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September 16, 2010

Ms. Erica M. Hamilton  
Commission Secretary  
British Columbia Utilities Commission  
Sixth Floor – 900 Howe Street  
Vancouver, BC V6Z 2N3

Dear Ms. Hamilton:

**RE: British Columbia Utilities Commission (BCUC)  
British Columbia Hydro and Power Authority (BC Hydro)  
Open Access Transmission Tariff (OATT) Amendments**

#### I. Application

BC Hydro applies, pursuant to section 59 to 61 of the *Utilities Commission Act (UCA)*,<sup>1</sup> for approval of amendments to the OATT, and related tariff supplements and rate schedules, to reflect the integration of BC Hydro and British Columbia Transmission Corporation (BCTC) pursuant to the *Clean Energy Act*, S.B.C. 2010, c. 16 (CEA). As part of this submission, BC Hydro also applies to amend certain provisions of the OATT to reflect other housekeeping items.

BC Hydro also seeks an order from the BCUC granting BC Hydro relief from compliance with the terms of Attachment K (Transmission Planning Process) to BC Hydro's OATT until January 1, 2012. Such relief will allow BC Hydro to fully assess its transmission planning process and determine how it will proceed with compliance with the CEA in conjunction with the UCA and the OATT.

#### II. Background

BC Hydro implemented a Wholesale Transmission Services (WTS) Tariff in 1997 pursuant to BCUC Order Nos. G-31-97 and G-43-98. The WTS Tariff was based on the pro forma open access transmission tariff established by the U.S. Federal Energy Regulatory Commission (FERC) for utilities under its jurisdiction by its landmark Order No. 888 dated April 24, 1996.

<sup>1</sup> R.S.B.C. 1996, Chapter 473.

Régie de l'énergie  
DOSSIER: R-3669-2008 Phase 2  
DÉPOSÉE EN AUDIENCE

Date: 21 octobre 2010  
Pièces n°: C-2-51 UC

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Pursuant to the *Transmission Corporation Act*, S.B.C. 2003 and certain agreements between BC Hydro and BCTC (the **Key Agreements**), responsibility for offering transmission and generator interconnection services shifted to BCTC in 2003, which subsequently obtained BCUC approval of its own OATT effective April 1, 2005.<sup>2</sup> The Key Agreements set forth the respective roles and responsibilities of the parties regarding the operation, management, planning and maintenance of the transmission system owned by BC Hydro. Consistent with the Key Agreements, the BCTC OATT distinguished between BCTC as the "Transmission Provider" and BC Hydro as the "Transmission Owner", as defined in the existing OATT. The existing OATT was most recently amended, and approved by the BCUC, on September 10, 2009<sup>3</sup> to reflect the pro forma tariff presently established by FERC in Order No. 890 (the **FERC pro forma tariff**).

On June 3, 2010, the CEA received Royal Assent and on July 5, 2010, sections 21 to 33 regarding the integration of BC Hydro and BCTC came into force in accordance with the commencement provisions in section 77 of the CEA. By sections 22 and 23 of the CEA, BCTC's rights, property, assets, included contracts and included permits, and obligations and liabilities transferred by a matter of law to BC Hydro. Thus, BCTC's obligations and liabilities under the previous BCTC OATT, approved by the BCUC, became BC Hydro's on July 5, 2010 and BC Hydro is now the only entity responsible for operating, managing, planning, and maintaining BC Hydro's transmission system and the OATT. Consequently, BC Hydro is now seeking the BCUC's approval to amend the existing OATT, and related tariff supplements and rate schedules, to reflect the integrated company.

#### III. Overview of Amendments

BC Hydro remains committed to non-discriminatory open access to transmission, consistent with applicable BCUC decisions and FERC reciprocal access standards. As such, with the transfer of BCTC's OATT to BC Hydro on July 5, 2010, certain amendments are required to the OATT, and related tariff supplements and rate schedules, to reflect this change. In addition, BC Hydro also wishes to concurrently amend the OATT to incorporate changes required as a result of the adoption of Mandatory Reliability Standards in British Columbia and some other minor housekeeping items.

The following is a summary of the proposed amendments which are each discussed in greater detail below:

- changes to reflect BC Hydro as the Transmission Provider;

<sup>2</sup> Approved by BCUC Order Nos. G-25-05 and G-58-05 dated March 11, 2005 and June 19, 2005, respectively.

<sup>3</sup> Approved by BCUC Order No. G-102-09 dated September 10, 2009.

