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October 16, 2020

## VIA ELECTRONIC MAIL

British Columbia Utilities Commission  
 6<sup>th</sup> Floor, 900 Howe Street  
 Vancouver, B.C.  
 V6Z 2N3

**Attention: Marija Tresoglavic, Acting Commission Secretary**

Dear Sirs/Mesdames:

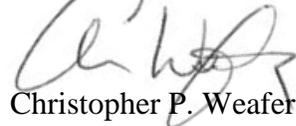
**Re: British Columbia Hydro and Power Authority (BC Hydro) – 2020 Transfer Pricing Agreement Application**

We are counsel to the Commercial Energy Consumers Association of British Columbia (the “CEC”). Further to our letter of October 15, 2020, attached please find the CEC’s “amended” first set of Information Requests with respect to the above-noted matter. The changes are in questions #1 through #6 and have been blacklined for ease of reference. An unedited version of the Information Requests were filed on October 15, 2020. We apologize for any inconvenience this may have caused.

Should you have any questions with regard to the above, please do not hesitate to contact the undersigned.

Yours truly,

**OWEN BIRD LAW CORPORATION**



Christopher P. Weafer

CPW/jj

cc: CEC  
 cc: BC Hydro  
 cc: Registered Interveners

COMMERCIAL ENERGY CONSUMERS ASSOCIATION  
OF BRITISH COLUMBIA (“CEC”)

INTERVENER INFORMATION REQUEST NO. 1 [\(Amended\)](#)

British Columbia Hydro and Power Authority (BC Hydro) 2020 Transfer Pricing  
Agreement Application

October 15, 2020

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1. Reference: Exhibit B-1, page 3

Within its operating time horizon, BC Hydro faces variability and uncertainty in both load and energy supply. Water inflows are the largest driver of potential energy supply variability, which, in a given year, is typically in the range of +/-7000 GWh, or about 12 per cent of BC Hydro’s annual energy load requirements.

To manage the variability and uncertainty in both supply and demand on its system, and to meet its Domestic Requirements cost-effectively, BC Hydro must export electricity that is surplus to demand and must import electricity to meet deficits. This requires BC Hydro to consider its Domestic Requirements and the economic operation of the system and determine whether, and to what extent, it has an energy surplus or an energy deficit as well as how much Residual System Capability is available.<sup>8</sup> As the owner of its generation assets, BC Hydro remains responsible, at all times, for the physical operation of its system.

1.1 Please provide a quantitative breakdown, by month, of the sales and purchases [in both quantity and average \\$ amount](#) made by Powerex over the last ~~2-5~~ years [for BC Hydro, for the BC Government, for Powerex Trading and for any others if any \(please show transmission/transportation costs separately\)](#).

~~1.2 Please breakdown the sales made for BC Hydro and those made independently by Powerex.~~

**2. Reference: Exhibit B-1, page 4 and page 5**

Powerex was established in 1988, to take advantage of wholesale electricity trade opportunities, for the benefit of British Columbia and BC Hydro ratepayers. Since that time, it has had an exclusive relationship with BC Hydro under which it purchases surplus BC Hydro electricity for export, sells to BC Hydro electricity for import to meet Domestic Requirements, and purchases and sells electricity with BC Hydro to utilize any Residual System Capability.

Powerex independently acquires electricity at a variety of locations, from third-parties, for import into the BC Hydro system, and independently sells electricity that has been exported from the BC Hydro system at a variety of locations, to third-parties. It has full flexibility, vis-à-vis BC Hydro, to decide the locations, parties and prices for its transactions.<sup>11</sup>

Powerex is not regulated by the BCUC under the UCA, but is regulated by different regulators in the different jurisdictions within which it operates, including the Federal Energy Regulatory Commission, in the United States and the Alberta Utilities Commission, in Alberta.

- 2.1 How is Powerex's performance evaluated, and by whom? Please explain [and provide any quantitative information developed to evaluate performance.](#)

**3. Reference: Exhibit B-1, page 4 and 5 and 6**

Powerex was established in 1988, to take advantage of wholesale electricity trade opportunities, for the benefit of British Columbia and BC Hydro ratepayers. Since that time, it has had an exclusive relationship with BC Hydro under which it purchases surplus BC Hydro electricity for export, sells to BC Hydro electricity for import to meet Domestic Requirements, and purchases and sells electricity with BC Hydro to utilize any Residual System Capability.

