BRITISH COLUMBIA UTILITIES COMMISSION

ORDER NUMBER G-110-08

SIXTH FLOOR, 900 HOWE STREET, BOX 250
VANCOUVER, B.C. V6Z 2N3 CANADA
web site: http://www.bcuc.com

TELEPHONE: (604) 660-4700
BC TOLL FREE: 1-800-663-1385
FACSIMILE: (604) 660-1102

IN THE MATTER OF
The Utilities Commission Act, R.S.B.C. 1996, Chapter 473

and

An Application by the British Columbia Transmission Corporation
for Approval to Temporarily Suspend the Release
of Firm Available Transfer Capacity on the BC to Alberta Path

BEFORE: L.F. Kelsey, Commissioner July 3, 2008

O R D E R

WHEREAS:

A. By letter dated June 3, 2008, the British Columbia Transmission Corporation ("BCTC") applied (the "Application") to the Commission under Section 90(2) of the Utilities Commission Act (the "Act") to suspend the release for sale, under BCTC's Open Access Transportation Tariff ("OATT"), of additional Firm Available Transfer Capacity ("ATC") on the British Columbia to Alberta path ("BC>AB Path"), and to suspend the Facilities Study related to that capacity until certain issues can be addressed in BCTC's next OATT Application; and

B. The BCTC OATT requires that Firm ATC be made available on a non-discriminatory basis on request, to Long-Term Firm Point-to-Point ("LTF PTP") customers on a first come, first served basis. Firm ATC is calculated mathematically, with any constraints on neighbouring systems not being taken into account; and

C. BCTC's most recent System Impact Study, performed in 2007, concluded that 850 MW of Firm Total Transfer Capability ("TTC"), less Transmission Reliability Margin ("TRM") of 65 MW, for a total of 785 MW was available for sale, including existing commitments. All of the 785 MW has been sold to LTF PTP customers pursuant to the OATT. The study also indicated that an additional 350 MW (i.e., up to the 1,200 MW Western Electricity Coordinating Council ("WECC") path Rating for the BC>AB path) is potentially available if certain upgrades are undertaken; and

D. The existing Alberta system from time to time cannot accommodate net flow into Alberta from all accepted energy schedules if this net flow exceeds its real-time operating level. Therefore, it is sometimes necessary to curtail LTF PTP transmission service on the BC>AB path; and

E. By Letter No. L-24-08 dated June 4, 2008, the Commission sought comment on the Application from 23 identified, interested companies, with those responses to be submitted to the Commission by June 12, 2008; and

F. By June 12, 2008, five parties had responded to Letter No. L-24-08: British Columbia Hydro and Power Authority ("BC Hydro"), Cargill Power Markets LLC ("Cargill"), NorthPoint Energy Solutions ("NorthPoint"), TransAlta Energy Marketing (US), Inc. ("TransAlta"), and TransCanada Energy Ltd. ("TransCanada"); and

G. On June 17, 2008, BCTC responded to the comments filed with the Commission; and

H. BCTC has scheduled an OATT consultation session with transmission customers for July 14, 2008. The purpose of the session is to review possible changes to the BCTC OATT due to Federal Energy Regulatory Commission ("FERC") Order 890. The agenda for that session includes a discussion of the potential impact of incremental sales of firm transmission on existing firm transmission service on the BC>AB path; and

I. The Commission has considered the Application and the submissions related thereto, and finds that approval is warranted.

NOW THEREFORE pursuant to Section 90(2) of the Act, the Commission orders as follows:

1. BCTC's Application to temporarily suspend the release of additional firm Available Transfer Capacity on the BC>AB path is approved.

2. BCTC's Application to temporarily suspend the Facilities Study concerning the BC>AB path, and which is currently in progress, is approved.

3. Following the scheduled FERC-890 consultation session, on July 14, 2008, BCTC is directed to submit to the Commission a report containing the stakeholder submissions made to BCTC, and any BCTC commentary in response to those submissions, concerning the resolution of Long-Term Firm Point-to-Point services to Alberta, and Customer Proposals on Conditional Firm Service. The report is to be submitted to the Commission by not later than Friday, August 8, 2008.

