



**LETTER NO. L-49-06**

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**VIA E-MAIL**

September 5, 2006

**BCTC  
NETWORK ECONOMY AND  
OPEN ACCESS TRANSMISSION TARIFF – Exhibit A- 13**

Ms. Joanna Sofield  
Chief Regulatory Officer  
British Columbia Hydro and Power Authority  
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Mr. Terence Dalglish, Q.C.  
McCarthy Tetrault LLP  
Suite 3300, 421-7<sup>th</sup> Avenue S.W.  
Calgary, Alberta T20 4K9  
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Dear Ms. Sofield and Mr. Dalglish:

Re: British Columbia Transmission Corporation (“BCTC”)  
Application for Network Economy and Open Access Transmission Tariff

In Exhibit C8- 5, the Alberta Coalition declined to respond to BC Hydro Information Requests (“IRs”) 1.1.1-1.1.6 and 1.11.1-1.11.2 inclusive, stating:

“No Coalition member is a Network Customer that is entitled to Network Economy service, in British Columbia or elsewhere. The Application is in respect of establishing the appropriate terms for Network Economy service for BC Hydro’s use under BCTC’s OATT. The question references a proposed utilization target for Network Economy by BCH, which is the only customer eligible for Network Economy and which pays no additional charge for its use. The data requested are accordingly not relevant.”

In a letter dated August 11 (Exhibit C7-10), BC Hydro submitted that it required the information to fully evaluate the economic test proposed by the Alberta Coalition. BC Hydro said that it would attempt to resolve the issue directly with the Alberta Coalition but, failing that, would request at Procedural Conference No. 2 that the Commission direct the Alberta Coalition to provide responses to the disputed IRs.

At Procedural Conference No. 2, BC Hydro indicated that it had spoken with the Alberta Coalition and was proposing a timetable for written submissions on the issue. Following the Procedural Conference, the Commission issued Order No. G-105-06 and Amended Regulatory Timetable (Exhibit A-12), which established dates for written submissions regarding the disputed IRs. BC Hydro filed its submission on August 28, 2006 (Exhibit C7-13), the Alberta Coalition filed its submission in response to BC Hydro on August 30, 2006 (Exhibit C8-8), and BC Hydro filed its reply submission on August 31, 2006 (Exhibit C7-14).

In its August 28, 2006 submission BC Hydro refers to the “Enhanced Economic Test” proposed by the Alberta Coalition, which relies in part on the relevant average on-peak or off-peak Alberta Pool Price for the prior seven days. BC Hydro submits that the information requested will allow BC Hydro and the Commission to assess the degree to which Alberta-based participants in the Alberta wholesale electricity markets are able to have a

disproportionate effect on Alberta market prices. In its submission, BC Hydro attaches and refers to reports from the Alberta Market Surveillance Administrator (“MSA”), that BC Hydro states underscores its concern that Alberta market prices can be “...disproportionately influenced by Alberta market participants...” BC Hydro requests that the Commission direct the Alberta Coalition to provide responses to the disputed IRs by September 6, 2006.

The Alberta Coalition in its response (Exhibit C8-8) notes that BC Hydro no longer requires a response to IR 1.1.1 and therefore will only address IRs 1.1.2 to 1.1.6 and 1.11.1 to 1.11.2. BC Hydro appears to confirm in its reply submission that it no longer requests a response to IR 1.1.1. The Alberta Coalition submits that disclosure of some of the information requested would violate the principles of competition and “...force disclosure of competitive strategies and motivations”. The Alberta Coalition submits that the structures and workings of the Alberta Power Pool (the “Pool”) are transparent and are overseen by the MSA, and that the Economic Test proposed by the Alberta Coalition uses average Pool prices for a seven day period so BC Hydro’s concern about the ability of any individual participant in the Pool to manipulate the price is unreasonable. The Alberta Coalition also submits that the MSA report attached to the BC Hydro submission notes that a MSA concern identified in the report about price setting in the Alberta market was not related to the price level during the period in question. The Alberta Coalition further submits that some of the data requested by BC Hydro is not manageable in the circumstances, and that some of the information is not relevant to the proceeding.

In its reply submission (Exhibit C7-14), BC Hydro submits that there is limited evidence in this proceeding on the workings of the Pool and the integrity of the Pool Price and quotes from the findings of the MSA in a report filed as part of Exhibit C8-3. The passage quoted by BC Hydro indicates that the MSA concluded that undesirable market conduct had occurred into 2005 “...to the detriment of Pool Price Fidelity”. BC Hydro submits that it is not requesting that the Commission either assume the function of the Alberta MSA or investigate any particular Alberta party, but rather is requesting that the Commission exercise its jurisdiction to get the evidence it requires to assess one element of the Alberta Coalition’s proposal. BC Hydro submits that the need for the responses is made relevant by the Alberta Coalition proposal, and that mechanisms exist by which the Coalition can respond while preserving confidentiality. BC Hydro also submits that the request for a lot of data does not necessarily imply a lot of work to provide it.

### Commission Determination

The Commission has reviewed the submissions and related documents and concludes that the information requested by BC Hydro is relevant to this proceeding. The Alberta Coalition has proposed an Enhanced Economic Test and penalty provisions that rely on the Alberta Pool Price (Exhibit C8-1, pp. 26-27) and BC Hydro has raised a concern about the usefulness of that price. The Commission has no intention of trying to assume or duplicate the function of the MSA. However, the Commission must have the information before it to assess the BCTC Application, the alternative proposals, and the validity of the submissions of parties at the close of the hearing.

The Commission has reviewed the IRs for which responses are requested and has the following specific comments. IRs 1.1.2 (both parts), 1.1.4, and 1.1.5 are questions of a general nature and the Commission is not persuaded that these cannot be answered without divulging commercially sensitive information or market strategies. With regard to IR 1.1.6, the Alberta Coalition has already noted the information is on the public record, and the Commission concludes that it may be relevant.

IR 1.1.3 requests data that may be relevant to the issues before this Commission, but raises issues related to commercial sensitivity. The Alberta Coalition is directed to attempt to address that question with as much specificity as possible while maintaining the confidentiality related to specific companies.

IR 1.11.1 may be answerable depending on the nature of the data that the Alberta Coalition keeps. The Commission notes that the question does not ask for specific hours. Given the non-specific nature of the response that is requested, the Alberta Coalition is directed to respond or to provide more specific reasons as to why a response is not possible. In responding, Alberta Coalition members may be identified numerically rather than by name.

IRs 1.11.2(i) and (ii) also appear to be manageable insofar as the questions can be responded to with simply a yes or no answer. IR 1.11.2.1 may be more difficult in that it requires a comparison between the incremental cost of generation and the Mid-C sale price in the specific hours identified by responding to the earlier parts of the question. However, the degree of difficulty may depend on the number of hours in question. Further if the answers to IR 1.11.2(i) and (ii) are 'No', then the response to IR 1.11.2.1 is unnecessary. The Alberta Coalition is directed to respond to IR 1.11.2 (all parts) or provide more specific reasons why it cannot provide the response.

The responses to all IRs are to be filed by Wednesday, September 13, 2006.

Yours truly

*Original signed by:*

Robert J. Pellatt

JWF/rt

cc: Mr. Marcel Reghelini  
Director, Regulatory Affairs  
British Columbia Transmission Corporation  
Registered Intervenors