

STANDING OFFER PROGRAM REVIEW

SUMMARY OF FEEDBACK, APRIL 2014

Summary of Themes from the April 2014 Round of the SOP Engagement Regional Meetings and Feedback Forms

Every few years BC Hydro conducts a review of the Standing Offer Program (SOP) to determine if the program is meeting its objectives to support small, clean energy projects and to make improvements or other modifications.

To seek feedback on the SOP, BC Hydro hosted five First Nations sessions and five stakeholder sessions across the Province in Terrace, Kamloops, Nanaimo, Vancouver and Prince George in early April 2014. Over 80 First Nations and 100 stakeholders participated in these meetings, and BC Hydro received 60 feedback forms providing feedback on the Standing Offer Program Engagement Guide.

The Engagement Guide outlined 10 areas for input:

1. Managing the 150 gigawatt hour per year target,
 - BC Hydro asked respondents to provide their thoughts on a set of principles. Please see page 8 of the Engagement Guide for more information.
2. Mandatory pre-application meeting,
 - BC Hydro was seeking input on make the existing optional pre-application meeting mandatory.
3. Commercial operation date (COD) deferral,
 - BC Hydro asked respondents to comment on how BC Hydro discretion to reschedule or defer target CODs could affect their project.
4. Regional pricing,
 - BC Hydro asked respondents to share their feedback on a regional pricing structure vs. a single 'postage-stamp' rate.
5. Network upgrades,
 - BC Hydro asked for suggestions on how to improve the interconnections process to create greater certainty around network upgrade costs for proponents.
6. Projects within the FortisBC service area,

- BC Hydro asked proponents to indicate whether disallowing projects in the FortisBC service area from the SOP unless they are able to connect directly to the system could affect their projects.
7. Examining the Cluster Rule,
 - BC Hydro asked respondents to comment on what BC Hydro should consider in evaluating whether to exempt a project from the cluster rule.
 8. Promoting First Nations Participation,
 - BC Hydro asked respondents to share their thoughts on BC Hydro requiring a minimum amount of First Nations participation as an eligibility criterion for the SOP and different ways of promoting First Nations participation in the SOP.
 9. Price Adjustments for First Nations Participation,
 - BC Hydro asked respondents to provide feedback on a negative price adjustment for projects that do not include First Nations participation.
 10. Promoting First Nations Participation in Future Calls,
 - BC Hydro asked respondents to provide comments on First Nations participation in future power calls.

The following represents some of the themes from the feedback forms, and what was heard from participants at the First Nations meetings and stakeholder meetings. The complete notes taken at the First Nations meetings can be found in Appendix 1 and Stakeholder meeting notes can be found in Appendix 2. This summary of input and the appendices are not verbatim transcripts of the feedback forms or of the meetings.

SOP Feedback Forms – Themes

Managing the 150 GWh Target

- Consistency was a paramount objective. The rules should not change.
- Strong support to erase the volume limit.
- If the full volume is not used up in one year than the remaining quota should be transferrable to the next year.
- First Nations projects should be given priority.
- BC Hydro should consider regional benefits as well.
- Several principles were both supported and not: first come, first serve; geographic diversity as that may reduce quality of projects; and spreading opportunities across multiple developers.

Mandatory Pre-Application Meeting

- Majority felt it would be helpful. Serious developers will participate in a pre-application regardless of it being mandatory.
- Majority asked for earlier indication of interconnection requirements and costs.
- The timing of the meeting will dictate the meeting's relevance.

- BC Hydro should consider having more than one meeting.
- Earlier indicators of certainty could help financing.
- BC Hydro should consider not requiring all permits prior to EPA.
- The need for First Nations involvement should be highlighted at this meeting.

COD Deferral

- Strong disagreement with any deferral.
- Any deferral can turn economically marginal investments into poor investments or failures. Severe financing implications for developers and can make the process un-workable.
- Deferral should be one year, not three.
- BC Hydro and the developers should work closely on a mutually agreed upon deferral.

Regional Pricing

- Approximately 2/3 of respondents strongly disagree or somewhat disagree with a single 'postage-stamp' rate based on the mean average of the current regional prices.
- Approximately 1/3 of respondents strongly agree or somewhat agree with a single 'postage-stamp' rate based on the mean average of the current regional prices.
- BC Hydro should encourage generation closer to the load and reflect transmission losses. Regional pricing develops projects where they are of most value to the Province.
- No tolerance for any rate reductions.
- Others stated that the energy is used where it is generated.
- BC Hydro should set a 'postage-stamp' rate at the Vancouver price.

Network Upgrades

- The process requires more transparency with a better cost breakdown of upgrades required.
- Provide estimates earlier in the process.
- Proponents should be allowed to manage some of the network upgrade work.
- BC Hydro should share in some of the costs.
- There should be a flat fee for interconnections.
- Major upgrade costs should be borne by BC Hydro and not the proponent.
- BC Hydro should provide a mechanism for multiple projects to work together to share costs.
- BC Hydro should identify "go/no go" zones where transmission may/may not be constrained.
- BC Hydro should waive upgrade costs for First Nations.
- First Nations Clean Energy Business Fund should not be used for upgrades.

FortisBC

- Since the goal of the SOP is to support broad regional development of small clean energy projects, such a decision in the FortisBC area would be contrary to the spirit of the SOP.
- Some support to minimize rate impacts, others do not support it as it may impact their projects.

Cluster Rule

- Strong support for the cluster rule, however a consistent request was made to exercise discretion in limited circumstances.
- When discretion is exercised, BC Hydro should consider regional benefits, cost-effectiveness, environmental impact, improving system reliability, and convenient access to transmission.
- First Nations-led projects should be exempt from the cluster rule.
- Projects in the same area should not be penalized by the cluster rule if there are efficiencies to sharing some infrastructure.

Promoting First Nations Participation

- Strong support for flexibility.
- Prescriptive approach was not supported as each First Nations is different and each project is different.
- First Nations participation is already an industry standard.
- Concern that requiring First Nations participation will compromise developer's ability to reach agreement with local First Nations.
- This is out of step with what permitting agencies require.
- Disagreement over the level of First Nations participation required, some state that at a minimum First Nations should have an equity stake, others stated that First Nations participation should be defined as First Nations support, confirmation of an Impact Benefits Agreement or other revenue sharing agreement, a consideration of joint venture and/or a granted/purchased equity stake.
- Not all projects are on First Nations land.
- Requirement for capacity building.

Price Adjustment for First Nations Participation

- Strong sentiment that the price adjustment should be positive and not negative.
- Some agreed with a price adjustment (if positive), others disagreed altogether.

Potential Future Calls

- BC Hydro should do a First Nations only call.
- Capacity building needs to happen in advance of the next call.
- First Nations should be involved early.

SOP First Nations Meetings –Themes

Managing the 150 GWh Target

- First Nations projects should have priority over the other principles.
- As one of the principles, BC Hydro should consider the positive social impact of a project to the community.
- The softer the target the better.
- Many Independent Power Producers are further along in development of their projects than First Nations.

Mandatory Pre-Application Meeting

- First Nations need to be consulted at the start.
- BC Hydro should share the development plan for the area (i.e. future transmission infrastructure or new industrial development).

