

Chris Sandve
Chief Regulatory Officer
bchydroregulatorygroup@bchydro.com

February 15, 2024

Patrick Wruck
Commission Secretary and Manager
Regulatory Services
British Columbia Utilities Commission
Suite 410, 900 Howe Street
Vancouver, BC V6Z 2N3

Dear Patrick Wruck:

**RE: Project No. 1599053
British Columbia Utilities Commission (BCUC or Commission)
British Columbia Hydro and Power Authority (BC Hydro)
Transmission Service Market Reference-Priced Rates Application
Correspondence regarding BCUC Order No. G-256-20 Directive 2**

BC Hydro writes further to our letter to the Commission dated October 31, 2023, which enclosed our evaluation report for Rate Schedule (**RS**) 1893 Transmission Service - Incremental Energy Rate, in compliance with Directive 2 of BCUC Order No. G-256-20. As discussed in that letter, we have consulted with our customers and decided not to extend RS 1893 for an additional year (i.e., fiscal 2025) on a temporary basis.

As explained below, BC Hydro's reasons for not extending the Incremental Energy Rate on a temporary basis in fiscal 2025 include low expected customer participation, reduced expected customer and ratepayer benefit, no or limited impact on customers if BC Hydro does not extend the rate and reduced administrative work for BC Hydro.

Background

BC Hydro's RS 1893 was approved on October 14, 2020, as a pilot program by BCUC Order No. G-256-20 effective from January 1, 2020, to March 31, 2024.

Customers taking service under RS 1823 – Transmission Service - Stepped Rate and RS 1828 - Transmission Service - Biomass Energy Program are eligible to take service under the Incremental Energy Rate on an optional basis for electricity usage above pre-determined monthly baselines for energy and demand. Energy pricing is referenced to daily Mid-Columbia (**Mid-C**) market prices, plus an additional energy charge adder for margin and risk of \$7 per MWh in non-freshet months and \$3 per MWh in freshet months.

Customer Survey

BC Hydro conducted a customer survey regarding whether to extend the Incremental Energy Rate pilot on a temporary basis for an additional year. The survey was sent to all transmission service customers, including those that previously participated in the pilot rate, on January 23, 2024. The survey was open for five business days and closed on January 30, 2024.

Ten customers representing the pulp and paper, electrochemical, mining, solid wood, cement, and other industries responded to the survey, with some representing multiple sites. Please refer to Attachment 1 for a summary of the survey results.

Reasons for not Extending the Incremental Energy Rate on a Temporary Basis

The following sections outline reasons why BC Hydro is not seeking to extend the Incremental Energy Rate on a temporary basis.

Low expected customer participation

As noted in BC Hydro's evaluation report of the Incremental Energy Rate,¹ recent customer participation under the rate in fiscal 2022 and fiscal 2023 has been limited because of high Mid-C market prices. In fiscal 2024, 10 customer sites signed up for the rate but only four sites remained on the rate (i.e., did not opt out) as of January 2024.

Although customers that responded to the survey are somewhat supportive of BC Hydro extending the rate on a temporary basis for an additional year, only one customer (representing multiple sites) confirmed that they expect to participate on the rate in fiscal 2025 if the rate was extended for one year.

Reduced Customer and Ratepayer Benefit

BC Hydro expects that there will be reduced customer benefit from taking service under the Incremental Energy Rate in fiscal 2025 if high market prices were to continue, which will discourage incremental energy use. In addition, higher net system imports are forecast in fiscal 2025 because of on-going drought conditions in BC, which would reduce ratepayer benefit from incremental energy sales if the rate were to continue to be offered for an additional year.²

¹ See the following link: <https://www.bchydro.com/content/dam/BCHydro/customer-portal/documents/corporate/regulatory-planning-documents/regulatory-matters/bc-hydro-evaluation-report-on-rate-schedule-1893-public.pdf>

² Ratepayer benefit is based on an economic analysis performed by BC Hydro of daily system operations. The analysis considers on an hourly basis whether BC Hydro gained or lost revenue by selling incremental energy to domestic customers under RS 1893. It considers the marginal resource used to serve RS 1893 energy volumes for High Load Hours (**HLH**) and Low Load Hours (**LLH**) each day.

