



NETWORK ECONOMY ANNUAL REPORT

May 2011

Introduction

Pursuant to British Columbia Utilities Commission (the “Commission”) Order No. G-127-06, Appendix 1 (Appendix 1), BC Hydro is to convene an annual Network Economy Meeting to discuss, on a “without prejudice” basis, issues arising with respect to the use of Network Economy. The first annual meeting was to take place one year after implementation of the revised Network Economy provisions and no later than June 1, 2008. No issue with respect to the use of Network Economy had arisen and, with approval of the Commission, the meeting was not held.

In 2009, in BC Hydro’s consultation on the requirement of the Network Economy annual meeting a customer proposed that a meeting may not be necessary if BC Hydro prepared an annual Network Economy report showing trends and statistics along with explanations for the figures. This proposal was subsequently approved by the Commission via Letter No. L-32-09 (Appendix 2).

In 2010, again there was no interest by customers to hold a Network Economy annual meeting so BC Hydro requested permission from the Commission to not hold a 2010 Network Economy meeting. The Commission, via Letter No. L-45-10 (Appendix 3), approved BC Hydro’s request and furthermore stated that BC Hydro is only expected to convene an annual Network Economy meeting if customers of BC Hydro expressly ask for a meeting by way of a letter to BC Hydro and copied to the Commission. Additionally, the Commission requested BC Hydro to continue its postings of future annual Network Economy meeting bulletins and future Annual Reports.

On May 2, 2011, BC Hydro posted a bulletin (Appendix 4) informing its customers that it would be posting its annual Network Economy Report by May 9, 2011, and that customers could decide if, after reviewing the report, an annual Network Economy meeting is required. If customers felt a meeting was required it was requested that they submit their letter in accordance with Commission Letter Order L-45-10 by May 16, 2011.

Purpose

Network Economy, also known as Secondary Service under the OATT, and the terms and conditions for Network Economy are described in Sections 28.4 and 28.6, Attachment Q-2, and the Settlement Agreement (Appendix 5).

There are two components that determine the priority of Network Economy Transmission Service: the Network Economy Utilization Test and the Economic Test. The procedures for calculating the Network Economy Utilization Test, and the market and trigger price determinations for calculating the Economic Test are set out in BC Hydro Business Practice entitled Network Economy.

This report details the history of the use of Network Economy from the implementation of the Settlement Agreement until BC Hydro's recent fiscal year end (May 27, 2007 to March 26, 2011). The statistics that follow provide information on volume, the utilization rate, the frequency of times that the Network Customer passed the Economic Test, and the relationship between volume and price.

Specifically, for the Utilization Test:

- Graphs 1 and 2 show the Network Economy Transmission Volume (MWh) that was reserved.
- Graphs 3 and 4 show the Utilization Rate.

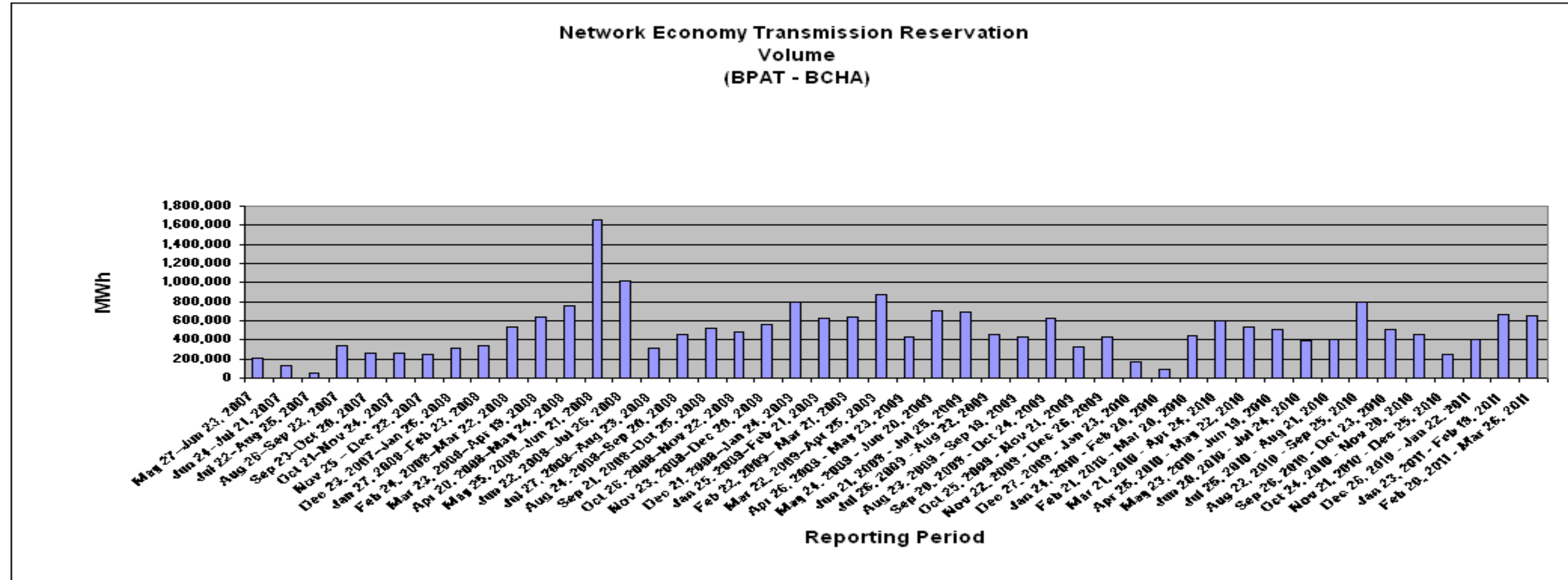
For the Economic Test:

- Table 1 summarizes the Economic Test results.
- Table 2 provides a summary of the average Market Price for the US-BC and AB-BC interties.
- Graphs 5 and 6 illustrate the relationship between the Network Economy Transmission volume and the average Market Price.

Utilization Test

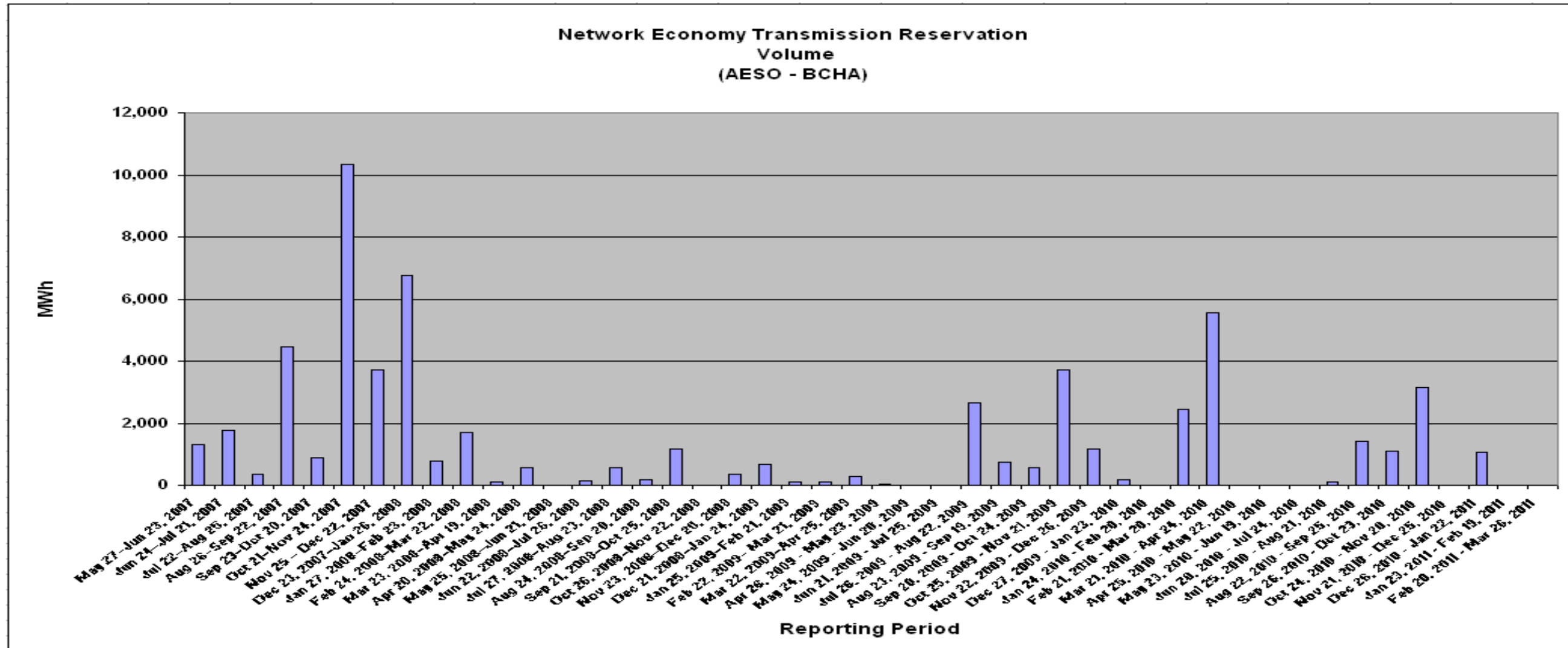
Results are shown in Graphs 1-4.

