

Tony Morris

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September 2, 2005

Mr. Robert J. Pellatt
Commission Secretary
British Columbia Utilities Commission
Sixth Floor – 900 Howe Street
Vancouver, BC V6Z 2N3

Dear Mr. Pellatt:

**RE: British Columbia Hydro and Power Authority (BC Hydro)
2004/05 to 2005/06 Revenue Requirements Application
Directives No. 25 and No. 26**

BC Hydro is writing to the Commission to provide an update on Directives No. 25 and No. 26 contained in the Commission's Decision of October 29, 2004 regarding BC Hydro's 2004/05 to 2005/06 Revenue Requirements Application.

Directive # 25

"The Commission Panel finds that the BCTC SAIDI target of two hours is an appropriate target for F2005 and F2006, but notes that both BC Hydro and BCTC can affect each others targeted reliability performance. Therefore, the Commission Panel expects BC Hydro and BCTC to file, in a timely manner, an agreement on individual quantified impacts to the various performance indicator targets."

BC Hydro Response:

The Master Agreement between BCTC and BC Hydro, dated as of November 12, 2003, provides that BCTC is responsible for planning, operating and managing the transmission system, and has the exclusive authority and responsibility for maintaining its reliability.

BC Hydro and BCTC have not entered into a single agreement relating to the various performance indicators such as CAIDI, SAIDI, ASAI, etc., but have entered into the five service level agreements ("SLAs") that were filed with the Commission under cover of a letter dated August 15, 2005. Each SLA contains provisions for performance measures and performance targets in respect of the services provided under the agreement. The SLAs for Distribution Operations, Generation Control, Field Services and SDA Asset Management describe services that impact, directly or indirectly, on the reliability and performance of the distribution, transmission or generation systems and therefore the various performance indicators that are tracked by BC Hydro and reported by the CEA.

Pursuant to section 4.8 of the Distribution Operations Service Agreement, BC Hydro and BCTC develop from time to time mutually agreeable performance measures and targets for the distribution operations services. BC Hydro and BCTC are using customer-hours-lost as the key performance metric for F2006. This represents the main component of the System Average Interruption Duration Index (SAIDI), which is defined as the total number of customer-hours-lost, divided by the total number of customers on the system.

The parties are using a target of less than 4,450,000 customer-hours lost as the F2006 reliability performance target, which equates to a SAIDI of 2.64 hours. 3,766,000 of those hours relate to outages originating on the distribution system, and 684,000 hours relate to outages originating either on the transmission system or in the substations (for a total of 4,450,000 hours).

The Generation Control Services Agreement generally relates to the dispatch, starting and stopping of BC Hydro's generation facilities by BCTC. Article 9 and the attachments to this SLA set out the performance measures and targets for the services BCTC provides under this agreement.

The Field Services Service Agreement also contains performance measurement and review provisions in Articles 9 and the Schedules. The SDA Asset Management Service Agreement contains performance measurement and review provisions in Article 6.

Directive # 26

“The Commission Panel expects BC Hydro and BCTC to present their reliability indices (SAIFI, SAIDI, CAIDI, ASAI, SARI, MAIFI, generation forced outages, availability, and generation outage rates) both combined and disaggregated (where applicable) on an annual basis with comparisons to CEA averages.”

BC Hydro Response:

Distribution Services:

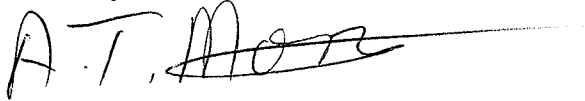
The latest annual CEA report on distribution system performance has just been released: “2004 Annual Service Continuity Report on Distribution System Performance in Electrical Utilities, July 2005”. The comparative information for BC Hydro and BCTC is provided in the tables and graphs in Attachment No. 1. (Please note that the SARI and MAIFI performance measures are not currently used for the BC Hydro portion of system performance).

Generation Services:

The latest annual CEA report on generation performance, "2003 Generation Equipment Status Annual Report", was released in October 2004. The 2004 report is expected to be released in October/November 2005. The generation performance data, as compared to the CEA is provided in the table and in graphical form in Attachment No. 2. Unlike the CEA report on distribution system performance (which provided the CEA data in

Attachment No. 1), the CEA Generation Equipment Status Annual Report includes only "internal " outages (i.e. generation-caused outages) and does not include "external" or transmission-caused outages.

