



bcuc
British Columbia
Utilities Commission

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July 30, 2020

Sent via email/eFile

BC HYDRO 2020 TRANSFER PRICING AGREEMENT APPLICATION EXHIBIT A-4

Mr. Fred James
Chief Regulatory Officer
British Columbia Hydro and Power Authority
16th Floor – 333 Dunsmuir Street
Vancouver, BC V6B 5R3
bhydroregulatorygroup@bhydro.com

**Re: British Columbia Hydro and Power Authority (BC Hydro) – 2020 Transfer Pricing Agreement
Application – Regulatory Timetable with Reasons**

Dear Mr. James:

Further to your May 29, 2020 filing of the above-noted application, please find enclosed British Columbia Utilities Commission Order G-204-20 with a Regulatory Timetable and Reasons.

Sincerely,

Original signed by:

Marija Tresoglavic
Acting Commission Secretary

/CMV



ORDER NUMBER
G-204-20

IN THE MATTER OF
the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

British Columbia Hydro and Power Authority
2020 Transfer Pricing Agreement Application

BEFORE:

R. I. Mason, Panel Chair
E. B. Lockhart, Commissioner
T. A. Loski, Commissioner

on July 30, 2020

ORDER

WHEREAS:

- A. On May 29, 2020, British Columbia Hydro and Power Authority (BC Hydro) filed the 2020 Transfer Pricing Agreement (TPA) Application seeking an order from the British Columbia Utilities Commission (BCUC) accepting the 2020 TPA as an Energy Supply Contract (ESC) filed under section 71 of the *Utilities Commission Act* (UCA) (Application);
- B. By Order G-61-12 dated May 17, 2012, the BCUC established the Rules for Energy Supply Contracts for Electricity (Rules). The Rules are intended to facilitate the BCUC's review of ESCs and proposed ESCs for electricity;
- C. By Order G-156-20 dated June 17, 2020, the BCUC established a regulatory timetable, which included a public notice, intervener registration, intervener submissions on further process and BC Hydro reply to intervener submissions on further process;
- D. By Letter dated June 17, 2020, the BCUC requested interveners to make submissions on further process in accordance with the regulatory timetable, on the following matters:
 - The value in having a BC Hydro-led workshop;
 - Items to be addressed at the workshop;
 - The timing of the workshop, both in terms of sequence relative to other processes in the regulatory review process (e.g. before or after Information Request No. 1), as well as intervener availability; and
 - Any other matters;

- E. The BCUC received submissions on further process from the Commercial Energy Consumers Association of British Columbia (CEC), British Columbia Old Age Pensioners Organization et al. (BCOAPO) and BCUC Staff. By letter dated July 21, 2020, BC Hydro provided its reply; and
- F. The BCUC has the reviewed submissions on further process and considers the attached amendment to the regulatory timetable for the review of the Application is warranted.

NOW THEREFORE for the reasons attached as Appendix B to this order, the BCUC establishes a further regulatory timetable for the review of the Application, as set out in Appendix A to this order.

DATED at the City of Vancouver, in the Province of British Columbia, this 30th day of July 2020.

BY ORDER

Original signed by:

R. I. Mason
Commissioner

Attachment

British Columbia Hydro and Power Authority
2020 Transfer Pricing Agreement Application

REGULATORY TIMETABLE

Action	Date (2020)
Workshop	Tuesday, September 22
BCUC Information Request (IR) No. 1 to BC Hydro	Thursday, October 8
Intervener IR No. 1 to BC Hydro	Thursday, October 15
BC Hydro Responds to BCUC and Intervener IRs No. 1	Thursday, November 19
Further Process	To be Determined

British Columbia Hydro and Power Authority 2020
Transfer Pricing Agreement Application

REASONS FOR DECISION

1.0 Background and Introduction

On May 29, 2020, British Columbia Hydro and Power Authority (BC Hydro) filed the 2020 Transfer Pricing Agreement (TPA) Application (Application) seeking an order from the British Columbia Utilities Commission (BCUC) accepting the 2020 TPA as filed under section 71 of the *Utilities Commission Act* (UCA).