COD Deferral

- Any potential threat to delay COD could create significant problems for financing projects.
- Deferral of three years is unacceptable as it increases uncertainty too much.

Regional Pricing

- One price makes it fairer for everybody.
- For projects close to the Lower Mainland a change in pricing downward could have a significant impact and make these projects unviable.
- A postage stamp rate could make all projects un-economical.
- The local community will use the power produced so regional rates do not make sense.

Network Upgrades

- The First Nations Clean Energy Business Fund was not created to support Network Upgrades. If a project does not move forward then the fund is vulnerable to the same stranded asset risk that BC Hydro is. If a project is not developed, then the fund claws the money back.
- BC Hydro should provide dollars from its own budget to reflect the value of increased system stability.

FortisBC

- There was a limited number of comments from First Nations on this topic.
- This is not in-line with the principle of fairness. It is exclusionary.

Cluster Rule

- Many First Nations supported the cluster rule to spread development opportunities around.

- Economics can be hard for projects under 15 MW.
- Clustering projects could mean a smaller environmental footprint.
- First Nations projects should be exempt from the cluster rule.

Promoting First Nations Participation

- BC Hydro needs to allow room for First Nations to negotiate what they need as long as the developer is clear that First Nations involvement is a requirement.
- A clear message needs to be sent that First Nations must be meaningfully involved.
- Many First Nations want to get involved but there are significant challenges, including low rates, remote locations, and the need for big infrastructure.
- Also need to ensure First Nations can participate in an equity position. This means that capacity funding needs to be available for First Nations.
- Impact Benefit Agreements are now required by lenders.
- Another attendee stated that they have a protocol on how to do business with government and other First Nations.
- First Nations need to share the details of these deals with each other to level the playing field. Not all First Nations have capacity and fully understand what is being offered. There needs to be information sharing between First Nations so there is an understanding of what is a good deal with a developer vs. what is not.
- Water licences should not be allowed to sit unused. First Nations should have access to these licences. Potential proponents should not be able to renew their water licence without First Nations involvement if nothing has been built.

Price Adjustment

- There should just be First Nations participation period.
- A price adjustment puts a value on what First Nations participation is worth. A price adjustment then makes it difficult to negotiate.
- A negative price adjustment does not provide support for First Nations.

Potential Future Calls

- BC Hydro should consider doing a “First Nations” only call like what has been done in the east.
- These new LNG projects and mines will need power.

SOP Stakeholder Meetings – Themes

Managing the 150 GWh/year target

- BC Hydro should also consider spreading the opportunity between different technologies.
- A lot of the principles listed increase the barriers to development. With each new element you add there is less certainty.
- BC Hydro should carry over any unused portion of the target quota.

Mandatory Pre-Application Meeting

- Pre-screening could be helpful but the relevance of this meeting will be determined by when the meeting is required.
- A project should not be delayed as a result of the pre-application meeting.
- It is too early to identify a showstopper at a pre-application meeting
- Volume of work prior to the Electricity Purchase Agreement is too much. Would like a contract sooner in the process. Some permitting agencies do not want to issue permits until after an Electricity Purchase Agreement is signed.
- Timing should be linked to permitting process.
- BC Hydro should grandfather SOP rules at the time of the pre-application meeting to give developers certainty when investing in their projects.

Commercial Operation Date

- Front loading the COD deferral before an Electricity Purchase Agreement is putting enormous risk on a project.
- Deferral could undermine financing.
- A developer should be able to hold their interconnections queue position in the event of COD deferral.
- BC Hydro should give compensation for COD deferral.
- Any COD deferral should take place at the pre-application meeting.

Regional Pricing

- Could penalize projects already in development with an expectation to receive a certain price.
- Support for the postage stamp price but the price needs to be higher.
- Most SOP projects are distributed generation projects and power is consumed where it is generated so justification for regional pricing due to line losses is not applicable.
- Regional pricing is a double penalty for projects in remote areas with high network upgrade costs.
- This would equalize opportunities across the province and increase diversity.
- Need to also look at the value these projects bring to their respective communities. Look at a regional perspective.

Network Upgrades

- BC Hydro should allow the proponent to manage the network upgrade work.
- Consider a simpler interconnection cost – i.e. a flat fee.
- Projects have big benefits to the community. Determine where the system needs upgrades and encourage projects there.
- Prices for network upgrades are way too high.
- Developers want to do their own interconnection work.
- Funding sources are already spent by the time you get into network upgrades which are later in the project.

- Someone needs to be looking at the big picture, at a strategic level and not simply at a local, piece-meal level.
- Allocation of First Nations Clean Energy Business Fund to network upgrades was not supported.

FortisBC

- BC Hydro should work with FortisBC to simplify this process.

Examining the Project Cluster Rule

- Agree with the need for a rule against project splitting.
- Clusters minimize infrastructure and impact to land.
- Limit definition of a cluster to core aspects of the project not the ancillary aspects of the project.
- Project clusters could be phased.
- Need collaboration/synergy between network planners and the Standing Offer Program. BC Hydro should align these processes which could achieve efficiencies and cost reductions. BC Hydro staff need to work together.
- BC Hydro should consider funding network upgrade costs.
- First Nations projects should be exempt from the cluster rule.
- There is no room for clustering given the 150 GWh target.
- There is the potential for collaboration among proponents to cost share for infrastructure upgrades.
- Economies of scale and clustering can help make projects viable.
- The rule will exclude some very good wind projects.

First Nations Participation

- Cannot develop renewable power projects without meaningful First Nations involvement. This is already being done.
- Important that there be First Nations participation but terms determined by the First Nation and the developer. Do not want to stifle creativity between business and First Nations who have been able to make deals.
- Developers want certainty and how do you require “cooperation.”
- If you change the criteria of the program you have to adjust the price.
- Flexibility is required.
- There is legal and good business reasons to engage with First Nations early in the process.
- The SOP is too small to mandate First Nations participation.
- Equity seems to be the best way to encourage First Nations participation.
- It is difficult to require a cooperative relationship.
- Can be challenging in certain areas to get all the First Nations to the table, let along to agree with each other and the developer.

Price-Adjustment

- Better to provide an incentive to developers to work with First Nations rather than penalize them for not doing so.
- Any price adjustment should be an adder.
- Many First Nations will just take the adder if they do not have the capacity to negotiate anything further.

First Nations Participation in Future Calls

- Loan Guarantees should be available.
- BC Hydro should do bilateral agreements.

Appendix 1

Notes from the SOP First Nations meetings

Terrace SOP First Nations Session – April 1, 2014

Increasing Certainty for SOP Applicants

Managing the 150 GWh/year target

- The principle of “fairness” starts with price.

COD Deferral

- Any potential threat to delay COD will blow the projects financing.

Modifications to SOP Rules

Regional pricing

- The average price across all regions (\$103.83) is too low.
- A postage stamp rate could just make all projects un-economical.
- A comment was made that because electricity is generated during the freshet a project will not even get the price being discussed.
- If you want to be fair then you need the same price for all projects
- It was questioned whether it was worth it to build an SOP project given the construction costs.
- Economies of scale can be problem for smaller projects.

