
**BC Transmission Corporation
Transmission Planning Advisory Committee
Meeting Summary #4
June 8, 2005**

Advisory Committee Members in Attendance

Dennis Maniago	BCTC, Committee Chair
Neil Brausen	AESO
Ken Epp	Columbia Basin Trust Energy
Jim Quail	Public Interest Advocacy Centre (PIAC)
Mike Bradshaw	Chamber of Commerce
Doug Little	Powerex
David Marshall	Fraser Basin Council
Peter Ostergaard	Ministry of Energy & Mines
Dan Potts	JIESC
Brian Silverstein	Bonneville Power Administration (BPA)
Bev Van Ruyven	BC Hydro
Bill Grant	British Columbia Utilities Commission BCUC, ex-officio

Other BCTC Representatives in Attendance

Moira Chicilo	Communications & Stakeholder Relations
Cam Lusztig	Regional Market Policy
Paul Choudhury	System Planning
Joanna Sofield	Strategic Planning
Ron Sanderson	Strategic Planning
Diana Stephenson	Corporate Coordinator

Absent

Manny Jules	First Nations
Corrine Lonsdale	Local Government
Alex Pourbaix	TransCanada

Committee Chair Confirmation

Dennis Maniago was welcomed, with the Committee receiving notice that he will serve as Chair following the departure of Scott Woronuk.

TPAC Survey

Moira Chicilo reported positive feedback had been received from Committee members on TPAC proceedings to date, noting there was a general preference for the increased focus on matters of policy.

The Committee received a summary of discussion topics and attendance expectations for BCTC's provincial planning forum to be held June 9, 2005. With respect to BCTC's Capital Plan, one Committee member made reference to the cost reduction analysis underway for the System Control Modernization Project.

Update on Grid West

Cam Lusztig led discussion on the principles of Grid West's development, summarizing BC's historical involvement in regional coordination initiatives and composition of the current provincial Grid West steering committee. Grid West's organizational structure and mandate were compared against previous initiatives, including INDEGO and RTO West.

It is anticipated Grid West will evolve from the current developmental stage to operational independence through the achievement of four sequential decision points; the first decision point was reached in December 2004, and included incorporation of the entity, appointment of an interim Board of Directors and adoption of corporate bylaws. The second decision point is expected in fall 2005, and involves the appointment of an independent Board of Directors. The third decision point will see the development of proposed service agreements with transmission asset owners and the formation of related terms and conditions upon which transmission services will be offered. Finally, decision point four will be reached as Grid West becomes fully operational. The general complexity of Grid West, its relationship with BC as an interconnected sovereign region and the drivers for BC's participation in the process were reviewed.

Potential tariff and pricing structures under review by Grid West were outlined. Key principles of pricing development involve the assurance of little disadvantage to transmission asset owners and system users while merging existing and new pricing regimes and service offerings. Detail was given on potential new services, including injection/withdrawal rights, and the development of interim services that may be offered prior to full operation.

Risks to Grid West's developmental progression were identified, with the Committee posing a number of questions on the entity's value proposition, and specifically, anticipated benefits for sectors of the BC energy market. Grid West considerations specific to California and Bonneville Power Administration were discussed. A FERC publication cataloguing Grid West issues was referenced, and will be circulated to the Committee for information.

The Committee expressed interest in further discussion of Grid West, and confirmed the topic would be scheduled for review at a future meeting.

Policy Issue: Transmission System Expansion

Previously, the Committee has considered the issue of expanding the transmission system in advance of contracted demand, and these discussions have concluded that BCTC, as the entity responsible for planning for the growth of the transmission system, should consider developing an investment policy that goes beyond addressing reliability requirements and specific customer requests. This would result in BCTC proposing expansions of the system considered to have a future benefit.

Cam Lusztig presented a draft evaluation framework intended to form part of BCTC's investment policy. The framework has been developed to support analysis of potential expansion projects based on a range of benefits and costs, with two case studies provided to the Committee for illustrative purposes. The Committee was requested to provide general input on the evaluation framework, and comment on the underlying assumptions.

Presently, transmission system expansions are customer-driven, with this approach considered one end of a continuum. At the other end lies a model under which BCTC could propose transmission system expansion in the absence of immediate demand, with the expectation that the expansion would result in future demand. Under this model, both options of contract-driven and forward expansions would be undertaken by BCTC. However, in considering forward expansions, the economics of these investments would need to be evaluated, and a business case would have to be prepared.

Revenue and economic benefit flows related to forward expansions were presented, with particular reference given to the perspective and role of the domestic ratepayer under this model. The Committee acknowledged the flow of revenues and benefits is an important consideration in evaluating proposed expansions, and ensuring appropriate cost allocation.

Discussion was held on the determining factors to be considered in the evaluation framework, and whether a 'public policy' rationale was implicit within BCTC's mandate as the province's independent transmission service provider. Some Committee members felt that BCTC's evaluation framework for forward expansions should balance financial or business criteria with public policy considerations, thereby quantifying the value of public benefits which could be achieved in the long-term through a proposed expansion.

While it was acknowledged that future benefits should be identified or acknowledged during evaluation of proposed investments, embedding public policy parameters within the evaluation framework without adequately addressing underlying cost allocation considerations may be problematic. It was proposed that development of a financially-focused business case would clearly address and identify possible stranding risks, and avoid circumstances in which the provincial rate base might assume costs for projects that would not return a direct benefit to that group. The Committee posed a number of questions on the concept of stranding risk.

Scenarios involving possible forward expansions and projected cost allocation alternatives were discussed at length; a comparison to public infrastructure funding approaches was made and investment funding sources beyond the provincial rate base were explored by the Committee membership.

The Committee received an overview of similar policy considerations undertaken within the Alberta market, where it had been determined different types of forward system expansion, such as intra-provincial or interregional investments, necessitated separate evaluation criteria. As a result, individualized business case approaches and cost / benefit analyses are employed in the evaluation of each type of investment.

Reference was given to the role of the BC Government as both director of public policy and shareholder, with discussion held on direction as provided within the Energy Plan, associated Policy directives and Special Direction #9. It was remarked that realization of the Energy Plan had resulted in a new energy market dynamic within BC, and that BCTC's role was one of facilitating market development generally.

The Committee also received comment from BC Hydro regarding public policy considerations on forward expansions from a resource planning perspective. General investment policy considerations, including interconnection cost considerations at the border as relating to forward expansions, were noted by Bonneville Power Administration.

BCTC's proposed Open Access Transmission Tariff and related clustering and open season provisions were touched on. Some Committee members commented on parallel concepts employed within BC Hydro resource planning paradigm, and whether the two existing approaches presented an inherent conflict to one another, or served different aspects of overall system planning and expansion requirements.

Following general discussion, Cam Lusztig summarized key Committee commentary. It was confirmed that BCTC would articulate the Committee's input within the draft evaluation framework, and bring forward a finalized investment policy with procedural mechanisms for Committee review. It was noted the final policy draft will include points on the cost/benefit analysis model to be proposed, while ensuring the policy remains broad-based in principle. As well, resource requirements potentially triggered by policy implementation realities will be considered.

Wrap-Up & Final Comments

Dennis Maniago concluded discussions, commenting on the valuable dialogue and constructive feedback provided by Committee members.

The Committee provided the following general topics as the basis for future policy discussions:

- BCUC ruling on BCTC's Open Access Transmission Tariff
- BC Hydro resource planning & BCTC transmission planning paradigms
- Continuation of Grid West discussion
- East/West system reinforcement considerations