

**SUMMARY OF CHANGES TO F2006 CALL PROCUREMENT PROCESS DESCRIPTION AND SCHEDULES**

**July 15, 2005**

*This summary has no legal effect, and the rights and obligations of BC Hydro and Bidders/Sellers will be governed exclusively by the CFT and the executed EPA.*

**Procurement Process**

<b>Term</b>	<b>Original Proposal</b>	<b>Revised Proposal</b>
Call size	<p>Large stream - up to 800 gigawatt hours per year (“GWh/year”) of firm electrical energy and up to 800 GWh/year of associated non-firm electrical energy.</p> <p>Small stream - up to 200 GWh/year (based on a 50 MW cap at approximately 50% capacity factor) of electrical energy.</p>	<p>Target of a minimum of 1,000 GWh/year of electrical energy in F2006 as follows:</p> <p>(a) a minimum of 800 GWh/year of firm electrical energy and up to 800 GWh/year of associated non-firm electrical energy from projects 10 MW and larger (“Large Projects”), and</p> <p>(b) a minimum of 200 GWh/year (based on a 50 MW portfolio at approximately 50% capacity factor) of electrical energy from projects 1 MW and larger, but less than 10 MW (“Small Projects”).</p>
Eligibility Requirements for CFT streams	<p>Small Stream – projects connected to the distribution system having a rated power output of less than 10 MVA.</p> <p>Large Stream – all projects connected to the transmission system regardless of size and projects connected to the distribution system with a rated power output of 10 MVA or greater.</p>	<p>The eligibility for the two streams will be based solely on the size of the project regardless of the method of interconnection.</p> <p>Small Stream – projects with a project capacity of 1 MW or greater, but less than 10 MW.</p> <p>Large Stream – projects with a project capacity of 10 MW or greater.</p>
MVA vs. MW	Most terms and conditions related to project size were based on MVA.	Most terms and conditions related to project size based on MW.
Bidder Registration Fee	\$7,500 with \$2,500 discount for early registration.	\$5,000 for all registrations.

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Mandatory Requirements – New Generation	Requirement that projects be “new” generation. New generation was limited to projects that had not been connected to and synchronized with the transmission or distribution system during the prior 5 years.	<p>This requirement has been deleted. Existing generation is eligible to participate, provided the output is not under contract to BC Hydro or any other party during the term of the EPA, subject to the following:</p> <ul style="list-style-type: none"> <li>• Generation projects that have received funding through a Load Displacement or DSM contract with BC Hydro are not eligible, and</li> <li>• Existing generation facilities inside the customer’s plant fence that did not receive funding through a contract with BC Hydro are also not eligible for this Call, unless those projects ceased to be synchronized to the transmission or distribution system prior to 1 January 2004.</li> </ul>
Mandatory Requirements – Interconnection Issues	Projects must be capable of being interconnected at a specified interconnection point on the integrated BCTC or BC Hydro transmission or distribution system. Projects that are not located on the integrated system will be eligible, but the point of delivery under any awarded EPA must be at a specified interconnection point on the integrated BCTC transmission system.	<p>Clarified that generators connected to customer facilities are eligible (subject to the exclusions discussed above), provided that electricity from the generating facility is separately metered and can be injected directly into the transmission or distribution system when the customer facility is not operating.</p> <p>Projects located in Fort Nelson are not eligible.</p>
Mandatory Requirements - Exclusivity/Split Bids	In both streams, all project output (net of station service) must be tendered to BC Hydro.	<p>For Large Projects, the bidder may retain a portion of the project output for sale to third parties. Large Project bidders may tender their projects as both a “split bid” and a non-“split bid”.</p> <p>For Small Projects, all project output (net of station service) must be tendered to BC Hydro.</p>

