

Hon. Richard Neufeld, Minister of Energy, Mines and Petroleum Resources

**Independent Power Producers of B.C. - Annual General Meeting
June 7, 2006**

Thank you very much Steve. Ladies and gentlemen, it's great to be here again to spend some time and be able to speak to your group. It certainly seems to be growing, when I see the room filling up more and more all the time, that's good news for British Columbia and good news for our ministry also.

There are a couple of people here from my ministry: Roger McLaughlin and Greg Reimer, the Deputy Minister is here and my assistant, Nathalie Poole – Moffatt. All of these people, let me tell you, spend a tremendous amount of time working to make things right in the province of British Columbia, as it relates to energy and mines or just government in general. I'm always amazed at how many hours these folks work and how much time they put in on behalf of all of us. And they are all too often forgotten, or thought of as the bureaucrat that gets in the way, right? Politicians will sometimes say that when in fact it's sometimes politicians who get in the way!

Obviously there's lots of things going on in British Columbia as it relates to independent power producers. As it relates to everyone in the province actually. We have the lowest unemployment rate that we have ever experienced in this province. We have growth that is huge in all sectors and that is good news for everybody, especially your group.

With things happening, like the updating of the Energy Plan – I find that exciting and I'm sure many of you do that are involved in it, and if you're not and you have some suggestions, I encourage you to get them into us so we can take them into account. BC Hydro has filed their IEP (Integrated Electricity Plan) and that has been good news for people in your organization. We are looking for a BioEnergy plan in the future to deal with looking at the pine beetle kill in British Columbia. All those things mean a lot to your industry and a lot to government.

At this time, independent power projects provide about 12 per cent of BC Hydro's annual requirement from 38 generation plants in the areas connected to BC Hydro's grid, and three from projects in non-connected areas. There's also two industrial PowerSmart projects also contribute electricity to BC Hydro.

These projects across B.C. are diversifying energy supplies, supporting environmental objectives and fostering new business opportunities in the province. Last December, BC Hydro issued their latest call for power. All proven generation technologies and fuel types, except nuclear, were eligible to bid.

Requiring BC Hydro to acquire new supply from independent power producers was a key feature of the 2002 Energy Plan. It is also a key aspect of the Long Term

Acquisition Plan which BC Hydro recently filed in conjunction with their 2006 Integrated Electricity Plan.

The Call is seeking to acquire 2,500 GWh/yr of firm energy from IPPs, for delivery starting as early as fall 2007. Many of you responded to the Call. In total, there were 53 separate projects from 37 companies. I think that's great. BC Hydro had a tremendous response to that call. The tenders represented a wide variety of technology types and fuel sources and are located in all areas of the province. There were bids from small and large facilities using hydro, wind, biomass and coal resources. This reflects the wealth and diversity of resources in the province of British Columbia. Over the coming months BC Hydro will evaluate tenders and will make awards in late summer.

The good news of course is the future calls for power on the horizon. A call for 5,000 gigawatt hours is expected to be issued in 2007 and a further 5,000 gigawatt hours in expected in 2008. In addition to IPP generated electricity, BC Hydro also counts on PowerSmart and ResourceSmart programs to meet our electricity demand.

Steve briefly spoke about the Utilities Commission Amendment. We wanted to help facilitate the growth of IPPs across the province and we amended the Act to do that. There were some impediments. It was said, in fact we had legal opinions that said the Utilities Commission Act as it was written actually allowed independent power producers to move forward. But it wasn't as clear as we would have liked to have it. That was the issue that I took to my cabinet colleagues and to the Premier and said if we actually want to move ahead with IPPs meeting the incremental growth supply that we need in British Columbia, we are going to have to turn to have one decision-maker, that being the Province. Actually, it's the same as we have in oil and gas, hydro, or forestry, mining – all those have single decision-makers.

That doesn't mean that we don't talk to local governments. I went to the UBCM, they called a special meeting and I know some of those meetings well. I was a mayor at one time. At that time, I went to UBCM meetings and I got to ask ministers questions. This time I was on the podium answering questions. It's the old term my buddy Jack Weisgerber told me about, it's called "politician on a stick". You are up there getting beat up for what you did. But we did it for I think for all the right reasons. I explained that we know they have concerns and I appreciate those concerns but I did tell them it doesn't negate the responsibility of the government to discuss with local governments the issues they have with projects that may be close to their communities.

So you folks know, I want you to continue to do that. I would appreciate very much if you would continue to do that. Talk to those communities, let them know what you're doing. In fact, I think all of you are doing that already. I think sometimes it's better said than not and I'm sure you will continue to do so. We will continue, as a responsibility of government, to discuss these issues with the affected communities. . I'm also going to keep a running tab on how many communities are impacted. I think that will be interesting documentation to have in the future, because I don't think

there will be that many people negatively impacted. Most of the projects are smaller, usually quite a ways from the community and if anyone is affected, it may be some rural residents and I know you will look after the rural residents.