- additional FERC 890 pro-forma tariff language required as a result of the Transmission Provider, now BC Hydro, being a vertically integrated utility;
- amendments to Rate Schedules;
- amendments to Tariff Supplements; and
- other housekeeping items, such as revisions required due to the adoption of the Mandatory Reliability Standards (MRS), changes to the OATT to reflect BC Hydro's credit rating practices and other miscellaneous matters.

To assist in understanding the nature of proposed amendments a Table of Changes is included as **Attachment 1**. A clean and a black-lined version of the OATT, with Attachments, and its related Rate Schedules is included as **Attachments 2 and 3**, respectively. Revised Tariff Supplements have been included separately as **Attachment 4**. Included in Attachment 4 is a summary of changes for Tariff Supplement No. 79, and a black-line version of Tariff Supplement No. 80. Neither a summary of changes nor black-line version has been included for Tariff Supplement No. 78 as only one section (section 7.1) remains from the original Tariff Supplement.

**A. Changes to reflect BC Hydro as the Transmission Provider**

Although not highlighted in the Table of Changes, a number of changes have been made throughout the OATT including changes to the Terms and Conditions, Attachments, Rate Schedules, and Tariff Supplements that replace the name BCTC with the name BC Hydro. This reflects what is accomplished already by section 24(1) of the CEA, which states:

Subject to subsection (2), a reference to the transmission corporation in any document, including, without limitation, any record, security agreement, lease, included permit, included contract, instrument or certificate that relates to anything transferred to the authority under this Part, is deemed to be a reference to the authority.

Moreover, the integration of BCTC and BC Hydro now results in the OATT now no longer requiring a reference to the Transmission Owner because: 1) it is no longer necessary, due to the Key Agreements having no force and effect as confirmed pursuant to section 33 of the CEA, and 2) this distinction from the Transmission Provider is not part of the FERC pro forma tariff. Thus, a number of clauses contained in the OATT are now no longer relevant, or required, and the majority of the proposed modifications to the OATT reflect this change in circumstances. For example, the stand-alone Indemnity Agreement required between BC Hydro, as the Transmission Owner, and an Interconnection Customer in the Standard Generator Interconnection Agreement (SGIA) (refer to Appendix 5 of Attachment M-1) is no longer necessary because BC Hydro is now the signatory to the SGIA and article 18 of the SGIA fully

addresses the issue of indemnity. These types of amendments are noted in the Table of Changes.

**B. Additional FERC Pro Forma Tariff Language**

This category of amendments includes changes and additions to the existing OATT to incorporate FERC pro forma tariff language that was either revised or excluded by BCTC to more appropriately reflect the relationship established pursuant to the Key Agreements, where BCTC had undertaken the responsibilities of the Transmission Provider and BC Hydro continued as the Transmission Owner.

FERC's pro forma tariff is designed primarily for an integrated utility that owns transmission, distribution and generation systems, such as BC Hydro. The FERC pro forma tariff, therefore, includes some language which assumes that the Transmission Provider is the owner and operator of the transmission system as well as the distribution system and generation facilities. For instance, the FERC pro forma tariff includes language to account for the Transmission Provider's own use of transmission service under the tariff.

Language relating to an integrated utility providing transmission services was originally included in BC Hydro's WTS Tariff, but was subsequently removed under BCTC's OATT as it was not applicable when BCTC was the Transmission Provider. As a result of the integration of BCTC and BC Hydro, BC Hydro now seeks to reinsert such applicable FERC pro forma language because BC Hydro is an integrated utility that owns and operates transmission, distribution and generation assets. These changes are reflected in, for instance, sections 8, 13.3, 14.3, 19.2(c), 20 21.1, 25, and 32.2(c) of the OATT.

In addition, the BCTC OATT varied from the FERC pro forma tariff with respect to the Transmission Provider's redispatch obligations because BCTC did not have available its own generation resources. BC Hydro now seeks to include the FERC pro forma tariff language because BC Hydro, as an integrated utility, does have its own generation resources. These changes are reflected in sections 13.5, 15.4(b), 19.3, and 32.3 of the OATT.

Although BC Hydro is incorporating the FERC pro forma language in relation to redispatch in the above-noted sections, BC Hydro's position with respect to the potential for redispatch opportunities continues to be as submitted in BC Hydro's letter dated February 15, 2007 [sic 2008] to the BCUC in response to Directive 39 of BCUC Order No. G-69-07 and as referenced in BCTC's letter dated December 21, 2007 to the BCUC. As noted in its submission, BC Hydro could not make available any surplus generation which could be used for long-term redispatch. The BCUC accepted the submissions of BC Hydro and BCTC in a letter to BCTC dated February 21, 2008 (refer to **Attachment 5** for BCUC letter and accompanying BC Hydro and BCTC submissions).

