

## IPP Dialogue Session # 2

Following is a brief summary of the IPP consultation meeting held on July 5th regarding BC Hydro's power acquisition process and the design of the F2007 call.

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| Date/Time             | July 5, 2006 – 10 a.m. to 12:00 p.m.   |
| IPP Participants      | Jeff Wolrige, Anyox Hydro Electric Corp<br>Juergen Puetter, Aeolis Wind<br>Paul Willis, Willis Energy Service Ltd.<br>Marc Stachiw, Plutonic Power |
| BC Hydro Participants | Joanne McKenna (facilitator)<br>Jim Scouras<br>Leon Cender   |

### Open vs. Closed Call

- One of the IPPs favoured an open call with diverse resources.
- Another IPP thought the Call should focus on renewables, since BC is poised to be a leader.
- Another IPP raised concern that focus is on firm energy and that pricing may be prejudicial against firm projects.

### Standing Offer

- One IPP cautioned against a standing offer, stating that without proper qualification criteria, it could result in several unqualified projects if it's done at a high level.
- One IPP suggested a price limit vs. a size limit.
- Timing was identified as a key element of the standing offer given vagaries of permit timing.
- Standing offer for 10 MW and under will not fit all technologies.

### Healthy IPP Industry

- IPPs pondered this and discussed a variety of ways this could be illustrated, including only risk is construction risk. Discussion around identifying a target – X MW of energy on line by X date.

### Transmission Issues

- Potential problems by adding one year to COD.
- Useful to publish transmission credits/debits prior to bids, also should publish timing (need to make info more transparent).
- Ambiguity in the F2006 Call around what the credits were, creating greater uncertainty.
- BC Hydro needs to work closely with BCTC, e.g. website postings, CIFT dovetailing.
- Focus should not be on peak losses but rather average losses.

### Attrition and Quality Control

- No clear consensus on this point.
- One IPP stated that pre-qualification isn't necessary and costs time and money.
- Another IPP felt that the certainty of obtaining EPA is incentive enough for bidder to invest.

- Another IPP commented that let the IPP and lender take the risk – do not need pre-qualification stage.
- Another comment was to require qualification but for the project not the bidder.

### Regulatory Risk

- Any uncertainty is always costly:
  - Problem of posting performance security before BCUC approval.
  - Timing of steps – either Christmas or summer holidays when financing is required.
- BC Hydro should stick to original schedule for financing purposes – this will also build certainty.
- NSP (i.e. Negotiated Settlement Process) could be a useful process as long as it removes regulatory risk.

### Call Process CFT vs. RFP

- Most IPPs believed that the CFT process is evolving and improving.
- CFT process is prejudicial to large projects (>200 MW) – RFP may be better vehicle.
- CFT does provide certainty and reduces transaction costs.
- Allow staged CODs – its takes extended period to install and start up 100 turbines, a more flexible COD would enable IPPs to generate revenue before fully operational, potentially reducing the overall price of the product.

### EPA Risks

- Two key issues for wind are staged CODs and changing firm to less frequent than monthly.
- Performance security is a challenge within 14 days of EPA award (could it be extended 30 days?) as the senior lender may not be the provider of the performance security.
- Once an award is announced, potential financiers will come out in support of projects.

### Pricing Comparison

- Some IPPs felt that if BC Hydro is publishing the costs of the projects, they should be levelized bid prices.
- Difficulty in defining purchase price with a single figure.
- IPPs may not fully understand pricing.

### Fairness Monitor

- No real value was seen in using a fairness monitor.

### Consultation Comments

- Small groups are a good way to go.
- Meeting helps to avoid “us vs. them” mentality.

*Notes prepared by J. McKenna – July 2006*