

5th Floor, 505 – 2nd Street SW
Calgary, AB T2P 1N8
Canada

February 18, 2011

Ms. Brenda Ambrosi
British Columbia Hydro and Power Authority
Suite 1100, Four Bentall Centre
1055 Dunsmuir Street
P.O Box 492960
Vancouver, B.C., V7X 1V5

Dear Ms. Ambrosi:

Re: Conditional Firm Service Business Practices

Capital Power Corporation (Capital Power) appreciates the opportunity to provide feedback on the two options (“Business Practices”) for Conditional Firm Service (CFS) under British Columbia Hydro Power Authority (“BC Hydro”) Open Access Transmission Tariff (OATT).

Capital Power has ownership interest and operates power generation facilities in British Columbia representing 437 MW of capacity, and also utilizes the BC Hydro transmission system to support its commodity transactions between and among electricity markets in Alberta, British Columbia and the United States Pacific Northwest. As such, Capital Power has an ongoing interest in issues relating to the terms and application of BC Hydro’s OATT. We have reviewed the business practices proposed by BC Hydro and would like to offer the following comments:

In light of the recent comments filed by Morgan Stanley Capital Group Inc. (“MSCG”) and the response comments filed by others, including Capital Power, with the British Columbia Utilities Commission (BCUC) it is premature to implement a CFS product on the BC-AB path at this time. Given that BC Hydro has indicated this product will be offered to those participants with priority in the long term transmission queue, Capital Power is particularly concerned that the CFS product proposed by BC Hydro will only serve to further decrease the opportunities for non-affiliates of BC Hydro to flow on the BC-AB path. Thereby exacerbating the level playing field issues raised with the BCUC.

In addition, it is not clear to Capital Power why BC Hydro would choose to implement a CFS product on the BC-AB path given that the Monthly Firm Available Transfer Capability (ATC) is expected to be 0 MW for the relevant forecast period resulting in the firm component of this service being set at 0 MW for the duration of the product term. Nor does it seem appropriate to charge a Long-Term Firm Point-to-Point rate for a product without a firm component. It is our understanding that the Federal Energy Regulatory Commission (“the Commission”) has modified its *pro forma* OATT to include a Conditional Firm component to address situations where firm

service can be provided for *most, but not all*, hours of the period requested (emphasis added).¹ Given that firm service can not be offered in *any hours* Capital Power does not agree that a CFS product should be offered on the BC-AB path.

Capital Power also notes that BC Hydro has elected to replace the Commission's curtailment conditions as described in the Order 890 with monthly path-specific curtailment priorities, a change that is required in order to offer this product on the BC-AB path.² (In the Commission's *pro forma* OATT the curtailment conditions for CFS require that the transmission provider identify either (1) the specific system conditions when conditional curtailment may apply or (2) the annual number of hours when conditional curtailment may apply.³) Had BC Hydro adopted the Commission's curtailment conditions it would not be offering a CFS product where the Monthly Firm Available ATC is a constant 0 MW for the entire forecast period.

As such, further consultation on the implementation of a CFS product should be suspended until after the level playing concerns raised with the BCUC have been appropriately addressed by BC Hydro. Capital Power looks forward to attending the upcoming stakeholder meeting with BC Hydro planned for March 11th to discuss these issues. If you wish to discuss Capital Power's comments further or need any other assistance, please contact me directly at (403) 717-4639 or by email at jgtaylor@capitalpower.com.

Sincerely,
<Unsigned>

Janene Taylor
Senior Advisor, Regulatory Affairs
Capital Power Corporation

cc Daniel Jurijew, Senior Manager, Regulatory Affairs

¹ Order No. 890, *Preventing Undue Discrimination and Preference in Transmission Service*, FERC STATS. & REGS. ¶ 86 Fed. Reg. (2007) (to be codified at C.F.R. pts. 35 and 37)

² British Columbia Transmission Corporation, *Open Access Transmission Tariff* (2008), Exhibit B1-1 § 3.4.3.1 a(i)

³ Order No. 890, *Preventing Undue Discrimination and Preference in Transmission Service*, FERC STATS. & REGS. ¶ 960 Fed. Reg. (2007) (to be codified at C.F.R. pts. 35 and 37)