

Tab D

STANDARDS OF CONDUCT COMPLIANCE AGREEMENT

THIS AGREEMENT ("Agreement") dated as of the 19th of November 2004.

BETWEEN:

**BRITISH COLUMBIA TRANSMISSION CORPORATION
("BCTC")**

- and -

**BRITISH COLUMBIA HYDRO AND POWER AUTHORITY
("BC Hydro")**

RECITALS:

- A. BCTC and BC Hydro entered into the Key Agreements (as defined herein), which set forth the respective roles and responsibilities of the parties regarding the operation, control, use, management, maintenance and planning of the Transmission System (as defined herein);
- B. Pursuant to the Key Agreements, BCTC acquires and develops Transmission-Related Information (as defined herein) and communicates certain parts of that information to BC Hydro to enable BC Hydro to perform its roles and responsibilities under the Key Agreements;
- C. BC Hydro and BCTC wish to agree to the basis on which Transmission-Related Information is communicated by BCTC to BC Hydro personnel, to prevent such information from being passed on to those within BC Hydro or its marketing affiliates that are involved in the business of buying or selling electricity services at market based rates; or that engage in or are involved in transmission transactions.

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the sum of TEN DOLLARS (\$10.00) paid by BCTC to BC Hydro and the covenants and agreements hereinafter set forth (the receipt and sufficiency of which are hereby conclusively acknowledged by BC Hydro and BCTC), the parties agree as follows:

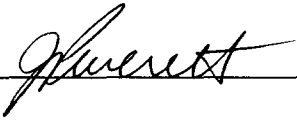
- 1. Capitalized terms in this Agreement have the meanings set out in the British Columbia Hydro and Power Authority Standards of Conduct ("Standards of Conduct") attached as Schedule A to this Agreement.
- 2. BC Hydro will comply with the Standards of Conduct and the Compliance Program attached as Schedule B to this Agreement, or as they may be hereafter revised by Commission order.
- 3. This Agreement is effective as of November 19, 2004 and remains effective for so long as the Key Agreements, or any of them, are in effect.

4. This Agreement, and the Schedules forming a part hereof, may be amended by written agreement of the parties, provided however that no such amendment will be effective until it is filed with and approved by the Commission.
5. This Agreement will be governed by and construed in accordance with the laws of the Province of British Columbia and the laws of Canada applicable in British Columbia, and the parties agree to attorn to the jurisdiction of the courts of British Columbia.

IN WITNESS WHEREOF the parties hereto have executed this Agreement.

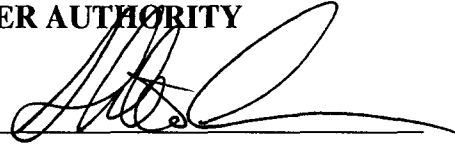
**BRITISH COLUMBIA
TRANSMISSION CORPORATION**

Per: _____



**BRITISH COLUMBIA HYDRO AND
POWER AUTHORITY**

Per: _____



SCHEDULE A

BRITISH COLUMBIA HYDRO AND POWER AUTHORITY

STANDARDS OF CONDUCT

General Principles:

Pursuant to the Master Agreement between the British Columbia Hydro and Power Authority ("BC Hydro") and the British Columbia Transmission Corporation ("BCTC"), dated November 12, 2003, responsibility for offering an Open Access Transmission Tariff ("OATT") will shift to BCTC on the effective date of BCTC's first OATT (the "Tariff Commencement Date"). Until the Tariff Commencement Date, BC Hydro offers wholesale transmission services ("WTS") under the WTS Tariff but BCTC is responsible for administering the service in all respects.

Certain agreements between BC Hydro and BCTC (the "Key Agreements") set forth the respective roles and responsibilities of the parties regarding the operation, control, use, management and maintenance of the transmission system before and after the Tariff Commencement Date. This ongoing contractual relationship requires BCTC to acquire and develop non-public transmission-related information. BCTC communicates certain portions of that information to BC Hydro personnel so that they may perform BC Hydro's roles and responsibilities under the Key Agreements.

The intent of these Standards of Conduct is to ensure that the non-discriminatory open access objectives of the Province of British Columbia are met by ensuring that employees of BC Hydro who have access to BCTC's non-public transmission-related information will not disclose such information to anyone except those within BC Hydro that require the information to perform the roles and responsibilities BC Hydro assumed in the Key Agreements. Specifically, the Standards of Conduct are intended to ensure that employees within BC Hydro or its marketing affiliates that are involved in the business of selling electricity services at market based rates do not have access to such information.

Thus, the Standards of Conduct employ a "no conduit" prohibition that allows non-public transmission-related information obtained from BCTC to be used by BC Hydro personnel who require it for BC Hydro to perform its roles and responsibilities under the Key Agreements, while preventing such personnel from acting as a conduit of information to others within BC Hydro or its marketing affiliates that are involved in electricity marketing.