**C. Amendments to Rate Schedules**

The current rate schedules reflect the Transmission Provider-Transmission Owner relationship that existed between BCTC and BC Hydro prior to July 5, 2010 with respect to the provision of transmission and ancillary services. Rate Schedules 00 to 10 for transmission and ancillary services reflect the combination of the Transmission Provider's Rate Schedules 100 to 110, the Transmission Owner's Rate Schedules 3000 to 3002, and BC Hydro's Rate Schedules 3011 to 3016 and Tariff Supplement 69 which supported BCTC's ancillary services. With the integration of BCTC and BC Hydro, it is no longer necessary to distinguish between the Transmission Provider's and the Transmission Owner's Rate Schedules and BC Hydro no longer needs to have separate Rate Schedules to provide support to the Transmission Provider for ancillary services that it can now directly provide to transmission customers.

As such, BC Hydro requests the cancellation of:

- Rate Schedules 100 to 110 and Rate Schedules 3000 to 3002; and
- Rate Schedules 3011 to 3016 and Tariff Supplement 69.

In addition, BC Hydro proposes to amend Rate Schedules 00 to 10 to incorporate any necessary provisions that are included in the Rate Schedules to be cancelled – e.g., rate provisions for ancillary services previously provided by BC Hydro, such as Loss Compensation Service, will now need to be included as part of Rate Schedule 09.

Amendments have also been made to the rate schedules to reflect the implementation of the Harmonized Sales Tax.

**D. Amendments to OATT-related Tariff Supplements**

The OATT-related tariff supplements, which are attached separately as Attachment 4, are the following:

1. Tariff Supplement 1, Canal Plant Agreement (CPA) Support Agreement;
2. Tariff Supplement 2, Generating Plant and Operational Obligations Agreement, as amended (GPOOA); and
3. Tariff Supplement 3, Network Economy Service.

The CPA Support Agreement<sup>4</sup> (Tariff Supplement 1) is no longer in force and effect as an agreement and is no longer required for the purposes of BC Hydro meeting its transmission-related obligations under the CPA. However, section 7.1 of the CPA Support Agreement addresses the issue of wheeling rates on the BC Hydro system in relation to the Coordination Transfers, as defined in the CPA, and provides clarification on this issue which is not addressed within the terms of the CPA. Section 7.1 of the CPA provides that:

- a) Coordination Transfers to BC Hydro at the Kootenay Interconnection, will be treated like any other BC Hydro resource under BC Hydro's agreements entered into for service under the OATT; and
- b) Coordination Transfers, and ancillary services pursuant to section 6.7 of the CPA, both of which are to be provided by BC Hydro to the Entitlement Parties at the Kootenay Interconnection, will not be included as BC Hydro network load under BC Hydro's agreements entered into for service under the OATT.

The above noted provisions reflect BC Hydro's view that Coordination Transfers – delivered to the Entitlement Parties under the CPA and which are fundamental to the performance of the CPA obligations – provide benefits to the entire transmission network. As a result of this, BC Hydro believes the residual costs should be borne by all network customers in proportion to each customer's network load. This position was submitted and approved pursuant to BCUC Order No. G-41-06. Currently, as was the case in 2006, BC Hydro is the only network customer and pays all of the residual.

For the reasons above, BC Hydro submits that this part of the CPA Support Agreement should continue to exist in an amended and revised Tariff Supplement (BC Hydro Tariff Supplement 78) as provided in Attachment 4. All other provisions of the CPA Support Agreement are no longer necessary, or required, and will not be included in the new Tariff Supplement 78.

The existing Tariff Supplement 2 is the GPOOA between BC Hydro and BCTC.<sup>5</sup> The GPOOA addresses: (1) the requirements for interconnection for BC Hydro's generating plants with the transmission system as contained in Part B of the GPOOA; and (2) the operating obligations to be supplied by BC Hydro to BCTC for the reliable operation of the electric system as contained in Part C of the GPOOA. Although a detailed formal agreement, such as this, is no longer required between BC Hydro (as the Interconnection Customer) and the Transmission Provider, BC Hydro believes that there are certain provisions in Part B of the GPOOA, with respect to interconnection issues, which should continue to exist in the form of the proposed Tariff Supplement 79.

<sup>4</sup> Approved by BCUC Order No. G-41-06, dated April 11, 2006.