By Order G-156-20 dated June 17, 2020, the BCUC established a regulatory timetable, which included, among other things, intervener submissions on further process and BC Hydro reply to intervener submissions on further process. The BCUC requested interveners to make submissions on further process in accordance with the regulatory timetable, on the following matters:

- The value in having a BC Hydro-led workshop;
- Items to be addressed at the workshop;
- The timing of the workshop, both in terms of sequence relative to other processes in the regulatory review process (e.g. before or after Information Request No. 1), as well as intervener availability; and
- Any other matters.

The BCUC received submissions on further process from the Commercial Energy Consumers Association of British Columbia (CEC), British Columbia Old Age Pensioners Organization et al. (BCOAPO) and BCUC Staff. BC Hydro provided its reply on July 21, 2020.

2.0 Key Issues

2.1 Value in having a BC Hydro led workshop

Positions of the Parties

BCUC Staff support a transcribed, BC Hydro-led workshop as the next step in the regulatory process, to be followed by one round of information requests (IRs) and further process to be decided. BCUC Staff state that such a workshop would help establish a common understanding of the mechanisms of the 2020 TPA and would provide contextual background that is important for the review of the Application. BCUC Staff hope that the workshop will reduce the volume of information requests necessary in the proceeding and will support regulatory efficiency.¹

¹ Exhibit A2-1, p. 1

BCUC Staff submit they support the Panel being present, and that any material presented at the workshop should form part of the evidentiary record.²

BCOAPO supports the BCUC Staff suggestion of a BC Hydro-led workshop to take place ahead of any IRs as a means to reduce the time spent generating and answering clarifying questions.³

The CEC also supports a BC Hydro-led workshop that would take place before the first round of IRs.⁴

BC Hydro Reply

BC Hydro agrees with the BCUC Staff and intervener submissions that a BC Hydro-led workshop would be beneficial. BC Hydro requests that the workshop be limited to one day, noting that neither BCUC Staff nor any intervener suggested otherwise. BC Hydro also agrees that any written materials presented at the workshop should form part of the record, and welcomes the attendance of the Panel.⁵

BC Hydro submits that transcribing the workshop would transform the workshop into an oral hearing in all but name and would be less conducive to the exploration of ideas and building understanding.⁶

Panel Determination

The Panel finds that a one-day, BC Hydro-led workshop should be an efficient method of answering BCUC Staff and interveners' clarifying questions prior to IRs. The Panel further finds that the workshop should be transcribed, and any written materials presented at the workshop should form part of the record.

All parties agree that a BC Hydro-led workshop would be an efficient way of asking and answering clarifying questions regarding the Application. The Panel agrees.

The Panel considers it reasonable to limit the workshop to one day. The purpose of the workshop is to have clarifying questions answered in anticipation that IRs will follow. Notwithstanding BC Hydro's observation about a transcribed workshop being "an oral hearing in all but name", the Panel does not intend the workshop to be unduly formal, nor that the workshop be an opportunity for cross-examination. A one-day workshop of perhaps five to six productive hours should be sufficient for this purpose, and the Panel encourages BC Hydro, in leading the workshop, BCUC Staff, and all interveners to make the most productive use of the time and avoid duplicating material already in the Application.

The Panel will be pleased to attend the workshop, and thanks BC Hydro for its welcome. For this reason, the Panel considers it important that the workshop be transcribed, and that any questions

² Exhibit A2-1, p. 1

³ Exhibit C5-2, P.1

⁴ Exhibit C3-2, P.1

⁵ Exhibit B-3, P.1, 3

⁶ Exhibit B-3, P.3

posed by the Panel and answers received are part of the record of the proceeding. Transcription will also allow parties to refer back to comments made in the workshop and to correlate them if necessary, with written materials subsequently provided by BC Hydro. Transcription also makes the workshop accessible to participants who are unable to attend.