The Standards of Conduct will apply prior to the Tariff Commencement Date, while the WTS Tariff is in effect, and will continue to apply after the Tariff Commencement Date when BCTC's OATT is in effect.

1. Definitions

- (a) "Affected Employees" means those BC Hydro Employees who require Transmission-Related Information for BC Hydro to perform its roles and responsibilities under the Key Agreements.
- (b) "Affiliate" means another person which controls, is controlled by or is under common control with BC Hydro.
- (c) "BC Hydro" means the British Columbia Hydro and Power Authority.
- (d) "BCTC" means the British Columbia Transmission Corporation.
- (e) "Commission" means the British Columbia Utilities Commission.
- (f) "Control" (including the terms "controlling", "controlled by", and "under common control with"), includes, but is not limited to, the possession, directly or indirectly and whether acting alone or in conjunction with others, of the authority to direct or cause the direction of management or policies of a company.
- (g) "Employee" means an employee, contractor, consultant or agent.
- (h) "Key Agreements" means the Master Agreement; Asset Management and Maintenance Agreement; Asset Lease, Licence and Transfer Agreement; Transmission Operating Agreement; and Support Services Agreement dated November 12, 2003 that are designated, for the purposes of section 3 of the *Transmission Corporation Act*, S.B.C. 2003, c. 44, under Order in Council No. 1083.
- (i) "Marketing Affiliates" means Employees within BC Hydro or its Affiliates, including Powerex, who are involved in the business of buying or selling electricity services at market based rates.
- (j) "Support Employees" means those BC Hydro Employees who perform support functions for Affected Employees, including the following functions:
 - legal counsel;
 - regulatory;
 - administrative assistance / secretarial;
 - audit services; and
 - information technology.
- (k) "Transmission-Related Information" means any information obtained from BCTC concerning the Transmission System or the transmission system of another (including, but not limited to, information received from non-affiliates or information about available transmission capability, planned or actual transmission facility outages or reinstatements, price discounting, curtailments, maintenance activity, facility retirements, capacity expansion plans, or similar information that conveys

knowledge of the current or future cost, accessibility or reliability of transmission services), but does not include information available on an Open Access Same-time Information System ("OASIS") or that is available to the general public in comparable time and format through other means.

- (l) "Transmission System" means the Transmission System, but excluding Substation Distribution Assets, as these terms are defined in the Master Agreement between BCTC and BC Hydro dated as of November 12, 2003 and designated by the Lieutenant Governor-in-Council.

2. Functional Separation

- (a) Pursuant to the Key Agreements, BCTC is responsible for the operation, management and maintenance of the Transmission System; however, BC Hydro owns the assets and continues to perform certain specific roles and responsibilities in connection with them.
- (b) Except as permitted under these Standards of Conduct, BC Hydro Employees will function independently of BCTC Employees.
- (c) In emergency circumstances affecting system reliability, BC Hydro Employees may deviate from these Standards of Conduct and may obtain and disclose whatever information is necessary to keep the Transmission System in operation and/or to restore the Transmission System in the case of an outage.

3. Non-Discrimination Requirements

3.1 Information Access. Except where otherwise permitted by these Standards of Conduct or approved by the Commission:

- (a) BC Hydro will ensure that its Employees and those of its Marketing Affiliates will not have access to any Transmission-Related Information.
- (b) Affected Employees may only have access to and use Transmission-Related Information to perform a role or responsibility BC Hydro has assumed under the Key Agreements.
- (c) Support Employees may only have access to Transmission-Related Information necessary to perform their respective functions to support Affected Employees.
- (d) BC Hydro Employees and those of its Marketing Affiliates may have access to and use generation operating information necessary to perform generation dispatch and manage generating resources. This access does not include specific information about individual third party transmission transactions or potential transmission arrangements.

3.2 **Prohibited Disclosure.** Except where otherwise permitted by these Standards of Conduct or approved by the Commission:

- (a) Affected Employees and Support Employees are subject to the no-conduit prohibition; they must not be used as a conduit for disclosing Transmission-Related Information to Marketing Affiliates.
- (b) Affected Employees and Support Employees must not disclose Transmission-Related Information to anyone other than other Affected Employees, Support Employees and BCTC Employees.

4. Compliance Program

- (a) BC Hydro will post on its Internet website, and file with the Commission, a program ("Compliance Program") to implement and ensure ongoing compliance with the Standards of Conduct.
- (b) BC Hydro will comply with the Compliance Program.

SCHEDULE B

COMPLIANCE PROGRAM

BC Hydro's business success is based on integrity, honesty and trust. The Compliance Program ensures ongoing compliance with the Standards of Conduct, while allowing BC Hydro's employees to work efficiently. The Compliance Program consists of the following elements: the Chief Compliance Officer and Compliance Office; procedures and training; the Standards of Conduct website; compliance monitoring; and sanctions for non-compliance.

