

VANCOUVER ISLAND – CALL FOR TENDERS

ADDENDUM

Addendum Number: 16

Date of Issue: 25 June 2004

Subject: Interconnections and Network Upgrades
CFT Schedule

1. This Addendum is issued pursuant to the BC Hydro Call for Tenders for Capacity and Associated Energy on Vancouver Island, issued 31 October 2003, as amended (the “CFT”).
2. Words and phrases defined in the CFT and used herein have the meanings given in the CFT, unless otherwise indicated. Refer to Appendix 1 of the CFT for definitions.
3. **Purpose:** The purpose of the Addendum is to clarify, and provide further information in relation to, interconnection and network upgrade issues and to revise the CFT Schedule.
4. **New Definitions:** For the purposes only of the CFT, Appendix 1 is supplemented by adding the following definitions:

“**Direct Assignment Facilities (Interconnection)**” means facilities, or portions of facilities, to be constructed by BCTC that are (i) required to interconnect the bidder’s project to the Transmission System, and (ii) for the sole use and benefit of the bidder’s project, all as determined by BCTC in accordance with its policies and procedures, being those facilities, or portions of facilities, defined as “Direct Assignment Facilities” in section 2.3(a) of the Preliminary Study Agreement – VI CFT published by BCTC for use in connection with Interconnection Studies to be performed for bidders.

“**Network Upgrades (Interconnection and Transmission)**” means modifications or additions to facilities that are integrated with and support the Transmission System for the general benefit of all users of the Transmission System, that are (i) required to interconnect the bidder’s project to the Transmission System, being those upgrades defined as “Network Upgrades” in section 2.3(b) of the Preliminary Study Agreement – VI CFT published by BCTC for use in connection with Interconnection Studies to be performed for bidders, as may be altered due to the impact of two or more projects being awarded an EPA in the CFT process, or (ii) required for BC Hydro to nominate the bidder’s project as a “Network Resource” as defined in section 1.25 of the Wholesale Transmission Services Tariff Supplement No. 30 filed with the BCUC.”

5. **Revised Definitions:** The definitions of “Interconnection Costs” in section 30 of Appendix 1 and of “Network Upgrade Costs” in section 39 of Appendix 1 are revised to read as follows:

“**Interconnection Costs**” means all costs incurred by BCTC in relation to Direct Assignment Facilities (Interconnection), including design, engineering, procurement, construction, installation and commissioning, determined in accordance with BCTC’s policies and procedures.

“**Network Upgrade Costs**” means all costs incurred by BCTC in relation to Network Upgrades (Interconnection and Transmission), including design, engineering, procurement, construction, installation and commissioning, determined in accordance with BCTC’s policies and procedures.”

6. **Interconnection Study:** Under section 7.1 of the CFT, each pre-qualified bidder is required to apply for and obtain an Interconnection Study for each project to be tendered by that bidder and to pay BCTC’s study fees in respect thereof, except as otherwise indicated in section 7.2 – VIGP Election. These applications were due 7 May 2004 in accordance with the CFT Schedule. The applications are required to enable BCTC to carry out Interconnection Studies and also, as provided in section 7.1, to enable BC Hydro to make application for estimates of Network Upgrade Costs under section 7.6 of the CFT. As stated in the CFT, bidders are required to deliver to BC Hydro copies of each Interconnection Study application. Bidders are reminded that they are also required to deliver to BC Hydro a copy of all further submissions made by them to BCTC in relation to the application. Refer to section 7 of the CFT, as amended by this Addendum, and the BCTC website for further details on Interconnection Study applications, including the consequences of late, inaccurate or incomplete submissions.

7. **Network Upgrade Study:** Section 7.6 of the CFT provides that BC Hydro will apply to BCTC for an estimate of Network Upgrade Costs for each possible Portfolio of Tenders, based on Bid Capacity data contained in Pre-Qualification Submissions. The CFT Schedule contemplated that estimates of Network Upgrade Costs would be available on or about 25 June 2004. BC Hydro has now determined that this information is not required, and will not be requested, until after the Tender Closing Time for the following reasons:

- Some differences may exist between Bid Capacities set out in Pre-Qualification Submissions and those set out in Tenders. Also, it is possible that not all pre-qualified bidders will submit a Tender, or that pre-qualified bidders may not submit all Tenders previously indicated. Accordingly, Portfolios derived from Pre-Qualification Submissions and corresponding estimates of Network Upgrade Costs might have differed from Portfolios and estimates derived from actual Tenders submitted.
- As reflected in the Final Form EPA issued with Addendum 15, BC Hydro has determined that specific Network Upgrade Security will not be required of bidders.

