

Fact Sheet: Transmission

Breaking up BC Hydro – do we really need to have a separate transmission system?

Representatives of the private electricity industry have argued that BC Hydro should be broken up in order to provide access to the transmission system for private independent power producers. BC Energy and Mines Minister Richard Neufeld and the Interim Report of the Premier's Energy Policy Task Force have echoed this argument.

The private energy sector wants to be able to export power directly to American and Alberta customers, rather than going through BC Hydro. This will move us inexorably towards a market system in which BC consumers will be competing with Californian and other American consumers for electricity produced in our province. Because they are paying higher prices for their electricity, private sector producers would rather export south rather than meet the needs of British Columbians. This will force rates upwards.

Although the private energy sector claims that it is being unfairly restricted, the reality is that the BC Utilities Commission has since 1997 required BC Hydro to provide full, non-discriminatory wholesale transmission access. In fiscal 2002, private access to the transmission system increased significantly: "As part of open access to BC Hydro's transmission lines, BC Hydro sells transmission to customers transmitting wholesale electricity....Miscellaneous revenues of \$75 million for the twelve months ending March 31, 2002 were \$16 million higher than the same period last year, primarily due to an increase in ancillary service and transmission wheeling revenues earlier in the year." (Source: BC Hydro Annual Report 2002, page 12) BC Hydro also increased its purchases of electricity from private producers by 25% in fiscal 2002 (2469 GW-h in fiscal 2002, 1972 GW-h in fiscal 2001). (Source: BC Hydro Annual Report 2002, page 14)

The significant increases over the last few years in purchases of private electricity by BC Hydro prove that independent power producers have full access to the BC Hydro system now. There's no need to break up BC Hydro in order to improve their access. In fact, the BC Hydro strategy for new supply arguably relies too much on independent power producers, since private power is often more expensive than electricity from British Columbia's public hydro system. And as the California debacle has shown, private deregulated markets can result in supply shortages and radically increased prices. BC Hydro should be updating its integrated electricity planning by developing new public sector options such as increased efficiency of existing dams, rather than becoming increasingly dependent on private power.

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FERC Does Not Require the Break-up of BC Hydro to Allow Access to American Markets

Minister Neufeld is quoted in the *Vancouver Sun* as saying: “What everybody else is trying to say, mainly the US - and we need them, we need that trading power - is to break transmission off into a separate corporation.” While there’s no doubt that private US energy companies prefer to see a transmission system separate from BC Hydro, proposals by FERC for a standardized transmission system do not require vertically integrated public utilities like BC Hydro to break up their component parts. Their paper says that “...transmission providers should be required to offer non-discriminatory, standard transmission services (Network Access Service) for all customers...” (Source: Working Paper on Standardized Transmission Service and Wholesale Market Design Federal Energy Regulatory Commission (FERC) Washington, D.C. March 15, 2002. Page 7. <http://www.ferc.gov/Electric/RTO/mrkt-struct-comments/e-1finalSMD.PDF>)

BC Hydro already does this now.

FERC also suggests that “...vertically integrated utilities who are not part of a regional transmission organization or independent system operator would have to contract with an independent entity to serve as the transmission provider...” (Source: Working Paper on Standardized Transmission Service and Wholesale Market Design Federal Energy Regulatory Commission (FERC) Washington, D.C. March 15, 2002. Page 5) But BC Hydro has been actively involved with nine western US utilities in design of precisely the sort of regional transmission organization which FERC is recommending. As the Annual Report explains: “BC Hydro collaborated with nine western utilities to develop a model for a Regional Transmission Organization - RTO West - and by the end of the fiscal year filed Stage 2 of a proposal with the US FERC...While BC Hydro doesn’t fall under FERC jurisdiction, we proactively participated to ensure that the same open, non-discriminatory access which exists in BC is available for wholesale market participants throughout the region...Our proposed participation in RTO West would protect sovereignty over our natural resources and the interests of our employees and customers.” (Source: BC Hydro Annual Report 2002. Page 70)

BC’s involvement in the energy trade should keep the interests of BC consumers first. The primary mandate of BC Hydro is to ensure the cleanest, cheapest possible energy production for British Columbians and our involvement in the energy trade should reflect these priorities.

In addition, other jurisdictions that run vertically integrated public utilities enjoy unencumbered exports to the US and have no plans to restructure. Approximately 42% of Manitoba Hydro’s energy sales are from exports and it has just signed a 10-year deal for \$1.7 billion to export power to Minnesota. (Source: “Manitoba Hydro Lands Billion-dollar Deal.” Canadian Press Newswire, August 9, 2002 and Manitoba Hydro Annual Report, 2002. Page 30.)