

MEETING WITH STAKEHOLDERS ON THE BIOENERGY CALL
August 22, 2007 – Vancouver, B.C.

INTRODUCTION

On August 22, 2007 BC Hydro met with representatives from the Ministry of Forests and Range, the Ministry of Energy Mines and Petroleum Resources, Independent Power Producers (IPPS) with existing contracts for bioenergy projects and the Council of Forest Industries to discuss the forthcoming Bioenergy Call. The meeting focused on mechanisms that BC Hydro could consider to help address the potential impact of the Bioenergy Call on existing users of residual wood products in B.C.

At the meeting, BC Hydro presented a set of preliminary options that were being considered for the Bioenergy Call. Thereafter, smaller breakout groups were created and stakeholders were asked to discuss and provide feedback on the preliminary options presented by BC Hydro, or suggest additional options that should be considered. This document provides a summary of the preliminary options presented by BC Hydro and the feedback received from stakeholders.

OPTIONS PRESENTED BY BC HYDRO AND STAKEHOLDER FEEDBACK

1. Eligibility Criteria

Rationale – Can be used to limit who can submit a bid into the call

Potential Options:

- Allow all projects that use sawmill residues, logging debris and beetle-killed timber, or
- Allow only projects that use underutilized sawmill residues, logging debris and beetle-killed timber, or
- Allow bids from only within areas identified by BC Hydro.

Stakeholder Perspectives:

Positives:

- Using clear eligibility criteria to limit bidders sets a clear target for the call.
- Surplus or underutilized residue may be difficult to define, but it can be done.
- The same mechanisms and oversight body that currently oversees log and chip exports could assess underutilized wood residue.
- Allowing bids in certain areas only identified by BC Hydro and based on available fuel is in alignment with perceived government objectives for the Call. Targeting areas with high volumes of beetle kill wood will drive the development of new greenfield plants.

Negatives:

- While underutilized sawmill residues can be defined, they will change over time.
- Limiting fuel to underutilized sawmill residues, logging debris and beetle-killed timber may lead to sub-optimal fuel mixtures and smaller scale, less cost effective projects.
- Unclear geographic eligibility criteria may deter proponents from participating in the Bioenergy Call.
- Eligibility should be open and fuel use restrictions should be applied in the evaluation process.

2. Selection Criteria

Rationale – Can be used to influence how BC Hydro selects the successful projects

Potential Options:

- Cost-effectiveness is a key determinant for making contract awards, and/or
- Establish a call preference for underutilized sawmill residues, logging debris and beetle-killed timber, and/or
- Establish a call target volume.

Stakeholder Perspectives:

Positives:

- Establishing a preference pricing system to drive utilization of road side debris and standing dead timber would be beneficial.
- Proponents could bid both a price and volume of energy supplied by each fuel category (sawmill residue, roadside debris and standing timber) with a possible adjustment for location of the plant (to drive development in beetle kill areas).
- Restrictions on the use of sawmill residue to underutilized residue in an evaluation process was seen as the best selection criterion.
- Greater clarity from BC Hydro in respect to eligibility will lead to firmer and more certain bid prices.

Negatives:

- A price re-opener is required for projects to proceed.

3. Operational Controls

Rationale - Used to confirm projects are operating in accordance with their contracts

Potential Options:

- Audits of projects' operational records and application of penalties for variances from bid

Stakeholder Perspectives:

Positives:

- Not deemed to have significant additional cost because well-functioning processes are already in place in forestry industry to track fuel usage.
- It will be difficult to handle overlapping fuel supply areas.

Negatives:

- Changing definition of underutilized residue may impact the effectiveness of audits and controls.

OTHER GENERAL COMMENTS

- If BC Hydro does not take some of the fuel supply risk, there may be limited energy bid into the call.
- Mechanisms are required to create partnerships between forest licensees and the IPPs to deliver the most cost effective bioenergy projects.
- A higher than market energy price for bioenergy or a flow through of fuel supply risk to BC Hydro may result in a challenge from the U.S. under the Softwood Lumber Agreement.

- The Bioenergy Call should be implemented in stages to initially focus or limit the call size and gain understanding of unintended consequences to the residue market.

NEXT STEPS

BC Hydro is currently considering the feedback provided at the August 22nd meeting along with additional feedback from the individual RFEOI meetings that occurred in late spring 2007 in order to develop a draft set of terms for the Bioenergy Call. BC Hydro is targeting issuance of the term sheets in late fall 2007 followed by stakeholder engagement.