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BRITISH COLUMBIA UTILITIES COMMISSION

ORDER NUMBER G-4-12

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

and

British Columbia Hydro and Power Authority
Open Access Transmission Tariff – Application to Amend Attachment C

BEFORE: A. A. Rhodes, Commissioner January 18, 2012

O R D E R

WHEREAS:

A. By letter dated December 14, 2011, the British Columbia Hydro and Power Authority (BC Hydro) applied to the British Columbia Utilities Commission (Commission) to amend Attachment C of its Open Access Transmission Tariff (OATT) to limit sales of firm transmission service on the Alberta to British Columbia path to 385 MW until such time as the Alberta Electric System Operator (AESO) relieves constraints on its system to allow additional energy to reach the Alberta-British Columbia border (Application);

B. The Application indicates that a System Impact Study, which was performed at the behest of a customer seeking long-term firm transmission service to wheel power from Alberta through British Columbia and finalized on November 14, 2011, determined that Firm Total Transfer Capability on the BC portion of the Alberta to British Columbia (BC) path could be increased from the existing 450 MW to 600 MW;

C. BC Hydro submits that existing constraints in the Alberta system will preclude additional capacity becoming available on that system to allow Alberta exports to flow to the border. It further submits that selling additional capacity on the British Columbia system in these circumstances will only result in further curtailment of BC Hydro's existing firm transmission customers on the BC portion of the Alberta to BC path, degrading their rights;

D. BC Hydro also submits that there is additional uncertainty as to whether historic levels of Available Transfer Capability (ATC) on the Alberta to BC Intertie will be maintained in light of the expected energization of the Montana-Alberta Tie-Line and the AESO's proposed allocation rule that Alberta ATC, which was previously available only to the Alberta-BC Intertie, be shared on a pro rata basis with the Montana-Alberta Tie-Line;

E. BC Hydro made an application to the National Energy Board in September of 2011 for relief so as to ensure that Montana Alberta Tie Ltd. constructs and operates its international power line so as to maintain existing transfer capabilities on the Alberta-British Columbia interconnection and preserve existing flows;

F. BC Hydro submits that the Commission's Decision dated September 10, 2009 in a complaint made by TransCanada Energy Ltd. relating to the sale of long-term firm transmission capacity in British Columbia for energy destined to cross the BC-Alberta Intertie and travel into Alberta is applicable;

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G. BC Hydro posted a bulletin to its website on December 2, 2011, indicating its intention to apply to the Commission to limit long-term firm sales on the Alberta to BC path to the current limit of 385 MW and to freeze the queue for this service. As of the date of this Application, no responses had been received. The customer requesting the additional transmission service was also advised. The Application was also copied to a number of BC Hydro's customers and customary interveners.

NOW THEREFORE the Commission orders, for the Reasons for Decision attached as Appendix A to this Order, that BC Hydro's Application to Amend Attachment C of its OATT to restrict the sale of firm transmission service on the Alberta to BC path to 385 MW is denied.

DATED at the City of Vancouver, in the Province of British Columbia, this 18th day of January 2012.

BY ORDER

Original signed by:

Alison A. Rhodes
Commissioner

Attachment

IN THE MATTER OF

BRITISH COLUMBIA HYDRO AND POWER AUTHORITY

OPEN ACCESS TRANSMISSION TARIFF
APPLICATION TO AMEND ATTACHMENT C

REASONS FOR DECISION

January 16, 2012

BEFORE:

Alison A. Rhodes, Commissioner

By letter dated December 14, 2011, the British Columbia Hydro and Power Authority (BC Hydro) applied to the British Columbia Utilities Commission (Commission) for approval of an amendment to Attachment C of its Open Access Transmission Tariff (OATT). The purpose of the amendment is to restrict the sale of firm transmission capacity on Path 1 from Alberta to British Columbia to its current limit of 385 MW Available Transfer Capability (ATC). The 385 MW ATC limit is based on a figure of 450 MW Firm Total Transfer Capability (FTTC) less 65 MW Transmission Reliability Margin (TRM). BC Hydro requests this amendment in order to maintain the status quo until such time as the Alberta Electric System Operator relieves the constraints in its jurisdiction to allow additional energy to reach the BC-Alberta border and BC Hydro's transmission system.