Graph 1: The graph below shows the Network Economy Transmission Volume (MWh) that was reserved by the Network Customer from May 27, 2007 to March 26, 2011 on the BPAT-BCHA path.



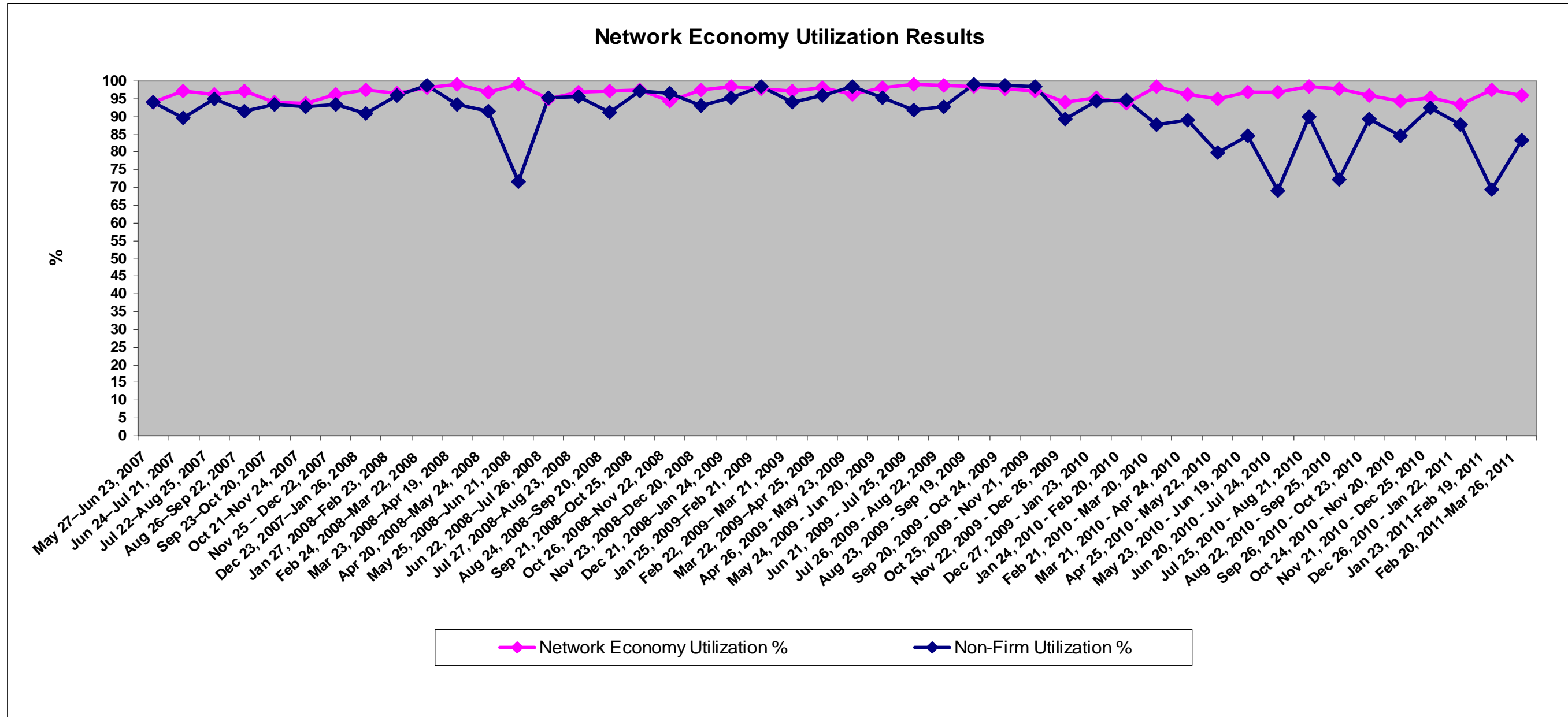
This graph shows that the highest amount of Network Economy Transmission reserved for import on the BPAT – BCHA path was 1,660,437 MWh for the period May 25, 2008 – June 21, 2008 followed by 1,023,084 MWh for the period of June 22, 2008 to July 26, 2008. Import transmission reservations for all other time periods from May 27, 2007 to March 26, 2011 are essentially below 800,000 MWh.