As discussed above, BC Hydro determines whether, and to what extent, it has a surplus or deficit and how much Residual System Capability is available. Subject to BC Hydro's Domestic Requirements, its responsibility for the physical operation of its system, and any resulting constraints or requirements that BC Hydro may set out, it is Powerex, with its insight into the markets in which it operates, that decides the timing and volume of imports and exports.

3. Provisions for the utilization of the Residual System Capability of the BC Hydro system, after any domestic surplus or deficit has been addressed, in support of Powerex's trading activity (an element of Powerex's responsibility for generating net income which, as noted above, benefits ratepayers by reducing BC Hydro's revenue requirements).

3.1 Please provide further discussions of BC Hydro's Residual System Capability.

3.1.1 How is it defined and measured?

3.2 Is Residual System Capacity a requirement for BC Hydro, and are there regulations [and/or protocols](#) governing the use of Residual System Capability? [If so, please provide the relevant constraints.](#)

3.3 Does BC Hydro retain a degree of residual capacity that Powerex does not sell?

3.4 Does BC Hydro plan for Residual System Capacity in its resource planning processes? Please explain.

**4. Reference: Exhibit B-1, page 8**

## 2.4 The 2020 TPA Does Not Affect the Interests of Non-Customer Stakeholders

The 2020 TPA, like the 2003 TPA, memorializes arrangements between BC Hydro and Powerex that are both necessary, as discussed in section [2.3](#) above, and have effect only in the operating time horizon of the BC Hydro system.

The fact that the effect of the 2020 TPA is limited to the operating time horizon of the BC Hydro system is important. In particular, the 2020 TPA does not and cannot have any effect on BC Hydro's long-term load-resource balance and it is not a resource that will be considered by BC Hydro in its next Integrated Resource Plan.<sup>16</sup> In other words, the 2020 TPA has no effect on BC Hydro's planning time horizon.

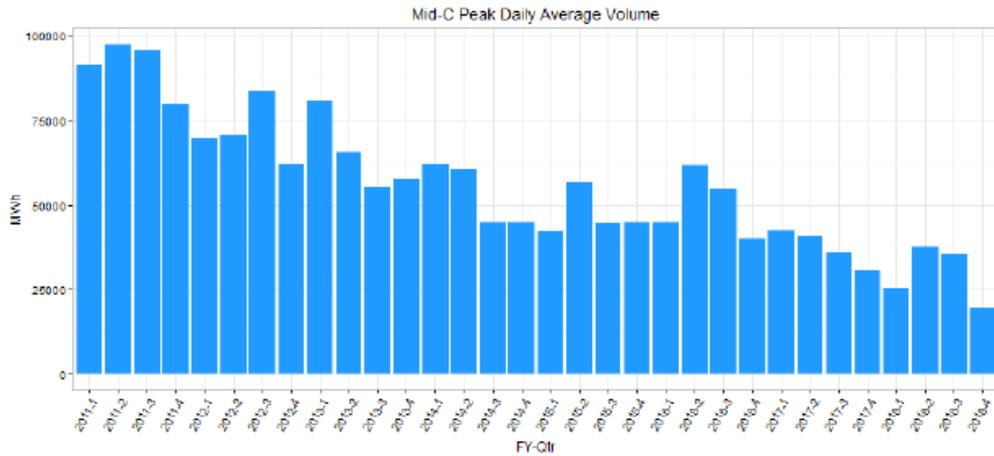
Rather than being a resource available for meeting load requirements on a planning basis, the 2020 TPA provides for the cost-effective acquisition of electricity, and cost-effective use of BC Hydro resources, after forecast load, planned resources, and near-term circumstances create energy surpluses/deficits and Residual System Capability, in the operating time horizon of the BC Hydro system.

- 4.1 Please elaborate on what constitutes the 'operating time horizon of the BC Hydro system' [and confirm whether or not it is the 3 year period used in some of the BC Hydro resource planning documents](#).