BC Hydro advised that a System Impact Study performed at the behest of a customer seeking long- term firm transmission service to wheel power from Alberta through BC determined that BC Hydro could increase FTTC on the BC portion of the Alberta to BC path to from 450 MW to 600 MW, which would increase the ATC to 535 MW (assuming a TRM of 65 MW). The System Impact Study was not provided as part of the Application.

BC Hydro's evidence is that, from January 1, 2007 through June 30, 2011, hourly ATC on the Alberta to BC path was above or equal to 385 MW (the current limit) 51 percent of all hours and above or equal to 535 MW (the increased limit as determined by the System Impact Study) approximately 31 percent of all hours. BC Hydro's further evidence is that during this time period, ATC was limited approximately 90 percent of the time, due to constraints within Alberta. BC Hydro has not indicated the degree of curtailment imposed.

BC Hydro submits that the factual underpinning behind its request is similar to that which was relied on by TransCanada Energy Ltd. (TransCanada) in making a complaint to the Commission in October of 2008 (TransCanada Complaint). BC Hydro submits that, as it curtails its customers on the Alberta to BC path based on Alberta's constraints and, as no additional capacity is likely to be available in Alberta to allow Alberta exports to flow to the border, selling additional firm ATC in BC would only result in increased curtailment for existing firm transmission rights holders, resulting in a degradation of their rights. It submits, therefore, that the Commission should approve the requested tariff amendment, consistent with its decision on the TransCanada Complaint.

BC Hydro also argues that there is considerable uncertainty as to whether historic ATC levels on the Alberta-BC Intertie will continue given the expected energization of a new intertie between Montana and Alberta and the Alberta Electric System Operator's apparent proposed filing to allocate Alberta ATC (which was previously only available to the Alberta-BC Intertie) on a pro rata basis with the Montana-Alberta Intertie. BC Hydro applied to the National Energy Board (NEB) on September 1, 2011 for relief to preserve existing flows and to prevent any adverse effects on the existing transfer capabilities of the Alberta-BC Intertie from the new Montana-Alberta Intertie (BC Hydro Application to NEB, p. 1). (BC Hydro Application, p. 2, Footnote 4)

BC Hydro's public consultation in respect of this Application to amend Attachment C of its OATT consisted of posting a bulletin to its website advising of its intention to apply to the Commission to limit long-term firm sales on the Alberta to BC path to the current limit and to freeze the queue of customers seeking transmission capacity, due to the constraints on the Alberta system. No responses to the bulletin were received. BC Hydro also advised the customer which requested the transmission capacity of its approach, and copied a number of its customers and regular Interveners with this Application.

Commission Determination

The Commission declines to approve the requested amendment.

The Commission is not satisfied that the limited information provided in the Application supports the requested amendment. The Commission is also not persuaded that the facts in the TransCanada Complaint are necessarily directly comparable to the facts giving rise to this Application.

The TransCanada Complaint dealt with the sale of transmission capacity in BC for the export of energy from BC into Alberta. In the Commission's view, issues relating to the export of energy from BC into Alberta and issues relating to the import of energy from Alberta into BC may be different. It is clear that the markets in BC and Alberta are structured differently and the transmission capacity of the path from BC to Alberta and the path from Alberta to BC is not the same. Entry into one market may not be equivalent to entry into the other.