Graph 2: The graph below illustrates the Network Economy Transmission Volume (MWh) that was reserved by the Network Customer from May 27, 2007 to March 26, 2011 on the AESO - BCHA path.



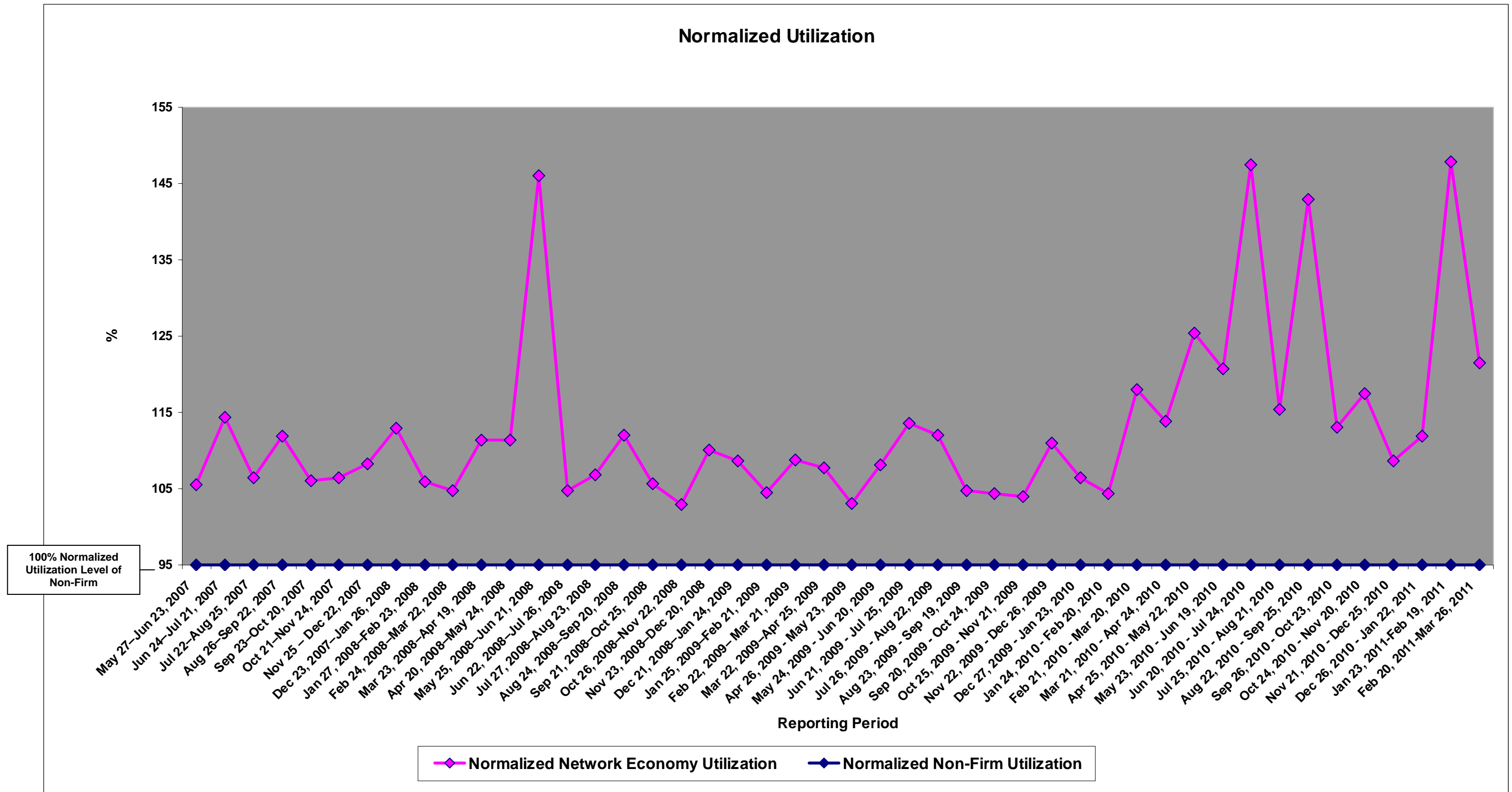
This graph shows that the highest amount of Network Economy Transmission reserved for import on the AESO – BCHA path was 10,331 MWh for the period October 21, 2007 – November 24, 2007 followed by 6,749 MWh for the period of December 23, 2007 to January 26, 2008. Import transmission reservations for all other time periods from May 27, 2007 to March 26, 2011 are essentially below 5,500 MWh. (Refer to Item 5 in Appendix 6 for the definition of the Reporting Period).