Yours sincerely,

A handwritten signature in black ink, appearing to read "A. T. Morris", with a long horizontal line extending to the right.

Tony Morris
Acting Chief Regulatory Officer

Attachment No. 1

Attachment No. 1

Table 1: Combined Reliability Indices – BC Hydro/BCTC and CEA

Year	BC Hydro & BCTC Combined				CEA			
	SAIFI	SAIDI	CAIDI	%ASAI	SAIFI	SAIDI	CAIDI	%ASAI
F1996	1.40	3.04	2.17	99.965%	2.80	3.06	1.09	99.965%
F1997	1.43	2.95	2.03	99.966%	2.39	2.86	1.20	99.967%
F1998	1.13	2.00	1.76	99.977%	2.35	3.70	1.57	99.958%
F1999	1.50	4.23	2.82	99.952%	2.40	3.32	1.38	99.962%
F2000	1.21	2.28	1.88	99.974%	2.59	4.31	1.67	99.951%
F2001	1.18	2.51	2.13	99.971%	2.26	3.23	1.43	99.963%
F2002	1.41	3.60	2.55	99.959%	2.41	3.67	1.52	99.958%
F2003	1.45	3.77	2.60	99.957%	2.33	4.06	1.74	99.954%
F2004	1.63	4.51	2.77	99.949%	2.67	10.65	3.99	99.878%
F2005	1.47	3.96	2.69	99.955%	1.98	3.95	2.00	99.955%

Table 2: Disaggregated Reliability Indices – BC Hydro and CEA

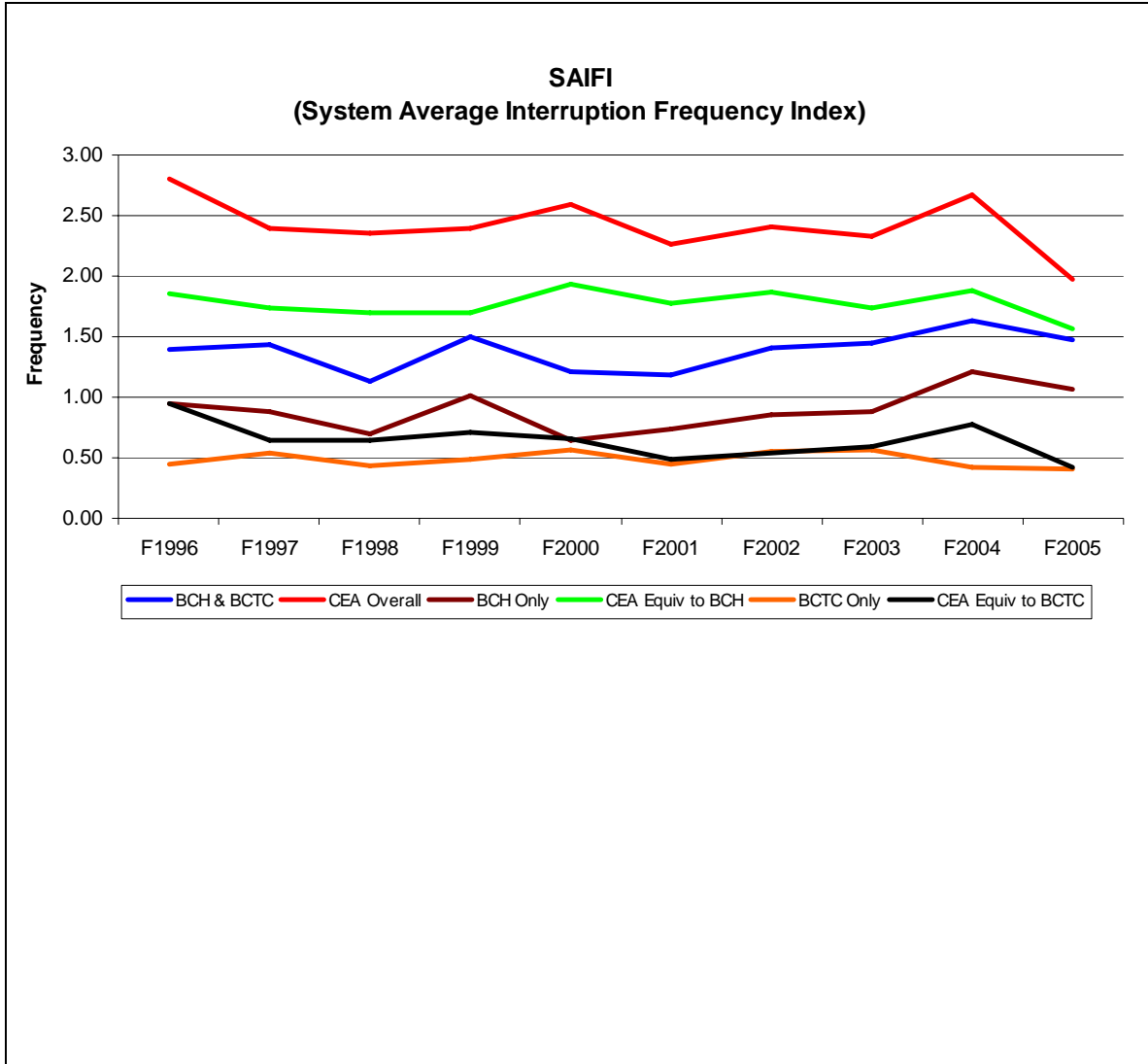
Year	BC Hydro				CEA			
	SAIFI	SAIDI	CAIDI	%ASAI	SAIFI	SAIDI	CAIDI	%ASAI
F1996	0.95	2.66	2.78	99.970%	1.85	2.51	1.35	99.971%
F1997	0.88	2.35	2.64	99.973%	1.74	2.39	1.38	99.973%
F1998	0.70	1.60	2.28	99.982%	1.70	3.21	1.87	99.963%
F1999	1.02	3.61	3.54	99.959%	1.69	2.82	1.67	99.968%
F2000	0.65	1.80	2.78	99.979%	1.93	3.80	1.97	99.957%
F2001	0.73	1.98	2.72	99.977%	1.77	2.83	1.60	99.968%
F2002	0.86	2.94	3.43	99.966%	1.86	3.19	1.71	99.964%
F2003	0.89	3.18	3.59	99.964%	1.74	3.55	2.03	99.960%
F2004	1.21	3.50	2.89	99.960%	1.89	5.69	3.01	99.935%
F2005	1.06	3.57	3.35	99.959%	1.56	3.49	2.24	99.960%