No or Limited Impact on Customers

Customers that responded to BC Hydro's survey indicated that they did not make investments in equipment, technology, or resources to take advantage of the pilot rate. Most customers indicated that if the Incremental Energy Rate was not extended there would be no impact on their operations. All customers indicated that they would take service under other existing rates (e.g., RS 1823, RS 1830, RS 1892, and RS 1880) for incremental energy if RS 1893 was not available in fiscal 2025.

Reduced Administrative Work for BC Hydro

BC Hydro expects that the modest amount of time and resources that would otherwise be used in implementing the Incremental Energy Rate in fiscal 2025 (e.g., customer communication and billing) would be redirected to other tasks and priorities.

Next Steps

Now that our new default transmission service rate (RS 1830 - Transmission Service) has been approved by the Commission,³ and as discussed in our October 31 letter, BC Hydro plans to further consider our current energy planning context and engage transmission service customers and interested parties on a future replacement or permanent non-firm market-based rate during fiscal 2025. The survey results show that most customers would be interested in participating in discussions with BC Hydro on this topic.

For further information, please contact Jessica Lunn at bchydroregulatorygroup@bchydro.com.

Yours sincerely,



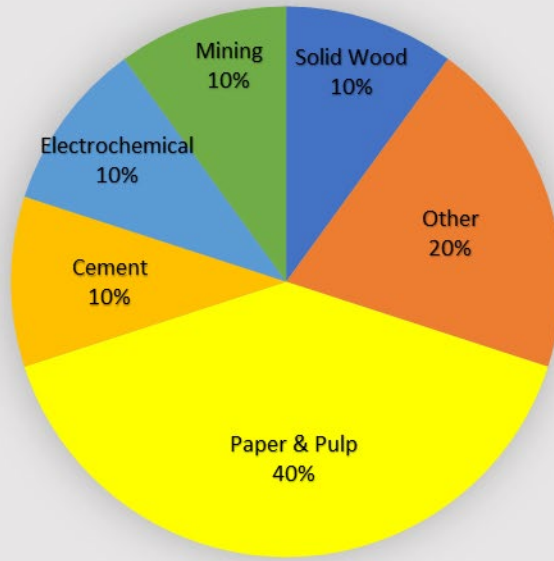
Chris Sandve
Chief Regulatory Officer

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³ See BCUC Order No. G-353-23.

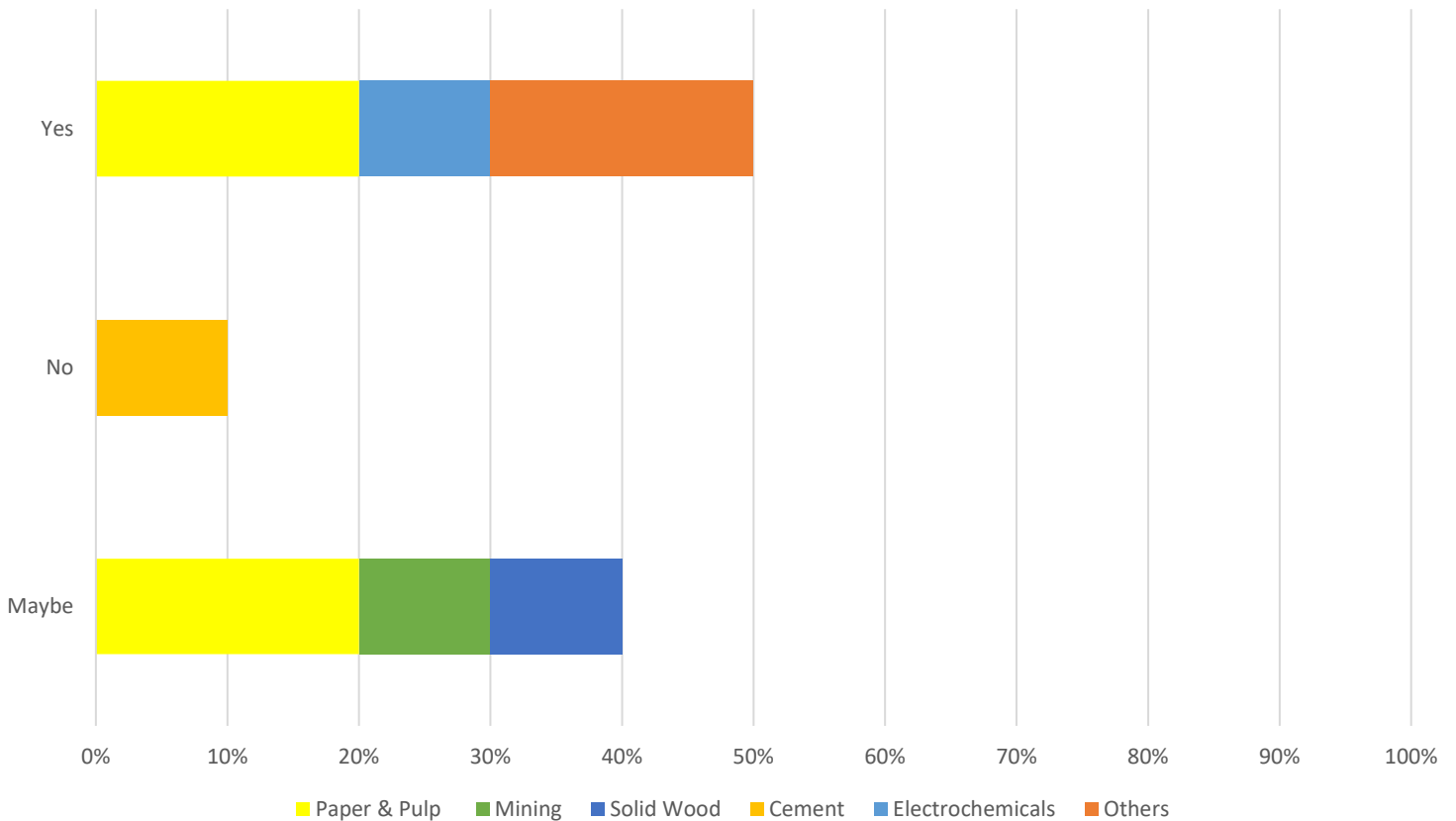
Transmission Service – Incremental Energy Rate Customer Survey

