

## Power Acquisition IPP Workshop – September 21, 2006

*On September 21, BC Hydro gathered with IPPs, BCTC, the Provincial Government and representatives from the financial, construction and legal communities in order to have a broad discussion regarding design of the 2007 Call and to explore possible solutions for several key themes identified during the IPP Dialogue Sessions. The workshop was attended by 30 participants who were selected from the previous IPP Dialogue Sessions.*

*Please note, this summary is the culmination of the break-out group discussions that were captured in the flip chart notes as well as the reporting out by the breakout session spokesperson. This summary reflects BC Hydro's attempt to summarize at a high level, the key points that were communicated to BC Hydro at the workshop session. These comments will be taken into consideration as BC Hydro designs the 2007 Call.*

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### **1. Financial**

- Bids could be optimized by improving the Liquidated Damages (LD) provisions and non-firm pricing (e.g. Tier 2 prices in F2006 Call were below market)
- Rather than requiring monthly LD payments, propose having a contra account where accrued LDs are offset by additional electricity generated at other times throughout the year
- Suggest doing calls in smaller increments on a more frequent basis (e.g. every 6 months)
- Consider construction cost flow-throughs using escalators to provide sharing of this risk between IPPs and BC Hydro

### **2. Transmission/Interconnection**

- Newer projects can be negatively impacted by the uncertainty associated with older projects e.g. 2003 GPG call
- Bids are made with limited information about cutplane costs and loss adjusters
- The door is open for BCTC to look at investing in transmission via Special Direction # 9 to the BCUC that provides the mandate to pre-build transmission infrastructure in advance of domestic need
- BCH/BCTC may want to consider a longer term approach to system losses/interconnection upgrades rather than using them in the bid evaluation
- Network upgrades should be looked at on a more comprehensive regional basis rather than a piecemeal approach that ties upgrades to individual call processes
- Security for network upgrades should be removed sooner if project is under construction

### **3. Construction**

- Propose using indices linked to commodities and construction costs rather than CPI escalators; will help mitigate escalating construction costs
- Milestones – build in specific termination milestones earlier in the development phase dates to ensure successful project completion; for example, milestones related to:
  - amount of capital spent on the project
  - receipt of environmental permits or zoning
  - local community and First Nations arrangements
- Suggest having a more rigorous pre-qualification process for large IPP projects

### **4. Permitting**

- Greater frequency of calls is one way to remove some of the time pressures currently experienced by permitting agencies – the workload would become more spread out
- Look at using the Environmental Assessment (EA) model for consultation and central coordination; the EA process is clearly defined with prescribed timelines

- Consider using the EA process to avoid overlap with permitting requirements, even when such an assessment is not mandated; however, can't default to the EA process for First Nations arrangements
- BC Hydro should look at establishing a permitting threshold for EPA awards e.g. IPPs must be at a certain stage in receiving permits in order to be awarded an EPA
- Consultation with affected stakeholders should be done early in the process to identify potential issues

## **5. Contracts**

- EPAs have evolved with complexity being addressed by simplifying both the process and the language
- Termination rights for failure to obtain permits are too permissive
  - developers need to have "enough skin in the game"
  - out clause should be tied to a date that is post-EPA execution rather than pre-COD
- Reducing attrition is in everyone's interest; need some form of pre-screening
- Differentiate contracts (and complexity) by project size
  - Smaller projects: standing offer (simplest)
  - Larger projects below 50 MW
  - Large projects sized at 50 MW and higher (most complex)
- Modify the acquisition process by starting with an RFP and then moving to a CFT for a smaller number of projects
- Make contracts simpler by using amplified pricing i.e. the 2 x 12 table in the EPA should exhibit more exaggerated price variations to reflect seasonal preferences