Graph 3: The graph below shows the Utilization Rate.



In accordance with Attachment Q-2, Section 5 of the BC Hydro Open Access Transmission Tariff (OATT), “The Network Customer must, for the entirety of the reporting period,... maintain an average utilization rate of all Network Economy reservations of at least 95% of the average utilization of Daily and Hourly Non-Firm Point-to-Point service by customers, other than the Network Customer or its marketing affiliates, in pre-schedule and Real-Time, over the same reporting period.” BC Hydro calculates the average utilization rate of Network Economy Transmission reservations by the Network Customer and the Non-Firm Point-to-Point (PTP) Transmission reservations by non-Network Customers. The Network Customer passes the Utilization Test if the average utilization rate of the Network Economy Transmission reservations divided by the average utilization rate of the Non-Firm PTP Transmission reservations of non-Network Customers is greater than or equal to 95%. Data indicates that the Network Customer has not failed the Utilization Test (refer to Appendix 6). Please refer to the Network Economy Business Practice for details regarding the process and calculations used in determining the Utilization Test.

Graph 4: The normalized graph below also shows that Network Economy utilization during the reporting period has been at least 95% of the average utilization of Daily and Hourly Non-Firm PTP Transmission service by customers to maintain priority. (Refer to Attachment Q-2 for details).



Economic Test

The Economic Test uses both the Market Price and the Trigger Price for both the Alberta-BC and the US-BC interties. (Refer to the Network Economy Business Practice for definitions of these prices).

Network Economy Transmission reservations will have the priority and rights provided in Section 14.7 of the OATT only if the Market Price is less than or equal to the Trigger Price for the delivery hour (“PASS”). If the Market Price is greater than the Trigger Price for the delivery hour (“FAIL”), Network Economy Transmission reservations will have the same priority as Non-Firm PTP Transmission service, with the exception that the provisions of Section 14.2 of the OATT providing for reservation priority based on price shall not apply.

Table 1: The table below summarizes the Economic Test results for the time periods as indicated, which are performed on a daily basis.

MONTH	BPAT - BCTC		AESO - BCTC	
	PASS	FAIL	PASS	FAIL
July-07	25%	75%	31%	69%
August-07	13%	87%	25%	75%
September-07	44%	56%	64%	36%
October-07	29%	71%	50%	50%
November-07	98%	2%	50%	50%
December-07	91%	9%	64%	36%
January-08	89%	11%	60%	40%
February-08	95%	5%	67%	33%
March-08	82%	18%	69%	31%
April-08	100%	0%	74%	26%
May-08	80%	20%	60%	40%
June-08	87%	13%	63%	37%
July-08	39%	61%	58%	42%
August-08	14%	86%	64%	36%
September-08	51%	49%	73%	27%
October-08	68%	32%	63%	37%
November-08	100%	0%	66%	34%
December-08	100%	0%	59%	41%
	BPAT - BCTC		AESO - BCTC	

