

IPP Dialogue Session # 6

Following is a summary of the IPP consultation meeting held on July 18, 2006 regarding BC Hydro's power acquisition process and design of the F2007 call.

Date/Time	July 18, 2006 – 10 a.m. to 12 p.m.
IPP Participants	Patrick Allan, Maxim Power Corp Michael Sweatman, Rockford Energy Corp Terry Sonderhoff, Second Reality Effects
BC Hydro Participant	Joanne McKenna (facilitator) Sammy Chow Laura Creech Alison Briggs
Other	Roger McLaughlin – Ministry of Energy

Construction Cost Escalation and Limited Supply of EPC Contractors

- One key challenge is construction cost escalation.
- Experience in the current call is that EPC contractors were in such demand that they could “cherry pick” projects and drive up prices to exorbitant levels – this would factor into higher bid prices for BC Hydro.
- Solutions:
 - Do not batch process bids – would remove fighting for the same few qualified contractors.
 - Make the risk assessment requirements less stringent regarding contractor qualifications (felt risk assessment required EPC contractor) - the banks usually want an EPC contractor; however, the banks have been more flexible accepting a group of contractors instead.
 - Develop a larger base of contractors that will qualify as acceptable construction contractors for tender applications.
 - No need for a construction cost escalation index in contract as it is priced into bid and passed on to ratepayers – more of a concern in interest rate escalation (stakeholders appeared reluctant to have a formula-based process in contract).

Timing of the Tenders and COD

- Concern was expressed that the timing of the F2006 Call was not aligned with the RPPI announcement – knowing the results of that announcement would have provided greater bidder certainty.
- The COD of the F2006 Call coincided with the 2010 Olympics.
- BC Hydro changed some of the requirements for submissions at the last minute causing extra stress on the bidders.

Regulatory

- For thermal projects close to the Lower Mainland – regulatory costs are still a high hurdle specifically air emissions.

Standing Offer

- Would provide certainty on timing and availability of contracts, allow IPPs to budget and design for what is available and spend money upfront.

- Encourages self-selection – getting developers to bid in projects further along because there is less time pressure to bid.
- Key concern was expressed over the size limit.
 - An artificial size limit encourages sub-optimization of the resource.
 - Set a high limit like 20 MW.
 - Note however, fisheries likes the 10 MW cap as it leaves more water in the river for the fish.
- Still have a qualification review and there should be some security based on BC Hydro's cost to review.
- Would like a more flexible risk assessment and a permit "out" option in the contract.

Green Attributes

- There would be large appeal to the venture capital market if there was a way for BC Hydro to share some of the upside of the green certificate market with the IPPs in the EPA – a potential upside.
- BC Hydro should gather the green credits and share the benefits.
- However the IPPs were clear this should be in addition to the \$3 credit to the bids.

BCTC/BC Hydro and Preliminary Interconnection Studies

- General frustration was expressed with the service provided by BCTC to the IPPs for such things as picking the most optimal route for the interconnection, timing/expediency of the preliminary study results or providing an adequate estimate (not just worst case scenario).
- Also, the preliminary interconnection study is not transferable to another process.
- Discussion also revolved around who should bear the risk of network upgrades and a desire was expressed for a wheeling rate.

Staged COD

- This concept was perceived as beneficial for staging of 11 projects into one transmission line or adding staged generation units – desire would be to work with BC Hydro to mitigate any long-term cost issues.

Tender Process – Q&A process

- The Q&A process was too slow and not responsive enough.
- Need to be able to speak with a real person to assist in crafting an appropriate question.

Consultation Comments

- Small group session was beneficial, however, waiting to see if suggestions are reflected in next acquisition process.
- BC Hydro was perceived as moving/changing a great deal in the last tender planning and development process.

Notes Prepared by A. Briggs, July 2006.