

2024 Call for Power Consideration Memo

Since June, we have been engaging with First Nations and the Independent Power Producer Industry on the 2024 Call for Power. The key elements of our plans for the Call have been shared as they were developed. In Phase 1 of the engagement, we sought input on select design elements and our overall approach. Since September we have been engaging under Phase 2, seeking input on the draft terms to be included in a specimen Electricity Purchase Agreement (EPA) and Request for Proposal (RFP) documents.

As of December 2023, we have received over 2300 individual pieces of feedback. We have considered this feedback as well as customer interests, regulatory considerations, and our policy framework as we narrow down the terms that will be included in the specimen EPA and the RFP. A few key areas where feedback has already influenced updates to the terms are the First Nations economic participation model, commercial operation date and eligible project size.

In November, we completed our most recent round of engagement sessions, and we considered this feedback in the draft documents posted on January 8 for comment. Below are ten of the key themes we heard as well as a summary of how this input was considered. Thank you to everyone who has submitted feedback. Not every piece of feedback is reflected in the summary below, however each piece of feedback is reviewed. Please note that the potential RFP and EPA terms summarized below should be considered preliminary in nature and subject to change without notice. Accordingly, BC Hydro provides no representation or warranty that the key terms summarized in this document will reflect the final EPA terms or RFP terms. This document is not an offer and does not create any legal binding obligations, rights or liabilities.

	ORIGINAL KEY TERMS	FEEDBACK THEMES	CONSIDERATION
Eligible project size	Set the minimum project size at a value between 30 MW to 50 MW. Smaller projects won't meet our goals of maximizing economies of scale or achieving efficiencies with respect to studying, connecting, and administering a smaller number of larger projects.	Feedback was split between developers wanting smaller sized projects and those that wanted larger.	We set the minimum project size at 40 MW. This size considers the feedback that the minimum size should not be too large, while also balancing our need for utility-scale projects.

<p>Recommended First Nations Equity Ownership Requirements and Evaluation</p>	<p>Each submitted proposal must demonstrate that one or more First Nations impacted by the project hold a minimum 25% of equity ownership in the project.</p> <p>A proposal will receive a credit in the Evaluation Price for additional First Nations equity ownership beyond the 25% minimum eligibility requirement, up to 51%, with a maximum credit originally proposed at \$3.</p> <p>The credit is applied to the proposal's bid price for evaluation purposes only and is not additive/included as part of the energy price paid under the EPA.</p>	<p>Overall, the response to the recommended model was positive, both from First Nations and IPPs. Feedback themes to improve the model pertained to the additional equity and non-equity adjusters:</p> <p>Several engagement participants questioned why the equity adjuster stops at 51% and does not go to 100%.</p> <p>The non-equity benefits letter adjuster was also questioned for its lack of specifics (i.e. the vagueness as to the type of benefits being targeted).</p> <p>Further, the overall value of the credit provided by each adjuster was raised as a concern (i.e. a criticism that neither adjuster was providing enough credit to incent the desired outcomes).</p>	<p>We will maintain that proposals must demonstrate that one or more First Nations in whose territory the project is located hold a minimum 25% of equity ownership in the project for at least the first three years after the commercial operation date. Demonstration of this minimum equity ownership will be a condition to achieving commercial operation.</p> <p>We are increasing the overall value of the credit provided by the adjuster for additional First Nations equity ownership from a maximum of \$3 to a maximum of \$4 and further incenting 50% and 51% First Nations Equity ownership as per the following calculations:</p> <ul style="list-style-type: none"> - 26% up to 49% receive \$0.125/MWh per additional percentage point - 50% receive an additional \$0.40/MWh - 51% receive an additional \$0.60/MWh <p>EPA terms are being developed (including default, termination and liquidated damages provisions) to address scenarios where a proponent decreases the amount of First Nation equity below the minimum requirement and/or credited amount before the 3-year holding period is over.</p>
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Bid Security	<p>\$40,000 per MW of plant capacity, submitted by each proponent at the time a bid is submitted in the RFP.</p> <p>If a proponent is awarded and executes an EPA consistent with the Specimen EPA within a specified period of time, the proponent's bid security is applied to the performance security under the EPA.</p> <p>Proponents that are not awarded an EPA in the RFP will have their bid security returned.</p>	<p>Feedback on security was diverse as some felt that the bid security was too high, and others felt it should be higher.</p>	<p>We are reducing the bid security to \$25,000 per MW of plant capacity, to reflect feedback.</p> <p>Bid security helps ensure that proponents are committed to entering into an Electricity Purchase Agreement consistent with the Specimen EPA. Bid security discourages participation by speculative bidders and therefore may result in lower attrition.</p>
Target COD	<p>Target commercial operation date (COD) proposed for 2028.</p>	<p>A few developers told us they could make a 2028 COD. Others felt that the timeline was too rushed, and they would not be able to receive their permits, procure their materials, fulfill their interconnection requirements, and finish construction.</p>	<p>Proponents will be asked to propose a Guaranteed COD between Fall 2028 and Fall 2031 for their project.</p> <p>A three-year window for projects to come online strikes a balance of meeting anticipated need and addressing project development timeline concerns.</p> <p>Projects will have about 4–7 years to finalize permitting, procurement and construction once EPAs are awarded.</p>