(a) Chief Compliance Officer

BC Hydro has a Chief Compliance Officer who is responsible for ensuring that BC Hydro complies with the Standards of Conduct. The Chief Compliance Officer reports on Standards of Conduct matters directly to a senior officer of BC Hydro.

The Chief Compliance Officer is supported by BC Hydro's Compliance Office, which administers and manages all elements of this Compliance Program.

The Compliance Office maintains a confidential phone line for officers, employees or the public to report any contravention, real or suspected, or to ask questions about the Standards of Conduct.

(b) Procedures and Training

BC Hydro makes compliance with the Standards of Conduct the responsibility of all of its employees. All employees are educated about the Standards of Conduct, the Compliance Program, and their responsibilities in the event of a contravention or suspected contravention.

The Standards of Conduct permit Affected and Support Employees to obtain Transmission-Related Information (including documents) from BCTC, but prohibit them from disclosing such information to anyone other than other Affected Employees, Support Employees or BCTC Employees that require it to perform work under the Key Agreements. BC Hydro takes precautions to secure against inappropriate access to such documents whether they are physical or electronic, including appropriate storage of hard copy documents and password protection for electronic documents. BC Hydro does not allow Affected Employees to be involved in the business of buying or selling electricity services at market based rates; or engage in or be involved in transmission transactions.

All BC Hydro employees, officers and directors, and those of its Marketing Affiliates receive a copy of the Standards of Conduct. Current Standards of Conduct implementation procedures are maintained by BC Hydro and made available to all employees, Marketing Affiliates and external parties through BC Hydro's website (see part (c), below). Any officer or employee who knows or suspects that the Standards of Conduct have been, or are likely to be, breached has a responsibility to report it.

Affected Employees and Support Employees, including new hires and transfers into those groups, receive additional training on the Standards of Conduct, including the following components.

- an educational component focusing on the general principles of the Standards of Conduct and how they apply to BC Hydro; and
- testing of the employee's understanding of the Standards of Conduct generally and in the context of specific business situations that could involve Transmission-Related Information.

At the conclusion of the training program, there will be certification that the employee has completed the training. The Compliance Office ensures Affected and Support Employees have been trained using this certification procedure, and maintains the certifications in a file available for audit by the Commission.

Contractors and consultants that provide transmission-related services to Affected Employees are required to adhere to the Standards of Conduct.

The Compliance Office conducts periodic random testing to test employees' knowledge of the Standards of Conduct. If as a result of this testing the Chief Compliance Officer concludes more direct methods should be undertaken to heighten employees' understanding of the Standards of Conduct, other training procedures will be developed.

(c) Standards of Conduct Website

BC Hydro maintains and updates a Standards of Conduct website, which can be accessed by external parties through BC Hydro's website (<http://www.bchydro.com>).

The Standards of Conduct are posted on the website, as are current Compliance Program procedures and BC Hydro's organization chart.

The organization chart identifies the groups that contain Affected Employees and Support Employees, and it also shows the relative position in the organization of Marketing Affiliates. Functional job descriptions and addresses for these employee groups are also posted. The organizational chart will be updated within seven working days of a change, and the date on which the information was updated will be posted.

BC Hydro posts notices of any employee transfers between an Affected or Support Employee group and a Marketing Affiliate within seven business days of the effective date of the transfer. The notice will include: the name of the transferring employee, the respective titles held while performing each function (i.e., on behalf of the Affected Employee or Support Employee group, or the Marketing Affiliate), and the effective date of the transfer. Notices of transfers will remain on the website for 90 days.

Any contravention of the Standards of Conduct, including inadvertent contraventions and contraventions arising from emergency circumstances affecting system reliability, will be posted on the Standards of Conduct website upon determination by the Chief Compliance Officer that the disclosed information constitutes a contravention.

BC Hydro will post information concerning any potential merger partners as affiliates within seven days after the potential merger is announced.

The information posted on the Standards of Conduct website will be maintained in a file for three years.

(d) Monitoring

BC Hydro's internal audit group monitors the effectiveness of the Compliance Program by conducting periodic control assessments and reporting their findings to the Chief Compliance Officer. Compliance Program training and procedures will be reviewed and improved to address any issues identified in a control assessment.

The Compliance Office monitors compliance through the testing program, and the number and nature of reported contraventions.

(e) Sanctions

Any contravention of the Standards of Conduct will be posted on BC Hydro's Standards of Conduct website, including the contravening employee's name, upon determination by the Chief Compliance Officer that the disclosure constitutes a contravention.

Any BC Hydro employee breaching the Standards of Conduct may be subject to disciplinary action, up to and including termination.

Contractors and consultants breaching the Standards of Conduct may be subject to sanctions, including termination of the contract.