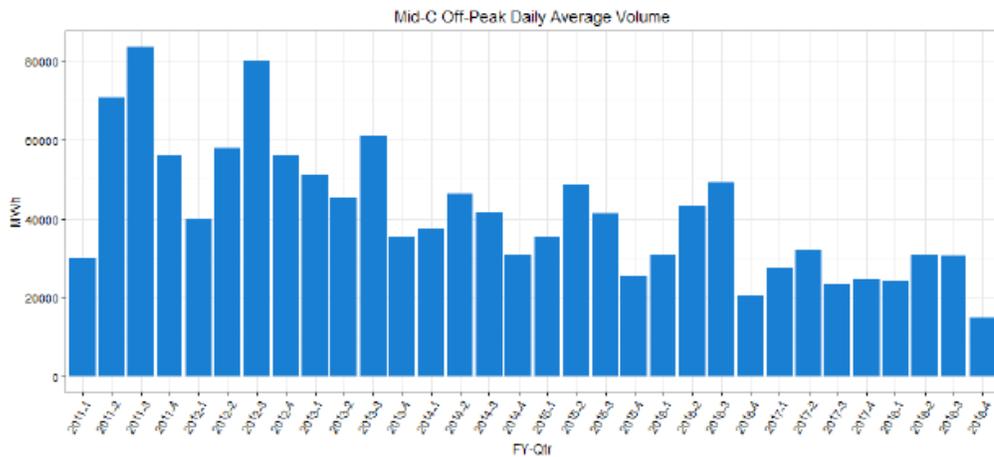
### 5. Reference: Exhibit B-1, pages 14 and 15

However, while volumes in those day-ahead markets remain significant today, they have been materially decreasing over time. Consequently, the day-ahead markets have become less liquid. As shown in [Figure 1](#) and [Figure 2](#) below, the average daily volume of day-ahead market activity at Mid-C has been declining steadily, in both peak and off-peak periods.

**Figure 1 Mid-C Liquidity (Day-Ahead Peak from Fiscal 2011 to Fiscal 2018)<sup>24</sup>**



**Figure 2 Mid-C Liquidity (Day-Ahead Off-Peak from Fiscal 2011 to Fiscal 2018)<sup>25</sup>**



- 5.1 What circumstances are causing the Mid-C liquidity to decline since 2011? ~~so dramatically since 2011?~~ Please explain for both Peak and Off-Peak differences, and the relevance of this this to the Powerex business activities. ~~if there is a difference.~~
- 5.2 In the past, was the day-ahead market the primary market, or were the forward markets also significant? Please explain and provide quantification to the extent, if possible.

**6. Reference: Exhibit B-1, page 16 and page 18**

Consequently, the one day at a time allocation and transfer pricing approach in the 2003 TPA became increasingly challenging for the market conditions that exist today. Specifically, the transfer price risk inherent in the 2003 TPA discouraged Powerex from entering into transactions supported by the BC Hydro system sooner than the day prior to the scheduled delivery of the electricity, at the same time that the day-ahead markets are experiencing declining liquidity and continued volume volatility.

**2.5.4 Premium Prices in Forward Markets**

In addition, the one day at a time allocation and transfer pricing approach in the 2003 TPA became problematic because increasingly, some of the best opportunities for Powerex to make sales of electricity products are arising in the forward markets. Specifically, there is increasing demand for transactions lasting an entire month, or season, which are often entered into months in advance of the delivery period. Demand is also increasing for differentiated electricity products, such as those requiring the commitment of specific, identified clean or renewable generation resources. As demand for these types of transactions increases, fewer transactions are made in the day-ahead markets, all else equal, consistent with the observed decline in day-ahead transaction volume, discussed in section [2.5.2](#) above.

- 6.1 Please provide further descriptions of the relevant forward market(s).
  - 6.1.1 What time frames do the forward markets operate on?
  - 6.1.2 Have these markets always been in place but not accessible to Powerex? Please explain.
  - 6.1.3 What is the size of the forward market(s) and how has that changed over time.
    - 6.1.3.1 Please provide quantitative evidence to support BC Hydro's assessment of the forward markets and how they have changed over time.
- 6.2 Does BC Hydro expect changes in the market in the future? Please explain and describe any expected changes and when they might occur.