Network Upgrade Costs

- There was a concern about the high cost of interconnection studies.
- The First Nations Clean Energy fund should not be used to offset any BC Hydro costs as the fund comes from First Nations money and not government. The risk of incurring network upgrade costs for stranded assets would not be eliminated by using the First Nations Clean Energy Fund - the risk would simply transfer from BC Hydro to the Fund.
- Reliability is an issue. Developers should not be paying for costs to improve reliability when those costs should be borne by BC Hydro.

Examining the Cluster Rule

- One participant said that BC Hydro should not assume 35% project capacity factor (as set out on page 12 of the engagement materials). The participant noted that to receive financing a project must have over 40% project capacity.

Promoting First Nations Participation in the SOP

- BC Hydro needs to take into account the long-term vision of First Nations.
- Mining companies will need electricity. This may not necessarily be what people want but it is what is logical and required.
- First Nations must be included as they have a vested interest in the land.

- Nothing happens unless legislation requires it. First Nations rights must be legislated to get people to talk to First Nations.
- Need to ensure First Nations can participate in projects with an equity position. This means that funds need to be available for First Nations that do not have deep pockets. Green energy can level out the playing field for First Nations.
- There were questions about how to access all the funds available. There was an open question about how to define First Nations participation.
- First Nations are constitutionally protected. The foundation of aboriginal rights and title was based on the *Delgamuukw* decision of the Supreme Court of Canada. It was noted that some First Nations have gone through a treaty process and some have not. There was a discussion about both First Nations traditional law and treaties. First Nations participation is the collective, not just one.
- There are overlapping issues of culture and business. It was stated that neighbouring communities should work together.
- One participant said that nothing happens in their territory unless the First Nation allows it. The flexible approach proposed by BC Hydro is simply the status quo and nothing new. We need to look at other ways to ensure equity stakes.
- There must be some guiding parameters for determining First Nations participation
- First Nations need access to capital to buy equity.
- There should just be First Nations participation period.

General Comments

- In forecasting load BC Hydro has unrealistic demand assumptions regarding LNG and conservation and efficiency measures.
- Communities are having issues with massive infrastructure and rights of ways, as well as with their homes.
- Communities are also experiencing challenges with the new smart meters that say there is increased usage.
- First Nations want to look at offsetting energy costs for their communities.
- The Southeast coast of Alaska has no energy now but will need it as they are looking at drilling.
- There was a concern about speculators that have tied up water licenses and nothing has been built. Everything in this section of the North is already licensed. Potential proponents should not be able to renew their water licence without First Nations involvement. There was a discussion with the government representative at the meeting on the water licensing process.
- When entering into IBAs First Nations look at the full life of a project. There was a concern about EPA renewals because First Nations sign IBAs based on the value of the project over its lifetime which is longer than the term of an EPA.

Kamloops SOP First Nations Session – April 3, 2014

Increasing Certainty for SOP Applicants

Managing the 150 GWh per year target

- Due to location of some rural First Nations communities they have very few economic development opportunities compared to wealthier urban First Nations. The SOP can be a significant game-changer for these rural communities. As one of the principles in managing the 150 Gwh target, BC Hydro should consider the social impact of a project for a community.
- Several participants said that BC Hydro should add a principle that First Nations projects would have priority instead of a first come first serve approach.

Mandatory pre-application meeting

- General support was expressed for a pre-application meeting but BC Hydro should do more than simply tell a proponent that their project is not viable. BC Hydro should also explain what the future development plan is for the area (i.e. future transmission infrastructure or new industrial development). These plans can have dramatic effects on the viability of a potential project. First Nations need to know BC Hydro's vision for the area. Conduct regional energy planning. Independent Power Producers (IPPs) can serve regional load. Regional plans should help inform which transmission lines are suitable for IPP projects and how line losses can be reduced.

Commercial Operation Date

- Support removing the renegotiation of COD after EPA but concerned about delaying it three years prior to COD. Renegotiating the COD could cause significant financing problems.

Modifications to the SOP Rules

Regional Pricing

- Regional pricing is good for this region.
- Philosophically disagree with changing the price to send power to the Lower Mainland. The local community should receive the power produced by these projects.
- There is no current solution for remote communities that have brown-outs. Regional planning needs to take place due to power outages and poor infrastructure.
- A pricing strategy should look at whether a project will feed local use and the associated savings for line losses. Regional planning will support minimizing the number of massive large projects with power being sent to the Lower Mainland. Pricing strategy should reflect community need.

- The price for the Lower Mainland is not that rich to start with. A lower price will potentially reduce First Nation involvement in the SOP.
- BC Hydro should pay a higher price for SOP projects.
- Current SOP price is not that high and this can make it difficult for developers to share the project with a First Nation

Network Upgrades

- First Nations would like to better understand BC Hydro's regional plan for maintaining or replacing the aging transmission infrastructure. The participant would like to be engaged at the regional planning level.

Fortis

- A participant commented that there are a few projects down in the Columbia area that they know about.
- A comment was made that there is a wind farm in the Okanagan and if they are not able to sign an EPA with Hydro then the project proponents may connect to the US.

Examining the Cluster Rule

- Economics can be hard for projects under 15 MW.
- Clustering projects could mean a smaller environmental footprint.

Promoting First Nations Participation in the SOP

- The ILM project is a good example of what BC Hydro should be requiring. Impact benefits, training, etc. BC Hydro required builders who would work on the ILM project to have First Nations participation. A participant questioned why First Nations participation in the SOP was not already required.
- BC Hydro needs to allow room for First Nations to negotiate with the developers what they need as long as the developer is clear that First Nations involvement is a requirement.
- A clear message needs to be sent that First Nations must be meaningfully involved. Prescriptive approach is favorable but there needs to be some flexibility within that approach.
- Many communities have a challenge as they do not know what other deals have been made between developers and First Nations. First Nations need to share the details of these deals with each other to level the playing field. It was suggested that there could be a database that shows different types of agreements between First Nations and developers that also maintains the confidentiality of the parties. This data can be used by First Nations to be more informed when they negotiate with a developer.
- There was an interest in seeing range of participation models.
- A price adjustment is problematic for a developer. It also puts a value on what First Nations participation is worth. A price adjustment then makes it difficult to negotiate. A price adjustment could undervalue First Nation participation. A

developer could say that he will offer a price adjustment and if it is not accepted then proceed without First Nations participation.

- Prefer mandatory First Nation participation.

General Comments

- Consultation on BC Hydro's Integrated Resource Plan was inadequate. The Integrated Resource Plan did not address regional energy planning or line losses. Regional planning should be a principle for the Standing Offer Program as well as minimizing waste
- Many First Nations want to get involved in clean energy projects, but there are significant challenges, including low rates, remote locations, and the need for big infrastructure. First Nations need to understand the regional plans of BC Hydro including new facilities, new transmission lines, decommissioning old facilities, are there big projects out there that will need clean energy (i.e. mining).
- There was a concern about cumulative impacts. The cumulative impacts of multiple projects in a watershed should be considered. All twelve creeks in one participant's region have been staked.
- One attendee observed that the drop in electricity demand is a concern for future electricity need.
- First Nations should align themselves to put pressure on government to use clean energy for LNG development. BC Hydro should not fire up Burrard but use more clean energy.