January-09	100%	0%	65%	35%
February-09	100%	0%	71%	29%
March-09	96%	4%	81%	19%
April-09	100%	0%	81%	19%
May-09	27%	73%	34%	66%
June-09	17%	83%	13%	87%
July-09	9%	91%	25%	75%
August-09	37%	63%	74%	26%
September-09	60%	40%	72%	28%
October-09	23%	77%	56%	44%
November-09	93%	7%	33%	67%
December-09	94%	6%	5%	95%
January-10	100%	0%	0%	100%
February-10	100%	0%	0%	100%
March-10	17%	83%	49%	51%
April-10	49%	51%	52%	48%
May-10	88%	12%	48%	52%
June-10	100%	0%	54%	46%
July-10	89%	11%	76%	24%
August-10	81%	19%	79%	21%
September-10	100%	0%	98%	3%
October-10	100%	0%	91%	9%
November-10	96%	4%	74%	26%
December-10	100%	0%	19%	81%
January-11	100%	0%	24%	76%
February-11	96%	4%	28%	72%
March-11	44%	56%	6%	94%

Table 2: The table below provides the average Market Price for the US-BC and AB-BC interties for the time periods as indicated.

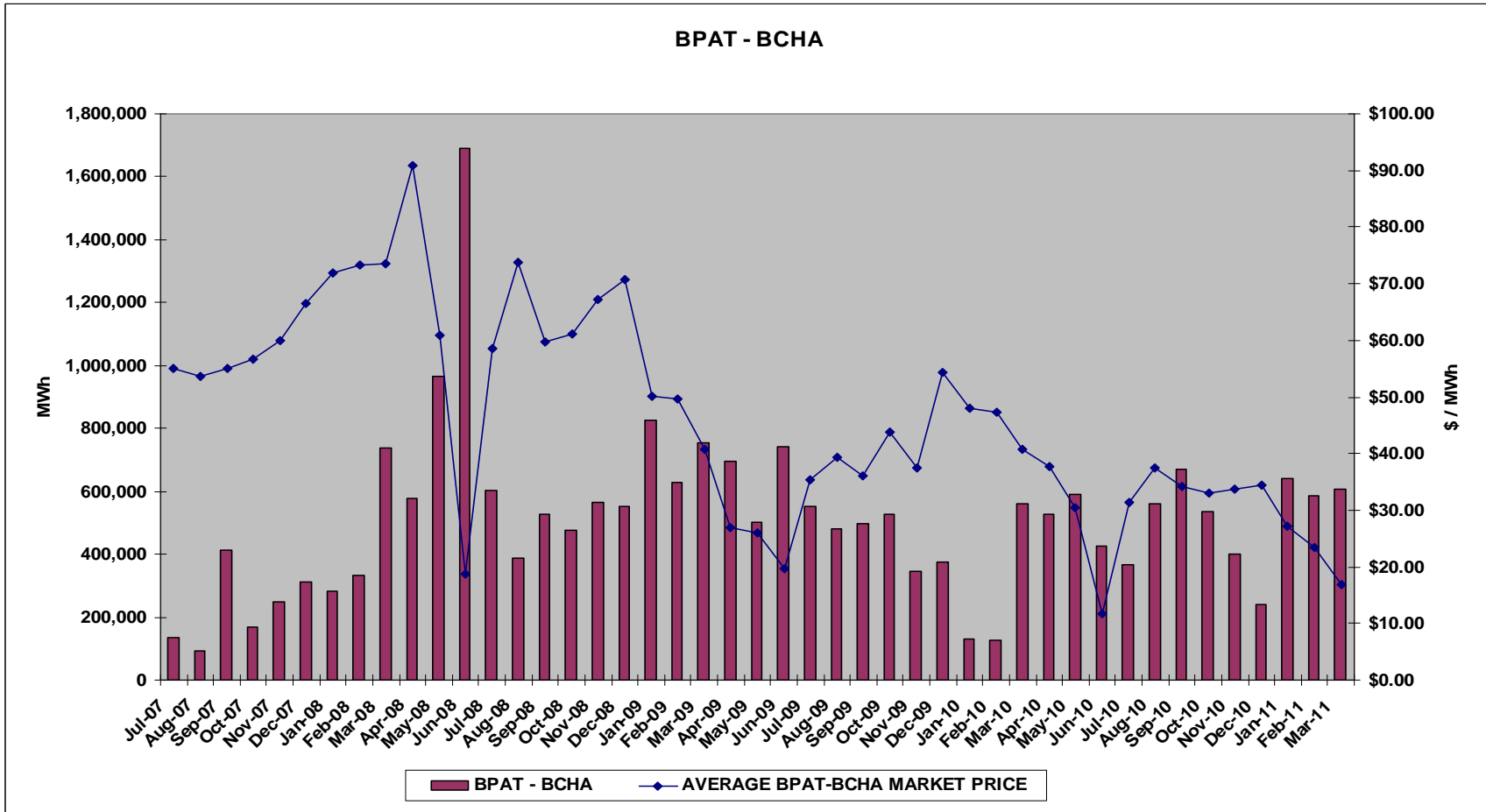
MONTH	AVERAGE MARKET PRICE ¹ (\$ / MWh)	
	US-BC	AB-BC
July-07	\$54.98	\$152.70
August-07	\$53.73	\$75.11
September-07	\$55.09	\$48.51
October-07	\$56.75	\$65.08
November-07	\$59.97	\$49.71
December-07	\$66.47	\$69.25
January-08	\$71.96	\$76.62
February-08	\$73.33	\$68.43
March-08	\$73.59	\$80.23
April-08	\$90.90	\$139.86
May-08	\$60.79	\$91.90
June-08	\$18.68	\$86.58
July-08	\$58.65	\$73.78
August-08	\$73.85	\$83.41
September-08	\$59.68	\$88.61
October-08	\$61.21	\$104.76
November-08	\$67.17	\$97.97
December-08	\$70.77	\$88.50
January-09	\$50.11	\$93.04
February-09	\$49.61	\$51.73
March-09	\$40.64	\$41.06
April-09	\$26.94	\$36.16
May-09	\$26.00	\$32.40
June-09	\$19.79	\$32.14
July-09	\$35.44	\$41.50
August-09	\$39.30	\$33.19
September-09	\$36.16	\$75.52

