Summary of Micro-SOP Engagement: Meeting Notes and Written Feedback

BC Hydro hosted three engagement sessions in June 2014 to seek feedback on the proposed micro-SOP. Meetings were held in Vancouver on June 9 and June 25 along with a webinar on June 10. Over 50 First Nations and stakeholder representatives participated in these sessions and provided feedback along with subsequent written submissions. We would like to thank everyone for their time and interest in attending these sessions and providing written comments. Below is a summary of the feedback from the engagement sessions and written submissions.

BC Hydro will consider this feedback as it drafts the micro-SOP rules, application form and EPA. BC Hydro will seek additional feedback on the draft micro-SOP documents in the fall of 2014.

June 9, 2014 –Vancouver Session

BC Hydro is proposing to use Smart Meters

- Are Smart Meters used for existing IPP projects?
- Why does a Smart Meter cost so much for a project compared to a residence?
- Anything that reduces costs (e.g., using Smart Meters) is a good thing.
- If there is an existing load and meter, would the charge be smaller?
- It was noted that there was an absence of discussion on single versus three phase power which affects a participant's particular project(s). This information should be made available.

BC Hydro is proposing a net-of-load approach for customer projects

- If a project is attached to an existing plant site, the developer would prefer not to go through the Integrated Customer Solutions program.
- Are greenfield projects excluded?

BC Hydro is proposing a single energy price

- Small projects have the same operating costs as larger projects. Therefore, it makes sense for projects to receive a lower starting price that is escalated at 100% of the Consumer Price Index. This escalation will allow for a legacy and long-term jobs.
- Concern was expressed over the price going down for developers who have been working on projects for several years.
- Can a single price be phased in? Can the other regional prices be brought up?
- BC Hydro should subsidize micro-SOP projects since they are cost-effective.

Interconnection Eligibility and Studies

- BC Hydro needs to have more flexibility rather than just doing a study based on nameplate capacity.
- If the integrated system is not able to accommodate a project, BC Hydro should consider paying for the upgrades.
- Can an existing screening study be submitted for a project?
- Providing an indication of the typical study costs and project design costs would be helpful.
- Right now the first developer on the line pays for the upgrades. BC Hydro should reconsider this policy.
- Will BC Hydro recognize "pioneer rights" for existing projects?
- For small projects, high interconnection and network upgrade costs can cause project failure.
- Further detail on what the screening study involves would be helpful.
- Developers only receive a pass or fail for these studies and more information is needed e.g., explanation for failure of screening study
- BC Hydro should publish the cost of connecting to the different parts of the system, including substation constraints and 'no-go zones'.
- Can two larger projects be located behind a single point of interconnection?
- What is the distinction between inductive vs. synchronous generators?

Application and Review Process

- If BC Hydro requires a mandatory pre-application meeting, there should be a timeline in which this meeting could take place to prevent developers from having to wait for BC Hydro availability.
- Projects are already under extensive review to receive a water licence so why is BC Hydro doing more review?
- BC Hydro needs to petition the government to decrease their requirements for permitting these smaller projects.
- Can First Nations provide input to the design of the micro-SOP application form?

Electricity Purchase Agreement

- BC Hydro should look at the 1989 Soo River Electricity Purchase Agreement (8 pages long) as a good model
- BC Hydro should take on more risk in order to simplify the Electricity Purchase Agreement.
- Will insurance provisions still be required in the Electricity Purchase Agreement?

General

- There is a rule in the SOP about selling electricity within a 10% overage. Will this rule apply under the micro-SOP?
- Greater flexibility is required for multiple projects.
- How can First Nations projects be encouraged?
- What is the life span of the micro-SOP?
- Will the micro-SOP provide off-diesel opportunities for remote communities?

June 10, 2014 – Webinar

BC Hydro is proposing to use Smart Meters

- Does the $3,000 charge reflect actual costs to install and reprogram the meter?

BC Hydro is proposing a net-of-load approach for customer projects

- Does the entire community need to offset its load?
- Does the load offset impact on Tier 1 vs. Tier 2 rates?
- Offsetting load can be problematic for First Nations communities.

