

SCHEDULE A

TENDER EVALUATION CRITERIA AND METHODOLOGY

1. SUMMARY:

The purpose of this schedule is to describe the tender evaluation criteria and methodology that will be used in the CFT to determine the optimal portfolio of Large Projects and the optimal portfolio of Small Projects. The process will be carried out separately for Large Projects and for Small Projects.

In summary, the evaluation process for both streams follows these steps:

- Initial Assessment
 - Conformity review,
 - Mandatory requirements assessment,
 - Bidder and project risk assessment,
- Price levelization,
- Determination of adjusted bid prices, and
- Determination of optimal portfolio.

2. CONFORMITY REVIEW:

2.1 Tenders will be reviewed on receipt for conformity with formal requirements for tender submission, which will be clearly specified in the CFT.

2.2 By way of example only, conformity issues include:

- Tenders properly signed,
- Tenders accompanied by the required tender security, in the correct form and amount,
- Tenders submitted on or before the tender closing time, and
- All tender form blanks completed and no unauthorized conditions included.

2.3 BC Hydro will reserve the right to waive non-conformities that are not material. However, in order to ensure fairness to all bidders, tenders containing non-conformities that are material will be rejected without further consideration.

2.4 Bidders who are in any doubt as to whether their tender will meet the formal requirements will be encouraged to resolve the issue through attendance at a bidder workshop and the Q&A process that will be available to all registered bidders from and after their registration time.

3. MANDATORY REQUIREMENTS ASSESSMENT:

3.1 Tenders that pass the conformity review will undergo an assessment to determine whether they meet mandatory requirements on a “pass/fail” basis. Tenders must meet all mandatory requirements, which are described in the Procurement Process Description and include requirements pertaining to:

- Project location,
- Technology type,
- Project type,
- Interconnection,
- Project size,
- Energy profile (Large Projects only),
- Exclusivity (Small Projects only)
- Interconnection study, and
- No current contracts.

3.2 Tenders that fail any of the mandatory requirements will be rejected and given no further consideration.

3.3 Bidders who are in any doubt as to whether their project will meet mandatory requirements will be encouraged to resolve the issue through attendance at a bidder workshop and the Q&A process that will be available to all registered bidders from and after their registration time.

4. BIDDER AND PROJECT RISK ASSESSMENT:

4.1 Tenders that pass all mandatory requirements will undergo a further assessment in respect of the bidder’s experience and financial strength and the project risk. Both assessments will be on a “pass/fail” basis.

4.2 BC Hydro will assess bidders to ensure that they have, or have access to, sufficient prior experience and appropriate financial strength to finance, develop and operate successfully the project tendered. The CFT will provide instructions regarding information required in the tender concerning the experience and financial strength of the bidder and its team.

4.3 BC Hydro will also carry out a project risk assessment for each project tendered, including consideration of:

- the likelihood that the project can achieve COD by the tendered COD selected by the bidder, having regard to the status of financing, permitting, site acquisition, design, engineering and procurement and other critical project development activities, and
- the likelihood that the project can deliver the contracted energy output for the full EPA term tendered, having regard to the expected useful life of generation equipment, the term of any site

tenure agreements and applicable permits, the GHG mitigation plan, if applicable, fuel supply arrangements and other critical elements.

4.4 The CFT will provide instructions regarding information required in the tender that will assist BC Hydro in carrying out the assessments.

4.5 BC Hydro will reserve the right to request clarification and further information from bidders as required to assist BC Hydro in carrying out the bidder and project risk assessments. BC Hydro will not be obliged to make such requests or undertake any further due diligence, but may choose to rely on the information submitted by the bidder with its tender.

5. PRICE LEVELIZATION:

5.1 The CFT will permit bidders to tender an EPA term of 15, 20, 25, 30, 35 or 40 years from COD. Also, the CFT will permit bidders to submit two prices – one applicable to the first period of 15 years or more, and the second applicable to the balance of the EPA term tendered. In order to fairly compare tenders of different terms with two prices, BC Hydro will levelize bid prices as a first step in adjusting prices for quantitative comparison.

5.2 Bidders should note that the CFT will restrict the differential between any two prices tendered in that the levelized price applicable to the first period of the term may not exceed 110% of the levelized price tendered for the entire term. Bidders that violate this rule will not be permitted to retender in the CFT, and their tenders will be rejected.

6. PRICE ADJUSTMENTS:

6.1 *Large Projects:*

The levelized bid price tendered for each Large Project will be adjusted, for tender evaluation purposes only, to represent the delivered cost of a common electrical product to a common delivery point: non-green, monthly firm energy, risk adjusted for GHG emission offset risk borne by BC Hydro, if any. The adjustments include:

- **Green Credit:** Projects that can achieve Ecologo^M certification can elect to tender green attributes to BC Hydro, in which case the levelized bid price will be reduced by \$3.00/MWh for tender evaluation purposes only. (Note that if such a project is awarded an EPA and subsequently fails to obtain or maintain such certification or transfers green attributes to government, the price paid to the Seller under the EPA will be reduced by a like amount, adjusted for escalation at CPI).
- **Hourly Firm Adjustment:** A Large Project bidder may elect to tender its project with the Hourly Firm option (as opposed to monthly firm), in which case the levelized bid price will be reduced by \$3.00/MWh for tender evaluation purposes only.
- **Interconnection/Transmission Adjustment:** Levelized bid prices will be further adjusted, for tender evaluation purposes only, to take into account any interconnection/transmission-related costs, the burden of which will fall, directly or indirectly, on BC Hydro, as a result of the project becoming interconnected to the Integrated System and energy being transmitted from the project to the load centre. Also, it is possible that BC Hydro may identify “clusters” of two or more projects where (i) further transmission-related costs result from the cluster, as opposed to individual projects considered on a stand-alone basis, and/or (ii) the allocation of transmission-related costs may be different from the allocation when projects are considered on a stand-alone

basis. The impact of such “clusters” will also result in price adjustments for tender evaluation purposes only.