Nanaimo SOP First Nations Session – April 7, 2014

Increasing Certainty for SOP Applicants

Managing the 150 GWh/yr Target

- There was an interest in seeing BC Hydro carry forward the 150 Gwh/yr quota
- BC Hydro should publish a list of projects that have already been allocated part of the 150 Gwh target for each year.

Pre-Application Meeting

- First Nations should attend the pre-meeting
- One participant suggested a meeting with First Nations and BC Hydro without the proponent
- The First Nations Clean Energy Business Fund can be used for pre-feasibility

Modifications to the SOP Rules

Regional Pricing

- A postage stamp rate could undermine projects in the Lower Mainland

Network Upgrades

- Would be good to have other funding sources to promote First Nations economic development
- Electrification and the RCE program; consider which communities are suitable for diesel replacement or interconnection.

Examining the Cluster Rule

- How will BC Hydro determine if a project avoids undue environmental effects?
- Some proponents split their projects to avoid an environmental assessment

Promoting First Nations Participation in the SOP

- One participant said he wanted a flexible approach. The participant said this is a perspective of a former political leader and is consistent with assertions of First Nations' sovereignty
- It is difficult to build a project without First Nations support. Lenders require certainty so flexible approach is not anything new
- Two participants said that overlapping territories should be addressed.
- One participant did not like the question because it assumes that a project involves a non-First Nation developer.
- For one First Nation that has developed clean energy projects they commented that their will has gotten them what we want. They invited BC Hydro to work together with First Nations.
- BC Hydro proponents and First Nations should work together.

- One participant said “promoting” First Nations participation is important. Another said “incorporating” First Nations participation is what is needed, not “promoting” First Nations participation. Another participant said First Nations “Permission” and “Partnership” is what we need.
- The approach to First Nations participation should be outcome based and results oriented
- First Nations should be encouraged to take the lead and take a more active role in projects. First Nations should be able to lead projects on their own, but need help.

General Comments

- Transmission capacity is the key to promoting clean energy projects. Certain areas of the province do not have transmission capacity – First Nations want to know where this is the case. Meet with First Nations in a region to identify opportunities for distribution and transmission capacity. First Nations want easy access to information that will tell them whether a project is feasible or a transmission no-go zone.
- One participant is fed up and believes that BC Hydro is relying on gas and not clean energy. The participant commented that their First Nation has unlimited development opportunities in its territory, but limited First Nations opportunities from the Standing Offer Program. The participant stated that the Standing Offer Program is “crumbs”.
- More emphasis on corporate social responsibility – what is the social legacy of these projects
- Other general comments to consider
 - All projects have impacts.
 - Assessment of consultation must reflect the stage of the project
 - Emissions and climate change are a concern.
 - BC Hydro is a political football

Vancouver SOP First Nations Session – April 8, 2011

Increasing Certainty for SOP Applicants

Managing the 150 GWh/year target

- Any unused portion of the 150Gwh/year quota should be carried forward to the next year. (A BC Hydro representative explained that the 150 Gwh/year is a soft target for each year.)
- The term soft-target is really important – there needs to be flexibility. Try to give a little more lead time for deferral as this may reduce the likelihood of attrition. The softer the target the better.
- There were numerous comments and concerns about using COD deferral to manage the 150 Gwh/year target and these are set out under the COD deferral section below
- Suggested that BC Hydro should average the 150 Gwh/year target over a number of years with longer lead times.
- High-level principles should be consensus based, not top down driven process.
- This is the third version of the SOP and there are several items here that decrease certainty. The participants questioned whether increasing certainty was a guiding principle for the SOP engagement. Certainty is such a key principle of an SOP because investments are made upfront and projects are fully permitted before a project gets to the applications process for the SOP.
- There was an interest in re-evaluating the 150 Gwh/year target.
- First Nations projects should have priority within the 150 Gwh/year cap.
- There should be an upfront principle to promote First Nations participation. Especially if only three or four projects could be accepted each year, those projects should be First Nation projects.
- There should be the potential to split the target regionally. Regional targets may mitigate a slew of first-come-first serve applications from one area.
- It is really hard to manage First Nations community expectations when the project may be delayed by three years. People in First Nations communities are waiting for jobs that will be provided by these projects.
- If a project in a remote community is displacing diesel then the project should be considered a priority and given preference under the 150 Gwh/year target. This will help meet greenhouse gas targets. (The BC Hydro presenter explained that the SOP price for projects makes it difficult to undertake projects in remote communities.)

Mandatory Pre-Application Meeting

- There were questions about whether the meeting would involve a fee charged by BC Hydro. BC Hydro indicated that there will not be a fee for the pre-application meeting.
- Several participants supported the concept of a pre-application meeting

- It is a good idea to do an initial review and let proponents know if their project is viable.
- It was suggested that the pre-application meeting could be used as a benchmark for pricing and rules. This would help create some certainty for pricing and rules when applying.

COD Deferral

- One participant questioned the fairness of deciding that one project gets to proceed and another gets deferred.
- Deferral of three years is unacceptable because it introduces significant uncertainty.
- A standing offer program needs certainty as a key principle as it takes a number of years to get to the application stage with large investments before a developer is even able to apply. Need to have certainty, not deferral.
- Finding financing for these small projects is challenging and deferrals can make it even more difficult. Creating a longer COD or uncertain COD creates more risk and compromises certainty.
- Deferral pre-EPA does not increase certainty. BC Hydro needs to acknowledge and understand pre-EPA risks. Equity has a cost and pre-EPA deferral risk increases financing risk during the investment/equity phase.
- Deferral is uncertain and will have a profound impact on pricing out capital costs and costs of borrowing, etc. This could make a project un-economic.
- Work with developers to find a mutually beneficial COD deferral. It is important to collaborate with developers and make sure that the projects that want to be deferred will be and then others who do not want to be deferred will not have to be.
- Three years is too long. If a project is ready to go then you should make it a two year deferral only.
- It is almost impossible to control the regulatory permitting time. Permits are dependent on what else is happening in the region. This makes it difficult to hit a COD window

Modifications to the SOP rules

Regional Pricing

- Regional pricing is a non-starter for one developer because they invested money based on a certain price. We are too far into our project to discuss significant price reductions. Do not change the price on projects already in the works. On the other hand if the previous price did not work for some regions then they probably did not spend money advancing projects.
- There was support for raising the price in other regions not lowering the price for the participants' regions.

- In discussing the SOP price, one participant commented that illegal grow-operations are getting subsidized power and if BC Hydro should make them pay for the true cost of power.