¹ Calculated as per BC Hydro Network Economy Business Practice

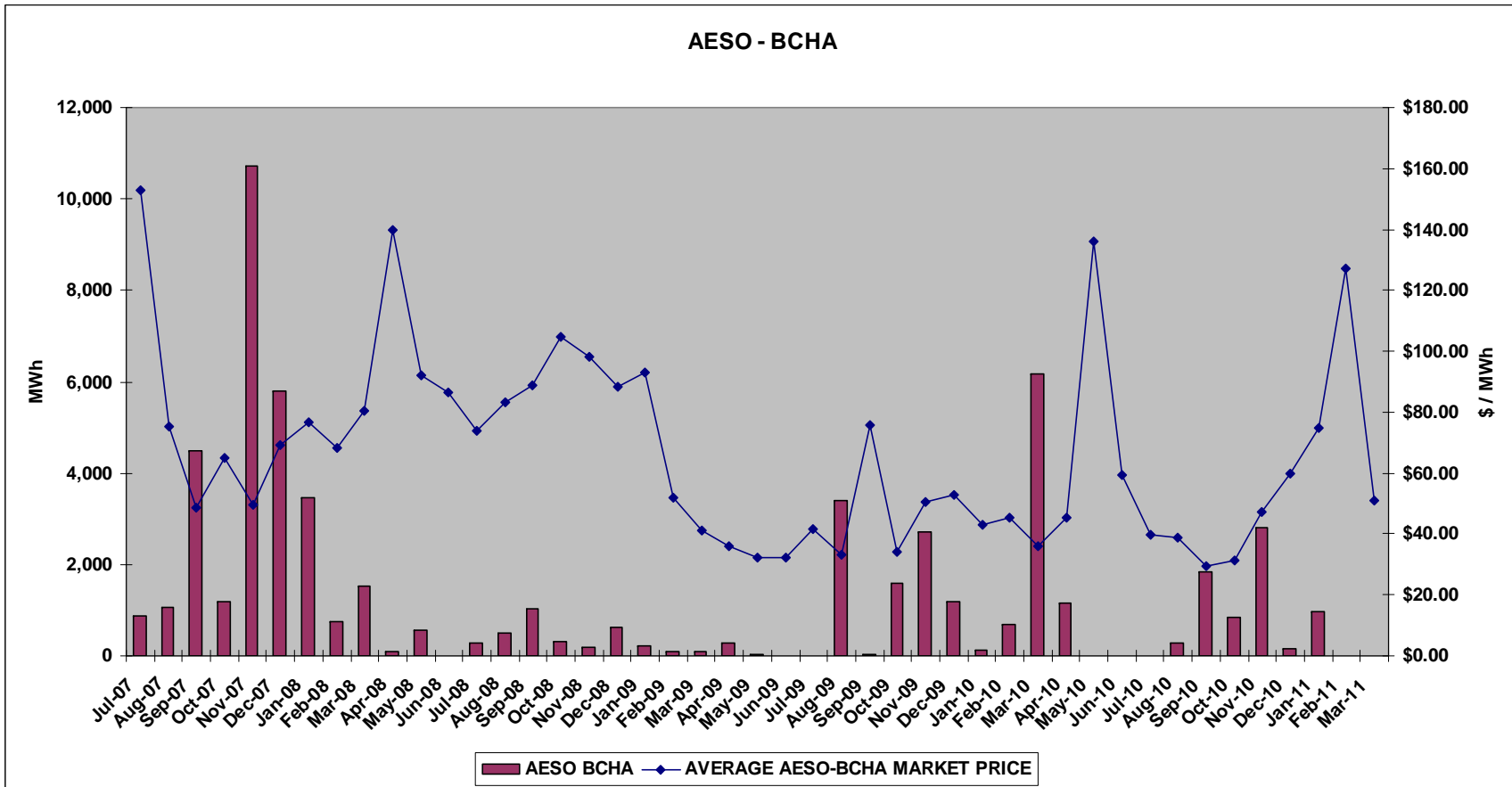
MONTH	AVERAGE MARKET PRICE ² (\$ / MWh)	
	US-BC	AB-BC
October-09	\$43.78	\$34.16
November-09	\$37.51	\$50.62
December-09	\$54.43	\$52.87
January-10	\$48.12	\$42.92
February-10	\$47.39	\$45.23
March-10	\$40.69	\$36.02
April-10	\$37.63	\$45.29
May-10	\$30.52	\$136.03
June-10	\$11.67	\$59.27
July-10	\$31.40	\$39.64
August-10	\$37.40	\$38.89
September-10	\$34.30	\$29.34
October-10	\$32.92	\$31.29
November-10	\$33.68	\$47.18
December-10	\$34.34	\$59.62
Janauray-11	\$27.24	\$74.90
February-11	\$23.53	\$127.37
March-11	\$16.75	\$50.99

² Calculated as per BC Hydro Network Economy Business Practice

Graph 5: This graph illustrates the relationship between the Network Economy Transmission volume and the average Market Price per month from July 2007 to March 2011 for the BPAT–BCHA path.



Graph 6: This graph illustrates the relationship between the Network Economy Transmission volume and the average Market Price per month from July 2007 to March 2011 for the AESO–BCHA path.



