



Wednesday, April 3rd 2013

The Industrial Rates Review Panel
Messrs. Chris Trumpy, Peter Ostergaard and Tim Newton

C/o Mr. Scott Barillaro
Director, Transmission and Industrial Electricity Policy
Ministry of Energy, Mines and Natural Gas
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Dear Sirs:

Re: Industrial Electricity Policy Review

We thank you for the opportunity to have met recently to review the objectives of the Panel. As part of your stakeholder engagement process we are pleased to submit the following comments on the backgrounder document and issue papers you have prepared as part of the review process. Your Information Bulletin of February 1st 2013 most aptly refers to the requirement to have this review “*so British Columbia is ready for future industrial development...*” We wholeheartedly support your efforts especially as we have an enormous opportunity with development of an LNG industry in BC. One can only imagine the benefits to the entire BC economy (and its climate policy) if these LNG plants were to use grid based electricity generated from renewable and clean sources within the province.

The Evolution of British Columbia’s Industrial Electricity Policy

This backgrounder document provides a very good snapshot of electricity policy and actions taken over the past 50 years. The word ‘balance’ might be the one word that best describes that entire 50 year period.

There are, however other sentiments that this electricity policy and history 101 backgrounder present. Firstly, the importance of leadership and foresight exhibited by many governments over the entire period. Revelstoke was surplus generation at its inception, this surplus matched BC’s growing need for new generation sources. Secondly, from the 1980’s we realized the importance of environmental awareness and the accompanying requirement to engage the public. We increasingly became aware of climate change issues that resulted in BC enacting leading carbon tax legislation. Thirdly, respect for BC’s First Nations requirement for

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consultation and accommodation has become a cornerstone today for resource project development throughout the province.

Some might suggest policy and actions over the past 50 years have been a series of swings and roundabouts, perhaps even a swinging door approach based on the government of the day. At the end of the day it all comes down to a balance, a balance of leadership.

In considering our submission to the panel we come back time and again to the key element of long term foresight and determination. BC needs to lead in setting, realizing and sustaining CO₂ and GHG targets, not just for BC, Canada and North America but on a global scale. Our electricity policies (industrial, commercial and residential) have to reflect progress and compatibility on two often divergent paths: competitive economic development and environmental sustainability.

BC's election will soon be upon us, we will have winners and losers. Were the catch phrase and tag line 'Canada Starts Here' to survive the May 14th election then this panel needs to ensure it presents outstanding long term leadership quality policy recommendations to the Minister in its final report.

Retail Access (RA)

Fundamental to the development of a successful Retail Access program is whether one believes in economic completion or not. CEBC strongly believes both in fair competition and in the electricity production partnership it has developed over the years with BC Hydro. It is this partnership that delivers quality electricity for all British Columbians. Your RA issue paper identifies a couple of very critical points when one considers taking another shot at developing a program. Firstly you point out that BC Hydro '*has started, and will continue to reinvest in its aging generation and transmission infrastructure.*' This reinvestment program coupled with the possibility of developing Site C taken together with its many deferral accounts can only send BC Hydro's prices to all ratepayers in one direction – up. Price rises are inevitable. We believe and are able to substantiate that our sector can, does and will deliver competitively priced electricity for all British Columbians.

We believe that as part of the RA evaluation process there needs to be a sincere effort made to evaluate electricity generation pricing options on an apples to apples basis. RA entrepreneurs can most certainly accept fair contractual terms and conditions in order to see success. You indicate concern about an RA program overwhelming BC Hydro and concern about ending up with stranded assets. Neither of these things need occur if the RA program is developed from a



position of fair competition. We constantly hear about BC's growing demand for electricity as a result of population growth, mining developments, electric vehicles and LNG projects. CEBC recommends a Retail Access program needs to be an integral and important part of both the Panel's report and the Integrated Resource plan. We suggest initiating a pilot program as soon as possible and will be happy to provide stakeholder input into the development of that program.

Generation Contribution Policy

Success, (or lack of) the generation contribution policy based on the 150 MVA threshold is self evident - there have been no projects built since 1991. Is it that there were no projects to be built or that the policy has acted as a deterrent for entrepreneurs to build projects?

CEBC recommends the average cost of service be extended to new industrial customers. As a province we need to exhibit climate change leadership through the development of renewable and clean electricity generation. Until such time as we have a solid carbon pricing regime there should be a general revenue tariff applied to any and all non renewable electricity generation. An argument can certainly be made for a volume based 'tariff discount' scheme where you have overwhelming and significant economic development opportunities (ie LNG projects). An equal pricing scheme for both existing and new customers most certainly complies with making certain "...*British Columbia is ready for future industrial development...*" A long term commitment to an equal pricing scheme signals to investors worldwide that BC offers fair and stable investment opportunities. General programs supporting economic development should be addressed via fiscal and taxation avenues and not via the provinces ratepayer classes.

