



NaturEner

February 22, 2011

Sent via email to:
brenda.ambrosi@bchydro.com

BC Hydro
Suite 1100, Four Bentall Centre
Vancouver B.C. V7X 1V5

Attention: Brenda Ambrosi

Dear Sirs/Mesdames:

Re: Proposed Conditional Firm Service Business Practices

Thank you for the opportunity to comment on BC Hydro's proposed Business Practices ("BPs") for Conditional Firm Service ("CFS").

NaturEner attended the February 4, 2011 workshop and shares some of the concerns expressed by other attendees at that workshop, particularly with reference to power destined for the Alberta market. NaturEner is participating in this process to ensure that the outcome of the Intertie Framework that has been in process at the AESO for over a year is not frustrated by CFS. Without further consideration to the underlying principles and protocols governing flows of energy between Alberta and BC, the CFS will reward the large incumbent's positions while creating significant hurdles for remaining participants.

We note that the AESO is expected to release a draft rule this week to address, among other things, the distribution of ATC across import schedules on the BC Hydro intertie and MATL in hours where the aggregate schedules exceed ATC. According to the materials publicly released by AESO, the distribution of ATC is proposed to be calculated with reference to total submitted schedules, without consideration for the quality of service that has been contracted for, i.e. firm, CFS, or non-firm. The CFS would therefore increase the schedules considered by AESO in its ATC distribution calculation. We further understand that BC Hydro/Powerex is first in queue to acquire 280 MW of the 305 MW of CFS being offered. Given the significant impact that CFS could have on the outcome of the AESO's ATC allocation processes, NaturEner is concerned that CFS will create an unlevel playing field for market participants who wish to import into the Alberta market.

Additionally, with the long-term periods that would apply to CFS (e.g. 10 year terms), and the potential for impact on BC Hydro's existing long-term firm transmission rights holders, NaturEner wonders why BC Hydro is seeking to implement CFS in the next quarter? This is particularly troubling when further considering that: (a) it has been clearly demonstrated by BC Hydro itself that there is no prospect of additional firm becoming available for at least two years; (b) during the same time frame, the amount of firm capacity available to BC>AB shippers is expected to decrease due to MATL coming online; and (c) the CFS seems to have the effect of

NaturEner Energy Canada Inc. 304 - 8th Avenue SW, Suite 1000, Calgary, Alberta T2P 1C2
Phone 403.699-9724 Fax 403.718-0082.



NaturEner putting the existing long-term firm transmission rights holders in a similar position as the one that the BC Utilities Commission effectively unwound in its September 2009 decision.

As a closing comment, NaturEner believes that it is unreasonable for BC Hydro to implement CFS without first adequately addressing the incremental seams issues that it is creating with the neighbouring Alberta system. It is our recommendation that BC Hydro wait until the Alberta Utilities Commission rules on how ATC will be distributed or allocated and form products in response to the actual resulting ATC available on the BC>AB path.

Sincerely,

Juliane Kniebel-Huebner
Director, Regulatory Affairs

- c. Nancy Murray, General Counsel, NaturEner USA, LLC
Erica Young, General Counsel, NaturEner Energy Canada Inc.