

IPP Dialogue Session # 5

Following is a summary of the IPP consultation meeting held on July 14th regarding BC Hydro's power acquisition process and the design of the F2007 call.

Date/Time	July 14, 2006 – 10:00 a.m. – 12:00 p.m.
IPP Participants	Jim Baskerville, Tolko Industries Trevor Jones, Upnit Power Ltd. Partnership Greg Trainor, Interpac, KMC Energy Corp Stu Croft, Premier Power Corp.
BC Hydro Participants	Joanne McKenna (facilitator) Jim Scouras Laura Creech

Open Call

- One IPP noted that this call has been the most efficient to date, and that the BC Clean requirement effectively created 2 streams. Another noted that the F2006 Call was more effective than past calls in addressing the firm vs. non-firm project offerings.
- An open call is fine so long as there are pre-specified parameters and criteria, and so long as BC Hydro is comparing apples to apples:
 - Suggest clarity on BC Clean target. If BC Hydro deviates from expected targets, perceived transparency is compromised.
- Concern was expressed about technology-specific calls in that it may take a while for each technology to get its “turn” to participate.
- IPPs would like to see consistency between past acquisition processes and future acquisition processes. It would be challenging for IPPs if future acquisition processes were vastly different from those conducted to date because many IPPs have already climbed the learning curve.
- IPPs would like a better sightline to future calls. This way, IPPs can better predict opportunities to bid and would consequently bid in projects that are further along in development because future opportunities are known and/or predictable. This way, BC Hydro would avoid paying a risk premium for uncertainty and would sign contracts that have a higher likelihood of achieving COD.

Standing Offer

- General support for standing offer but suggest BC Hydro apply some form of “qualifying criteria” to temper a “gold rush” of projects. Cut-off should be size based; suggest anything under 20 MW.
- Suggest advanced stage of regulatory approval as criteria. Attrition will then be low. However, a standing offer has to have a relatively long time horizon to provide assurance to IPPs investing in the development of projects that the offer will still be available once the project is at the appropriate stage of readiness. Suggested size cap for standing offer is 100 GWh/y.
- Standing offer also has value for existing projects that have excess power to sell once plant has been built.

CFT Process

- A CFT process is preferred to negotiations as negotiation takes too long and there is too much regulatory risk. However, there is a need to make sure the CFT is clear and transparent.
 - Suggest offering a discount for term.
 - BC Hydro should be clear about what issues/clauses are negotiable which are not (i.e. which terms are “sacred cows”).
- One IPP suggested a First Nation standing offer but another IPP expressed reservations and suggested it is important to have a level playing field and that the opportunity for First Nation involvement already exists on most projects as a result of consultation requirements. (See consultation and a proposal for a First Nations only standing offer as two separate issues).
- General support for consistent calls, open calls, and a consistent format. Suggest supplementing this with a standing offer.
- Suggestion that IPPs and BC Hydro not be perpetually in a learning curve. BC Hydro should stick with a known, consistent, accepted approach.

Opportunities for Improvement

- Threshold in F2006 Call Risk Assessment of first reading of re-zoning by-law seemed onerous.
- Specific technical details regarding interconnection requirements seemed onerous given the expected level of development at time of tender.
- Perception of Risk Assessment process was that it included ‘bright line’ tests and that tenders would automatically be rejected if they failed to meet any of the thresholds (e.g. permitting and consultation).
- Pre-qualification is good if you are dealing with un-savvy developers but is otherwise not necessary.
- One IPP suggested BC Hydro consider a process to encourage combined bids to get desired profile (e.g. have a thermal plant partner with a run of river plant to bid to produce a more desirable profile). Other IPPs raised concerns regarding practicality of obtaining financing with such partnership arrangements (also concern expressed about forcing combinations of technologies when the fundamental principles underlying each could be quite different (i.e. one contributes to GHG the other doesn't)).

Fairness Monitor

- Consensus was that there is no need, it would just add bureaucracy.

Regulatory Risk

- General consensus was that the Standard Form EPA is sound and will have BCUC's support.
- Permits are another form of regulatory risk, and the cost to obtain the required permits is generally built into the price, but this is simply the cost of doing business.
- The F2006 Call got compressed on the back end. BC Hydro did a good job at front end with regard to stakeholder engagement but as the issuance date drew closer it seemed that not all the comments were reflected in the documents.

Attrition

- BC Hydro should consider offering IPPs incentives to achieve COD by the Target COD, and perhaps give IPP choices of what incentives work best for their project. In response to this suggestion, BC Hydro noted that it had explored this suggestion before by offering a front end loaded tariff as part of the Under 40 GWh/y Call, which was subsequently amended to a blended flat tariff because too many IPPs were suffering delays.
- Suggest BC Hydro conduct a post mortem analysis to better understand reasons for attrition (i.e. why certain projects did not come on line) and how this could be avoided in future.

EPA Terms and Conditions

- Make LDs more certain (capped, not open ended) and make them lower.
- One IPP expressed that obtaining security is not a problem.

Forms of Security

- Obtaining security is dependent on market. Right now banks are competing for business so it is fairly easy to obtain required security.
- BC Hydro is setting the bar too high with regard to credit rating (i.e. excluding major reputable Credit Union).

Comments About This Meeting

- Positive response from all attendees.
- Suggest more time to get to know other participants. Suggest grouping similar technologies together as they have common issues. Suggest grouping IPPs together based on those who have built projects and those that have not yet built projects. Suggest meeting as a larger group with breakout sessions of smaller groups.

Themes and key messages from today's sessions

- BC Hydro should maintain a consistent acquisition process so that IPPs will know what to expect.
- BC Hydro should provide a clear sight line with respect to future acquisition plans. This will provide predictability to the IPP industry whereby expectations are set and can deliver. In this way, BC Hydro might get better quality bids and projects, and may reduce attrition.
- BC Hydro should continue with some form of project screening but revisit some criteria as the bar is set too high.

Notes prepared by L.Creech, July 2006.