

C1-8

billion to the cost Estimate over the next 20 years. The three NTL EPAs extend for 36 years beyond the 20-year period of the Estimate and carry an incremental inflation risk over this extended period in the range of \$7 billion.

Beyond the volume of non-commercial EPAs BC Hydro has taken on, there is also a series of other non-commercial activities it has assumed at the direction of Government. In aggregate, these non-commercial transactions are now impacting customer electricity rates and will continue to do so for many years to come.

As this problem did not happen overnight, there will be no quick fix. However, there is an opportunity to address these financial issues when the EPAs for IPP projects expire and can be renewed on a commercial and market rate basis.

This report offers recommendations:

- on a renewal strategy that will moderate the future financial impacts of the EPAs as they mature and there is an opportunity for renewal. It is recommended that BC Hydro should make only one offer for renewal of EPAs associated with projects that generate Intermittent energy and that offer is priced at the real market value of the energy generated, the Mid-C rate.
- for the reversal of the “self-sufficiency” mandate, which interfered with the energy planning processes to create the apparent need for additional IPP energy.
- On a strategy to improve the transparency around future non-commercial transactions that Government may choose to direct BC Hydro to undertake.
- to return to the British Columbia Utilities Commission (BCUC) its full historic oversight mandate to protect the interests of ratepayers, with some latitude to deal with transactions that need to be managed to maturity.

Introduction

1) Glossary and Basic Concepts

BC Hydro means the British Columbia Hydro and Power Authority, a Crown corporation that is accountable to the Government and owned by the people of British Columbia

BCUC means the British Columbia Utilities Commission

Biomass generation typically uses waste from saw mills and pulp mills to generate heat, steam and electricity that often supports the mill operations with surplus power sold back to BC Hydro under an EPA. Biomass power projects generate Firm power and have some ability to Dispatch.

GOD means Commercial Operations Date, the date upon which an IPP begins to sell electricity to BC Hydro under an EPA.

Dispatchable refers to the ability of a power generator to increase or decrease output quickly and on demand. Storage hydro and biomass generating facilities are typically Dispatchable. Run-of-River, Wind and Solar power facilities are typically non-Dispatchable as they can generate only when the water flows, the wind blows or the sun shines.