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Mandatory Requirements - No Current Contracts	A project, whether or not developed, in respect of which the tendered output is under contract to BC Hydro or others (including any right of first refusal or similar requirement) is not eligible for this program.	Clarified that this only applies to output post-COD. Pre-COD sales to third parties are allowed.
Tender Options – Green Credit/Clean Projects	Bidders that elected to retain green attributes for sale to third parties or for other uses would not be considered clean in the evaluation process.	Bidders that retain green attributes will be considered clean in the evaluation process, provided the tendered project meets the “BC Clean Electricity” definition.
Green Credit/Federal Incentive Programs	Bidders required to elect in the Tender to transfer the green attributes to BC Hydro in return for \$2.00/MWh evaluation credit or retain the green attributes for sale to third parties or for other uses. This forced bidders to make an irrevocable election prior to eligibility decisions for federal incentive programs.	Bidders that elect to assign the Green Attributes to BC Hydro will retain the ability to apply for government programs such as the federal Renewable Power Production Incentive (“RPPI”) or Wind Power Production Incentive (“WPPI”). If the government program requires government ownership of the Green Attributes, BC Hydro will forfeit its rights to the Green Attributes and adjust the contracted power price downward by \$3.00/MWh (escalated at CPI from January 2006) in order to recoup the evaluation credit previously provided to the bidder. If the Seller does not by COD give notice to BC Hydro of award of a government incentive and requirement to transfer Green Attributes back to the Seller, BC Hydro will be entitled to retain the Green Attributes and will not be required to transfer the Green Attributes back to the Seller for any reason.
Project Risk Assessment	Not provided for.	BC Hydro will assess tendered projects to determine whether the projects pose unacceptable risk with respect to project completion by the guaranteed/target COD or operation in accordance with the terms of the EPA. The assessment will take into account factors such as financing status, site control and tenure, permitting status, GHG mitigation plans, progress toward other project milestones, fuel supply arrangements and availability, and an assessment of the expected useful life of the proposed project.

*Summary of Changes to F2006 Open Call for Power Procurement Process Description and Schedules*

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Tender Security	<p>Large Projects - \$20,000/MW based on annual firm tendered energy divided by 8760.</p> <p>Small Projects - \$10,000/MVA of maximum power output.</p>	<p>Reduced by 50% as follows:</p> <p>Large Projects - \$10,000/MW based on annual firm tendered energy divided by 8760, and</p> <p>Small Projects - \$5,000/MW based on project capacity.</p>

**Evaluation Methodology**

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Curtailability Credit	Bidders of Large Projects that elected the hourly firm option and had a contracted annual firm energy amount in excess of 25 MW (equivalent) could elect to take the curtailability option in the EPA in return for a bid price adjustment.	Deleted.
Green Credit Amount	\$2.00/MWh	\$3.00/MWh
GHG Adjustment	<p>Not provided for as the Seller was to retain the GHG regulatory liability.</p> <p>Seller might be required to offset some or all of the GHG emissions from the Seller's Plant beyond any offset requirement established under applicable regulations using BC based offsets.</p>	<p>BC Hydro will offer a tender option for bidders to assume the entire GHG regulatory risk or for BC Hydro to assume a portion of the GHG regulatory risk.</p> <p>Bidders may elect to have BC Hydro assume the risk of acquiring any GHG emissions offsets required under applicable legislation to offset emissions from the Seller's Plant (up to a GHG intensity tendered by the Seller) above the emissions authorized under any permit allocations to the bidder in respect of those emissions. If the bidder elects to have BC Hydro assume that risk, the appropriate bid price adjustment will be applied in the evaluation methodology.</p> <p>All bidders will be required to provide any GHG mitigation plan (as may be required by permitting authorities) as part of the project risk assessment process. For all bidders, the EPA will require the Seller to provide regular reports on the Seller's GHG compliance.</p> <p>Seller to comply with all Canadian federal, provincial and local regulatory regimes for GHG emissions, regardless of whether or not the regimes are otherwise applicable to the Seller's Plant, based on timing of COD or any other date stipulated in</p>

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		<p>applicable laws and regulations. Seller must provide regular reports on GHG compliance.</p> <p>Failure of a Seller to comply with its obligations under the EPA will constitute a default, which gives rise to normal contractual remedies for BC Hydro, subject to reasonable cure periods, including, in the case of a Seller's failure to provide offsets under applicable laws and regulations, BC Hydro's right on due notice to perform that obligation and recover the cost incurred from the Seller.</p> <p>Seller's bid price will be adjusted for evaluation purposes only to reflect the estimated cost to BC Hydro of meeting the GHG offset requirements for the Seller's Plant over the full term. See attached table.</p> <p>Seller retains all other GHG risks, regulatory or otherwise (e.g. carbon taxes).</p>
Levelizing Adjusted Bid Price (for evaluation purposes only).	No levelizing proposed.	Levelizing proposed to account for varying contract terms, guaranteed/target CODs, percentage of bid price subject to CPI escalation, and stepped pricing for bids with an EPA term greater than 15 years.
Non-Firm Energy Portfolio Criterion	Not provided for because the EPA contained a cap on non-firm energy deliveries. Each project's annual non-firm energy volume was limited to 100% of the annual tendered firm energy.	EPA cap has been removed (see below). A criterion has been introduced in the evaluation methodology to mitigate the amount of non-firm energy that BC Hydro will acquire, specifically an upper limit of 800 GWh/yr of non-firm energy on a portfolio basis.
50% Clean Criterion	The chosen portfolio was to contain a minimum of 50% BC Clean Electricity.	Target criterion of 50% BC Clean Electricity.