Network Upgrades

- The Clean Energy Business Fund is currently being used to provide initial funding for feasibility studies. There was no support to use this fund for network upgrade costs. Not a good idea to use the First Nations Clean Energy Business Fund for purposes other than what it is now because it is core funding at a key stage of project development. One participant said it was a complete non-starter to use the Clean Energy Business Fund for network upgrades because it is already oversubscribed and looking to the federal government for further funding. BC Hydro should lobby to have more money put into this fund.
- Upgrades should be considered the cost of doing business and investing in First Nations communities. This should be considered an administrative cost of supporting this program.
- Network Upgrades can improve BC Hydro assets and improve system for everybody so BC Hydro should share in these costs.
- BC Hydro should pay for network upgrade costs to support First Nations communities.
- Network Upgrade cost allowance should increase with CPI (it was confirmed by BC Hydro that it does).
- When looking at Network Upgrade costs BC Hydro should consider the increased reliability for a community and the cost to the community of being out of power for several days.
- BC Hydro should engage the community and municipality on how they could benefit and should supply funding.
- The SOP is the only opportunity for First Nations in clean energy development and we need to support this program and make it work.
- Consider linking the SOP program to RCE program which is currently on hold. It was questioned whether it was really necessary to connect SOP projects to BC Hydro's grid.
- Cost of Network Upgrades will not work for Micro-SOP as Micro-SOP projects do not have economies of scale.

Fortis

- This clause is really exclusionary. Negotiating wheeling costs with Fortis on a long-term contract would be better. Get a good deal on this for projects in this community. This is not in-line with a principle of fairness.

Examining the Cluster Rule

- First Nations benefit from this rule. Do not want a few developers taking all the opportunities under the SOP
- Would like to see examples of where they are exceptions from the cluster rule and if there are exceptions to the cluster rule they should be for First Nations.

- The Minister of Energy has discretion to allow a project cluster

Promoting First Nations participation in the SOP

- It needs to be up to the proponent and the First Nation to come up with an agreement. A First Nation's letter of support must be subject to a negotiation between the First Nation and the developer. A support letter from First Nations cannot be required right away – there needs to be time for the First Nation and the developer to engage and build a relationship.
- This topic needs more discussion than just throwing around a few ideas here.
- Generally against prescribed approaches from BC Hydro. If BC Hydro's goes with a prescribed approach it should be weighted. If BC Hydro is giving a preference or based on First Nations participation do not just look at whether a First Nation is involved in a project, but how they are involved and weight projects based on First Nations involvement.
- Several participants favoured the flexible approach
- Prescriptive approach is open to legal challenge on basis of rights and title and therefore the participants favoured the flexible approach
- Felt strongly that First Nation and the developer should reach their own agreement. Prescriptive approach is an infringement on rights and title. This should be very carefully considered. Flexible approach is much more conducive to the collaboration required.
- Flexible approach is favored. Projects should be sustainable and socio-economic considerations/weighting should be considered.
- Strongly believe First Nations participation should be described
- Prescribed participation should be weighted but flexible. First Nations could be given consideration for priority
- With the small amount of power being acquired under the SOP, the competition among proponents will be fierce. The SOP needs flexibility in the event that a developer and First Nation are unable to reach agreement. BC Hydro should look at why the parties were not able to reach an agreement. Requiring First Nations support is important, but there may be circumstances when it is not possible and therefore not required.
- A negative price adjustment is a good idea. The challenge is that it should be up to the First Nations and developer. Prescribing this is difficult.
- Look at a price adder rather than a price reduction. It does not need to be huge amount of money, perhaps just a symbolic gesture.
- Negative pricing does not provide support for First Nation proponents.
- Price adjustments do not have to be significant, but can be more symbolic – however a price adder is preferred, not a price subtractor.
- If BCH does see value in First Nations involvement then BC Hydro needs to recognize this financially with price or with a contribution to Network Upgrade costs.
- Think of a way of providing information on acceptable range of deals for First Nations. Not all First Nations have the capacity to negotiate a fair deal. There needs to be information from other First Nations so there is some information on

what is a good deal versus what is not a good deal. There should be a prescribed conduit within the process to make sure that a First Nation is able to inform themselves of their options.

- No project can be put forward that will not have First Nations involvement. Applications with First Nations involvement should go to the front of the line. This model is used in other Provinces.
- BC Hydro should not just leave it to developers to promote First Nations participation. BC Hydro has to be prepared to do something to promote First Nations participation in SOP projects.
- Lack of capacity is a concern. Need more support from BC Hydro to work through the SOP process with First Nations. BC Hydro's Aboriginal Relations department does not have the capacity to support First Nations through clean energy projects. This capacity should come from a third party outside of BC Hydro.
- Crown representatives need to remember that projects are all in traditional territories and First Nations will be participating in those projects.
- Projects that have First Nations involvement should be considered first.
- If Site C does not go ahead or if industry needs more electricity than forecast then BC Hydro needs to be able to pull together another call for power quickly.
- Should Site C not go ahead, clusters should be allowed within any larger calls for power.

Prince George SOP First Nations Session – April 11, 2014

Increasing Certainty for SOP Applicants

Managing the 150 GWh/yr Target

- How can BC Hydro state that you want to increase First Nations participation if you are only accepting 3 projects a year? On top of this, many IPPs are further along in development of their projects than First Nations.
- There should be an incentive to partner with First Nations.
- First Nations need to be aware of projects in their territory.
- Saikuz has a protocol for consultation for projects in their area
- A protocol needs to be developed that industry must work with First Nations.
- First Nations need to be at the top of BC Hydro's consideration. Projects must have First Nations involvement.
- First Nations participation should be considered in managing the 150 Gwh/year target.

Pre-Application Meeting

- Consulting First Nations needs to happen at the start of a project.
- Different First Nations have different capacities. First Nations need capacity in order to understand the projects. First Nations require adequate capacity to manage all the competing requests from clean energy developers, LNG developers, etc.
- Another consideration is the timeline and turnover of First Nations leadership.
- All these resources we are discussing here today lie in First Nations territory.
- Consultation and Engagement are two different things. Consultation is a requirement that can be fulfilled by making phone calls to the First Nations, Engagement is sitting down with the First Nation and having a discussion. Engagement should be done as early as possible. For example there was only one month to comment on the draft IRP which was insufficient.
- Our experience when negotiating revenue-sharing agreements for clean energy projects was that everyone's focus was only on funding.

Modifications to the SOP Rules

Regional Pricing

- One price makes it fairer for everybody.
- For projects close to the Lower Mainland a change in pricing downward could have a significant impact and make these projects unviable.
- Price is low which causes challenges.

Network Upgrades

- The First Nations Clean Energy Business Fund was not created to support Network Upgrades. If a project does not move forward then the fund is vulnerable to the same stranded asset risk that BC Hydro is. If a project is not developed then the fund claws the money back.

Examining the Cluster Rule

- The First Nations Clean Energy working Group is lobbying to allow these due to economies of scale.
- The biggest impacts are transmission lines and planning needs to ensure that those impacts are kept to a minimum.
- The Minister has ultimate discretion as to whether projects are approved or not. The Minister can direct BC Hydro to accept a project cluster

Promoting First Nations Participation in the SOP

- One attendee stated that their First Nation requires both a joint venture and impact benefits.
- One suggestion was an option for First Nations to buy-into a project, but not a requirement that they do so.
- IBA's are required by lenders now.
- Another participant stated that their First Nation has its own protocol on how to do business with government and other First Nations. The participant was only speaking on behalf of his own community as each community has a different protocol.
- Another participant stated that their First Nation has an engagement policy that outlines the cost of doing business in their territory. How businesses conduct themselves at the negotiating table influence how long they are at the negotiating table.
- Every creek has been staked so there is no opportunity. Opportunity should be created. If a potential proponent does not have an EPA, or is not advancing their project then they should not be able to hold on to their water licence. First Nations support is required for a project to move forward. Developers should not be allowed to hold up a First Nation who is ready to develop a stream just because they hold the permit.