Respondents per industry

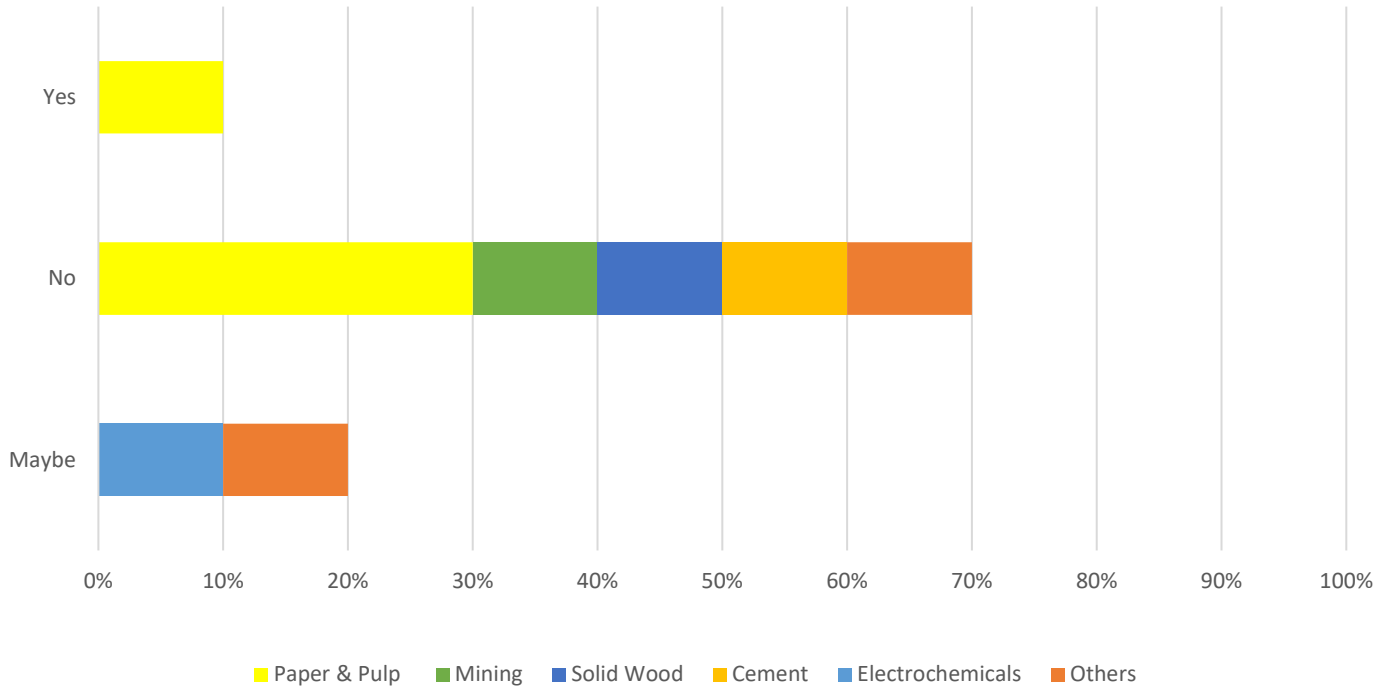


■ Solid Wood ■ Other ■ Paper & Pulp ■ Cement ■ Electrochemical ■ Mining