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Initial Period Pricing Criterion	Not provided for because the original documents had a fixed EPA term of 25 years.	For tenders with a term greater than 15 years, two different prices may be tendered (one for the initial pricing period and one for the remaining period). The real levelized price for the first term cannot exceed 110% of the real levelized price for the entire term.
Optimal Portfolio Selection	The evaluation process used only quantitative criteria to determine the optimal portfolio.	<p>BC Hydro will first consider price and then may apply non-price criteria to select the portfolio that best serves the interests of BC Hydro and its ratepayers. These could include, but are not limited to:</p> <ul style="list-style-type: none"> <li>• the quantity of energy to be purchased, having regard to system needs,</li> <li>• portfolio interconnection and transmission costs and related impacts,</li> <li>• firm energy, including hourly firm energy,</li> <li>• environmental attributes, and</li> <li>• project and overall portfolio development and operating risk, having regard to the need for timely and reliable supply, including the benefits of regional diversity.</li> </ul> <p>After EPA awards, BC Hydro will publish a full report, including disclosure of information relative to the application of price and non-price evaluation criteria.</p>
Additional Portfolio	<p>Described largely as a means of addressing the “lumpiness” problem.</p> <p>Selection was to be based on same methodology as in original selection process.</p>	BC Hydro will have the flexibility to adjust the volume purchased, in addition to applying other non-price criteria, when developing the optimal portfolio. The concept of an additional portfolio is no longer required.

**Electricity Purchase Agreement**

<b>Term</b>	<b>Original Proposal</b>	<b>Revised Proposal</b>
EPA Term	25 year fixed term.	Bidders can select EPA terms of 15, 20, 25, 30, 35 or 40 years.
Renewal	BC Hydro's right to renew at reduced price.	Renewal right deleted.
Guaranteed/Target COD	Guaranteed COD – 1 October 2009. Seller pays liquidated damages for each day COD is delayed after 1 April 2010.	Seller can select a guaranteed/target COD anytime between 1 October 2008 to 1 October 2009. Right to achieve COD up to one year prior to Guaranteed COD remains, but not earlier than 1 January 2008. For Large Projects, Seller pays liquidated damages for each day COD is delayed starting 180 days after guaranteed COD as selected by the Bidder. No delay liquidated damages for Small Projects.
Planned Outages – Timing Restrictions	Planned Outages can only be taken April – October	Deleted this restriction for the Small Projects.  Monthly firm – Large Projects can seek BC Hydro consent to take Planned Outages outside the “window” and BC Hydro will not unreasonably withhold consent.  Hourly firm – restriction remains.
Firm Energy Price – Large Projects	Bidders required to bid a single firm energy price for the term.	Bidders with a contract term longer than 15 years can elect to bid a lower price for the period after 15 years (or such longer initial pricing period as selected by the Bidder) subject to initial period pricing constraint.
Cap on Non-Firm Energy Deliveries – Large Projects	On a 12 month rolling basis BC Hydro not required to accept or pay for non-firm energy in excess of an amount equal to the contracted firm energy amount for that 12 month period.	Volume cap deleted. Only limitation on deliveries is that in any hour BC Hydro is not required to accept or pay for energy in excess of 120% of the maximum project capacity of the Seller's Plant sized at COD for Bidders that do not tender a split bid. Bidders that tender a split bid, BC Hydro is not required to accept or pay for energy in excess of the tendered Split Bid Threshold Level.