List of Appendices

Appendix 1: British Columbia Utilities Commission Order No. G-127-06

http://www.bcuc.com/Documents/Orders/2006/DOC_12919_G-127-06_BCTC-NEOATT-Settlement-Agreement.pdf

Appendix 2: British Columbia Utilities Commission Letter No. L-32-09

http://www.bcuc.com/Documents/Orders/2009/DOC_21916_L-32-09_2009%20Network%20Economy%20Mtg%20Cancelled.pdf

Appendix 3: British Columbia Utilities Commission Letter No. L-45-10

http://www.bcuc.com/Documents/Orders/2010/DOC_25642_L-45-10_BCTC-2010-Network-Economy-Meeting.pdf

Appendix 4: May 2, 2011 BC Hydro Bulletin

http://transmission.bchydro.com/transmission_scheduling/bulletins/2011/#Posting1

Appendix 5: Settlement Agreement, page 2 of 20 onwards

http://www.bcuc.com/Documents/Orders/2006/DOC_12919_G-127-06_BCTC-NEOATT-Settlement-Agreement.pdf

Appendix 6: Monthly Network Economy Utilization Results

<http://transmission.bchydro.com/NR/rdonlyres/6FE8F4B9-50A9-4539-B93C-7ECC8C724DEB/0/MonthlyNetworkEconomyMay2011.pdf>