BC Hydro is proposing a single energy price

- BC Hydro should consider different prices for different technologies.
- Rather than escalating the price paid to developers at the Consumer Price Index, BC Hydro should consider escalating the price according to its rate increases.
- Increased investment in the North will come from a higher price. The regional pricing regime is flawed (creates winners and losers). Weighted average prices may be acceptable if they reflect Lower Mainland price levels.
- Micro-SOP projects should have higher prices since their fixed costs are the same as for larger projects (i.e., poor economies of scale).
- How did BC Hydro arrive at the $8/MWh price reduction for full Consumer Price Index pricing over 20 years given that it appears to be less attractive than 50% Consumer Price Index pricing?

Interconnection Eligibility and Studies

- Disallowing FortisBC-connected systems does simplify the process, but it also penalizes citizens living outside of BC Hydro's territory. Can this be reconsidered to allow all British Columbians equal access to the program? Perhaps other utilities can piggyback on the micro-SOP and adopt a similar program in their own regions?
- A $5,000 fee is reasonable for new facilities but not for small-scale projects such as a 100 kW rooftop solar project. The study fee in Alberta is zero for projects on the load side.
- An understanding of potential interconnection study costs would be helpful.
- In transmission and distribution constrained areas, opportunities should be saved for First Nations
- Interconnection costs will deter municipalities and First Nations. BC Hydro should ensure that developers are aware of potential costs under the micro-SOP and how network upgrade costs might be shared so that developers remain motivated to generate electricity.
- High interconnection costs can negatively impact project financing.
- What does the Screening Study entail and how long does it take?
- If a System Impact Study is required, what is the timing/level of associated costs?
- Is there any consideration for multiple customers to offset their loads via a centralized community power installation (i.e., virtual net metering)? This is becoming common for housing developments and investors in communities.

Application and Review Process

- There should be an overlap between the micro-SOP and Net Metering program to make exceptions for certain projects.
- The micro-SOP is being created to help reduce costs and increase flexibility for applicants and BC Hydro. What is being considered with respect to these issues for permitting agencies/taxpayers given that micro-SOP projects may generate similar workloads as larger projects for reviewers and decision makers?
- The need for referrals can create more paperwork.
- Will there be a cluster rule for micro-SOP projects?
- Developers should be invited to have pre-feasibility discussions with impacted First Nations.

Electricity Purchase Agreement

- There should be an option to secure longer-term Electricity Purchase Agreements (greater than 20 years). Short-term Electricity Purchase Agreements run up financing costs and may increase the risk of lower prices post-renewal.

General

- Are there restrictions on equipment types e.g., wind, solar, geothermal, combined heat and gas or gas-fired generators?
- How did the micro-SOP size limit move from 2 MW to 1 MW?

June 25, 2014 – First Nations Only Session

BC Hydro is proposing to use Smart Meters

- Do not understand why there would be a charge for Smart Meters given that everyone was advised that such meters would enable the two-way flow of electricity? BC Hydro should consider waiving the metering fee since additional costs can cause financial hardship to small developers operating with tight margins.

BC Hydro is proposing a net-of-load approach for customer projects

- Is there any way for a developer to store energy and sell this back at times of higher demand?
- A couple of participants expressed an interest in their community offsetting their local buildings.

BC Hydro is proposing a single energy price

- Eight different regional rates do not make sense. Perhaps BC Hydro should consider having only two price levels.
- Is there an opportunity to sell power based on time of day (i.e., 3 x 12 pricing)?

Interconnection Eligibility and Studies

- Can BC Hydro identify in advance where there is an opportunity for a generator to connect to a distribution line?
- Participants were considering several technologies including solar, run of river and biogas.
- BC Hydro should consider covering more of the interconnection costs to encourage more small developers; this partnership approach can be justified by the benefits these projects can have on communities.

Application and Review Process

- First Nations projects should be given priority under the micro-SOP.
- BC Hydro should coordinate First Nations participation requirements with the Federal Government and their requirements for consultation.
- First Nations need more involvement and a balanced partnership with BC Hydro and government.
- Proponents would like to have BC Hydro's distribution planners attend the pre-application meeting to identify any system upgrades planned for regions.
- At the pre-application meeting, BC Hydro should advise developers of the need to involve potential impacted First Nations in the area of their projects.
- BC Hydro should consider doing a First Nations only call.
- A mandatory pre-application meeting could be expensive for developers if they have to bring in their consultants.
- Will First Nations have an opportunity to help draft micro-SOP rules, etc.?

