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**BY COURIER AND EMAIL**

British Columbia Utilities Commission  
Box 250  
600 - 900 Howe Street  
Vancouver BC V6Z 2N3

**Attention:** Robert Pellatt, Commission Secretary

Dear Sirs/Mesdames:

**Re: BC Hydro – Application for Approval of the Call for Tender Process and Evaluation Criteria**

We write on behalf of NorskeCanada a bidder in BC Hydro's Vancouver Island Call for Tenders Process. NorskeCanada is concerned that BC Hydro is calling upon the Commission to approve the CFT process, evaluation criteria and methodology without provision for a recognized commission process for a review and testing of the application, including an opportunity for the receipt of evidence and argument from affected parties.

Embedded in any approval of the CFT process and the evaluation criteria will be the approval of several key policy decisions which should be carefully reviewed by the Commission before any approval is granted. These include:

- The appropriateness of BC Hydro's credit for the deferral of additional transmission capacity to Vancouver Island for generation projects over 150 MW<sup>1</sup> in light of the fact that Mr. Mansour, now Senior Vice-President, System Operations and Asset Management for BC Transmission Corporation, was clear during the VIGP hearings that bringing reliability on Vancouver Island to the level enjoyed on the mainland would require additional generation and transmission capacity<sup>2</sup> and the fact that staged generation opportunities exist but are not included as part of the CFT process.

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<sup>1</sup> BC Hydro, Vancouver Island Call for Tenders, Addendum 1, sec. 3.4.8

<sup>2</sup> VIGP Transcript, Mr. Y. Mansour, pages 781, 782, 783 and 789



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- The appropriateness of BC Hydro charging the full cost of any on-island transmission network upgrade and related system improvements, against the IPP project<sup>3</sup>, in the absence of an approved applicable system extension policy.
- The appropriateness of BC Hydro's selected gas and electricity price forecasts and their impacts on Bidder's abilities to choose alternate fuel or tolling options. At this time it appears that the use of forecasts with prices below forward market values<sup>4</sup> will leave Bidders with gas projects little choice other than to select the tolling option and may result in Bidders with alternate fuel projects being inappropriately viewed as uncompetitive.
- The appropriateness of BC Hydro's decision to exclude load reduction and load management projects from eligibility to participate in the CFT process.<sup>5</sup>

The decision as to how to meet the capacity shortfall in Vancouver Island is very important as it is likely to have a very substantial long term impact on customer rates. If the Commission follows BC Hydro's proposed procedure the result could be the effective approval of a non-optimal solution for the Vancouver Island electricity capacity shortfall.

BC Hydro's proposed process has the following key elements:

- On or about December 15, 2003 BC Hydro filed its response to the Bidders' comments with the Commission;
- By January 9, 2004, before BC Hydro has finalized the CFT documents, all comments on the CFT and related Agreements must be filed. General stakeholders may direct their comments to the Commission but Bidders are required to deliver their additional comments to BC Hydro, not the BCUC, on a form prescribed by BC Hydro;
- On January 13, 2004 BC Hydro will file a revised CFT Preliminary Form EPA and Preliminary Form VIGP Transfer Agreement;
- On January 23<sup>rd</sup> the BCUC will face a "deadline for BCUC Approval of the revised CFT including Preliminary Form Agreements"(emphasis added);

The Commission should not accept BC Hydro's "deadline" for BCUC approval of a revised CFT. Nor should it accept a process without direct input from the stakeholders (including the bidders) and an appropriate time frame for the Commission to consider the options. If the stakeholders

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<sup>3</sup> BC Hydro Vancouver Island Call for Tenders, Addendum 1, sec. 3.3.6

<sup>4</sup> BC Hydro Vancouver Island Call for Tenders, Addendum 1, sec. 3.3.2

<sup>5</sup> BC Hydro Vancouver Island Call for Tenders, Addendum 1, sec. 4.1



and Bidders do not have an opportunity to participate fully in the approval process for a major project of this sort there will be a clear failure of natural justice.

The differences between BC Hydro and on the issues described previously and whether the proposed CFT process will lead to the selection of the most cost-effective solution to Vancouver Island's electricity capacity problems are strongly held on both sides. They will not be resolved by the further submission of Bidder comments to BC Hydro. They will only be resolved after a full and open debate before the Commission. Good regulatory practice requires that the Commission's approval process be structured by the Commission in a manner that gives a fair opportunity to all stakeholders to participate in a meaningful way.

There are a number of good reasons to consider a review now. More than twenty parties have expressed an interest in bidding on BC Hydro's Vancouver Island requirements. It will be of assistance to them, and may save a substantial expenditure of money, if the final evaluation criteria are known at an early stage. It is also in the interest of all parties that the Vancouver Island situation be resolved as expeditiously as possible. There is little benefit in proceeding to September, after nine months have passed and millions of dollars have been spent, and then entering upon an inquiry with respect to the CFT process and the comparative merits of the selected project.

NorskeCanada urges the Commission to encourage BC Hydro, if it wants an early approval, to file a formal application with the Commission, for review by the Commission, in a manner that accords with the Commission's normal review of an application of this importance and the principles of natural justice.

Yours truly,

Bull, Housser & Tupper

*Original signed by R.B. Wallace*

R. Brian Wallace

RBWsg/1166932