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Cap on Non-Firm Energy Deliveries – Small Projects	Energy deliveries capped at 105% of the maximum project capacity.	Cap in any hour raised to 120% of maximum project capacity.
Non-Firm Energy Price – Large Projects	<p>4 levels of discounts applicable to non-firm energy up to an amount equal to the firm energy amount.</p> <p>If BC Hydro accepted delivery of non-firm energy in excess of 100% of the firm energy volume BC Hydro is not obligated to pay for that energy.</p>	<p>BC Hydro pays for all non-firm energy.</p> <p>Two tiers of non-firm energy pricing:</p> <p>Tier 1:</p> <ul style="list-style-type: none"> <li>• volume up to 100% of firm energy volume, and</li> <li>• price based on applicable firm energy price less discount for all Sellers in the expected range of \$8.00 to \$12.00/MWh (escalated at CPI and seasonally adjusted based upon a HLH/LLH table).</li> </ul> <p>Tier 2:</p> <ul style="list-style-type: none"> <li>• volume in excess of Tier 1, and</li> <li>• price is lesser of 70% of average LLH Mid-C (less transmission charges to the border) or the applicable LLH Tier 1 price.</li> </ul> <p>These discounts for non-firm energy are significantly less than initially proposed.</p>
Property Tax Rate Adjustment and Other Costs	None provided	Payments to Seller will be adjusted to reflect the impact of 50% of property tax rate changes from the applicable rate prevailing on the tender submission date for a like project and location. No other “flow through” adjustments (including changes to assessed value of Seller’s Plant) or reimbursements will apply whether for fuel costs (including water rentals), other taxes or costs.
Escalation	Firm Energy Price escalates at 50% of CPI from January 2006 base year.	Bidder option to choose 0% – 50% of the firm energy price that escalates at 100% of CPI from January 2006 base month.

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Semi-Annual Invoicing – Small Projects	For projects with a maximum power output of less than 3 MVA, Seller will be entitled to issue invoices only twice per year.	All Sellers may issue monthly invoices.
Liability Cap on Delivery Shortfall Liquidated Damages – Large Projects	Based on comparison of adjusted bid price (as escalated) to the average Mid-C price for the month plus all transmission charges and losses associated with transmission of non-firm energy from Mid-C to the border. The general cap of 200% of the Performance Security amount on an annual basis also applies.	Mid-C price for purposes of calculating liquidated damages is capped at \$100/MWh (escalating at CPI) plus applicable transmission charges. The general liability cap also continues to apply.
Performance Security Amounts	<p>Large Projects - \$40,000/MW based on annual firm energy amount divided by 8760 + \$40,000/MVA of maximum power output. Reduced on first anniversary of COD to \$40,000/MW based on annual firm energy amount divided by 8760.</p> <p>Small Projects - \$60,000/MVA of maximum power output. Reduced on first anniversary of COD to \$20,000/MVA of maximum power output.</p>	<p>Large Projects - \$60,000/MW of project capacity. Reduced on first anniversary of COD to amount indicated in original proposal.</p> <p>Small Projects - \$30,000/MW of project capacity. Released on first anniversary of COD.</p>
Limit of Liability – Small Projects	Unlike the Large Projects which had an annual limit of liability of 200% of the Performance Security Amount, the Small Projects did not provide for an annual liability limit.	Except in the case of deliberate breach, the annual limit of liability is \$30,000/MW of project capacity.

Term	Original Proposal	Revised Proposal
Reduction in Firm Energy Amount – Large Projects	Reduction in contracted firm energy amount if in any 12 month period delivered firm energy is less than 80% of contracted firm energy for that period.	Deleted.
Termination for Failure to Obtain Material Permits – Large Projects	<p>Seller right to terminate if, after using commercially reasonable efforts, Seller fails to obtain Material Permits by February 1, 2007.</p> <p>Buyer right to terminate if Seller has not obtained Material Permits by October 1, 2007.</p>	<p>Seller termination date amended to 18 months prior to the Guaranteed COD.</p> <p>Buyer termination date amended to 12 months prior to Guaranteed COD.</p>
Termination for Failure to Deliver – Large Projects	Buyer right to terminate if in any 24 month period, delivered energy in that period is less than 60% of the original contracted energy amount for that period.	Deleted.
Termination for Force Majeure	Where a party has invoked Force Majeure, the other party can terminate if the Force Majeure continues for more than 365 days.	Where the Seller has invoked Force Majeure beyond 365 days but is seeking to resolve the cause, the Seller has the ability to delay the termination right by up to an additional 365 days.
Termination Payment on Termination by BC Hydro for Force Majeure	Seller required to reimburse the Buyer for all network upgrade costs incurred prior to the date of termination in proportion to the number of years remaining in the EPA term relative to the initial EPA term.	Reimbursement obligation applies only if the EPA is terminated prior to first anniversary of COD. Thereafter, reimbursement obligation does not apply. Reimbursement obligation is capped at the amount of the Performance Security.

**BC Hydro received comments on a number of other matters. Those comments were also considered in preparing the revised Procurement Process Description and Schedules.**