

## IPP Dialogue Session # 9

Following is a summary of the IPP consultation meeting held on August 15, 2006 regarding BC Hydro's power acquisition process and the design of the F2007 call.

Date/Time	August 15, 2006 – 10:00am to 12:00 pm
IPP Participants	Dave Milne – Interpac Resources Ltd. Dave Carter – Regional Power Inc.
BC Hydro Participants	Joanne McKenna (facilitator) Jim Scouras Laura Creech
Other	Roger McLaughlin – Ministry of Energy

### Open Call

- Suggest having an open call for renewables so that there is a level playing field for renewable technologies.
  - In having a purely open call, there may not be full cost accounting for externalities. (E.g. for coal technology, there is a calculable cost of re-oxygenating the air but, in the F2006 call, this cost has not been applied to coal projects in the bid adjustment process to put coal projects on a level playing field with other projects that have no associated air emissions).

### Comments on F2006 Process

- One criticism of the F2006 Call process was the artificial barrier of 10 MW in order to participate in the small project stream for a simpler contract. The cap of 10 MW leads to an under utilization of the resource and/or the bidding in of incremental power in subsequent call. The suggestion is to differentiate processes/contracts based on firm vs. non-firm rather than size.

### Development Challenges – Permitting and Regulatory Approval

- Having too many projects signed to an EPA is not the problem, getting them through the regulatory process is the issue.
- There is a shortage of required staff in the Provincial permitting agencies. This makes permitting a lengthy, challenging process for IPPs, resulting in attrition. The Provincial Government has done a good job in stimulating the IPP industry via the Energy Plan but needs to follow through in facilitating the permitting process through increased dedicated staff for power project permitting to ensure success in the industry.

### Attrition

- As an example of attrition in other jurisdictions, only 500 sites have been developed of 7500 Qualified Facilities identified in the US by the Department of Energy through Federal Energy Regulatory Commission (FERC) for small hydro power production potential.

### Pre-Qualification Process

- Having a pre-qualification process is not necessary; it simply creates another 'step' in the process and, therefore, more bureaucracy. Pre-qualification, or a stepped

process, may be a good idea for a standing offer, particularly to avoid a “gold rush” for signing contracts.

- Pre-qualification or stepped process would help to reduce attrition because projects that make it to the finish line would presumably have a high probability of success.

#### Standing Offer

- Suggest setting the upper limit of eligibility for a standing offer at a size of 20 MW. This would reduce the instances of underutilization of resources because many small run-of-river sites lend themselves to be optimized at a higher output than 10 MW but lower than 20 MW.
- The standing offer should not be set at a high offer price. The price should be set at the average price of projects less than 20 MW that succeeded in the F2006 Call.

#### RFP vs. CFT

- Support for CFT process because it gives developers certainty of a signed contract if they successfully navigate through the process.
- BC Hydro should not pick the ‘preferable’ technologies; the permitting and public consultation process will reflect the will of the ratepayers.

#### EPA

- There is a desire for future EPAs to be consistent with EPAs from recent calls. Future EPA contracts should not differ significantly from the past contract terms because this creates a steep learning curve for IPPs who have already invested in climbing the current learning curve with respect to BC Hydro’s EPAs.
- Suggest providing flexibility in ‘proofing’ the size of the project post-EPA award to allow for optimization of the project and resource.
- Suggest providing a sightline to future calls as this will result in projects at a further stage of development to bid into the process, which would reduce attrition.
- Suggest an independent review of BC Hydro’s standard EPA contracts by an entity not aligned with government, BC Hydro or IPPs (i.e. an unbiased critique).

#### Feedback on today’s session

- Glad for the opportunity and would be interested in continued discussions and/or future meeting(s) as long as they make a difference and effect change in future processes and contracts.

Notes prepared by L.Creech, August 2006.