

Janet Fraser
Chief Regulatory Officer
BC Hydro
333 Dunsmuir Street, 16th Floor
Vancouver, B.C. V6B 5R3

January 31, 2014

Dear Janet,

Powerex appreciates the opportunity to provide comments regarding the BC Hydro Headroom Tariff Consultation, and the consultation session materials as provided on January 20th, 2014.

Powerex supports the proposed principles of the Enforcement Mechanism, and Balancing Area Transmission Service Tariff as outlined in the consultation session. Over the past few years Powerex has been negatively affected by the continued degradation of the BC-AB Intertie, and the increased amount of set aside ("Headroom Capacity") by the AESO for various purposes. The increased usage of the intertie by the AESO is largely at the expense of BC Hydro's Firm and Conditional Firm OATT customers, and should be stopped immediately through BC Hydro's proposed Enforcement Mechanism.

Powerex also supports the key components of the Balancing Area Transmission Service Tariff. Powerex supports the concept that revenue collected for interrupted volume be allocated to OATT customers who have committed to long term investment in the service through the competitive OATT process. We further support your principle that the allocation of revenue be done in a manner reflecting the priority of service. The Unreserved Use Penalty also conceptually provides appropriate incentive for the AESO to correctly nominate a capacity amount that would support the "Headroom" that is required for contingencies.

We also believe that the enforcement mechanism and tariff together provide the proper economic investment signals to AESO to plan their system in a manner that does not inappropriately rely on transmission service in BC without compensation. The proposed framework may also provide the AESO with the ability to use the intertie as a capacity resource, as a source of energy, or both, which may improve the economic and efficiency benefits to the Alberta market overall. So long as the AESO provides the appropriate compensation to the OATT transmission rights holders and to BC Hydro for the use of transmission in this fashion, it is potentially beneficial to both Alberta and BC ratepayers.

Sincerely,



Raj Hundal
Market Policy & Practices Manager