We also strongly recommend public messaging and communication form a crucial part of any policy changes. As you point out BC has and continues to benefit from low electricity prices. However, for reasons highlighted above at some point the 'piper has to be paid'. Factually correct information must be disseminated as part of the 'paying the piper plan' for all rate classes.

Transmission Contribution Policy

New transmission lines and upgrades to existing lines costs should be spread across the entire rate base. Our recommendations for transmission contribution mirrors that expressed above for generation contribution. Transmission developments throughout BC (whether the northwest's NTL or the potential to have electric drilling rigs in the northeast) provide benefit to all British Columbians. As part of the review of this policy consideration should be given to greater P3 style projects. Need BC Hydro retain exclusive ownership of transmission infrastructure, we think not. Constructive engagement of the private sector can bring significant benefit to



ratepayers through competitive ownership. Every entrepreneur based option needs to be considered given BC Hydro's 'rate increase tsunami' that heads our way each and every day.

As with the generation contribution, a long term equal pricing scheme signals to investors worldwide that BC offers fair and stable investment opportunities.

Transmission Service and Economic Development

Transmission service to customers vis a vis job creation and retention should be based on the average cost of that service for each of the rate classifications.

Your panel most certainly highlights a need to regularly have a neutral forum for stakeholders to provide their input into policy development. We believe and recommend this become a regular feature on the Ministry's timetable, perhaps on a bi-annual basis. By reporting out to the government directly your review avoids the legally flavored adversarial nature of the BCUC process. Similarly this 'Ministry' reporting channel avoids the conflict of interest potential were it to report through BC Hydro.

Transmission Service and Provincial Environmental Policy

This issue paper brings us right back again to the question of foresight and leadership – just how seriously will the panel reinforce various environmental issues and considerations: contingent GHG liabilities, development of a carbonless economy, elimination of imported coal fired generated electricity, off grid 'get out of jail' emissions exemptions? By exemptions we refer to both self generation and related transmission requirements where there are no carbon tax considerations. Carbon pricing and risk is becoming a key policy element for governments around the globe. Similarly, gas prices and their global differentials are a considerable source of angst – one can go so far as to say the long term gas market is unstable certainly when one considers the oil:gas energy and price ratios in different jurisdictions.

It is all too easy to have an exemption here, an exemption there. Each exemption feels it is relatively small in the larger scheme of things – literally it may well be. As we transition from carbon to non carbon economy many compromises need to be made. Compromise is a principle we can accept – provided today's exemption actions are coupled with sunset limitations on those practices being exempted.

BCUC Stepped Rate Report Recommendations

We will not be addressing this Issue Paper with this submission.



End-Use Rates

Clean Energy BC supports End Use Rates in some cases. The LNG opportunity is but an example. Worldwide, LNG operators self generate the volumous energy they need to 'squeeze and freeze' natural gas because of the virtual uninterrupted power requirement the process demands. Limited grid sourced electricity is used for auxiliary functions. BC appears to be heading towards this operational model with the LNG projects being considered for the Kitimat and Prince Rupert locations. Many questions arise: is there sufficient provincial leadership to ensure these projects can get enough grid based electricity in time at a competitive price that steers the developers to minimizing their self generation ratio or is it the reverse? Long term GHG and emissions leadership requires commitment to existing legislated targets – will the proposed self generation/grid energy supply ratio comply with those targets?

Postage Stamp Rates

Clean Energy BC fully supports Postage Stamp Rates. As noted above, BC's future electricity rates can only go in one direction – up. A strong 'educate and inform' campaign needs to be developed and implemented as part of governments' public communication strategy on the future of rates for all classes. This strategy must list the precise causes (both named and valued) for rate increases. This strategy must be focused on the longer term in order to ensure BC remains an industrial investment destination.

Regulatory Approach to BC Hydro

BC Hydro and the BC Government represent the quintessential hand in glove analogy. In BC Hydro's left glove we have the government's ratepayer interests, in the right glove the taxpayers interests. In the middle is the BCUC.

It is our recommendation that a revised regulatory approach to BC Hydro should incorporate the following:

- ✓ The BCUC should become more active acquiring information on alternative utility models as part of its monitoring of the BC Hydro model. Efficiency fact finding and cost reduction opportunities should become part of the BCUC mandate.
- ✓ The BCUC should report out annually on its independent recommendations for changes it feels make BC Hydro more efficient and cost effective.
- ✓ Planning and procurement functions within BC Hydro should be undertaken by a separate body independent of BC Hydro. This body can become part of a re-structured BCUC.



We welcome your review of these comments.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Paul Kariya".

Paul Kariya
Executive Director