Accordingly, the CFT is amended as follows:

- Section 7.6 – **Network Upgrade Costs:** - is amended to read:

“Some projects may trigger Network Upgrade Costs. After receipt of Tenders, BC Hydro will ask BCTC to undertake a study of Network Upgrade Costs in respect of each Portfolio assembled under section 11.3, Step 4 – Portfolio Assembly. A successful bidder awarded an EPA under the CFT will not be required to pay Network Upgrade

Costs, except (i) to the extent such costs exceed the estimate due to a change in project information furnished by the bidder on which the estimate is based, or (ii) upon termination of the EPA in certain events, all as more particularly provided in the Final Form EPA. Estimates of Network Upgrade Costs will be utilized in determining Net Portfolio Cost as indicated in section 11.3, Step 5 – Net Portfolio Cost.”

- Section 7.8 – **Network Upgrade Development Risk:** - is amended to read:

“Network Upgrades require the design, permitting and construction of new facilities. The facilities required, and the risk, if any, to the required COD of 1 May 2007, will depend on the incremental demand triggered by one or more projects in a Portfolio. This risk will be considered by BCH in completing the development risk assessment for each project in accordance with section 11.3, Step 2 – Development Risk Assessment.”

The CFT Schedule has been revised to reflect the foregoing deferral of delivery of the estimates of Network Upgrade Costs until after the Tender Closing Time.

8. ***Interconnection Study Report:*** Bidders should note that pursuant to their Preliminary Study Agreement with BCTC, the “Study”, as defined therein, will include, in accordance with BCTC’s normal practice, an estimate of costs to design, engineer, procure, construct, install and commission (i) Direct Assignment Facilities, and (ii) Network Upgrades of the type described in item (i) of the definition of Network Upgrades (Interconnection and Transmission) set out in section 4 above (“interconnection-related Network Upgrade Costs”), but before giving effect to the impact of any Portfolio in which the bidder’s project may be included. While the Interconnection Study will, in addition to Interconnection Costs, also contain an estimate of interconnection-related Network Upgrade Costs, bidders should note particularly the following:

- The estimate of interconnection-related Network Upgrade Costs, if any, reported in the Interconnection Study is not guaranteed and is provided for general information only. Bidders are not responsible for payment of those costs, except in the circumstances described in the Final Form EPA.
- The estimate of interconnection-related Network Upgrade Costs, if any, reported in the Interconnection Study is on a “stand alone basis”, that is it assumes that there will be no other interconnections to the Transmission System resulting from the CFT that affect the facilities and upgrades necessary to accommodate the interconnection of the Seller’s Plant to the Transmission System.
- Interconnection-related Network Upgrade Costs, if any, reported in the Interconnection Study and adjusted as necessary for a Portfolio impact, form only a part of the Network Upgrade Costs for that Portfolio. The Network Upgrade Costs also include transmission-related Network Upgrade Costs, being costs for item (ii) of the definition of Network Upgrade (Interconnection and Transmission) in section 4 above.

9. ***Portfolio Impact on Interconnection Costs:*** As indicated in section 8 above, BCTC will guarantee that actual Interconnection Costs payable by a bidder will not exceed 130% of BCTC’s estimate, subject to the conditions described in section 7.5 of the CFT, as amended by this Addendum. The estimate assumes no other generators being interconnected to the Transmission

System pursuant to the CFT. It is possible that the facilities required to interconnect the bidder's project to the Transmission System will differ from those described in a bidder's Interconnection Study and that Interconnection Costs on a Portfolio basis may exceed the aggregate maximum guaranteed to bidders with projects within the Portfolio due to the impact of two or more projects in the same Portfolio interconnecting to the Transmission System, where the interconnection facilities are to some degree interdependent (the "Portfolio effect"). Accordingly:

- BC Hydro has requested that BCTC notify BC Hydro if BCTC determines that the Portfolio effect could, in certain circumstances, reasonably be expected to result in the Interconnection Costs for all projects within a Portfolio exceeding the amount recoverable from bidders in respect thereof. In that event, the QEM will include, in determining Net Portfolio Cost, as a charge against the Portfolio, the amount of that excess, as estimated by BCTC. The QEM and the Portfolio Spreadsheet will be amended to reflect the foregoing.
- Bidders will be required to pay the Interconnection Costs allocated to their projects, including costs required as a result of the Portfolio effect, but subject to the 130% guarantee described above.