2.2 Items to be addressed at the workshop

Positions of the Parties

BCUC Staff would like the BC Hydro-led workshop to address the following⁷:

- Background on BC Hydro and Powerex Corp. (Powerex), including:
 - 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 2020 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:
 - Legislative context under which the BCUC reviews the 2020 TPA, including any impact from recent legislative changes such as the Clean Energy Amendment Act
 - 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 UCA;
 - 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 2020 TPA amendments or new TPA, if any;
- Explanation of the terms of the 2020 TPA, including:

⁷ Exhibit A2-1, pp. 1-3

- 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;
- Comparison of the terms under the 2003 TPA and 2020 TPA, including:
 - Using illustrative examples, explain and compare the mechanism, pricing and ratepayer impact of BC Hydro purchases from Powerex under the 2003 TPA 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.

The CEC supports all topics submitted by BCUC Staff and recommends that BC Hydro also include the potential interaction between the 2020 TPA and integrated resource planning, if any, including:⁸

- Downstream benefits;
- How the [2020] TPA impacts contingency arrangements; and
- Transmission and capacity risks.

BCOAPO supports all topics submitted by BCUC Staff. BCOAPO would also like BC Hydro to include an overview of the differences between the 2003 TPA and 2020 TPA, and also to provide a list of removals and additions between the 2003 TPA and 2020 TPA, and an explanation for all such changes.⁹

⁸ Exhibit C3-2, p. 1

⁹ Exhibit C5-2, P.1

BC Hydro Reply

BC Hydro submits that the scope of the workshop proposed by BCUC Staff is quite broad, encompassing legal submissions, complex technical issues, and cases canvassed in other BCUC proceedings, and that a detailed treatment of each issue would not be feasible in a one-day workshop. BC Hydro submits that a more focussed workshop may be of more value to the BCUC and interveners¹⁰.

BC Hydro also states it will not provide commercially sensitive information regarding Powerex's trading activities and does not expect to provide legal argument or technical information which are more amenable to the IR process¹¹.

BC Hydro is willing to address the issues requested by the CEC at the workshop, but cautions that the additional scope will cause the content to be provided at a higher level¹².

BC Hydro submits that the scope of the workshop should not include the comparison of the 2003 TPA and 2020 TPA requested by BCOAPO. BC Hydro cites its explanation provided in the Application that: ¹³

...there are too many differences between the two agreements to provide a meaningful word-by-word comparison. Instead, the following sub-sections explain the key provisions and concepts under the 2020 TPA and then the following section provides a comparison of the key features between the 2003 TPA and the 2020 TPA.

Panel Determination

The Panel is mindful of both the intended purpose of the workshop, which is to ask and have answered clarifying questions regarding the Application prior to IRs, and the conflicting desire to limit the duration of the workshop to one day.

The Panel has examined the requests from BCUC Staff and interveners, and considers that all the topics proposed have relevance in the proceeding. However, the Panel agrees with BC Hydro that attempting to cover all the topics requested in one day will necessitate them all being covered at such a high level that the value of the workshop will be limited. Therefore, the Panel wishes to reduce the number of topics in order that BC Hydro is able to cover the remaining topics in sufficient detail to add to what is already available in the Application.

This is a BC Hydro-led workshop, and an opportunity for BC Hydro to gain efficiencies for itself as well as for other parties. The Panel trusts that BC Hydro will use the time wisely, for example by providing substantive answers that advance the knowledge of the parties and by judiciously deferring responses with undertakings to provide information in subsequent submissions.

¹⁰ Exhibit B-3, P.2

¹¹ Exhibit B-3, P.2

¹² Exhibit B-3, P.2

¹³ Exhibit B-3, pp. 2-3

The Panel leaves it to BC Hydro's discretion which topics it covers in the workshop, noting that BCUC Staff and interveners will subsequently have the opportunity to ask IRs. That said, the Panel has selected what it considers to be the topics suggested by BCUC Staff and interveners which might be considered most suitable for the workshop, and requests that BC Hydro attempt to address these in the time available.