6.2.1 If BC Hydro expects ongoing changes in the markets, will the proposed Transfer Pricing Agreement be able to adequately accommodate them, or will revisions need to be made? Please explain.

6.2.2 Please provide, quantitatively over time in graph form, the expected shift in the percentage volumes that will be traded by Powerex in the day ahead market and the forward markets, e.g. will the day-ahead market diminish to zero, or say 50% of trades in five years?

~~6.2.2~~ Please provide an assessment of the risks and benefits for BC Hydro and for Powerex for accessing the futures markets.

**7. Reference: Exhibit B-1, pages 17 and 18**

**2.5.3 There is Potential for Greater Required Imports and Exports from the BC Hydro System**

The concerns prompted by the 2003 TPA's one day at a time allocation and transfer pricing approach given declining liquidity and continued volume volatility in the day-ahead markets, were compounded by the changing characteristics of BC Hydro's energy supply portfolio.

As shown in [Table 2](#) below, since 2003, the proportion of generation in BC Hydro's energy supply portfolio from Independent Power Producers, which is generally non-dispatchable (i.e., the Electricity Purchase Agreements require BC Hydro to either take the energy or pay a specified amount) has increased while the proportion of thermal generation, which is generally dispatchable (e.g., Burrard Thermal) has decreased.

**Table 2 Proportion of Generation  
(Fiscal 2004 vs. Fiscal 2021)**

<b>Installed MW (%)</b>	<b>Fiscal 2004</b>	<b>Fiscal 2021</b>
Hydroelectric Generation (BC Hydro)	76	78
Thermal Generation	9	2
Independent Power Producers	15	20
<b>Firm Energy (%)</b>	<b>Fiscal 2004</b>	<b>Fiscal 2021</b>
Hydroelectric Generation (BC Hydro)	77	72
Thermal Generation	15	4
Independent Power Producers	8	24

A higher proportion of non-dispatchable generation means that, as a whole, BC Hydro’s energy supply portfolio is less able to ramp up or ramp down in response to demand or constraints. While this has not resulted in a material change to BC Hydro’s average year-to-year import and export needs, it does increase BC Hydro’s potential import and export needs in any given year, at the same time that the likelihood of Powerex being able to find sufficient demand and supply in the day-ahead markets, has decreased.

- 7.1 The issues with regard to the one day at a time allocation and transfer pricing approach appear to have been building for some time. Why did BC Hydro and Powerex not undertake to make changes sooner than 2020?

**8. Reference: Exhibit B-1, pages 18 and 19 and 21**

**2.5.4 Premium Prices in Forward Markets**

In addition, the one day at a time allocation and transfer pricing approach in the 2003 TPA became problematic because increasingly, some of the best opportunities for Powerex to make sales of electricity products are arising in the forward markets. Specifically, there is increasing demand for transactions lasting an entire month, or season, which are often entered into months in advance of the delivery period. Demand is also increasing for differentiated electricity products, such as those requiring the commitment of specific, identified clean or renewable generation resources. As demand for these types of transactions increases, fewer transactions are made in the day-ahead markets, all else equal, consistent with the observed decline in day-ahead transaction volume, discussed in section [2.5.2](#) above.

The increased demand for forward supply transactions and differentiated electricity products has been driven by the adoption of new environmental policies across the

Western Interconnection, such as state renewable and clean energy standards.

[Table 3](#) below provides a summary of these standards.

**Table 3 State Renewable and Clean Energy Standards in the Western Interconnection<sup>28</sup>**

State	Standard <sup>29</sup>	Target
Arizona	Renewable Portfolio Standard	15% by 2025
California	Renewable Portfolio Standard	60% by 2030
	Clean Energy Standard	100% by 2045
Colorado	Renewable Portfolio Standard	30% by 2020
	Clean Energy Goal	100% by 2045
Montana	Renewable Portfolio Standard	15% by 2015
Nevada	Renewable Portfolio Standard	50% by 2030
	Clean Energy Goal	100% by 2050
New Mexico	Renewable Portfolio Standard	80% by 2040
	Clean Energy Standard	100% by 2045
Oregon	Renewable Portfolio Standard	50% by 2040
Utah	Renewable Portfolio Goal	20% by 2025
Washington <sup>30</sup>	Renewable Portfolio Standard	15% by 2020
	Clean Energy Goal	100% by 2045
Wyoming	None	