Table 3: Disaggregated Reliability Indices – BCTC and CEA

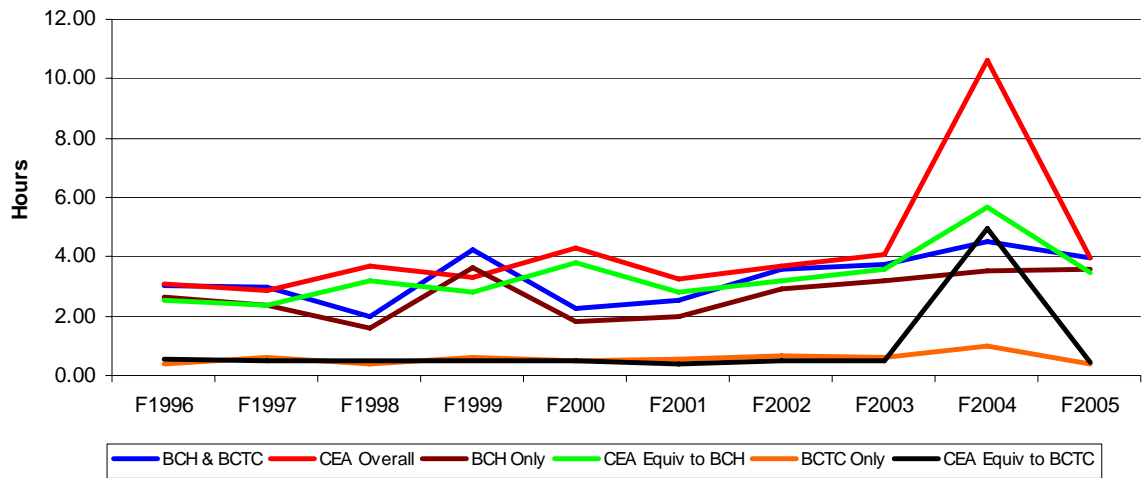
Year	BCTC				CEA			
	SAIFI	SAIDI	CAIDI	%ASAI	SAIFI	SAIDI	CAIDI	%ASAI
F1996	0.45	0.38	0.85	99.996%	0.95	0.55	0.59	99.994%
F1997	0.55	0.60	1.10	99.993%	0.65	0.47	0.72	99.995%
F1998	0.43	0.40	0.93	99.995%	0.65	0.49	0.77	99.994%
F1999	0.48	0.62	1.29	99.993%	0.71	0.50	0.71	99.994%
F2000	0.56	0.48	0.85	99.995%	0.66	0.51	0.78	99.994%
F2001	0.45	0.53	1.18	99.994%	0.49	0.40	0.82	99.996%
F2002	0.55	0.66	1.19	99.993%	0.55	0.48	0.88	99.995%
F2003	0.56	0.59	1.04	99.993%	0.59	0.51	0.87	99.995%
F2004	0.42	1.01	2.43	99.989%	0.78	4.96	6.35	99.943%
F2005	0.41	0.39	0.95	99.996%	0.42	0.46	1.11	99.995%