<sup>5</sup> The GPOOA was approved by the BCUC letter dated February 27, 2006. Subsequent amendments were approved by BCUC Order No. G-168-09, dated December 23, 2009.

Specifically, BC Hydro proposes that: (1) the existing interconnection requirements for its generating plants continue to be approved by the BCUC, and (2) an equivalent interconnection process for modifications to BC Hydro's generating plants, consistent with the OATT, continue as a separate approved process. Attachment 4 includes a clean version of the new Tariff Supplement No. 79 and a summary of changes which provides guidance on what has been modified, deleted or moved.

The existing Tariff Supplement 3 describes the Network Economy Services obligations. BCTC Tariff Supplement 3 has been renamed BC Hydro Tariff Supplement 80. Tariff Supplement 80 remains largely unchanged with the exception of changes to certain provisions to reflect the fact that BC Hydro is an integrated utility. The proposed changes uphold the spirit and obligations of the Settlement Agreement approved pursuant to BCUC Order No. G-127-06. Attachment 4 includes a clean and black-line version of this Tariff Supplement No. 80

#### **E. Other Housekeeping Items**

In Order No. G-67-09, dated June 8, 2009, the BCUC MRS for British Columbia that include applicable reliability standards for certain generators. Where appropriate, BC Hydro has made changes to the OATT to replace outdated reliability requirements with terms and conditions which are consistent with the MRS framework now applicable in B.C. – e.g., Attachments M-1 (Standard Generator Interconnection Procedures) and Q-1 (Dynamic Scheduling).

In addition, BC Hydro has made minor changes to the insurance provisions in Attachment M-1 (Standard Generator Interconnection Procedures) of the OATT (refer to Appendix 5, section 18.3). The insurance provisions contained in Attachment M-1 are FERC pro forma language and through the review process of this filing it was determined that minor changes were required to more accurately reflect applicable Insurance Corporation of British Columbia policies for automobile insurance.

BC Hydro has also made changes to the credit practices applied by BCTC to align with BC Hydro credit procedures (refer to Attachment L) and has made changes to reflect the adoption of the Harmonized Sales Tax.

#### **IV. Relief from Attachment K**

BC Hydro is seeking an order from the BCUC granting BC Hydro relief from compliance with the terms of Attachment K (Transmission Planning Process) to BC Hydro's OATT until January 1, 2012.

Attachment K to the OATT was approved by the BCUC in Order No. G-102-09, dated September 10, 2009. Attachment K outlines a process to be followed by BC Hydro when planning projects for the purpose of expanding the capability of the transmission system.

As discussed above, pursuant to the CEA, BC Hydro has taken over the responsibilities of BCTC, including the Attachment K obligations. In addition, the CEA provides that BC Hydro is required to prepare an integrated resource plan that includes, among other things, plans respecting the construction or extension of facilities. As a result of this development and new requirements, BC Hydro is assessing its planning process and determining how it will proceed with compliance with the CEA in conjunction with the UCA and the OATT.

Consequently, BC Hydro is requesting relief from the Attachment K process until January 1, 2012, at which time BC Hydro will have submitted its first integrated resource plan in compliance with section 3(6)(a) of CEA. BC Hydro will also have a better understanding of its planning processes going forward and will seek approval, as required, for any changes to Attachment K that may be necessary.

#### **V. Conclusion**

The nature of the majority of the proposed amendments described above primarily reflect the integration of BCTC and BC Hydro. BC Hydro has also taken the opportunity to make some general housekeeping changes to update provisions dealing with insurance and credit requirements, MRS and applicable taxes. BC Hydro's proposed OATT revisions are entirely consistent with the FERC pro forma tariff established by its Order No. 890 and do not introduce substantive changes to the existing OATT Terms and Conditions, Attachments, Rates Schedules and related Tariff Supplements.

The proposed amendments do not impact the service levels or the rights of OATT customers. Therefore, BC Hydro does not believe that customer consultation with respect to the amendments is required.

For the reasons stated above, BC Hydro proposes that a public process is not necessary for the BCUC to approve this application. A draft Order is included as **Attachment 6** of this application.

The proposed amendments would be effective immediately upon approval by the BCUC and will be applied on a go-forward basis to all new and existing customers.

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For further information, please contact Janet Fraser at 604-623-4176.

Yours sincerely,



Joanna Sofield  
Chief Regulatory Officer

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Enclosures (6)

- c. BCOAPO
- Capital Power Corporation
- Cargill
- Enmax
- IPPBC
- JIESC
- Morgan Stanley
- NorthPoint
- Powerex
- Teck Metals
- TransAlta