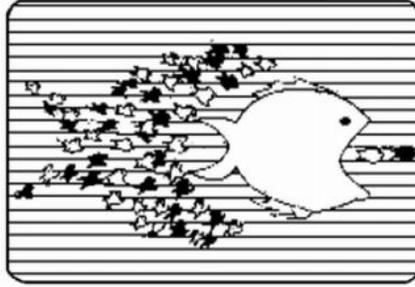


British Columbia Public Interest Advocacy Centre

208–1090 West Pender Street
Vancouver, BC V6E 2N7
Coast Salish Territory
Tel: (604) 687-3063 Fax: (604) 682-7896
email: bcpiac@bcpiac.com
<http://www.bcpiac.com>



James L. Quail 687-3034
Ros Salvador 488-1315
Leigha Worth 687-3044
Barristers & Solicitors
Jodie Gauthier
Articled Student

May 6, 2011

our file 7481

via email

Ms. Erica M. Hamilton
Commission Secretary
British Columbia Utilities Commission
Sixth Floor – 900 Howe Street
Vancouver, BC V6Z 2N3

Dear Mesdames/Sirs:

**Re: British Columbia Hydro and Power Authority
Project No. 3698622/Order G-40-11
F2012 to F2014 Revenue Requirements Application
Non-Rate Terms or Conditions; in particular those relating to the Point-to-Point
Transmission Charge Allocation Methodology**

These are the comments of BCOAPO *et al.* regarding the Point-to-Point (PTP) Transmission Charge Allocation Methodology, pursuant to Exhibit A-13, the Commission's letter of May 2, 2011.

The world has changed since 2003, when the Transfer Pricing Arrangement between Powerex and BC Hydro was developed. In 2003, there was ongoing discussion with Regional Transmission Organization (RTO) West, with the thought of creating an independent transmission provider that spanned western North America, from Alberta to California. There was expected to be extensive retail access, with real time competition amongst generators, bidding into a common power supply pool.

Now, of course, not only is RTO West a faded memory, but BCTC has disappeared and retail access has not occurred. The assertion that the proposed PTP methodology is consistent with the original competitive underpinning driving the Transfer Pricing Arrangement is not a compelling reason to change the PTP allocation.

Furthermore the assumption that BC Hydro is going to change from a net energy *importer* to a net *exporter* is currently less certain than it may have recently appeared, now that the Minister of Transportation and Infrastructure has commissioned a Review Committee to

reconsider all aspects of BC Hydro and related government policy, in view of the series of huge rate increases projected by Hydro. It is obvious that policies of the previous administration, including those captured in the *Clean Energy Act*, are major drivers behind the proliferation of projects, contracts, and costs which underlie surging rates. It remains to be seen how far the Committee, and ultimately the new government administration, will go in terms of efforts to mitigate rates. However, it cannot be said with any degree of certainty that “self-sufficiency” (especially as defined in the *Act*) will remain in play, or in what form, or to what extent. The answers to those questions will be much clearer around the time when this proceeding regains momentum, later this summer.

BC Hydro ratepayers backstop all of the transmission costs and the capacity costs that support imports and exports in the Hydro system, whether by Hydro or Powerex. Transmission costs are minimally offset by third-party use. To ensure that BC Hydro ratepayers receive maximum value for the use of these resources, the PTP allocation should only be changed if Hydro can provide convincing evidence that consumers will be better off as a result. This consideration deserves far greater weight than BC Hydro's concern about providing a better price signal to Powerex – particularly in light of large rate increases going forward (. . . and resisting the urge to comment on the sense of BC Hydro seeking a “price signal” to influence the *behaviour of its own subsidiary!*)

Yours truly,
BC PUBLIC INTEREST ADVOCACY CENTRE

Jim Quail, Barrister & Solicitor
Executive Director

copy via email: parties of record