Unlike British Columbia, the Alberta market has no Open Access Transmission Tariff and no firm path reservation system, either internal or external. Rather, Alberta has a pool system whereby the price at any given time is determined by market forces, where vendors offer electricity into the pool and purchasers bid for the product. (TransCanada Complaint Decision, p. 19) As aptly described by BC Hydro in its recent application to the NEB: "[i]mports and exports receive the real-time pool price for energy as set by the confluence of the bids and offers submitted into the pool at any given hour. To be clear, importers and exporters may not submit priced offers and bids into the Alberta Power Pool until such time as interconnections become dispatchable in real time." (BC Hydro Application to NEB, p. 4, citing AESO Framework Discussion Paper, May 7, 2010 at p. 10)

The Commission is concerned that BC Hydro's proposed restriction on the availability of transmission capacity for energy destined to leave Alberta through British Columbia could indirectly affect the supply of energy within Alberta and hence, the price, which, as noted above, is determined by forces of supply and demand. The Commission is of the view that it should be cautious to ensure that its decisions do not potentially extend to affect markets beyond the BC border without good reason.

Further, the TransCanada Complaint was concerned with the overselling of transmission capacity in BC. (TransCanada Decision, p. 17) The evidence in that proceeding indicated that, following the British Columbia Transmission Corporation's (BCTC) (BCTC has now merged back into BC Hydro) decision to increase the sale of firm capacity from 480 MW to 785 MW in December 2007, curtailments due to constraints in the Alberta system increased tenfold during peak and super peak hours the following year. The evidence indicated that while BCTC purported to sell 785 MW of transmission capacity in 2008, the maximum hourly import into Alberta that year was 625 MW. (TransCanada Complaint Decision, pp. 20-21) The Commission Panel found that the increase in the sale of long-term firm transmission capacity from 480 MW to 785 MW on the BC to Alberta path "resulted in significant curtailment to the transmission service of existing customers." (TransCanada Complaint Decision, p. 42)

In its Application to the National Energy Board, BC Hydro advised that, since 2003, transfer capacity available for export from BC into Alberta has ranged from zero to 725 MW and transfer capacity has ranged from zero to 735 MW for Alberta to BC transactions. In respect of capacity on Path 1 from BC into Alberta (which was the subject of the TransCanada Complaint), BC Hydro advised that in 2010 ATC was less than 600 MW 95 percent of the time and less than 525 MW half of the time. In fact, at no time since 2003 did the hourly ATC into Alberta exceed 725 MW. (BC Hydro Application to NEB, pp. 4-5, 14, paras. 18, 55)

In this Application, there is limited evidence as to actual curtailment experienced. This Application is also speculative, in that it contemplates future events which have not yet occurred, such as the energization of the Montana-Alberta Intertie and the AESO's proposed decision to allocate Alberta ATC on a pro rata basis, as opposed to giving priority to the existing BC-Alberta Intertie. As noted above, BC Hydro has applied to the NEB to address the potential effects of the energization of the Montana-Alberta Intertie. This Application may therefore turn out to be largely redundant at the end of the day.

The Commission accepts that the Panel in the TransCanada Complaint Decision found, in the particular circumstances of the case before it, that it was incumbent on the transmission service provider to take the constraints in the neighbouring jurisdiction of Alberta into account when determining its long-term firm ATC. However, the Commission Panel in that case did not attempt to provide any hard and fast rule, or to define the meaning of "firm" as it relates to "firm" transmission service, the product in issue. Rather, the Panel found that no specific number need be associated with the concept of an acceptable level of curtailment for firm capacity, but that this issue was better reviewed on a case by case basis. (TransCanada Complaint Decision, p. 25) As noted above, there is a dearth of evidence as to actual and potential curtailment levels for customers seeking to flow energy from Alberta into British Columbia.

Further, in the TransCanada Complaint case, the Panel had the benefit of evidence, including oral testimony, and argument from numerous parties including the AESO, existing customers, customers in the queue and expert witnesses in making its ruling. In this case, no formal hearing has been sought or conducted and limited notice to the public has been provided, largely by way of a bulletin on BC Hydro's website. As a result, the assertions contained in the Application are untested and lack context.

In light of the above, the Commission rejects BC Hydro's Application to amend Attachment C of its OATT to restrict the sale of firm transmission service on the Alberta to British Columbia path to 385 MW at this time.