several years ago, so too the future of BC's electricity system and rates will be impacted by actions taken today but not fully understood until later. Furthermore, there is a larger system to consider: BC is not isolated from what its neighbours do in Cascadia or North America. There is dynamism in the energy market place which we in BC must be mindful of. However, CEBC also believes that to properly respond to the issues that give rise to the rate increase and the public and government responses, the review panel must consider and understand structural and historic matters pertinent to the electricity system in BC. The challenge with our electricity policy is that we must be both cautious and bold.

Our fortunate legacy in BC is 9 large storage dams built over a 25 year period ending in 1984. Since then however, our population has doubled to 4.6 million people with almost no new generation having been built during this time. Today we have about 11,000 MW of generation capacity in British Columbia. If we see a 50% increase in population over the next 25 year period, effectively through equivalent DSM and new sources (whatever the optimum combination is) we could need a 50% increase in generation assets. We need to take a serious long term view on building upon our current legacy to ensure prosperity for the future but in a sustainable manner for all segments of our society. Visionary thinking and strategy requires bold steadfast leadership and we encourage that today.

Our submission materials include the following::

- A. Fact Sheets:** Two page issue summary sheets on the following topics.
- ✓ The Cost of Private Power
 - ✓ BC Hydro Rate Increases
 - ✓ Electricity Self Sufficiency
 - ✓ Demand Side Management
 - ✓ Deferral and Regulatory Accounts

- ✓ Economic Benefits of Private Power Projects in BC

B. Backgrounders: Multipage issue background papers complete with appendices

- ✓ The Role of IPP Energy Costs in the BC Hydro Rate Increase
- ✓ The Cost of Energy from Independent Power Producers
- ✓ BC Hydro Capital and Operating Costs
- ✓ BC Hydro Electricity Self Sufficiency
- ✓ Demand Side Management
- ✓ Deferral and Regulatory Accounts
- ✓ PwC Economic Benefits Study: Economic Impact Analysis of Clean Energy Projects in BC 2010

Clean Energy BC Recommendations

The energy system of which electricity is a part in BC is extremely complex. For the sake of transparency and public awareness, BC Hydro and the government should commit to a long term plan to engage, inform and educate the public about the realities and facts of electricity in British Columbia.. Industry, media, ENGOS, First Nations, colleges and universities and K-12 school system must all be involved. CEBC would be pleased to help lead this initiative.

Imbedded within the current rate issue is taxpayer versus ratepayer considerations. Governments and communities make investments in enabling infrastructure and electricity investments should be considered in the same manner as other investments such as roads, bridges and ports. These are not all either or choices but speak of the need for significant and careful policy thinking. . Electricity should be used as a key driver for economic development. What is role of the public utility, BC Hydro vs the private sector in electricity development, operation, transmission and management? Based on the Clean Energy Act and mindful of carbon management policies BC needs to engage in the development of an economic development policy and programs based on energy. CEBC would be pleased to engage in this process.

CEBC members are clean energy project developers and operators – we produce electricity for the grid. As such we are production partners with BC Hydro. Knowledge, information, planning, and development should be shared between BC Hydro and CEBC in a cooperative and co-

constructive manner for the most efficient and effective outcome for BC ratepayers and taxpayers.

The most significant contributors to BC Hydro's current request for a 32.1% rate increase over 3 years is capital charges and not operating costs, the latter of which accounts for only 20% of BC Hydro's total costs.. Infrastructure renewal is required and CEBC supports this, however, BC Hydro and the BC government need to prioritize and ration capital expenditures. Clean Energy BC members are willing to engage on where the private sector might be able to contribute to BC Hydro's re-building program.

The cost of energy from clean energy producers (IPPs) is extremely cost effective and is closer to \$70 MWh than the oft quoted Clean Power Call average purchase price of \$124 per MWh. Furthermore, if one includes the economic development benefits of building power projects and associated infrastructure in BC, the net incremental cost is much lower. BC Hydro needs to embrace working with the clean energy sector as production partners, not competitors. The publicly owned heritage system can work cost effectively with the private sector clean energy sector.

The 32.1% rate increase has little to do with the cost of purchasing power from clean energy producers and everything to do with the cost of renewing the assets of the publicly-owned utility. In fact only 2.6% of the 32.1% is attributable to clean energy projects.

With only minor exception, BC Hydro has planned its electrical system on the basis of self-sufficiency and must continue to do so. This is in the best interest of the ratepayer. It is not prudent for BC electricity needs to be tied to, and at the whim of an uncertain the spot market. The spot market also means that the economic development benefits have accrued to another region, state or province. For all and any use of spot markets, the GHG's associated with the electricity purchase should be disclosed.

CEBC believes in and is supportive of the need for BC Hydro and the BC government to implement demand side management programs. What is also needed is a careful look at the most promising programs and investing in those whilst withdrawing from those that are least cost effective.



Clean Energy BC remains committed to working with all stakeholders to develop policies, regulations and guidelines required to strengthen British Columbia's economy in an environmentally responsible manner.

Sincerely,

Paul Kariya
Executive Director

Cc: Honourable Rich Coleman
Minister of Energy and Mines

Mr. Steve Carr
Deputy Minister of Energy and Mines

Mr. Chris Brown
A/Executive Director
Audit and Technical Services
Ministry of Finance

Mr. Dan Doyle
Chair, BC Hydro

Mr. David Cobb
President and CEO, BC Hydro