General

- Rather than introducing a micro-SOP, BC Hydro should just increase the Net Metering cap to 500 kW.
- The micro-SOP should consider accepting new, unproven technologies.
- What is the relevance of micro-SOP projects in BC Hydro's Integrated Resource Plan?
- There are many potential First Nations projects on reserves; thus, there is a need to coordinate with the federal Aboriginal Affairs and Northern Development Canada department.
- Most small micro-SOP projects will be community driven.
- The First Nations Energy and Mining Council has developed an impact-benefit agreement community toolkit for dealing with First Nations (see their website).
- Will the second round of engagement have a First Nations only component?

Written Feedback Submitted via Email

BC Hydro is proposing to use Smart Meters

- Support using wireless smart technology and the proposed cost of metering seems reasonable (e.g., $3,000 for the initial connection at a greenfield site).

BC Hydro is proposing a single energy price

- Favour regional pricing rather than a postage stamp rate because it reflects the overall cost to BC Hydro of engaging the project and encourages generation closer to load.
- Strongly advocate a two-tiered pricing scheme with one rate for projects connected to the grid and another rate for projects in remote communities with flexible pricing tied to the cost of diesel generation.
- Support the postage stamp rate concept or alternatively creating a new load centre, likely in northern B.C. given that this is where new demand is occurring.
- The viability of some projects is sensitive to pricing and thus any changes should be no lower than the Lower Mainland price.
- Different technologies have different generation profiles (e.g., solar) and are being penalized by getting the same rate as other technologies.
- Price escalation at full Consumer Price Index (with a reduced energy price) is important for the viability of micro projects with high unit operating costs.
- Developers, First Nations and finance providers typically have a higher cost of capital and tend to prefer higher upfront prices with lower escalation. Escalation could logically be applied to actual costs that escalate.

Interconnection Eligibility and Studies

- Support limiting eligibility to projects that can connect directly to BC Hydro's distribution system in order to reduce costs and resources and minimize the impact on ratepayers. Eligibility should not be based on equity, but rather who can offer the best product at the best price for the benefit of BC Hydro customers.
- Disallowing customers in the FortisBC area is unfair to B.C. residents living outside of BC Hydro's territory.
- Proponents should bear interconnection costs as part of the project costs. Unless the energy being provided is the most economical option for new energy, the interconnection is really a benefit to the developer, not BC Hydro's ratepayers.
- BC Hydro should provide more than the $150/kW SOP threshold amount for network upgrade costs given the economies of scale for micro-SOP projects.
- Reduced complexity of interconnection studies is key for success of the micro-SOP. The interconnection cost estimates must be accurate and well understood.
- Interest expressed in allowing two different projects (i.e., solar and hydro generators) to share a single point of interconnection.
- Interconnection standards and guidelines should be introduced to address single vs. three-phase power, low vs. high voltage and induction/ inverter/synchronous generation (suggest use of pre-accepted line diagrams and equipment).

Application and Review Process

- Support having a mandatory pre-application meeting.
- Prior to awarding a contract, BC Hydro should consider and monetize any additional benefits associated with product quality and network improvements. This would entail additional payments for capacity benefits and projects that can improve local service/reliability or reduce the need for transmission upgrades.
- Priority should be given to First Nations micro-SOP projects in order to ensure they get space on limited-capacity feeder lines.

Electricity Purchase Agreement

- Support a simplified Electricity Purchase Agreement with reduced complexity.
- There was broad support for having longer contract terms, ranging from 25 years to up to 40 years.
- The $1 million liability insurance requirement is too costly for smaller projects. BC Hydro should consider using $2,000 per kW up to a maximum of $1 million.

General

- The micro-SOP should be designed to fill the void left behind when BC Hydro's Remote Community Electrification Program was placed on hold. Remote northern communities would benefit from replacing diesel power with geothermal energy.
- Current layout for standalone vs. load systems is confusing. The differences between these systems should be documented (e.g., study fees).
- One developer requested that larger projects up to 5 MW be accepted into the micro-SOP, whereas other favoured the proposed 1 MW limit.
- Changes in water rentals and other royalties could be allowed to flow through.
- BC Hydro should develop a free Cost Benefit Analysis tool that would assist First Nations communities in deciding if their proposed project is best suited to the Net Metering program or the micro-SOP.
- Goal of having the micro-SOP running by the end of 2014 is eagerly awaited.