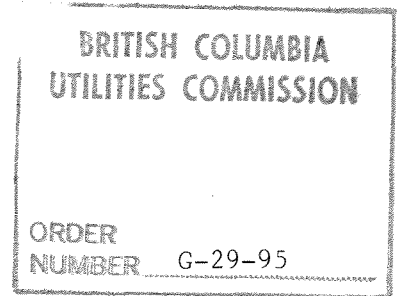


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AN ORDER IN THE MATTER OF the Utilities Commission
Act, S.B.C. 1980, c. 60, as amended

and

British Columbia Hydro and Power Authority
Application for Approval of Industrial Service Options/Rate Design and
Commission Review into Electricity Markets and the Unbundling of Services

BEFORE: M.K. Jaccard, Chairperson;)
L.R. Barr, Deputy Chairperson; and) April 5, 1995
K.L. Hall Commissioner)

O R D E R

WHEREAS:

- A. On September 20, 1994 British Columbia Hydro and Power Authority ("B.C. Hydro") applied to the Commission for approval of an Application with respect to short-term and standard Generation Standby Service; and
- B. On October 14, 1994 the Power Exchange Operation ("PEO") applied to the Commission for approval of an Application with respect to Access to the PEO; and
- C. On January 3, 1995 B.C. Hydro applied to the Commission for approval of an Application with respect to Industrial Service Options/Rate Design ("ISO/RD"); and
- D. On December 16, 1994 the Lieutenant Governor in Council ordered the Commission to hold a public review of British Columbia's electricity market structure and issued Order in Council No. 1536, 1994 ("OIC 1536") and Terms of Reference pursuant to Section 6 of the Utilities Commission Act ("the Act"). A panel consisting of Dr. Mark K. Jaccard, Chair, Ms. Lorna Barr, Deputy Chair and Mr. Kenneth Hall, Commissioner were appointed for the review; and
- E. The Terms of Reference, attached as Appendix A to this Order, requires the Commission to submit the report by April 30, 1995; and
- F. On January 20, 1995 the Commission held a workshop attended by parties interested in the ISO/RD Applications and the Commission review into Electricity Market Structure ("the Review"). At the workshop, several parties expressed the view that the hearing into the Applications should not proceed until after the Review was completed and no party expressed interest in proceeding with the Applications at this time. In addition, all parties which spoke at the workshop expressed the view that an extension of time for conducting the Review was desirable; and
- G. On January 23, 1995 the Commission asked the Lieutenant Governor in Council for an extension with respect to the Review to May 31, 1995, or as soon thereafter as may be practical; and
- H. On February 23, 1995 the Lieutenant Governor in Council issued Order in Council No. 0169, 1995 approving the extension; and

- I. On February 24, 1995, the Commission issued Order No. G-20-95 which set down a hearing to begin May 8, 1995; and
- J. On March 30, 1995 the Commission received a request for an extension from the British Columbia Power and Hydro Authority. On April 4, 1995, the Commission received a request for an extension from a group of Industrial Customers.

NOW THEREFORE the Commission orders as follows:

1. The public hearing, under OIC 1536, 1994 and OIC 0169, 1995 and the Terms of Reference, originally set down to commence May 8, 1995, is now set for Thursday, May 11, 1995 at 8:30 a.m. in the Commission's Hearing Room, 6th Floor, 900 Howe Street, Vancouver, B.C.
2. A Workshop to discuss certain scenario materials undertaken by B.C. Hydro will be held April 18, 1995 at Robson Square Conference Centre, Meeting Room 1. The Workshop will begin at 8:30 a.m.
3. Parties intending to file written submissions must do so by April 26, 1995, with copies to the Commission and all Active Participants to the Review.
4. The Commission will hold Workshops, May 3 and 4, 1995, aimed at identifying the attributes, impacts and concerns associated with various market structures.

DATED at the City of Vancouver, in the Province of British Columbia, this 5th day of April, 1995.

