

May 15, 2020

Les MacLaren  
Assistant Deputy Minister  
Ministry of Energy, Mines and Petroleum Resources

Diane McSherry  
Vice President, Projects  
BC Hydro

By email: [BCHydroReview@gov.bc.ca](mailto:BCHydroReview@gov.bc.ca)

**Re: Mining Association of BC (MABC) Feedback on Comprehensive Review of BC Hydro Phase II Interim Report.**

Thank you for the opportunity to provide written comments on the Comprehensive Review of BC Hydro Phase 2 Interim Report.

By way of background, MABC is the voice of mining in British Columbia, representing operating steelmaking coal, metal and industrial mineral producers, as well as smelting operations and advanced development companies in the province. Our mandate is to encourage the safe, responsible development and operation of mining and related facilities across BC. As Canada's largest producer of steelmaking coal and copper, British Columbia's mining sector is essential to achieving Canada's commitment to a lower carbon future. Our member's operations are among the lowest GHG emission-intensive in the world.

MABC's members include some of this province's most iconic operating companies who directly and indirectly employ more than 33,000 women and men, including thousands of supplier and support jobs in every region of the province. In 2018, the mining industry generated \$12.3 billion in economic activity in BC and contributed almost \$1 billion in payments to the provincial government. Mining is the largest private sector employer of Indigenous people in Canada, and a major partner to Indigenous businesses.

**COVID-19**

The COVID-19 pandemic has unleashed an unprecedented global health and economic crisis and a widening worldwide recession, placing BC's mines and smelters under increasing financial pressure. The dramatic decrease in commodity prices has led to falling revenues and increasing losses across BC's mining sector, while operational costs associated with the adoption of new health and safety measures to keep workers and communities safe are rising. In the midst of these challenges, government officials and mining companies were able to work together to quickly implement new public health and workplace guidelines to protect workers and communities, while keeping our mines and smelters operating and British Columbians working through this unprecedented crisis.



Government and BC Hydro have also supported the mining industry in managing the downturn in commodity prices by implementing a series of policy and tariff measures. The Government of BC's COVID-19 Action Plan which deferred several payments to Government, along with BC Hydro's COVID-19 measures for industry, including a new 90-day bill deferral program, are enhancing near-term liquidity for mining operations. This swift response by BC Hydro and the Province has been essential to maintaining mining operations and industrial load for the utility.

To be sure, notwithstanding the aforementioned measures, BC Hydro faces declining load and operational challenges from COVID-19. In the May 2020 report entitled "*Demand dilemma: How BC Hydro is responding to declining load and operational challenges resulting from COVID-19,*" the utility has flagged an unprecedented 10% decline in BC's electricity demand. Mining, forestry, and oil and gas operations account for approximately 30% of BC Hydro's overall electricity load, and energy demand from these customers has decreased by 7% since mid-March. Depending on the length of the downturn, BC Hydro is planning for a potential energy demand decrease of up to 28% from forestry, up to 22% from mining, and up to 7% from oil and gas. This drop in demand may force BC Hydro to shut down some smaller plants and spill from facilities.

The impact of decreased industrial demand due to COVID-19 on BC Hydro's load and revenues highlights the imperative for BC Hydro to ensure it is in a strong position to grow industrial load as we move toward economic recovery. A long-term reduction in industrial load would create upward pressure on rates for all BC Hydro customers, making it more costly to electrify. BC Hydro will be in a much stronger position to support BC's electrification goals by expanding industrial load. For the mining industry, this means providing competitive rates while removing barriers to mine expansions and to the interconnection of new mining operations.

### **Interim Report**

The *Comprehensive Review of BC Hydro: Phase 2 Interim Report* (Interim Report) has captured several important themes, including the importance of having a strong industrial load to keep rates affordable for all customers. It highlights the importance of an affordable and timely interconnection process and a timely build-out of BC's transmission system, including through collaboration with federal government infrastructure initiatives. It also recognizes that while demand-side management programs have been effective, there is also a need for new programs to encourage electrification of industry. These measures can help encourage the growth of BC's mining industry while meeting the Province's electrification goals set out in CleanBC.

### **Feedback Questions: Supporting BC's Energy and Economic Development Goals through CleanBC**

Additional feedback questions were included in the Interim Report and we are pleased to provide comments below. While MABC members will have a unique perspective in some areas, they will also be aligned with the more general perspective from industrial customers presented in the submission from the Association of Major Power Customers (AMPC). For MABC members, our highest priority is the provision of accessible, reliable and competitively-priced line power. Our feedback below addresses related questions in the Interim Report.



### *Prioritizing Competitiveness for Industry*

Evidence provided by InterGroup on behalf of AMPC in the ongoing F2020 to F2021 Revenue Requirement Application demonstrated that BC Hydro's industrial electricity rates have increased by 96% since 2003. Compared to other hydropower dominated, Crown-owned utilities, BC Hydro's industrial rate increases considerably exceed and outpace other Canadian utilities. To prioritize competitiveness for industry in an electrified future, we must improve the competitiveness of our electricity rates. While some progress has been made, including the 0.99% rate reduction filed for this year, much more needs to be done to close the widening gap with our competition. Electricity is one of the most significant operating costs for mines and when coupled with other cost increases in British Columbia, rising electricity rates place critical stress on mining operations and their ability to remain competitive.

Over the past decade, Government and BC Hydro have made some progress on reducing the cost of power. The Provincial Sales Tax was removed from electricity used by mining operations. The 10-Year Plan for BC Hydro, which lowered dividends taken by government, and recent government investment in paying down deferral accounts have helped ease upward pressure on rates. Nevertheless, additional rate increases are projected for next year. The Review Committee should recommend that Government pursue measures to ease upward pressure on rates, such as reducing water rental fees, so that BC Hydro can further decrease industrial rates. With the arrival of COVID-19 and the prospect of a prolonged recession, the Province's competitiveness must remain in sharp focus.

