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October 5, 2020

Ms. Marija Tresoglavic
Acting Commission Secretary and Manager
Regulatory Support
British Columbia Utilities Commission
Suite 410, 900 Howe Street
Vancouver, BC V6Z 2N3

Dear Ms. Tresoglavic:

**RE: British Columbia Utilities Commission (BCUC or Commission)
British Columbia Hydro and Power Authority (BC Hydro)
Network Economy Quarterly Report - Second Quarter (Q2) 2020
Response to BCUC Staff Information Request No. 1**

BC Hydro writes to respond to BCUC Staff Information Request No. 1 from September 28, 2020.

**1.0 Reference: GENERAL
Network Economy Quarterly Report – Second Quarter (Q2) 2020 (Compliance Filing), p. 1; British Columbia Hydro and Power Authority (BC Hydro) Open Access Transmission Tariff (OATT) Attachment Q-2, p. 1, Threshold Purchase Price; Tariff Supplement No. 80 to the BC Hydro OATT, p. 1 Derivation of Threshold Purchase Price**

Page 1 of the Compliance Filing states “As of April 1, 2020, the Threshold Purchase Price is no longer derived from the Transfer Pricing Agreement for Electricity and Gas between BC Hydro and Powerex Corp.”

Attachment Q-2 to the OATT states “‘Trigger Price’ means the Trigger Price as determined by the Transmission Provider in a manner approved by the Commission.”

Section 2(a) of Tariff Supplement No. 80 to the OATT states “At all times, in the case of imports using Network Economy Service over the BC-US Intertie or the BC-AB Intertie, the Trigger Price is the Threshold Price.”

1.1. Please explain what Trigger Price has been applied to imports using Network Economy Service since April 1, 2020. In your response, please explain how the Trigger Price was determined in a manner approved by the British Columbia Utilities Commission.

RESPONSE:

BCUC Order No. G-158-15, resulting from BC Hydro's 2015 Tariff Supplement No. 80 (TS 80) Amendments Application, established the "Trigger Price" for all periods on both the B.C.-U.S. Intertie, and the B.C.-AB Intertie to be the Threshold Purchase Price (TPP) as defined in the Transfer Pricing Agreement between BC Hydro and Powerex as established by BC Hydro from time-to-time. Under section 4 (a) of TS 80, BC Hydro is required to report the TPP at the start of the quarter; each change in the TPP during the quarter; and the date of each change during the quarter and include this information in its Network Economy Quarterly Reports. BC Hydro is not required to reestablish the TPP at any particular time but rather to only report on changes.

The "Trigger Price" and "Market Price" are determined in accordance with the Open Access Transmission Tariff (OATT); specifically, under section 2 of TS 80. Under Attachment Q-2 of the OATT, the "Trigger Price" is compared to the "Market Price" to determine the relative reservation priority of Network Economy imports and Non-Firm Point-To-Point Transmission Service (Non-Firm Service) imports over the BC Hydro interties with neighbouring jurisdictions.

Under section 2(a) of Attachment Q-2, if the "Market Price" is less than or equal to the established "Trigger Price", then section 14.7 of the OATT applies and Network Economy Service has a higher reservation priority than Non-Firm Service. Under section 2(b), if the "Market Price" is greater than the "Trigger Price" then Network Economy Service reservations have the same priority as Non-Firm Service. This is referred to as the "Economic Test" and is considered a "PASS" if the condition described in section 2(a) applies and a "FAIL" if the condition described in section 2(b) applies.

The last change to the TPP occurred on June 27, 2019 as reported in BC Hydro's Network Economy Quarterly Report for the Second Quarter 2019. The TPP was set at \$-999/MWh. This change was made in accordance with the terms of the Transfer Pricing Agreement in effect at that time. Per the Network Economy Quarterly Report for the Second Quarter 2020, the TPP continued to be \$-999/MWh before and during the transition period to the new Transfer Pricing Agreement.

As of April 1, 2020, a revised Transfer Pricing Agreement for Electricity and Gas between BC Hydro and Powerex Corp came into effect and the TPP concept no longer exists in that agreement. However, since TS 80 does not require the TPP to be reestablished at any particular time and only requires changes to be reported, and since BC Hydro no longer has an ability to revise this value under the new Transfer Pricing Agreement, it will continue to use the value established on June 27, 2019 in the "Economic Test".

The result is that the Market Price will continue to always be above the Trigger Price, and as such section 2(b) of Attachment Q-2 will always apply resulting in a

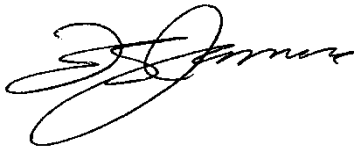
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“FAIL” for the Economic Test. This means that Network Economy Service will have the same priority as Non-Firm Service and cannot economically interrupt Non-Firm Service. Furthermore, all Network Economy and Non-Firm service will receive equal access to Non-Firm Available Transfer Capability (ATC) on a first come first serve basis. The continuation and use of the previously determined TPP of \$-999/MWh does not adversely affect Non-Firm customers.

BC Hydro plans to consult with OATT Customers during the next Network Economy Annual meeting in 2021 on how to address this impact arising from the new Transfer Pricing Agreement. After the consultation BC Hydro may put forth proposed amendments to the Commission for approval.

For further information, please contact the undersigned.

Yours sincerely,



Fred James
Chief Regulatory Officer

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Copy to: **Powerex**
Attention: Mike MacDougall
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