BY ORDER



Dr. Mark K. Jaccard
Chairperson

PROVINCE OF BRITISH COLUMBIA
ORDER OF THE LIEUTENANT GOVERNOR IN COUNCIL

Order in Council No. **1536**, Approved and Ordered **DEC 15 1994**




Lieutenant Governor

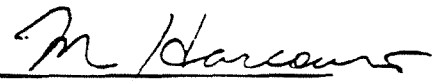
Executive Council Chambers, Victoria

On the recommendation of the undersigned, the Lieutenant Governor, by and with the advice and consent of the Executive Council, orders that

1. the British Columbia Utilities Commission is requested to undertake a public review of wheeling in British Columbia and the Terms of Reference attached to this order are specified to require and empower the Commission under section 6 of the Utilities Commission Act,
2. Dr. Mark K. Jaccard, Chair and Chief Executive Officer of the British Columbia Utilities Commission, Ms. Lorna Barr, Deputy Chair and Mr. Kenneth L. Hall, temporary Commissioner, are Commissioners for this review.



Minister of Energy, Mines
and Petroleum Resources



Presiding Member of
Executive Council

(This part is for administrative purposes only and is not part of the Order.)

Authority under which Order is made:

Utilities Commission Act, section 6

Act and section:

Other (specify):

7-531

**TERMS OF REFERENCE
IN THE MATTER OF THE UTILITIES COMMISSION ACT (the Act)
S.B.C. 1980, C.60**

**and
IN THE MATTER OF A PUBLIC REVIEW OF ELECTRICITY DEREGULATION IN
BRITISH COLUMBIA**

WHEREAS, the electricity industry is becoming subject to competitive forces throughout North America, and these developments could have implications for utilities, regulators, electricity consumers and other stakeholders in British Columbia;

and

WHEREAS, the province wishes to ensure that British Columbians continue to be served with adequate supplies of low cost and reliable electricity, carefully balancing other social and environmental objectives;

and

WHEREAS, B.C. Utilities Commission (the Commission) has directed B.C. Hydro to file proposals for industrial service options and wheeling by January 3, 1995;

and

WHEREAS, B.C. Hydro has filed proposals for new industrial services and access to the Power Exchange Operation (PEO) and B.C. Hydro plans to file a wholesale wheeling application early in 1995 but will not file a retail wheeling proposal until after the province's electricity policy allows retail wheeling;

and

WHEREAS, the province has a desire to consult with various interest groups in the electricity industry (including but not limited to B.C. utilities, independent power producers, self generators, the Commission, and industrial, commercial and residential electricity consumers) to clarify and define the implications of and the appropriate pricing structure for wheeling and power service to best serve the electricity needs of British Columbia in the future;

and

WHEREAS, wheeling is the transmission of electric energy generated by one party to another party using the transmission system of a third party that may have implications for the whole electric system;

- 2 -

NOW THEREFORE, the Commission shall conduct a public review in accordance with the following Terms of Reference.

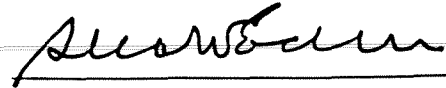
1. The general purpose of the public review is to assist the province in the development of electricity policy by continuing the process of obtaining informed public input on the goals and objectives of British Columbians for their electricity industry. The specific purpose of this review is to canvass the public and interest groups on unbundled transmission or wheeling services and its implications, more diversified services or unbundled services and the appropriate rate setting for such services and its implications.
2. Without limiting the generality of the foregoing, but as an aid, the Commission is directed to review and report on the implications of retail wheeling in the context of the current and future competitive position of electricity services in British Columbia from the following points of view:
 - a) the needs of each customer class and what new services are desirable to meet their needs;
 - b) wheeling rates that promote efficiency within the electricity markets and associated implications and distributional effects;
 - c) rate design (encompassing rates based upon geographic differentiation and services such as backup and standby) and its effect on efficiency within the electricity market, the pricing of these services, and associated implications and distributional effects;
 - d) the role of the PEO in relationship to domestic wheeling;
 - e) the potential effect of retail wheeling on recovery of stranded costs and other social, uneconomic and public interest investments;
 - f) the appropriateness of the utility's traditional obligation to serve;
 - g) integrated resource planning, including demand-side management and accounting for environmental externalities; and
 - h) further policy or regulatory steps including the appropriate regulatory regime that should be considered in the future;
3. The Commission shall consider all available current and historical information that it considers relevant to these proceedings.
4. The Commission may wish to seek public input through workshops to limit or clarify issues in advance of public hearings and in other ways supplement the review process.
5. In its review, the Commission shall give due consideration for the following
 - a) ensuring a safe, secure, reliable and efficient system;
 - b) ensuring a clean and environmentally acceptable supply;
 - c) providing provincial economic development benefits;