**MABC Recommendation #1:** The Province and BC Hydro must continue to identify and implement measures to reduce upward pressure on rates.

The Interim Report contemplates an internal carbon price for BC Hydro to guide decision-making on programs and investments that reduce greenhouse gas emissions. BC is already a global leader in carbon pricing. BC Hydro should use the Province's current, clearly articulated and understood carbon pricing instead of a different internal carbon price.

**MABC Recommendation #2:** BC Hydro's internal carbon price should be the same as the Government of BC's stated carbon price.

### *Optional Rates*

While optional rates, such as the non-firm Freshet Rate for industrial customers, can help encourage increased industrial load, they are not a replacement for stable, competitively priced general rates. It is important for the Review Committee to remember that not all industrial customers have the same load



characteristics. Mining customers, which generally operate at a steady-state 24-7, do not have the flexibility to curtail power or shift time of use demand to the same extent as operations in other industries. Nevertheless, optional rates tailored to specific customer needs, such as electric fleet charging or, potentially, future hydrogen production, will be important tools to support electrification.

**MABC Recommendation #3:** While recognizing they are not a substitute for competitively priced general industrial rates, the Review Committee should support optional rates as an important tool to support electrification opportunities for industry.

The Interim Report notes that competitiveness must be kept at the forefront of the Phase 2 Review and discusses potential changes to the Transmission Service Rate. If changes to the Transmission Service Rate are pursued, it will be crucial to ensure those changes recognize the unique characteristics of industrial operations and ultimately improve their competitiveness.

**MABC Recommendation #4:** The Review Committee should recommend that any changes made to the Transmission Service Rate align with the diverse load profiles of industrial customers and enhance the competitiveness of their operations.

#### *Removing Barriers to Electrification*

Cost is a major barrier to electrification for existing mining operations. The Interim Report has recognized the value of incentive programs to assist industry with electrification. Electrification of processes or fleets at underground and open pit mining operations would also provide increased industrial demand for BC Hydro at a time when it is needed. The Review Committee should consider whether incentive programs from the utility, the provincial government and the federal government can be aligned to support electrification projects at mining operations. As the Interim Report recognizes, Demand Side Management programs should continue to be an important part of BC Hydro's resource plan alongside programs to encourage electrification.

**MABC Recommendation #5:** The Review Committee should examine opportunities for alignment of federal, provincial and utility incentive programs to encourage electrification.

Another barrier to electrification is the high cost and lengthy timeframe for interconnections, both for existing and new customers. The Interim Report recognized the importance of BC Hydro having a timely and affordable interconnection process. The Review Committee should also examine the requirement for customer-funded interconnection infrastructure to obtain a Certificate of Public Convenience and Necessity (CPCN), which is intended to ensure new plants or extensions are in the public interest. MABC suggests that this regulatory process should not be required for customer-funded and owned

infrastructure that would be connecting to the existing system, such as a switching station. For one company currently advancing a project, the CPCN process is projected to add over a year to BC Hydro's interconnection timelines, in addition to increased costs and uncertainty.

**MABC Recommendation #6:** The Review Committee should examine whether the current CPCN requirement should exclude customer-owned interconnection infrastructure connecting to an existing system, to shorten timelines and decrease up-front interconnection costs.

The Interim Report recognized concerns surrounding Tariff Supplement No. 6 and its 150 MVA threshold provisions. As we explained in our initial feedback to the Review Committee, significant work has been completed on this issue, from the 2013 Industrial Electricity Policy Review to workshops for BC Hydro's 2015 Rate Design Application. Beyond the 150 MVA threshold, the Review Committee should consider how BC compares to other jurisdictions with regard to interconnection costs charged to the customer versus interconnection costs paid for by the utility (rate base). At a time when increasing demand is in the interests of all ratepayers, reducing up-front costs for expansions or new connections will provide relief for proponents already operating in an exceedingly challenging environment.

**MABC Recommendation #7:** In addition to challenges surrounding the 150 MVA threshold in Tariff Supplement No. 6, the Review Committee should review how BC's interconnection tariff compares to those in other jurisdictions in terms of how interconnection costs are split between the new customer and the utility.

The Review Committee should also consider removing the Northwest Transmission Line (NTL) Supplemental Charge, Tariff Supplement No. 37, to encourage electrification of mining projects located in Northwest BC. The NTL runs through an area known as BC's "Golden Triangle" for the significant number of precious metal projects in the region. The tariff was implemented in 2013, during a period of higher base-metal commodity prices and higher projected demand for BC Hydro. Today, BC Hydro is in a surplus electricity situation and the hydro system is in need of additional industrial load. Removing the NTL Supplemental Charge will allow new customers to connect to the line with reduced upfront capital and will benefit all ratepayers by increasing industrial load.

**MABC Recommendation #8:** The Review Committee should consider removing the Northwest Transmission Line Supplemental Charge to encourage electrification of new mines in Northwestern BC.

The Interim Report also acknowledged that a timely build-out of the transmission system will be necessary to support electrification of industry in other areas of the province. MABC agrees that that

targeted provincial and federal investments to address system constraints will help enable BC Hydro to service mine expansions and new operations in the future.

MABC appreciates the opportunity to comment on the Comprehensive Review of BC Hydro Phase II Interim Report. We look forward to continued engagement as the Review Committee prepares its draft recommendations.

Sincerely,

A handwritten signature in black ink that reads "Michael Goehring". The signature is fluid and cursive, with a long horizontal stroke extending from the end of the name.

Michael Goehring  
President & CEO