- **GHG Adjustment:** A Large Project bidder may assume all GHG liability, or alternatively, may elect that BC Hydro assume specified GHG liability in respect of emission offset purchases required by law and regulation, subject to a specified GHG intensity for the project as specified by the bidder in its tender. If the bidder elects to transfer this emission offset purchase liability to BC Hydro, then the levelized bid price will be increased, for tender evaluation purposes only, by a specified amount determined from a look-up table to be published in the CFT. A preliminary indicative table is attached to this Schedule as Appendix 1.

6.2 ***Small Projects:***

The levelized bid price tendered for each Small Project will be adjusted, for tender evaluation purposes only, to represent the delivered cost of a common electrical product to a common delivery point: non-green energy, risk adjusted for GHG emission offset risk borne by BC Hydro, if any. The adjustments include:

- **Green Credit:** Projects that can achieve Ecologo^M certification can elect to tender green attributes to BC Hydro, in which case the levelized bid price will be reduced by \$3.00/MWh for tender evaluation purposes only. (Note that if such a project is awarded an EPA and subsequently fails to obtain or maintain such certification or transfers green attributes to government, the price paid to the Seller under the EPA will be reduced by a like amount, adjusted for escalation at CPI).
- **Interconnection/Transmission Adjustment:** Levelized bid prices will be further adjusted to take into account any interconnection/transmission-related costs, the burden of which will fall, directly or indirectly, on BC Hydro, as a result of the project becoming interconnected to the Integrated System and energy being transmitted from the project to the load centre. For Small Projects, there will be no adjustment in respect of the impact of “clusters”, if any.
- **GHG Adjustment:** A Small Project bidder may assume all GHG liability, or alternatively, may elect that BC Hydro assume specified GHG liability in respect of emission offset purchases required by law and regulation, subject to a specified GHG intensity for the project as specified by the bidder in its tender. If the bidder elects to transfer this emission offset purchase liability to BC Hydro, then the levelized bid price will be increased, for tender evaluation purposes only, by a specified amount determined from a look-up table to be published in the CFT. A preliminary indicative table is attached to this Schedule as Appendix 1.

6.3 Note that all levelized bid price adjustments are made for tender evaluation purposes only, and will not affect the price paid by BC Hydro under awarded EPAs.

7. **DETERMINATION OF OPTIMAL PORTFOLIO (BOTH STREAMS):**

7.1 BC Hydro’s evaluation team will determine the optimal Large Project portfolio and the optimal Small Project portfolio by applying first price and then non-price factors. The selection will take into account BC Hydro’s commitment to acquiring low cost, BC Clean Electricity to meet the BC Energy Plan goal, based on the adjusted bid prices. A “portfolio” may consist of one or more tenders and projects.

7.2 BC Hydro reserves the right to consider and apply a number of non-price factors in selecting the optimal portfolio, including, but not necessarily limited to:

- the quantity of energy to be purchased, having regard to system needs,
- portfolio interconnection and transmission costs and related impacts,
- firm energy, including hourly firm energy,
- environmental attributes, and
- project and overall portfolio development and operating risk, having regard to the need for timely and reliable supply, including the benefits of regional diversity.

7.3 While the selection will recognize a strong preference for low cost, BC Clean Electricity, non-price criteria may be applied, and BC Hydro does not expect to publish in the CFT a prescriptive weighting or other methodology for applying the evaluation criteria. All criteria will be applied with a view to determining the portfolio which best serves the interests of BC Hydro and its ratepayers, while respecting the regulatory need for prudence and consideration of the public interest.

7.4 The portfolio having the lowest cost, based solely on adjusted bid prices, will not necessarily be determined to be the optimal portfolio or result in EPA awards.

7.5 Awarded EPAs will be filed with the BCUC as “energy supply contracts” under the *Utilities Commission Act* (British Columbia), together with a full, reasoned report on the evaluation process and outcome, including disclosure of pricing and a report on how non-price factors were applied.

7.6 The Large Project and Small Project portfolios determined by BC Hydro’s evaluation team to be optimal will be recommended to BC Hydro senior management for EPA awards.

7.7 BC Hydro may, in its discretion, terminate the process as to either or both of the Large Project and Small Project streams and award no EPAs.

APPENDIX 1

**PRELIMINARY GHG BID ADJUSTER LOOK-UP TABLE –
\$(2006)/MWh VS. EMISSION RATE AND FULL CONTRACT TERM**

EPA Term						
Emissions CO ₂ e t/MWh	15	20	25	30	35	40
0.1	\$0	\$0	\$0	\$0	\$0	\$0
0.2	\$0	\$0	\$0	\$0	\$0	\$1
0.3	\$1	\$2	\$2	\$2	\$2	\$3
0.4	\$2	\$2	\$3	\$3	\$3	\$3
0.5	\$4	\$5	\$5	\$6	\$6	\$7
0.6	\$7	\$7	\$8	\$8	\$9	\$10
0.7	\$9	\$10	\$10	\$11	\$12	\$13
0.8	\$11	\$12	\$13	\$14	\$15	\$16
0.9	\$13	\$14	\$16	\$17	\$18	\$20
1	\$15	\$17	\$18	\$20	\$21	\$23
1.1	\$18	\$19	\$21	\$23	\$24	\$26
1.2	\$20	\$22	\$23	\$25	\$27	\$29