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IPPs propose Hydro sells them cheap power

In a submission to the BC government's Green Energy Task Forces, BC's independent power producers (IPPs) propose that BC Hydro sell its heritage hydroelectric power to them at the same preferential rates as other BC export resource industries, such as mines, pulp mills, oil and gas, and electrochemical plants. They would then use this power to fill in the gaps in the intermittent and seasonal power produced by run-of-river hydro, wind turbines, and other 'green' power sources into firm power, which can then be sold on for higher prices in longterm contracts with export customers.

Who Will Sell the Power?

At present, nearly all IPP-generated power is sold on longterm contract to BC Hydro at rates which well exceed the cost of heritage power. BC Hydro purchases IPP power at up to double the price BC Hydro sells it for, and several times the price at which it is sold to industrial users.

Purchasing BC Hydro's power at the low industrial rates established would not only reduce the average cost of power to the IPPs, but would also increase the price they could charge for it on the open market, now as 'firm' power.

The IPPs appear to be looking forward to a time when they could write their own export contracts with US customers, rather than selling to BC Hydro. They would be selling power which was both 'firm' and 'green', a valuable commodity in markets, such as California, which have already mandated that a significant percentage of the power imported to the state be 'green'.

Cheap Power for Industry

The sale of BC Hydro power to industrial customers for less than half the price to residential customers has long been part of the province's industrial development strategy. The

Independent Power Producers propose that, like forestry, mining, and other extractive industries in BC, they should also be allowed to purchase large amounts of power at these subsidized rates.

According to reports, the IPPs claim that their industry could 'quadruple in size by 2020, generating \$29 billion in capital investment and creating up to 8,000 full time jobs'.

BC Hydro Advantage and Why They Should Give It Away

Presently, BC Hydro uses its heritage power to ensure firm supplies at low prices to BC consumers. It also uses its storable hydroelectric dam power to advantage. By shutting down the turbines and buying Alberta's cheap excess coal-fired (can't be shut down), off-peak power, for used in BCs. Dam-power can then be saved for peak demand or sold to advantage to other jurisdictions (US). This trading provides significant revenues to BC Hydro and hence the people of BC.

In the future, critics have suggested that BC Hydro will incur huge losses because the price that BC Hydro has committed to pay IPPs for power is significantly more than that for which it can be re-sold. Hydro's only opportunity to regain some of these losses would be to use the above manoeuvre to transform IPP's 'intermittent' power into 'firm' power by gifting the IPPs the capability of its storage dams. The IPPs essentially propose that this additional revenue go to them rather than Hydro.

The IPPs demand that energy planning must 'go beyond the objective of providing BC Hydro customers with low rates.' Their Task Force submission also recommends the creation of a third-party agency to manage new power supply acquisitions on behalf of BC Hydro. ✍

Major power users fear BC Hydro losses

In its submission to the BC government's Green Energy Task Forces, The Joint Industry Electricity Steering Committee (JIESC), representing BC's biggest industrial electricity users, calculates that contracts which BC Hydro is currently signing with independent power producers will lead to losses of \$450

million per year for the next twenty years. It bases this prediction on the calculation that electricity purchased from independent electricity generators may cost BC Hydro more than 10¢ per kWh but cannot be sold for more than 5¢-6¢ per kWh.

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Such a loss might result in an increase of rate to industrial users. The current price of electricity to BC's residential consumers is in the 6¢–7¢ per KWh range; the industrial users represented by the JIESC pay substantially less than that.

Current government policy is that the province should be self-sufficient in electricity in low-water years. Which is the 'worst case scenario', says the JIESC. The calculation, it says, was based on the single driest year in the past six decades.

In most years, says the JIESC, the province will actually

have a substantial electricity surplus. However, it claims, because of the self-sufficiency policy, BC Hydro will not be in a position to make long-term export contracts.

The JIESC recommends that the power purchase and export scheme be reviewed by the BC Utilities Commission. But the Campbell government has not been shy about issuing direct orders to the BCUC, as illustrated by its order last year to ignore the capacity of Burrard Thermal in its calculation of power available in a 'worst case scenario'. ☞

Editorial: lack of transparency

This edition includes reports on two more submissions to the Premier's 'Green Energy Task Force' (several others were reported in our January 21 edition). These two also illustrate contrasting points of view. One from BC's major industrial electricity users, who quite logically, would like to retain the preferential electricity rates which have long been a cornerstone of the province's industrial development policy. The other from the independent power producers, who, having contracted with BC Hydro to sell their power at much higher than market rates, now wish to purchase power from Hydro at the much lower industrial rates to fill in the gaps in their intermittent and seasonal power production.

Both these groups claim to produce substantial economic benefits to the province. Both are already subsidized, the JIESC through the low rates for the electricity they buy, the IPPs through the high prices for the electricity they sell to BC Hydro.

Both types of subsidies reduce the net revenue to BC Hydro, a publicly owned crown corporation. Both types of business might not be viable without these subsidies.

Reporting In & Reporting Back

The four Green Energy Task Force groups were supposed to have reported back to the Premier 'in January'—an exceedingly short time-frame. We presume that somehow they did, because the Throne Speech last Tuesday referred to them: 'Building on the contributions of the Green Energy Advisory Task Force, your government will launch a comprehensive strategy to put BC at the forefront of clean energy development.'

Nothing new there. It's certainly about time it was launched,

because they've been at it for some years now.

We don't know what the task forces recommended, and it is clear that this government does not care for any public discussion—the only submissions that have become public are these two published by their originators.

The throne speech also promises: 'A new Clean Energy Act will encourage new investments in independent power production while also strengthening BC Hydro.' Well, there's a clue; all their encouragement of investments up to now has weakened BC Hydro.

It also referred obliquely to 'fair, predictable, clean power calls' (they weren't before?), says government will 'optimize existing generation facilities and report on the Site-C review this spring', and 'firm and shape the intermittent power supply that characterizes new sources of clean energy' (they've noticed!).

Finally, the Speech tells of new transmission infrastructure for clean power exports to Alberta, Saskatchewan and 'south of the border'.

What does all this mean? Either, the government hasn't figured it out yet, or they daren't tell us in case we might come up with other things they should have considered. After all, there weren't any of BC Hydro's customers on the Task Forces.

The entire exercise lacks responsibility, transparency, and competence. With the usual dash of arrogance, it verges on farce. This is a public shame as a properly conducted task force process and public review on green energy is sorely needed. ☞

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