The Panel requests that BC Hydro address the following topics at the workshop:

- **Background on BC Hydro and Powerex Corp. (Powerex), including:**
 - **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;**
 - **To the extent BC Hydro thinks is appropriate, please indicate how BC Hydro manages its energy supply portfolio and how the 2020 TPA plays a role in BC Hydro's system operation decisions;**
- **Explanation of the terms of the 2020 TPA, including:**
 - **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**
- **Explanation of the key differences between the 2003 TPA and the 2020 TPA, including:**
 - **Using illustrative examples, explain and compare the mechanism, pricing and ratepayer impact of BC Hydro purchases from Powerex under the 2003 TPA 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 potential interaction between the 2020 TPA and integrated resource planning if any, including:**
 - **Downstream benefits;**
 - **The 2020 TPA’s impact on contingency arrangements; and**
 - **Transmission and capacity risks;**
- **If time permits, please address: 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.**

The Panel acknowledges BCOAPO’s request to understand the detailed provisions which have been removed or added between the 2003 and 2020 TPAs. However, the Panel is persuaded by BC Hydro’s submission that the differences between the two agreements are too extensive for such a detailed comparison to be meaningful. Further, BC Hydro has provided a comparison of the two agreements in the Application. Instead, the Panel expects that BC Hydro will explain the differences between the 2003 and 2020 TPAs at higher level of detail, as BCOAPO also requested, allowing BCOAPO and its expert to ask subsequent questions in IRs.

The Panel agrees that BC Hydro is not expected to provide commercially sensitive information regarding Powerex’s trading activities nor provide legal argument during the Workshop. However, the Panel requests that BC Hydro consider providing technical information if appropriate.

2.3 The Timing of the Workshop

Positions of the Parties

Neither BCUC Staff nor interveners made submissions regarding the timing of the workshop or their availability to attend.

BC Hydro Reply

BC Hydro proposes the following regulatory timetable¹⁴:

- Workshop – Monday September 14, 2020
- BCUC Information Request No. 1 to BC Hydro – Thursday October 1, 2020
- Intervener Information Request No. 1 to BC Hydro – Thursday October 8, 2020
- BC Hydro Responds to BCUC and Intervener Information Request No. 1 – Friday November 13, 2020
- Procedural Conference, or written submissions, on further process, if any – Thursday November 26, 2020

Panel Determination

Due to availability of all parties, the Panel establishes the following regulatory timetable:

¹⁴ Exhibit B-3, P.1

- Workshop – Tuesday, September 22, 2020
- BCUC Information Request No. 1 to BC Hydro – Thursday October 8, 2020
- Intervener Information Request No. 1 to BC Hydro – Thursday October 15, 2020
- BC Hydro Responds to BCUC and Intervener Information Request No. 1 – Thursday November 19, 2020
- Further Process – To Be Determined

2.4 BC Hydro Submission on BCUC Staff Submission on Further Process

BC Hydro observes that BCUC Staff made a submission regarding the process in this proceeding, with the implication that BCUC Staff are participating in this part of the proceeding as an interested party and not in their usual neutral manner. In these circumstances, BC Hydro submits procedural fairness requires that the staff that participated in the development of this submission should not support the Panel in deciding on the particulars of the workshop. Further, BC Hydro submits it would be appropriate for the Panel to confirm BCUC staff's role in its decision regarding the proposed workshop¹⁵.

Panel Discussion

The Panel agrees with BC Hydro that the submission from BCUC Staff could indicate that they have taken a position on the nature of the workshop, a procedural matter, at this stage of the proceeding. The Panel considers this to be appropriate and constructive behaviour, equivalent to BCUC Staff making a submission on process at a procedural conference. The transparent nature of the BCUC Staff submission allowed both of the interveners to build on the proposed list of scope items, encouraging regulatory efficiency.

The Panel confirms that none of the BCUC Staff involved in developing their submission were involved in the Panel's deliberations on the process for this proceeding or in drafting this order, as procedural fairness requires. Subsequent to issuing this order, those members of the BCUC Staff involved in the procedural submission to this proceeding will continue to assist the Panel in their usual neutral manner.

¹⁵ Exhibit B-3, P.3