



July 14, 2020

Sent via email/eFile

BC HYDRO 2020 TRANSFER PRICING AGREEMENT APPLICATION	EXHIBIT A2-1
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Ms. Marija Tresoglavic
Acting Commission Secretary
British Columbia Utilities Commission
Suite 410, 900 Howe Street
Vancouver, BC V6Z 2N3
Commission.Secretary@bcuc.com

Re: British Columbia Hydro and Power Authority – 2020 Transfer Pricing Agreement Application – Project No. 1599102 – British Columbia Utilities Commission Staff Submission on Further Process

Dear Ms. Tresoglavic:

By Order G-156-20 dated June 17, 2020, the Panel established a regulatory timetable for the review of the British Columbia Hydro and Power Authority (BC Hydro) 2020 Transfer Pricing Agreement (TPA) Application (Application). The regulatory timetable, among other things, consists of intervener submissions on further process, BC Hydro reply to intervener submissions on further process, with further process to be determined. The BCUC letter dated June 17, 2020 specifies the items that the Panel would like interveners to address in their submissions on further process, including the value of including a BC Hydro-led workshop in a future regulatory timetable. British Columbia Utilities Commission (BCUC) Staff hereby provide the following submission on further process.

BCUC Staff are supportive of a transcribed BC Hydro-led workshop, with the Panel's presence, as the next item on the regulatory timetable to review the above-noted Application, followed by one round of information requests, with further process to be determined. BCUC Staff submit that a workshop would help establish a common understanding of the mechanisms of the TPA and would provide contextual background that is important for the review of the Application. BCUC Staff are hopeful that the workshop will reduce the volume of information requests necessary in the proceeding and will support regulatory efficiency. It is BCUC Staff's view that any material presented at the workshop should form part of the evidentiary record. BCUC Staff make no submission on availability for the purpose of scheduling a workshop.

BCUC Staff would like the BC Hydro-led workshop to address the following:

- Background on BC Hydro and Powerex Corp. (Powerex):
 - The organizational structure of BC Hydro and Powerex;
 - Communication and information sharing practices between BC Hydro and Powerex;
 - How decisions made by one entity impact the other operationally and financially, and to what extent;

- How and which decisions made by Powerex impact BC Hydro's ratepayers, both directly and indirectly;
- How BC Hydro manages its energy supply portfolio and how the 2020 TPA plays a role in BC Hydro's system operation decisions;
- Background on the 2020 TPA and the activities conducted under the terms of the TPA, including:
 - The origin of the 2020 TPA and any previously executed agreements that served a similar purpose (e.g. the 2003 TPA);
 - Regulatory history of the TPA;
 - Relevant governing entities (both within and outside British Columbia) and their respective jurisdictions over the activities conducted by BC Hydro and Powerex, under the terms of the 2020 TPA;
- Regulatory matters within the BCUC's purview in relation to the 2020 TPA, including but not limited to:
 - Legislative context under which the BCUC reviews the 2020 TPA, including any impact from recent legislative changes such as the Clean Energy Amendment Act¹;
 - Which of the activities to be conducted under the terms of the 2020 TPA would require additional BCUC review prior to, or shortly after, execution, and which activities are considered to be in the public interest by virtue of an accepted 2020 TPA under section 71 of the Utilities Commission Act;
 - Any implications to BC Hydro and Powerex should the BCUC not find the 2020 TPA to be in the public interest;
 - The BCUC's oversight on costs and revenues resulting from activities conducted under the 2020 TPA;
 - The anticipated frequency of future TPA amendments or new TPA, if any;
- Explanation of the terms of the 2020 TPA:
 - Distinguish between those terms within the 2020 TPA that incent economically efficient decision-making by Powerex and BC Hydro, but have no effect on BC Hydro's revenue requirements, and those terms that impact BC Hydro's revenue requirement;
 - Explain how Residual System Capability is determined (e.g. input data, modeling, internal oversight, review process and frequency), and how any requests by Powerex to increase the Residual System Capability are considered by BC Hydro;
 - Describe when BC Hydro requires the various types of electricity purchases and sales facilitated by the 2020 TPA (e.g. flexible schedule, non-flexible schedule, specified quantity request, forward transactions, etc.), and how each of these transactions are considered by BC Hydro from an operational and planning perspective, respectively;
 - The use of Surplus and Deficit multipliers to calculate the Annual Price and the effect on cost/benefit allocation between BC Hydro and Powerex;
 - Elaborate on the procedure to determine payments between BC Hydro and Powerex related to wear and tear resulting from Powerex's import and export decisions, and whether the procedure and/or these payments are subject to BCUC's oversight; and
- Comparison of the terms under the 2003 and 2020 TPA, including but not limited to:

¹ <https://www.leg.bc.ca/parliamentary-business/legislation-debates-proceedings/41st-parliament/5th-session/bills/first-reading/gov17-1>

- Using illustrative examples, explain and compare the mechanism, pricing and ratepayer impact of BC Hydro purchases from Powerex under the 2003 and 2020 TPA;
- The reason for the change in electricity transactions classified as Market Electricity Purchases, Surplus Sales and Net Purchases (Sales) from Powerex under the 2003 TPA to electricity transactions classified as System Exports or System Imports under the 2020 TPA, and the applicable International Financial Reporting Standards Guidelines that necessitated the change, if any;
- The impact of the change in classification of electricity transactions for both regulatory and financial reporting purposes, in both dollars and volumes; and
- Any other related matters in relation to the 2020 TPA, including but not limited to, Network Economy provisions of the Open Access Transmission Tariff, Powerex's involvement in the Western Energy Imbalance Market, and transmission activities as regulated by Federal Energy Regulatory Commission.

Sincerely,

BCUC Staff
HC/cmv