4. BCTC is directed to include, in its next Rate Design review and/or FERC-890 compliance filing, whichever comes first, a Tariff section which formally establishes, consistent with general OATT principles, and the FERC-890 guidelines, provisions for how BCTC will handle future situations, similar in nature to that addressed in the Application.

5. The Commission's Reasons for Decision are attached to this Order as Appendix A.

DATED at the City of Vancouver, in the Province of British Columbia, this 8th day of July 2008.

BY ORDER

Original signed by

L.F. Kelsey
Commissioner

Attachment

An Application by the British Columbia Transmission Corporation
for Approval to Temporarily Suspend the Release
of Firm Available Transfer Capacity on the BC to Alberta Path

REASONS FOR DECISION

1.0 APPLICATION

On June 3, 2008, the British Columbia Transmission Corporation ("BCTC") applied to the Commission for a temporary suspension of the release for sale of additional Firm Available Transfer Capacity ("ATC") on the British Columbia to Alberta path ("BC>AB path"), and to suspend the Facilities Study related to that path until certain issues can be addressed in BCTC's next Open Access Transmission Tariff ("OATT") Application. The central issue in the Application is the allocation of scarce, firm ATC. The existing Alberta system from time to time cannot accommodate net flow into Alberta from all accepted energy schedules if this net flow exceeds its real-time operating level. Therefore, it is sometimes necessary to curtail LTF PTP transmission service on the BC>AB path. The Application requests a temporary suspension of allocating any further firm ATC, and also a suspension of a Facilities Study, currently underway, concerning the BC>AB path.

2.0 REGULATORY PROCESS AND SUBMISSIONS

On June 4, 2008 the Commission issued Letter No. L-24-08, which requested comments on the Application from 30 addressees, representing 23 identified, interested companies. By June 12, 2008, five parties had responded to Letter No. L-24-08: British Columbia Hydro and Power Authority ("BC Hydro"), Cargill Power Markets LLC ("Cargill"), NorthPoint Energy Solutions ("NorthPoint"), TransAlta Energy Marketing (US), Inc. ("TransAlta"), and TransCanada Energy Ltd. ("TransCanada").

TransCanada is an existing, firm customer. TransCanada supports the Application, but expresses concern that BCTC's late-2007 release of additional firm capacity was "significant" and "inappropriate".

BC Hydro and Cargill unconditionally support the Application. Further, BC Hydro expresses the view that the best forum for addressing the matter is as part of upcoming BCTC's next round of OATT consultations.

TransAlta is a prospective customer, with service requests in the queue promoting the Facilities Study. TransAlta does not support the Application. TransAlta believes that BCTC has an obligation to both release any available ATC and to carry on with the Facilities Study. In its response to Letter No. L-24-08, TransAlta describes the BC>AB path problem as being posed by operational issues between BCTC and AESO. It states that BCTC and

AESO are part of a formal Working Group that has identified solution options for addressing the BC>AB path capacity issue. BCTC did not comment on the existence or status of such a Working Group in its response.

Cargill and TransAlta each acknowledge that the Alberta side of the path is more limiting than the BC side. In the Application, BCTC states that the maximum Alberta import TTC limit for system normal is 780 MW, citing Alberta Electric System Operator ("AESO") Operating Order No. 304. In its response, TransAlta cites the same figure.

NorthPoint is an existing, firm customer, which also has requests for further firm service in the queue causing the Facilities Study. NorthPoint submits that, had BCTC not added more firm customers during late 2007, and left the firm reservations at 480 MW, curtailments since then would not have been required. In its response to Letter No. L-24-08, NorthPoint contends that, had BCTC maintained its firm services at 480 MW, it would have been consistent with AESO capacity on the BC>AB path. NorthPoint would fully support the Application if it includes a roll-back or annulment of firm services added in late 2007. Both NorthPoint and TransCanada express the view that curtailments to existing customers devalue what is intended to be firm service.

On June 17, 2008, BCTC responded to the comments filed with the Commission. In reply to TransAlta, BCTC agreed that the issues that prevent the path from being utilized at its full WECC rating are operational issues, rather than tariff issues. In reply to NorthPoint, BCTC submitted that those firm services added in late 2007 will not materially affect NorthPoint's service request. BCTC disagreed with TransCanada's contention that BCTC oversold BC>AB LTF PTP service, for reasons set out in the Application. BCTC had no comments in reply to the submissions made by BC Hydro or Cargill.