Just to reaffirm what Steve said (in his introduction) there are a number of qualifiers for this process to take place: the project must be located entirely on Crown land, and the IPP will have entered into an energy purchase agreement with BC Hydro, Powerex or FortisBC, and the IPP will have all prescribed federal and provincial authorizations. That's basically what we laid out in the act, and I'm sure it's true you folks are happy with that and we can move forward with it. Because you do invest a lot of money in getting those permits and then to have a patchwork across the province, it certainly is unfair. What we need to do is ensure a fair playing field.

The Energy Plan as I said earlier, we are reviewing it, refining and expanding it. It will always be evolving. It is a document I think we should consider a living document that will change time over time as we move forward into the future. As much as we'd all like to look into a crystal ball and predict what will happen, I don't think any of us can say what will be in 20 or 50 years. But we need a plan to get us there and be able to change the plan as we move forward to make it better, or more responsive or whatever it takes.

We want to actually continue with what we started with, in the 2002 Energy Plan. We made commitments in the 2002 Plan that said we were going to continue to benefit from competitive and low hydro rates. And we want to continue to ensure a secure and reliable supply of clean electricity for future generations, continued public ownership of heritage assets and encouragement for new, private investment in the energy sector. And just as importantly, it will support continued development of resources in an environmentally responsible way.

What will be new is the broader focus on electricity and alternative energy, oil and gas, transportation, labour market issues, energy efficiency and conservation. But the demand for electricity in British Columbia is obviously increasing. British Columbia is growing in population and energy consumption. Over the past five years and seven of the last 15 years, B.C. has been a net importer of electricity.

Looking forward, BC Hydro's forecasts show that it has an emerging and growing gap between anticipated demand and supply. It is important that the Province has an up-to-date and responsive electricity policy which ensures the policy and regulatory framework and direction are in place to ensure that BC Hydro can meet this challenge. Our present infrastructure is aging and is in need of new investment. We want to achieve electricity security and continue to offer competitive, stable electricity rates for the Province's economic development.

This February the Throne Speech highlighted the importance of self-sufficiency. It also spoke to developing alternative energy through the private sector and conservation as solutions to British Columbia's electricity supply challenge.

Specifically, it mentioned that alternative energy will form a crucial part of the government's expanded energy vision. There is still talk about the privatization of BC Hydro. I'm here to tell you again that BC Hydro's assets will remain owned by Fred and Martha, the residents of British Columbia and we have no plans to privatize it. We will retain public ownership of all the heritage assets including transmission and distribution. There is a notion out there that says a move to IPP produced electricity is a gradual process for privatizing electricity in B.C. This is not true. There are no other better individuals than people in this room to convey this message. Start talking to people in communities across British Columbia about the benefits your industry and how you are helping us meet that demand of more electricity that keeps our lights on.

We all know that opportunities can come from crisis, and that seems to be the case with the mountain pine beetle epidemic that is destroying our pine trees. Last week, we announced, in partnership with the Ministry of Forests and Range, that we are developing a bioenergy strategy to promote new sources of sustainable and renewable energy in order to take advantage of the huge amounts of pine-beetle attacked timber and other biomass resources.

Developing the bioenergy strategy fits in with the Ministry of Forest's Mountain Pine Beetle Action Plan goal of developing new uses for beetle wood and extending the life of beetle-attacked timber. The beetle infestation in the Interior represents a potential supply of clean energy that will last for years to come. Last week, delegates from around the world talked about the challenges and opportunities available for bioenergy in British Columbia and other countries.

Our forest industry uses some wood waste at its facilities to self-generate electricity and heat, and it then sells excess power into the grid. About 4,000 Gigawatt hours per year of British Columbia's total electricity generation comes from wood residue combustion. And approximately 1300 GWh of that is under contract with BC Hydro.

When it comes to looking at where we are today in energy production and where we want to be in 20 to 50 years, you could say we are at a crossroads. We need to start making important and tough decisions now, in order to meet future demand because it takes many years to build the infrastructure to ensure adequate power. Achieving electricity self-sufficiency and meeting the annual increase in electricity demand means more future opportunities for you as independent power producers.

We know British Columbia is resource rich, competitive and connected. Through investment opportunities and training programs, the British Columbia government has created an open-for-business climate. And I can't say this enough. We are a vast, open province that still has a lot of room to grow and diversify, waiting for entrepreneurs like yourself. We look forward to continued collaboration with the private sector in providing clean, affordable and environmentally responsible energy for all of British Columbians.

Thank you for being here today. I appreciate the opportunity to say a few words. It's always a pleasure for me to come and be able to talk to you. I hope you have a successful afternoon.

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