First Nations Participation in Future Calls

- BC Hydro should consider doing a First Nations only call like what has been done in a Quebec call for power where a percentage was set aside for First Nations
- BC Hydro and government should work with First Nations to help them become self-sufficient and no longer rely on government money.
- First Nations are caretakers of the land and practice their aboriginal rights.
- Social impacts should also be considered including cutting government funding of housing and medical along with increased drug problems and crime. New sources

of funding need to be found. Clean Energy creates First Nations revenue to sustain these communities.

- Saikuz wants to build capacity through projects.
- First Nations, BC Hydro and government should work together.
- The environment needs to be protected against climate change.
- These new LNG projects and mines will need power.
- Capacity funding needs to be examined, as well as funding for education and training and jobs for First Nations.
- A follow-up meeting was requested to discuss the outcome of these workshops. The participant wanted to support other First Nations in protecting the environment and creating a stable economy.
- One participant mentioned that his First Nation hosts a networking session that provides opportunities to partner with industry working in their traditional territory. This could be a model for other First Nations.

Appendix 2

Notes from the SOP Stakeholder meetings

Terrace SOP Stakeholder Session – April 11, 2014

Increasing Certainty for SOP Applicants

Managing the 150 GWh/year target

- This is similar to what Ontario is currently doing.
- The pricing is still an issue.
- There are many questions about the number of wind projects.

Mandatory pre-application meeting

- This is helpful, but how do you envision the roll-out? How long will it take for the proponent to get information needed from the meeting? The concern is that the project should not be delayed as a result of the pre-application meeting.
- The community is on a single phase line, and 25kms away from a 3 phase line.
- BC Hydro's estimates of the upgrade costs are too high.
- Government is interested in knowing whether a project is not going to get an EPA because government would not want to spend a lot of time and money on the permitting process. They want to understand the outcomes of the pre-application meeting so we are aligned.
- It is too early to identify a showstopper at a pre-application meeting.
- Government representative says they think the timing of the pre-application meeting should be before the Province has gone through the permitting process. (Don't want this to be a wasted effort).
- We need to make sure the pre-application meeting is before the proponent has spent a considerable amount of money.
- Proponents are spending millions of dollars.

COD Deferral

- One participant increases uncertainty: financial assumptions have already been made and a deferral could undermine the financing.
- Compensation for a deferral would help create more certainty.

Modifications to SOP Rules

Regional Pricing

- This has been a contentious issue for many years. The cost of development is probably higher in the North than the South.
- Suggest we do a "weighted" average, which would result in a price closer to \$105 and this will be a defacto price reduction. Will have a net loss of projects.
 - Do the weighting of projects by looking at the price for projects actually in operation, which will be over-represented in the Lower Mainland area.
 - This weighted average will result in a higher price in the North, which would in turn encourage development in the North.

Network Upgrade Costs

- LNG projects will tax BC Hydro's infrastructure and LNG could be taxed.
- The government is interested in the interconnection process. Proponents go through a review process for an interconnection, and then later have to change their interconnections plans.
- One participant shared that government has said that they will not invest time in permitting the project, because the risk to the government occurs once the projects are authorized. If they are not built, plans become dated and it is hard to cancel them.
 - Some permitting agencies do not want to issue permits until after an EPA is signed.

Examining the Project Cluster Rule

- Want to ensure that projects are not split up for the purposes of SOP eligibility, and thereby causing more environmental impacts.
- Clusters are complicated projects, (not a simple project - which is what the SOP is for). Government is considering whether, in some cases, there may be an environmental assessment for these.
- Would not want a developer with a cluster to take up all the target volume in a year. May consider a cluster if less than the target volume of energy (i.e. 50MW)
- Some clusters are there just to circumvent the SOP process (there is disagreement with this). Probably legitimate scenarios where small project clusters make sense. OK with the 15 MW project.
- There needs to be a water license for every powerhouse with a permitting process for each license.
- The difference is in how the Province interprets its rules in different regions.

Promoting First Nations Participation in SOP

- Should have a First Nations adder. Adder is a much more positive outcome.
- First Nations should have an equity position. However, capital is needed first for First Nations to get equity.
- Many First Nations will just take the adder if they do not have the capacity to negotiate anything further.
- A loan that can be paid back on revenue can be a good method of supporting First Nations participation. (i.e. financing First Nations equity participation). It would be a good idea for BC Hydro to have a referral list of funders.
- Equity seems to be best way to have First Nations participation because it's questionable where the money would come from otherwise.
- It is important that First Nations be involved in an ownership in the project so they feel invested as well.
- Letters are fairly meaningless and unenforceable. Band Councils form for two years before the turnover, while a project takes more than two years to develop.
- First Nations ownership provides a basis for stability.
- We will never have a one-size fits all solution, therefore we need to have options. As there are 203 First Nations groups, it is unlikely that they will all easily agree.

General Comments

- Need to inform MARR. The MARR process is for Reconciliation and Recognition agreements.
- It's imperative that BC Hydro is informed as to what the First Nations are doing.
- BC Hydro approached IBAs on the Northwest Transmission Line (to keep the IBAs confidential). Important that BC Hydro knows who we are and what plans are for the future.
- First Nations - LNG strategy.
- Like to see transparency in options and different equity arrangement options.

Kamloops SOP Engagement and Stakeholder session - April 3, 2014

Increasing Certainty for SOP Applicants

Pre-application meeting/Interconnections

- A developer (100kW – 5MW) had a concern that the capacity will get chewed up by big projects.
- Having pre-application meeting 1 year prior to the application is too late. The development plan requires years of study data. It makes sense to time the meeting by what stage the project is in (in terms of development).
- It is hard to get meaningful information from the Distribution-interconnection screening study, one paragraph of custom info, the rest boilerplate and one line with costs (no ability to break out costs).
- There is no transparency in the interconnection studies and costs. The existing process “doesn’t work”.
- There is no cost breakdown on the interconnection study invoice.
- Will need to get a consultant to estimate the Network Upgrade costs, and multiply it by 3 to get the BC Hydro cost.
- Having the pre-application meeting does not reduce the risk (given the above note).
- Asked if Network Upgrade work could be subcontracted out to other contractors (BCH would do the essential work and private companies could do the rest) and if the IPP could project-manage the work.

COD Deferral

- If the project is delayed due to BC Hydro and the costs go up every year, then BC Hydro should pass on any program benefits.

Modifications to SOP Rules

Network Upgrade Costs

- BC Hydro should let the proponent project-manage the network upgrade work.

Examining Cluster Rule

- If the project is special enough to be exempt from the project cluster rule, it would be better served outside the SOP.
- Minimize infrastructure to minimize the impact to land.
- There should be a strategic level planning of infrastructure (to minimize inefficiencies).