- 8.1 Do the renewable products typically command higher prices than that which Powerex has traditionally bought and sold? Please explain.
- 8.2 Will Powerex likely be increasing the number of renewable products, or otherwise adjust the mix of products it sells or purchases as a result of the change in TPA? Please explain.
  - 8.2.1 If yes, what are the likely outcomes of such a change?
  - 8.2.2 If yes, can ratepayers expect to benefit, or be disadvantaged in any way?
    - 8.2.2.1 If yes, please provide quantification to the extent possible.

**9. Reference: Exhibit B-1, page 31-32 and page 33**

Nevertheless, BC Hydro acknowledges that:

- The 2020 TPA is not a typical Energy Supply Contract;
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- The BCUC and interveners are likely to be interested in more detailed information with regards to the 2020 TPA, beyond what is provided in the Application; and
- The COVID-19 pandemic has created new work approaches and pressures that may result in all parties requiring more time to complete certain submissions.

The 2003 TPA was unique because it was the first arrangement to be framed in a manner that brought it squarely within the Energy Supply Contract provisions of the UCA. Specifically, the 2003 TPA clearly and unambiguously established a transfer pricing methodology that was based on the purchase and sale of electricity and natural gas within the scope of section 71 of the UCA. It was developed and filed with the BCUC in the course of the Heritage Contract Inquiry.<sup>48</sup> Since being filed with the BCUC, the 2003 TPA has been amended only once, in 2015. At that time, an amending agreement was executed in order to accommodate an arrangement that Powerex had entered into with FortisBC.<sup>49</sup>

- 9.1 Please explain how such arrangements were framed in the past, or could be framed, such that it would not have been considered an Energy Supply Contract.
- 9.2 Section 71 of the *Utilities Commission Act* provides for significant review of Energy Supply Contracts with respect to the public interest test including applicable BC energy objectives, long term resource plans, and compliance with the *Clean Energy Act*. Please explain the risks and benefits of the current arrangements.

**10. Reference: Exhibit B-1, page 33-34 and 35**

The 2003 TPA was unique because it was the first arrangement to be framed in a manner that brought it squarely within the Energy Supply Contract provisions of the UCA. Specifically, the 2003 TPA clearly and unambiguously established a transfer pricing methodology that was based on the purchase and sale of electricity and natural gas within the scope of section 71 of the UCA. It was developed and filed with the BCUC in the course of the Heritage Contract Inquiry.<sup>48</sup> Since being filed with the BCUC, the 2003 TPA has been amended only once, in 2015. At that time, an

amending agreement was executed in order to accommodate an arrangement that Powerex had entered into with FortisBC.<sup>49</sup>

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<sup>49</sup> The BCUC approved the amendment by BCUC Order No. E-11-15 (<https://www.ordersdecisions.bcuc.com/bcuc/orders/en/119544/1/document.do>). The copy of the 2003 TPA provided as Appendix C is a conformed (consolidated) copy of the original 2003 TPA and the amendments effected by the amending agreement. The amendments were required because of the CEPSA between Powerex and FortisBC. These amendments had the effect of allocating to Powerex, all energy exchanges between BC Hydro and Powerex that were facilitated by the CEPSA. Similar provisions are not required under the 2020 TPA because, as explained in section [2.5.7](#), the 2020 TPA removes the need to allocate imports and exports between BC Hydro and Powerex.

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#### **4.1.2 Exclusive Relationship Between BC Hydro and Powerex**

As discussed further in section [2.2](#) above, since Powerex was established, it has had an exclusive relationship with BC Hydro under which it purchases BC Hydro electricity exports, sells to BC Hydro electricity imports and buys and sells electricity with BC Hydro to utilize any Residual System Capability.

Under the 2003 TPA, this exclusive relationship was set out under section 4 of the agreement.

- 10.1 Please provide further details of the arrangement between Powerex and FortisBC.
- 10.2 Please explain how the arrangement with FortisBC relates to the exclusive relationship between Powerex and BC Hydro.