- 3 -

- d) fair and competitive products and services;
 - e) balancing the interests of and effects on existing customers' historical positions;
 - f) maintaining and protecting electric utilities' financial performance.
-
6. The Commission shall invite written and oral comments from all interested parties.
 7. The Commission shall determine:
 - a) the appropriate forum to consult with the public;
 - b) where and when public consultation shall take place; and
 - c) in which order the issues before the Commission shall be considered.
 8. In its review the Commission shall consider any other matters that may be specified in supplementary Terms of Reference by the Lieutenant Governor in Council (LGIC).
 9. During the review, the Commission shall not suspend or otherwise delay initiatives undertaken under its existing regulatory mandate, notably with respect to the rates and services offered and any applications filed by the province's electric utilities, including B.C. Hydro's anticipated wholesale wheeling application.
 10. On conclusion of the review the Commission shall submit a report and recommendations to the LGIC by April 30, 1995.

PROVINCE OF BRITISH COLUMBIA
ORDER OF THE LIEUTENANT GOVERNOR IN COUNCIL

Order in Council No. **0169**, Approved and Ordered FEB. 23, 1995

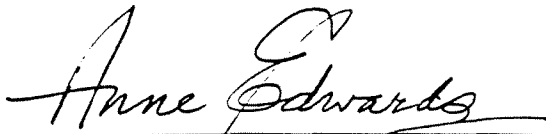


~~Lieutenant Governor~~
Administrator

Executive Council Chambers, Victoria

On the recommendation of the undersigned, the ~~Lieutenant Governor~~ ^{Administrator}, by and with the advice and consent of the Executive Council, orders that

section 10 of the Terms of Reference for the public review of wheeling in British Columbia established by order in council 1536 is amended by striking out "April 30, 1995" and substituting "May 31, 1995 or as soon thereafter as may be practical".



Minister of Energy, Mines and Petroleum Resources



Presiding Member of Executive Council

(This part is for administrative purposes only and is not part of the Order.)

Authority under which Order is made:

Utilities Commission Act, section 6

Act and section:

Other (specify):

dc 1536/94

ROBERT J. PELLATT
COMMISSION SECRETARY



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April 5, 1995

Dear Interested Party:

Re: British Columbia Utilities Commission
Electricity Market Structure Review - Revised Schedule

By way of letter dated March 30, 1995, B.C. Hydro has requested that the Commission delay the commencement of the Electricity Market Structure Review hearing ("the Review") by three weeks in order to allow participants to the Review sufficient time to study certain scenarios recently prepared and circulated by B.C. Hydro. These scenarios outline the additional costs and revenues which may accrue to the electricity producing sector in British Columbia and the potential impacts on customers' bills under a variety of market structure options. In addition to B.C. Hydro's request, the Commission has also received an application by certain Industrial Customers to delay the commencement of the hearing by three to six months. In their letter dated April 4, 1995, these customers indicate that the Commission's report could result in radical changes and that more time is needed to understand the full scope of the Commission's inquiry and the issues which it will be considering. Other parties have also expressed verbal concerns about the timing of components of the Review and the Hearing.

The concerns raised by each of these parties have alerted the Commission to the need to make more explicit its interpretation of the Review terms of reference since some of the concerns regarding timing appear to arise from a misunderstanding as to the scope and purpose of the Review.

The Commission considers its primary duty under the terms of reference to be the provision to government of a report which will assist the government in the development of short and long run policy with respect to electricity market structures. Accordingly, the aim of this report will be to identify the benefits and drawbacks of alternative market structures, including the current status quo, and to probe how different provincial interests perceive each structure. As a result, the report will provide a menu of options from which the government may choose. Each option would require additional analysis and policy review before implementation.

Based on this interpretation of the terms of reference, the Commission does not believe that a lengthy delay to the commencement of the hearing is warranted. However, some short delays in the Review may be justified in order to ensure that participants have the minimum necessary time to digest materials and prepare questions and suggestions. The Commission finds that such a need exists with respect to the scenarios identified above and has reconsidered the timing outlined in its letter of January 24, 1995 to take these needs into account.

The following revised schedule provides details to explain more fully the process leading up to the hearing. The Commission anticipates a need to allow parties to develop position papers following the hearing, and has provided for this in Final Argument.