Promoting First Nations Participation in the SOP

- Every project has First Nations participation (usually in the form of IBAs).
- “If you want your project to be successful, First Nations participation is mandatory.”
- What if a small developer has 15 bands in the area of the project?
- Some in favour of encouraging & enabling/providing funding for First Nations rather than requiring participation – making participation a requirement would create legal challenges.

- There are fewer overlaps in traditional territories in some areas of the province.
- Requiring participation might impose costs on developers.
- BC Hydro shouldn't require First Nations participation for Micro-SOP.
- Price detractor is not very popular, but the prices aren't high enough regardless.
- Upfront work by IPP on First Nations consultation makes permitting process faster.
- There will be two processes if permitting has one, and BC Hydro has another.

Nanaimo SOP Stakeholder Session – April 7, 2014 (CW notes)

Increasing Certainty for SOP Applicants

Managing the 150 GWh/year target

- Concerns that this will introduce more complexity into the Standing Offer Program. Processes have become more involved, and the barriers are higher. (A lot of this increases the barrier to development). With each new element you add, there is less certainty.
- How aggressively will BC Hydro pursue this new 150 Gwh target?
 - Answer: If the target is not achieved it is because people are not bringing the projects.
- There is a desire to know more about what compensation should be included if the COD is deferred. (There are concerns that if the contract compensation is not enforceable. It should be set out in the rules).
- Control the SOP project at a price – therefore also having additional rules to control the target seems: “belt and suspenders”. Further, BC Hydro has never reached close to 150 Gwh in a year, so this rule seems less necessary.
- Question: Why would you not carry over the target quota?

Mandatory pre-application meeting

- If a developer does not voluntarily have a pre-application meeting, they are not a viable developer.

COD Deferral

- COD should be simplified.

Modifications to SOP Rules

Regional Pricing

- For symmetry with the consumer sales side of the utility business, it would make sense to have a postage stamp rate. This would equalize opportunities across the province. Symmetry rules out a regional approach.
- Smaller micro producer would like the postage stamp rate, so it is good.
 - Maybe it is not high enough. Maybe: \$115 per MW.
- Since 1986, the government has had a postage stamp approach to selling electricity to ratepayers and as such, provides for an equal opportunity.
- Everybody would be satisfied if everything rose to the Lower Mainland price. Most of the project electricity will be used up by the local load, so regional pricing is not necessary.
- The price for electricity and time of delivery is a very sensitive issue. It is inequitable when smaller projects deliver a firm dispatchable product - this should be reflected in the price. Firm, dispatchable energy delivers benefits to BC Hydro and should be priced at a premium.

- One participant stated that there is a ‘seasonal variation’ in the pricing right now.
- They are also concerned that a new price based on firm power will create a barrier to small renewables and not encourage them.
- Would like to reward smaller producers who can deliver energy at peak demand times.

Network Upgrades

- Put up a bond. Should not be building a project when interconnection costs are too high to make the project viable.
- The most cost-effective power is the power you do not buy from BC Hydro.
- Developers want to do their own interconnection work at a price.
- The funding sources area is already spent by the time you get into network upgrades (which are later in the project). A regional approach is probably best.
- One developer said the interconnection costs paid by BC Hydro for his project were sufficient. This makes sense for smaller projects. If a cluster project is an expensive upgrade cost, they should be paying more. This is also consistent with the nature of the program (for small projects).
- BC Hydro employees in the field are excellent to work with.
- Someone needs to be looking at the big picture and at a strategic level and not simply at a local, piece-meal level.
- Certainty in a project is important to developers and therefore will try to engage earlier.
- The proponent does not want to hold the risk for a study result that comes out late in the project development process. That is a risk that BC Hydro should bear.
- Allocation of FN Clean Energy Business Fund – this would change the intent of the program and taking away the equity support that the fund was supposed to support. How that equity is used is up to First Nations to decide. It is unclear if there is any advantage in prescribing that it be used for network upgrade costs.

Examining the Project Cluster Rule

- There is the potential for collaboration among proponents to share the cost for infrastructure upgrades.
- Large Projects are not as desirable as much as smaller distributed generation.
- If you disqualify wind projects, which are clusters, then you can eliminate a viable economic opportunity.
- If there are two projects side by side, you can do them in phases and therefore they can share the costs.
- Economies of scale can help make projects viable.
- General rule with heavy capital investments is that you want to increase their productivity; therefore this is in favour of project clusters.
- SOP was supposed to be for small projects and now that there is no existing opportunity for these bigger projects they are trying to use the SOP which is against the spirit of the program.
- Rules will exclude some very good wind projects.

- The cost of capital should drive this conversation, and clusters should use capital more efficiently.
- However, the SOP is to encourage small projects, so there are trade-offs.

First Nations Participation in SOP

- Do our best to engage First Nations. Does not think it is remotely reasonable to make it mandatory.
- Net present value of income to energy asset location. Ownership is an asset with future income. Apply what goes on in mining, which is a “net smelter royalty”, and comes off of gross to avoid accounting irregularities. This could go from 1% to 5%. Fairness - on an asset that has yet to be developed.
- Pull is better than a push. Use the carrot rather than a stick. First Nations should be involved at the outset of a project during the investigatory stage. If those sources of revenue were increased then this would help them becoming more involved in a project.
- There is legal and good business reasons to engage with First Nations early in the process. BC Hydro is enhancing their corporate social responsibility. BC Hydro should be working with developers, government, and First Nations to make sure there is a good legacy of First Nations jobs.
- BC Hydro ratepayers should not be paying for reconciliation costs. This cost should be allocated to the province.
- Perhaps funds should be funnelled in from the province to incentivize this.
- The process in Ontario has changed. There is a higher priority for First Nations and/or Municipal projects; however, preference is applied to First Nation projects.
- Because these are small projects, the smaller party will be disadvantaged. Long term liabilities are a big issue when the proponent sells its share. Who is left with the costs of decommissioning? This issue is not being addressed.
- Markers need to be put down in certain places and at certain stages.
- These are small renewable energy projects, not mines. There is disagreement between participants about the risks associated with decommissioning costs.
- Issue of shared territory is one that must be addressed by First Nations leadership. That is a lot to manage for a 3MW project. It a huge expense for a small developer. An economy of scale for small projects is an issue. Paying upfront is a big challenge for small developers.
- The SOP is much too small to mandate FN participation, which is for bigger projects.
- Water license involves posting a decommissioning bond.

General Comments

- Fairness principle – almost all water licenses are already secured. As a result, there is no access to the water resources. This has an impact on small micro-projects as well.
- The processes have become more involved, and the barriers are now higher. A lot of this increases the barrier to development. With each new added element, there is less certainty.

- Emphasis on the SOP, in the absence of bigger call processes, has potential to make the SOP more complicated.

Vancouver SOP Stakeholder Session – April 8, 2014

Increasing Certainty for SOP Applicants

Managing the 150 GWh per year target

- The target has changed over the years so it is unclear if the target still makes sense.