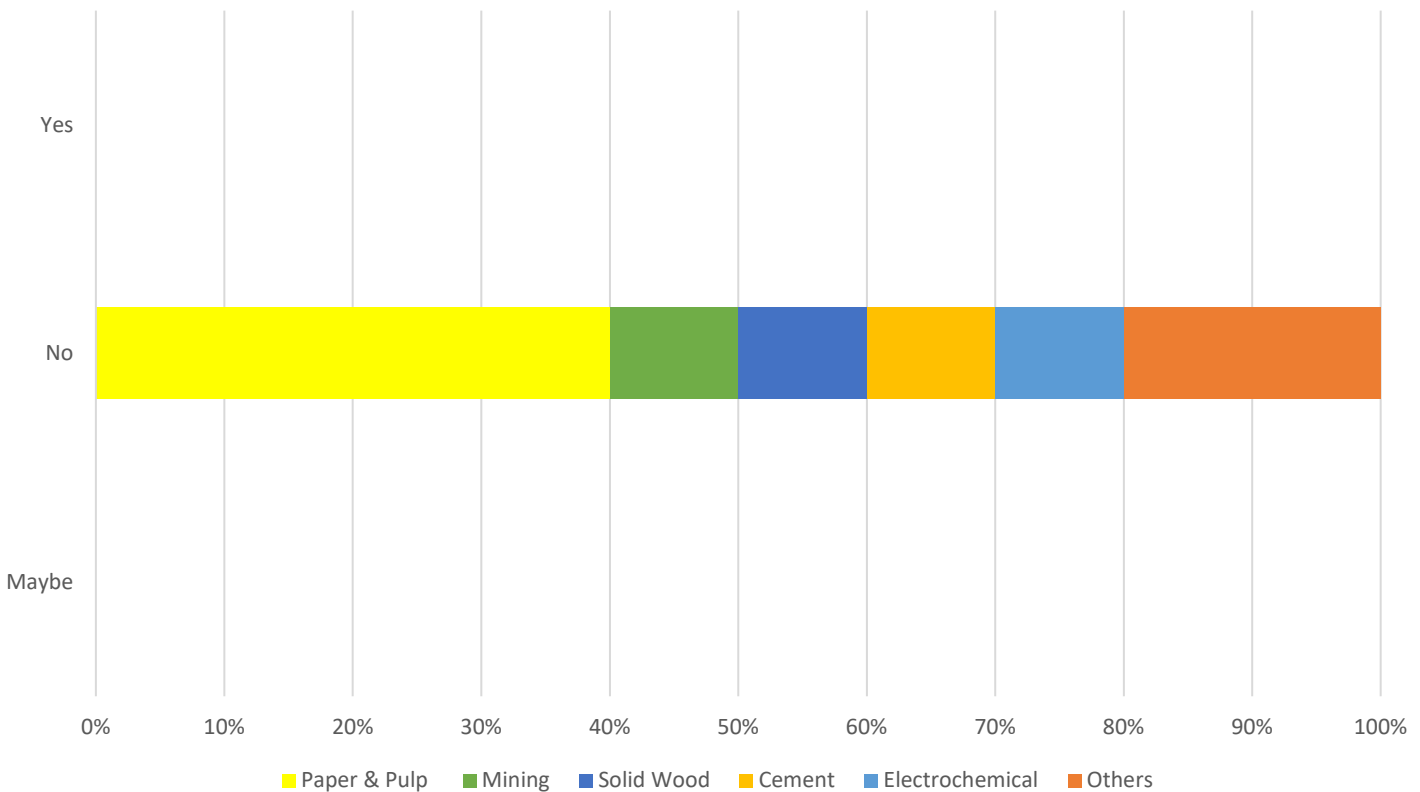
Question 1: Do you support RS 1893 being extended for an additional year (fiscal 2025) effective April 1, 2024 to March 31, 2025?