**11. Reference: Exhibit B-1, page 40**

**4.1.4 Payments for Electricity Transactions**

Section 8 of the 2003 TPA set out how payments between BC Hydro and Powerex were to be calculated and how the balance in the Trade Account was to be adjusted.

Section 8.1 of the 2003 TPA addressed payments for net imports and net exports allocated to BC Hydro, stating that BC Hydro would pay Powerex the applicable Electricity Transfer Price for net imports and Powerex would pay BC Hydro the applicable Electricity Transfer Price for net exports.

Section 8.2 of the 2003 TPA set out the methodology for making adjustments to the Trade Account balance for net imports and net exports allocated to Powerex. Specifically:

- If the Trade Account balance was zero or positive:
  - ▶ the monetary value credited to the Trade Account for net imports would be obtained by multiplying the net imports by the Applicable Mid-C Price.
  - ▶ the monetary value debited to the Trade Account for net exports would be obtained by multiplying the net exports by the Weighted Average Price unless and until the balance became negative, in which case, the monetary value debited to the Trade Account thereafter would be obtained by multiplying the remaining net exports by the Applicable Mid-C Price.
- If the Trade Account balance was negative:
  - ▶ the monetary value credited to the Trade Account for net imports would be obtained by multiplying the net imports by the Weighted Average Price unless and until the balance zero or positive, in which case, the monetary value credited to the Trade Account thereafter would be obtained by multiplying the remaining net imports by the Applicable Mid-C Price.
  - ▶ the monetary value debited to the Trade Account for net exports would be obtained by multiplying the net exports by the Applicable Mid-C Price.

11.1 Please explain the overarching reason for the separation of BC Hydro and Powerex accounts.

**12. Reference: Exhibit B-1, page 57**

As a result, the 2020 TPA benefits ratepayers by:

- Allowing BC Hydro to stipulate a volume of required import and export needs over any specified time period while better enabling Powerex to enter into transactions supported by the BC Hydro system across a range of time horizons, providing greater certainty that sufficient demand or supply will be available to meet BC Hydro's electricity import and export needs; and
- Enabling Powerex to better utilize the Residual System Capability across a range of time horizons, generating net income that offsets BC Hydro's revenue requirements and rates.

- 12.1 Please provide the range of time periods over which BC Hydro might specify its import and export needs.
- 12.2 Please elaborate on how the greater time horizons available provide greater certainty that sufficient demand or supply will be available to meet BC Hydro's needs. Please comment on the extent to which the Commission must include these considerations in the approval of this TPA.

**13. Reference: Exhibit B-1, page 48**

Section 4.11 allows BC Hydro to develop and implement a procedure to determine payments between BC Hydro and Powerex related to wear and tear resulting from Powerex's import and export decisions under the 2020 TPA.<sup>61</sup> Import and export decisions by Powerex can either increase or decrease wear and tear on the BC Hydro system because those decisions can either reduce or increase starts and stops and cycling of generating units.

<sup>61</sup> To-date, BC Hydro has not developed a procedure as contemplated by this section.

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- 13.1 When does BC Hydro expect to develop such a procedure?
- 13.2 Will the procedure require approval by the BCUC? Please explain why or why not.
- 13.2.1 If yes, why did BC Hydro not include the procedure in the current application?
- 13.2.2 If yes, would BC Hydro expect approval of the current application to be conditional upon acceptance of the wear and tear procedures? Please explain.

**14. Reference: Exhibit B-1, page 48-49**

Section 4.13 allows Powerex to request that BC Hydro increase the Residual System Capability to accommodate increased imports or increased exports, with Powerex paying any associated incremental cost. BC Hydro determines whether

there are changes to the operation of the BC Hydro system that may be taken to increase the Residual System Capability over the period specified by Powerex. Powerex determines whether the associated incremental cost is economic, considering any trade opportunities it may have identified.

14.1 Does BC Hydro retain a right of refusal for the use of the Residual System Capability?

14.1.1 If yes, please explain when and how such a right could be exercised.

14.1.2 If not, please explain why not.

14.2 Please explain the risks and benefits of a right of refusal to Residual System Capability.

14.3 Is incremental costing for Residual System Capability the only approach possible, and if not please provide the alternatives and explain the benefits and risks of each.