3.0 COMMISSION DETERMINATION

The issue raised by the Application is whether or not BCTC should be required to sell further LTF PTP service to a level that may substantially exceed the current maximum Alberta import TTC limit for system normal of 780 MW. BCTC has requested that it be allowed to suspend the release for sale under the OATT of additional Firm ATC on the BC>AB path and to suspend the Facilities Study related to that capacity until issues related to such a sale can be addressed in the context of BCTC's next OATT Application. In order to avoid what BCTC and others predict would be an increase in the level of curtailments of LTF PTP customers, BCTC proposes a temporary suspension to consult with customers, both existing and potential.

If the Application is denied, BCTC would be required to undertake expenditures to upgrade its system in order to accommodate additional firm service. However, without an associated increase on the Alberta side, the expenditures would result in little or no increase to the TTC of the entire path. No party disputed the assertion that it is the Alberta side of the BC>AB path which is unable to accommodate energy that BCTC is otherwise able to carry. Because some of the BC>AB path facilities are in Alberta, upgrades to those facilities are outside of BCTC's area of responsibility. Section 21.1 of the OATT provides that: "The Transmission Provider shall not be responsible for making arrangements for any necessary engineering, permitting, and construction of transmission on the system(s) of any other entity or for obtaining any regulatory approval for such facilities. The Transmission-Provider will undertake reasonable efforts to assist the Transmission Customer in obtaining such arrangements, including without limitation, providing any information or data required by such other electric system pursuant to Good Utility Practice."

In the Commission's view, neither economic nor regulatory principles support requiring BCTC to undertake expenditures that result in little or no real increase in the TTC over the entire path. Without increased capacity on both sides of the BC-Alberta border, accommodation of new, firm customers would inevitably mean an increase in curtailments to LTF PTP customers relative to the current level of curtailments. The Commission accepts the submissions of NorthPoint and TransCanada that increased curtailments devalue what is supposed to be firm service.

The Commission further notes that a temporary suspension does not terminate BCTC's duty to address the matter in a timely fashion, nor does it preclude interested parties from submitting requests to AESO concerning the Alberta side of the path.

For these reasons, the Commission determines that the Application should be approved.

The Commission notes NorthPoint's concerns regarding BCTC's increased offerings of firm services in November and December of 2007, and its request that the suspension should be retroactive to November 1, 2007 and anything allocated after that should be retracted or annulled.

The Alberta current system maximum under normal system operating conditions is TTC of 780 MW. BCTC's most recent System Impact Study, performed in 2007, concluded that 850 MW of Firm Total Transfer Capability ("TTC"), less Transmission Reliability Margin ("TRM") of 65 MW, for a total of 785 MW was available for sale, including existing commitments. Virtually all of the 785 MW has been sold to LTF PTP customers pursuant to the OATT. While there is clearly disagreement about whether BCTC's offering of additional firm service in November and December 2007 was inappropriate, the Commission does not find the evidence to be sufficiently persuasive to make a determination that such offering was inappropriate at the time, nor if it was, if the appropriate remedy would be to retroactively retract or annul the firm service offered at that time. **Therefore, the Commission denies the request by NorthPoint to make the suspension retroactive.**

BCTC OATT Section 21.1 provides that the system operator is not responsible for capacity upgrades by an adjacent system operator. As such, BCTC does not have a duty to arrange or promote upgrades to the Alberta system. BCTC is scheduled to file a Tariff update incorporating recent OATT developments, as recommended by FERC, by October 2008. **The Commission expects BCTC to report to the Commission as to how other OATT system operators have addressed situations involving the resolution of cross-jurisdictional capacity issues. This information will inform any further direction on resolution of the BC>AB path issue.**

As noted in the attached Order, BCTC has scheduled an OATT consultation session with transmission customers for July 14, 2008 and that the session is to include a discussion of the potential impact of incremental sales of firm transmission on existing firm transmission service on the BC to Alberta path. The Commission may make further directions concerning the Application after considering the submissions resulting from the July 14, 2008 consultation session. **BCTC is required to submit its proposed resolution to the BC>AB path and similar situations, as part of its Rate Design Review/FERC-890 filing later in 2008**.