

Terms of Reference for the Industrial Electricity Policy Review

1. Background

The British Columbia Hydro and Power Authority (BC Hydro) offers electricity service to approximately 120 transmission voltage customers under the Industrial Tariff and the Transmission Service Rate (TSR). Transmission voltage means that the customer interconnects to BC Hydro's grid at 69 kilovolts or greater through its own onsite substation. There are also a small number of large distribution customers who would also be considered "industrial" despite not interconnecting at transmission voltage.

The British Columbia Utilities Commission (Commission) approved the Industrial Tariff in 1991. It was implemented at a time when BC Hydro's electricity supply was getting tighter and new industrial load, or expansion of existing load, was not occurring. Economic conditions have evolved considerably since that time.

Following the 2002 Energy Plan, BC Hydro implemented the TSR, a two-tiered rate structure to promote energy efficiency and retail access. The Commission reviewed the program and submitted a report entitled, "British Columbia Utilities Commission Report to Government on BC Hydro's Transmission Service Rate Program" (Commission Report) on December 31, 2009.

The Commission acknowledged the TSR sent marginal price signals, but determined its contribution to conservation was inconclusive due to the large reduction in demand as a result of the 2008 economic downturn. It also noted that no industrial customer had pursued retail access up to the point when it released its report. The Commission recommended some changes to the design of the rate, but advised Government not take immediate action until the economy recovered.

Commission and intervener questions in the Dawson Creek/Chetwynd Area Transmission (DCAT) project as well as standalone policy issues (i.e., retail access, customer-owned generation, etc.) have reinforced the need for a review of Government's approach to industrial electricity policy. Accordingly, on April 3, 2012, Government committed to undertaking a public process to consider policy issues pertaining to BC Hydro's industrial customers.

2. Creation of Industrial Electricity Policy Review and Task Force

The Minister of Energy, Mines and Natural Gas (Minister) hereby authorizes an Industrial Electricity Policy Review (Review) for BC Hydro's transmission voltage Customers as set out in these Terms of Reference.

Further, the Minister appoints a task force consisting of three members to implement the Review:

- Mr. Chris Trumpy, Task Force Chair;
- Mr. Peter Ostergaard, Task Force Member; and

- Mr. Tim Newton, Task Force Member

3. Purpose

The purpose of the Review is to examine the current industrial electricity policy and regulatory framework, identify policy issues affecting transmission service customers, consult with affected stakeholders, conduct an integrated analysis, and make recommendations to the Minister on potential changes to the current policy and regulatory framework.

4. Task Force Mandate

The task force is directed to make recommendations on the following:

- A. the extent to which the transmission voltage rates may be used to contribute to provincial electricity conservation objectives, and the changes, if any, that would be appropriate to those rates or the current regulatory framework to achieve those objectives;
- B. the extent to which the transmission voltage rates may be used to contribute to provincial economic development objectives, and the changes, if any, that would be appropriate to those rates or the current statutory and/or regulatory framework to achieve those objectives;
- C. the extent to which the transmission voltage rates may be used to contribute to provincial environmental policy objectives, and the changes, if any, that would be appropriate to those rates or the current regulatory framework to achieve those objectives;
- D. the implications of pursuing each objective in relation to the other two; and
- E. Principles to guide the Province concerning the use of its directive powers related to the Commission and/or BC Hydro in order to pursue provincial policy objectives.

The task force is to consider the following while developing its recommendations:

1. the appropriate allocation of BC Hydro's incremental and embedded costs, including generation and transmission costs, when new customers request service or existing customers request increased service;
2. whether and postage stamp rates remain appropriate for customers taking service at transmission voltage rates;
3. whether end-use rates are appropriate for customers taking service at transmission voltage rates;
4. whether retail access rates would be appropriate for customers taking service at transmission voltage rates;
5. whether it would be appropriate to act on any of the recommendations contained in Commission Report on the TSR;

6. how current transmission voltage rates compare with rates for similar types of service in other jurisdictions in Canada and the Western Electricity Coordination Council area; and
7. any other considerations related to current or future operation of transmission voltage rates the task force determines necessary in making its recommendations.

Task Force Operations and Procedure

The Review will focus on high-level industrial electricity policy issues in order to provide recommendations on overall policy framework to Government by July 31, 2013.

The task force shall seek input from stakeholders with a current or future interest in BC Hydro's transmission voltage rates. While the task force has discretion over how it chooses to engage stakeholders, a consultation record must be made public for all Review participants at the completion of each phase, unless a stakeholder explicitly requests its input to be kept confidential.

The Task Force will have access to technical expertise from the Ministry of Energy, Mines and Natural Gas, BC Hydro and the Commission as required. The Task Force also has the discretion to create any consultative bodies and/or retain independent technical advice it deems necessary to ensure it receives the information it requires to meet the objectives set out in these Terms of Reference, subject to its available budget.

The Ministry of Energy, Mines and Natural Gas will distribute a summary of the Province's industrial electricity policy to provide foundational information on the matters set out in Section 4 A-D of these Terms of Reference no later than February 8, 2013.

Reporting

The Task force shall make the following documents to the public:

1. Consultation Summary covering meetings between January and April 2013, subject to permission of participants;
2. Written submissions from stakeholders, subject to permission from document creator(s);
3. Interim Report; and
4. Final Report

Secretariat Support

The Ministry of Energy, Mines and Natural Gas will provide secretariat support to the Task force.