**15. Reference: Exhibit B-1, page 49-50 and page 52**

**5.1.4 Calculation of Electricity Transfer Price**

Section 9 of the 2020 TPA sets out transfer pricing principles under the agreement. Like the 2003 TPA, the 2020 TPA declares that the Electricity Transfer Price is intended to be established as a sale price that reflects the fair market value of electricity delivered at the British Columbia-United States border, at which parties acting on an arms-length basis would be willing to transact. Consistent with this principle, all electricity sold and purchased or deemed to be sold and purchased between BC Hydro and Powerex under the agreement is deemed, for transfer pricing purposes, to occur at the British Columbia-United States border.

Appendix A to the 2020 TPA sets out the calculation of the Electricity Transfer Price. The appendix defines the following prices:

- Non-Flexible Price (the applicable Hourly Index Price<sup>62</sup>);
- Flexible Price (either the applicable Hourly Index Price or the Weighted Average Price, as explained further below);
- Annual Price (applied to BC Hydro's actual Annual Flexible Surplus/Deficit,<sup>63</sup> as explained further below).

Appendix A also explains how these prices are applied, including their application to the Transfer Volume Account. In summary:

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<sup>62</sup> The Hourly Index Price is, for each On-Peak Hour, the price (in US\$/MWh) obtained by adding to the On-Peak Price the Transmission Costs and Losses; and for each Off-Peak Hour, the price (in US\$/MWh) obtained by adding to the Off-Peak Price the Transmission Costs and Losses. The On-Peak Price and the Off-Peak Price are determined by the ICE Mid-C Index as set out in section 11 of Appendix A to the 2020 TPA. The term "Hourly Index Price" (defined in the 2020 TPA) corresponds to the expression "Applicable Mid-C Price" (used in reference to the 2003 TPA).

<sup>63</sup> Section 9.1 of Appendix A to the 2020 TPA explains how the Annual Flexible Surplus/Deficit is determined. In summary, it is BC Hydro's annual surplus/deficit minus non-flexible imports and exports.

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[Table 7](#) below provides a summary of these pricing concepts.

**Table 7 Pricing Concepts in the 2020 TPA**

Price	Application	Concept
Non-Flexible Price	Hourly Index Price  Does not result in an adjustment to the Transfer Volume Account	Ensures that the existing balance in the Transfer Volume Account is not applied towards transactions where Powerex lacks the flexibility to maximize revenue through market timing decisions.
Flexible Price	Hourly Index Price or Weighted Average Price  Adjusts the balance of the Transfer Volume Account for imports and exports for which Powerex has discretion on market timing.	Similar to the concept of the Trade Account in the 2003 TPA, imports and exports for which Powerex has discretion on market timing should result in adjustments based on either the applicable Hourly Index Price (if adding to the existing balance) or the Weighted Average Price (if offsetting the existing balance).
Annual Price	Simple average of on-peak and off peak prices for all hours during the year times a pre-determined multiplier.  Adjusts the balance of the Transfer Volume Account annually, immediately before the end of the fiscal year, by adding or subtracting BC Hydro's actual Annual Flexible Surplus/Deficit. The Weighted Average Price is adjusted at the same time based on the applicable Annual Price and the System Adjustment Value.	Provides a consistent way of accounting for the value of BC Hydro energy surpluses or deficits in a given year, without requiring that this valuation occur each day, thereby avoiding the inherent "transfer price risk" in the 2003 TPA.

- 15.1 BC Hydro states that 'Like the 2003 TPA, the 2020 TPA declares that the Electricity Transfer Price is intended to be established as a sale price that reflects the fair market value of electricity delivered at the British Columbia-United States border, at which parties acting on an arms-length basis would be willing to transact'. However, there are changes in the pricing concepts. Please provide, with quantification to the extent possible, an explanation of how the change in Transfer pricing would affect the balance between Powerex and BC Hydro. For instance, if BC Hydro and Powerex had been operating under the new TPA agreement last year, would there be financial or other differences in the account balances as a result of the new methodology? Please explain.