Mandatory pre-application meeting

- Questions about whether there would be a fee for a mandatory pre-application meeting. (No fee)

Commercial Operation Date

- A three year deferral could kill a project. Change in interest rates and contractor costs can vary unpredictably over the span of three years.
- Once you have an EPA, you can get security for financing. Front loading COD deferral before an EPA is putting an enormous risk on a project.
- It takes 4-5 years, and \$4-5 million to get a water license. It is very difficult to wait to get a water license to discuss an EPA.
- There should be 5 years notice before the program is cancelled.
- Because the interest rate increases over 3 years, there is a significant risk. There should be compensation if there is a deferral.
- Clarification was needed on the nature of the target - It is “per year” and “incremental”.

Modifications to SOP Rules

Regional Pricing

- Standing offer should be standing “purchase”. A competitive process should determine the price.
- Regional pricing has been in every previous call.

Network Upgrades

- Consider a simpler interconnection cost – I.e. a flat fee.
- We need a more “levelized” price for network upgrades for small projects.
- Will network upgrade costs favour one region over the other?
- Consider different output from different types of projects, particularly wind. It is difficult to justify wind projects at 15 MW. Wind is more closely associated to load.
- Smaller wind projects cost more than bigger ones.
- There is interest to see the publication of network upgrade costs.

- First Nations should be able to apply the Clean Energy Business Fund for what they want. If BC Hydro sees a need for funding network upgrade costs, they should create their own fund.
- There is concern about a project's queue position on the network if there is a COD deferral.
- We need more collaboration/synergy between network planners and the Standing Offer Program. BC Hydro should align these processes which could achieve efficiencies and cost reductions. BC Hydro staff needs to work together. BC Hydro should consider funding for network upgrade costs or priority for First Nations projects.

Fortis

- Asked to set up a meeting to discuss the Fortis service area.
- Simple principles and simple programs can still get a bit complicated so we will need to get involved and address the issues. It serves simplicity, but does not serve other principles of the program.

Examining the Project Cluster Rule

- The definition of cluster includes a shared point of interconnection, which is less efficient, and falls more under 'environmental effects'.
- BC Hydro will need to limit the definition of 'cluster' to the core aspects of the project (not the ancillary aspects of the project - do not include linear infrastructure).
- There may be certain situations where clusters make sense. BC Hydro will need to look at the volume of energy in a target year to see if there is room to accommodate a cluster in that year. BC Hydro should not be too prescriptive about how judgement is exercised on clusters.
- BC Hydro should facilitate conversations between developers to share infrastructure costs.
- Small developers do not have the capacity to develop clusters. This is the large developers.
- Project clusters should be phased.

Promoting First Nations Participation in SOP

- We cannot develop renewable power projects without meaningful First Nations involvement. The flexible approach is preferred because this should be between the developer and the First Nation.
- One participant wanted the SOP program to be simple, but was not sure whether the flexible approach was the best way to achieve this when compared to the prescriptive approach.
- One developer commented that; "we want to make two land deals, one with government, and the other with First Nations".
- BC Hydro does not want to stifle creativity between business and First Nations who have been able to make deals.

- One participant expressed the opinion that larger companies prefer a flexible approach while smaller companies prefer a prescriptive approach.
- Flexible approach is too vague.
- First Nations groups with project ownership should be prioritized. The timing of 'letter of support' of BCR should be later in the process when there is time to build a relationship.

Price-Adjustment

- It is important that there is First Nations participation because the terms are determined by the First Nation and the developer.
- It is better to provide an incentive to developers to work with First Nations rather than to penalize them for not doing so.
- Making it too prescriptive would force an outcome that could result in unbalanced economics.
- We can incentivize First Nations participation by providing free network upgrades.
- Price adjustment should be an adder. BC Hydro is going the wrong way.
- If you change the criteria of the program, you have to adjust the price.
- Some communities have reliability issues.

First Nations participation in Future Calls for Power

- If there is a future call, then some of the pressure on the SOP will dissipate.
- It would be good to help First Nations find the equity to participate in projects. Loan guarantees would help.

Prince George SOP Stakeholder Session – April 11, 2014

Increasing Certainty for SOP Applicants

Managing the 150 GWh per year target

- The idea of spreading the opportunity over many developers and different geographic areas is appealing. However, it should also spread opportunity between different technologies.
- Technology should be a soft consideration.

Mandatory pre-application meeting

- The developers could still push the mandatory pre-meeting out as far as they want. This means that they may not achieve the purpose of getting developers to spend money without initial guidance on the viability of the project.

Commercial Operation Date

- Connection with the pre-application meeting is important.
- Cooperation on interconnection so you hold your queue position in the event of COD deferral.
- Will also need to ensure that projects in the queue do not get stale. We need to keep projects moving.

Modifications to SOP Rules

Regional Pricing

- Strongly support postage stamp rate. Some sites are marginal now and this price increase could help.
- Most SOP projects are distribution projects and power is consumed where it is generated. Therefore, justification for regional pricing due to line losses is not applicable.
- Other utilities do not penalize distribution projects with higher prices.
- Regional pricing is a double penalty for projects in remote areas with high network upgrade costs.

Network Upgrades

- Distributed generation can provide distribution system reliability, but this is very project specific.
- Projects have big benefits to the community. We need to determine where the system needs upgrades and encourage the projects in that respect. (This ties into the project cluster rule). Rather than a province-wide strategy, focus on specific regional needs.
- Share plans for system upgrades.
- Developers should work together with BCH on network upgrades. Developers can provide certainty.

- Developers have no control over the system upgrades.
- Prices on network upgrades are way too high. One participant said that he thinks they are three times the cost of other jurisdictions. AMEC and SNC prices are way out of line and include lots of contingency and legal.

Examining the Project Cluster Rule

- Agree with the need for a rule against project splitting.
- However, need discretion to exempt projects because they are not deliberately project splitting.
- Clusters should be in areas where the load is expected to grow.
- One participant said that BC Hydro's calls for power do not work. BC Hydro should look more at strategic bi-laterals acquisitions.
- No room for clustering given the 150 Gwh target. 300MW between five projects is not intended for the SOP.

First Nations Participation in SOP

- Like incentives, not disincentives.
- Quantifiable measures.
- Being too prescriptive is contrary to the goal of the program because some First Nations may not have interest in the project.
- If a developer does everything right they should not be penalized.
- Developers want certainty. They also want to know how, and what kind of "cooperation" is required?
- On the other hand you cannot be rigid, flexibility is required.
- Do not favour negative price adjustments.
- Taxpayers should pay for the cost of the broader social goals embedded in the price of power. This should not be paid for by BC Hydro ratepayers.
- First Nations can bring security to a project.

Price-Adjustment

- A price adder probably doesn't make sense.
- The more complicated you make it, the higher the transaction costs will be.

General

- A lot of the proposed changes are positive.
- For future calls, the attrition rate is too high. The lowest price isn't necessarily the best project.
- De-risking projects benefits everyone. BC Hydro should value the upfront effort of a developer in de-risking a project. The RFP process is not well suited for identifying and valuing projects that have been de-risked. Developers need time to de-risk a project.
- Will need to identify what BC Hydro needs in terms of technology in different areas.
- A province-wide call is a free-for-all, and BC Hydro doesn't necessarily get what it needs.

- Raising the bar for participation in future calls will increase the chances of success. Have high security costs or developers who have demonstrated time and money on a project.
- Program/Projects should be regulated at the energy delivered. Permitting should happen after an EPA is awarded.