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Milestone Liquidated Damages (LDs)	<p>Proponent will pay LDs for failure to meet interim agreed-upon project milestones (all to be specified in the EPA):</p> <ul style="list-style-type: none"> • Permitting complete • Procurement complete • Construction commencement <p>Pre-COD LDs will be reimbursed to the Seller (without interest) if Guaranteed COD is met.</p>	<p>Developers felt that this new requirement creates additional risk for the developer and is considered overly punitive.</p>	<p>We have decided not to include milestone liquidated damages in the specimen EPA other than liquidated damages payable if the Seller does not achieve Guaranteed COD (with allowance for up to 180 Force Majeure days).</p>
Curtailment for Emergency Condition	<p>BC Hydro may curtail for safety or system security or reliability issues (Emergency Condition) at any time, and the Seller must comply with directions.</p> <p>There will be no payments or liability to the Seller during an Emergency Condition.</p>	<p>We received some feedback that developers should not be required to take the risk of reduced revenue associated with emergencies. Other feedback suggested a time limit for curtailment in an emergency.</p>	<p>BC Hydro must be able to curtail in emergencies due to threats to public safety, property or the system so this term will be retained.</p>

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Energy Price Escalation and Time of Delivery	<p>Hourly Energy price = \$●/MWh, escalated annually on January 1 of each year following the Effective Date:</p> <ul style="list-style-type: none"> - at BC CPI until COD, and: - at 25% of BC CPI after COD multiplied by: - the applicable Time of Delivery Factor (TDF), being the applicable % for each On-Peak and Off-Peak hour in each month of the year, as set out in a table attached to Appendix 1 of this term sheet 	<p>i) Pre-COD Escalation Some stated that other procurements have linked portions of the price to known and trackable indices or key lending rates, which enables bidders to reduce the contingency included in their bids.</p> <p>ii) Post COD Escalation Several IPPs commented that the energy price escalation for post-COD energy at 25% is too low.</p> <p>BC Hydro heard at the November sessions that the proposed time of delivery table may result in significant disadvantages to resources such as solar and could result in uneconomic projects.</p>	<p>i) Pre-COD Escalation BC Hydro considered incorporating an alternative to BC CPI. However, we determined that the applicability of other indices would vary between projects, depending on the nature of the project. For example, the proportion of the project costs tied to equipment or construction labour. Therefore, we will continue to use BC CPI as it is stable, widely accepted and consistent with previous calls.</p> <p>ii) Post-COD Escalation We initially proposed a post-COD escalation rate of 25%, and we increased it to 30% to reflect feedback. We note that 30% is appropriate given that generally, about 70% of a project's levelized costs result from capital costs, which do not escalate post-COD.</p> <p>We have adjusted the Time of Delivery % for each On-Peak and Off-Peak hour to better support resource development while also still incenting projects that provide energy to meet system needs.</p>

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Deemed Energy (Turn-Down and BC Hydro System Constraint)	<p>BC Hydro has the right to turn-down all or a portion of the Seller's generation for any reason (separate from curtailment right for Emergency Condition).</p> <p>The previous term stated that BC Hydro will pay for energy that could have been generated and delivered to the POI but for a BC Hydro system constraint, only after the first 72 hours in aggregate of BC Hydro system constraint(s) in the month.</p>	<p>Strong feedback that BC Hydro's proposed right to turn-down all or a portion of the seller's generation for up to 72 hours within a month due to a BC Hydro system constraint without payment is problematic.</p> <p>Some developers suggest that we should provide an annual 'cap' in the EPA on the amount of times BC Hydro can exercise this clause as it jeopardizes developers' ability to obtain third-party financing.</p>	<p>We are considering a shorter turn-down period from 72 hours per month to 48 hours per month.</p>
Cost of Incremental Firm Transmission (CIFT) Adjuster	<p>Projects located outside of the Lower Mainland and Vancouver Island will have the CIFT for Kelly Lake/Nicola to Lower Mainland applied as an evaluation adjuster.</p>	<p>Most projects and First Nations are located outside of the south coast and Vancouver Island. This adjuster disadvantages these Nations and these projects.</p>	<p>The CIFT evaluation adjuster will apply to all projects that are located to the north and east of Kelly Lake/Nicola. From a geographic perspective, the South Coast is relatively small so it is anticipated that the CIFT will apply to most projects that are bid into this call. As a result, it is not anticipated to be a significant differentiator in the evaluation.</p>

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Timeline for Bid Submission	<p>MILESTONE (PROPOSED) DATE(S)</p> <ul style="list-style-type: none"> - Issuance of Request for Proposal (RFP) Documents and Specimen EPA: April 2, 2024 - Interconnection Request Submission Deadline: April 8, 2024 - CEAP Interconnection Request Submission Date: May 8, 2024 - RFP Closing Date/ Proposal Submission Deadline moved from Aug 2, 2024 to Sept 16, 2024 - EPA Award Announcement from November to December 2024 	<p>BC Hydro heard at all engagement sessions that IPPs and First Nations will be challenged to undertake all the necessary work, obtain quotes, collect data, build relationships and establish partnerships to submit comprehensive bids by the proposed August 2, 2024 deadline.</p>	<p>We are moving the bid submission deadline to September 16, 2024.</p>