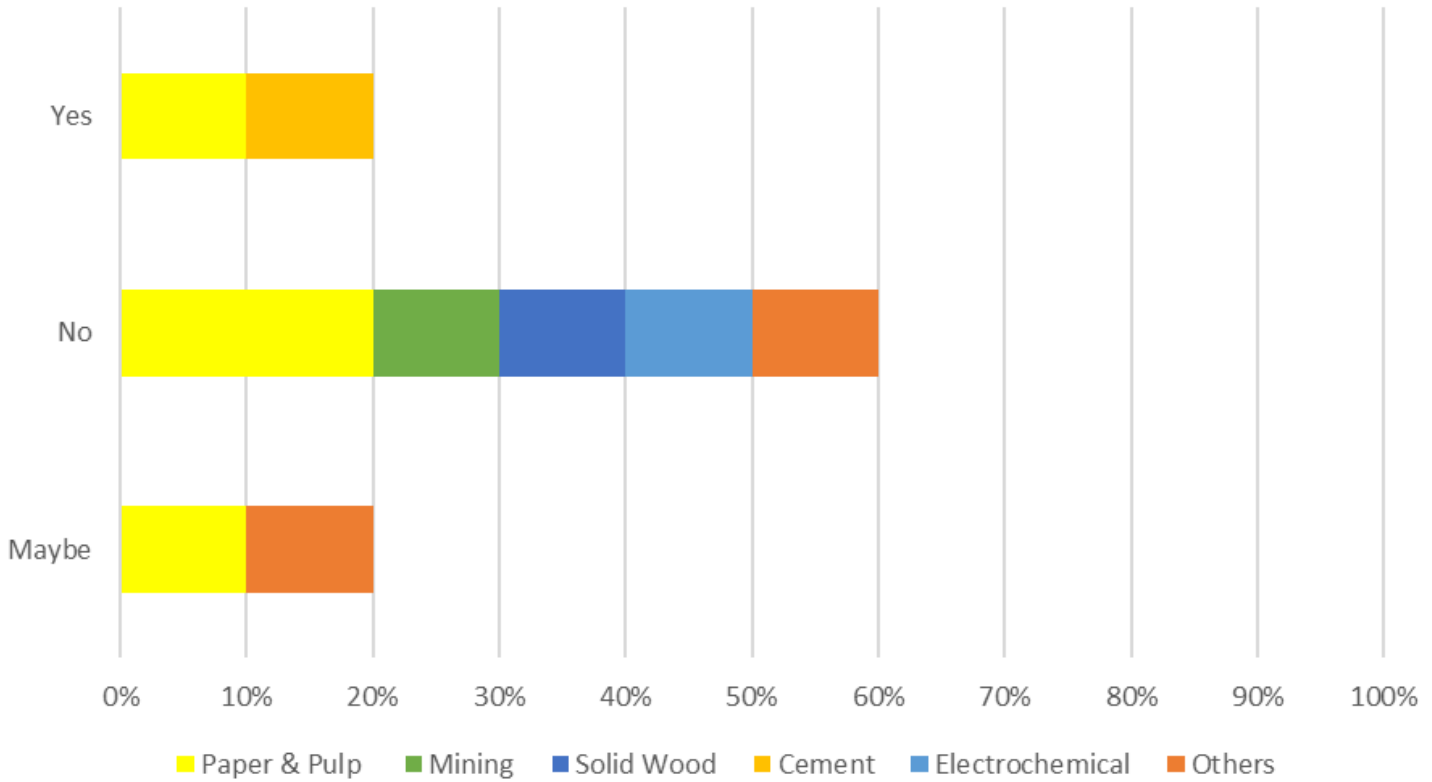
Question 2: If RS 1893 is extended for an additional year (fiscal 2025), does your company or organization intend to use the rate?



Question 3: Did you make any investments in equipment, technology, or resources to take advantage of RS 1893?



Question 4: If RS 1893 was not available as a rate option effective April 1, 2024, would this have an impact on your operations?



Question 5: If RS 1893 was not available as a rate option effective April 1, 2024, what rate would you use instead for incremental energy? (select all that apply)