10. ***Interconnection Cost Guarantee:*** Section 7.5 of the CFT is deleted and replaced with the following:

"7.5 **Interconnection Costs:** Each successful bidder will be responsible for payment of Interconnection Costs for interconnection of the bidder's project to the Transmission System. BCTC will guarantee to the bidder that Interconnection Costs will not exceed 130% of the estimate in the Interconnection Study, subject to the following conditions:

- (i) the bidder's project is interconnected to the Transmission System as a result of the bidder being awarded an EPA under the CFT;
- (ii) the information contained in the bidder's Interconnection Study application and any additional information that is subsequently provided to BCTC by the bidder is not late, incomplete or inaccurate;
- (iii) the bidder's project, as constructed by the bidder, does not differ from the project described in such application or information in a manner that BCTC considers material; and
- (iv) such other conditions as are contained in the Interconnection Study."

11. ***Network Upgrade Study Report:*** In its application to BCTC relative to Network Upgrade Costs, BC Hydro will request that BCTC provide:

- An estimate of Network Upgrade Costs for each Portfolio provided by BCH,
- In respect of each Portfolio, BCTC's expected schedule for completing the Network Upgrades and an assessment of the likelihood of maintaining that schedule, and
- An estimate of excess Interconnection Costs, if any, due to the Portfolio effect.

The Network Upgrade Costs estimates will be used in determining Net Portfolio Cost, as described in the QEM. Bidders should note that preparation of Network Upgrade Costs estimates is complex and time consuming. Therefore, if Portfolios contain Tenders, which reflect project information that is inconsistent with the applicable Interconnection Study application and supplementary information provided to BCTC, and BC Hydro determines that it is not possible or feasible to have the associated Network Upgrade Costs estimates reviewed and adjusted or confirmed, then BC Hydro will not apply for Network Upgrade Cost estimates or carry out the QEM in respect of such Portfolios.

The Network Upgrade Study Report prepared by BCTC will be available to the Independent Reviewer, and will otherwise be disclosed in accordance with BCTC policy.

12. ***CFT Schedule Amendments:*** Section 16 of the CFT provides that no Addenda will be issued within 7 days of the Tender Closing Time. While BC Hydro does not anticipate any delay in the Tender Closing Time, or in the time required to complete Tender evaluations, it is prudent to permit CFT Schedule amendments at any time. Accordingly, the first sentence of section 16 of the CFT is amended to read: “BC Hydro may amend or supplement this CFT by Addenda issued at any time, provided however that, except for amendment of, or supplements to, the CFT Schedule, no Addenda will be issued after 7 days before the Tender Closing Time.”

13. ***Consent to Disclosure:*** In order to facilitate efficient administration of Interconnection Studies, Network Upgrade Studies and the CFT, bidders must sign and deliver to BCTC, with a copy to BC Hydro, a Consent to Disclosure in the form posted with this Addendum. This consent should be delivered not later than 7 July 2004 at the Bidders’ Tender Workshop or in accordance with section 15.1 of the CFT. The form may be downloaded in PDF format from <http://www.bchydro.com/vicft>. The Independent Reviewer will have access to all written disclosures under the authority of the consent, and will be given an opportunity to witness discussions under the authority of the consent.

14. ***CFT Q&A:*** In order to preserve the period during which BC Hydro has indicated that no further changes will be made to the CFT, and in order to allow bidders to focus on Tender preparation, no substantive questions from bidders will be accepted after the deadline indicated on the CFT Schedule. Notwithstanding this deadline, BC Hydro will use its best efforts to answer logistical questions after that time.

15. ***CFT Schedule:*** This Addendum includes the CFT Schedule, revised 25 June 2004 and addressing Phase 2 - Tender only, posted herewith.

16. ***Documents Issued Concurrently:*** The following documents referenced herein are issued concurrently with this Addendum and are available at <http://www.bchydro.com/vicft>:

- Consent to Disclosure (PDF)
- CFT Schedule (PDF)