Date	Event
April 18, 1995	<u>Scenario Workshop</u>
	The purpose of the workshop is to review and better understand the scenarios undertaken by B.C. Hydro. Representatives from B.C. Hydro will be in attendance to present the scenarios and answer questions about them. The Commission Panel will also attend so that they may be apprised of the information contained in the scenarios. A separate letter, confirming details of the workshop, will be sent to all participants shortly.
April 26, 1995	<u>Participant Submissions Due</u>
	The Submissions are expected to identify the particular concerns and interests of the party putting forth the submission with respect to alternative market structures, as they understand them at this time. The Submissions are not intended to be a definitive statement of position although some parties may choose to present more well-defined positions than others.
May 3/4, 1995	<u>Market Structure Workshop</u>
	Commission staff and interested parties will work together to develop alternative market structure possibilities and identify attributes, impacts and concerns regarding each alternative. The workshop is not a settlement seek negotiation process. Rather it is an opportunity for each interested party to speak frankly about their concerns and suggestions and to attain a better understanding of the viewpoints of other interested parties. No issues will be removed from consideration at the hearing as a result of this workshop. The Commission Panel will not be in attendance; however, Commission staff will prepare a summary of the outcomes of the workshop by May 8, 1995.
May 11/12, 1995	<u>Hearing - Phase 1</u>
	The Commission will hear submissions from policy witnesses invited to appear by Commission staff. These witnesses will provide a perspective on the impact of electricity restructuring on related interests such as environmental and economic policy. The Commission believes that the major goal and benefit of the oral hearing phases of the Review is to take the educational process begun at the Educational Seminars to a more detailed level.
May 15, 1995	<u>Hearing - Phase 2</u>
	The Commission will hear submissions from other parties wishing to appear before it.
Mid-June, 1995	<u>Written Final Argument</u>
	Written final argument will be due one to two weeks after the close of the evidentiary portion of the Review. The Commission believes that the positions and ideas of participants may change as a result of the oral hearing process. It is expected that interested parties will take this opportunity to put forward their positions with respect to the Review issues.

The Commission has excluded from this schedule a timed process for making and responding to information requests which may arise as a result of the submissions. The Commission expects that parties will make information requests as the need arises and that those parties to whom the requests are made will respond to them on a best efforts basis. The Commission will vet information requests on a complaint basis.

In addition to the issues of timing raised by parties, the Commission is also aware that some parties have questions as to whether the Commission will consider cost awards with respect to the hearing portion of this Review. The Commission will consider applications for cost awards under the same criteria and timing as applies to more normal regulatory hearings. Please refer to Commission Order No G-117-93 and its Appendix for details. In this regard, the Commission will consider applications for funding of non-hearing days devoted to the preparation of final argument.

Yours truly,

A handwritten signature in black ink, appearing to read 'R. Pellatt', with a stylized flourish at the end.

Robert J. Pellatt

DWE/ssc

ROBERT J. PELLATT
COMMISSION SECRETARY



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April 5, 1995

Dear Interested Party:

Re: British Columbia Utilities Commission
Electricity Market Structure Review

During the course of the Educational Seminars on Electricity Market Structures which the Commission sponsored earlier this spring, B.C. Hydro agreed to undertake a set of scenarios which would give information on the impact of different industry structures on customers' electricity bills. These scenarios have now been completed and distributed to those parties whose names appear on the list of active participants to this Review. Those parties whose names do not appear on this list but who wish a copy of the scenarios may obtain a copy by contacting Ms. Brenda Ambrosi, (B.C. Hydro) at 623-3578.

To help participants understand the scenarios, the Commission is sponsoring a workshop at which they will be discussed. Representatives from B.C. Hydro will be in attendance to present the scenarios and answer questions about them. The workshop will take place April 18, 1995 commencing at 8:30 a.m. at Robson Square Conference Centre, Meeting Room One. Although the workshop is open to the public, space constraints require that parties wishing to attend so indicate by close of business Thursday, April 13, 1995. Parties may contact the Ms. Deborah Emes, Manager, Strategic Services, via fax at (604) 660-1102 or telephone at (604) 660-4731 or British Columbia toll free 1-800-663-1385.

Yours truly,

A handwritten signature in dark ink, appearing to read "R. Pellatt", is written over a horizontal line.

Robert J. Pellatt

DWE/ssc