Attachment No. 1

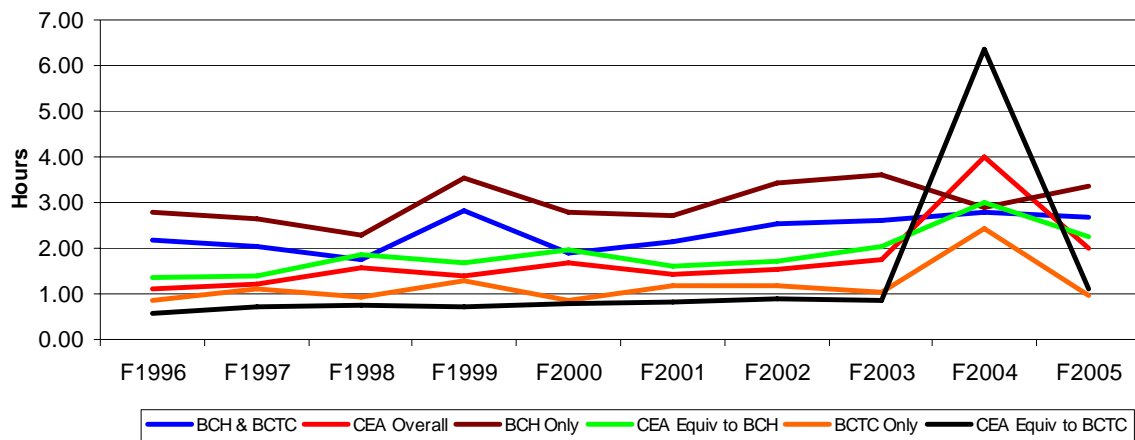
10-Year Reliability Indices – BC Hydro/BCTC and CEA



SAIDI (System Average Interruption Duration Index)



CAIDI (Customer Average Interruption Duration Index)





Attachment No. 2

Attachment No. 2

Reliability Indices

	BC Hydro Hydroelectric Units				CEA Hydroelectric Units			
	Availability Factor	Forced Outage Count	Forced Outage Factor	Failure Rate	Availability	Forced Outage Count	Forced Outage Factor	Failure Rate
1995	89.37	2.96	1.09	3.01	89.39	3.61	1.43	3.07
1996	90.17	3.04	0.93	3.03	90.56	3.11	1.60	2.58
1997	91.95	2.56	1.85	2.52	91.25	3.24	1.66	2.69
1998	89.79	3.25	2.38	2.73	90.33	3.31	1.40	2.79
1999	92.19	2.68	1.37	2.64	91.87	3.56	1.60	2.64
2000	91.43	3.64	1.34	3.52	90.60	3.33	1.42	2.34
2001	89.76	3.83	1.16	3.78	91.25	3.09	1.18	2.25
2002	88.88	3.31	1.07	3.39	91.71	3.05	1.51	2.35
2003	89.31	3.19	1.31	3.13	91.39	3.21	1.34	2.38
2004	88.91	2.50	2.03	2.66	N/A	N/A	N/A	N/A

Definitions

Availability Factor = (8760 hours – Forced Outage Time – Maintenance plus Planned Outage Time)/8760 hours

Forced Outage Count = Average Number of Forced Outages/Unit/Year

Forced Outage Factor = Forced Outage Time/8,760 hours *100%

Failure Rate = Forced Outage Count/Operating Time * 8,760 hours

This data is shown graphically, below.

