

2002

2003

2004

2005

2006

2007

2008

2009

2010

2011

2012

2013

ENERGY FOR OUR FUTURE: A PLAN FOR BC

A Report Card on Progress

In November 2002, the government presented a comprehensive, long-term plan to harness the potential of B.C.'s energy resources. **Energy for our Future: A Plan for BC** made 26 commitments to meet the province's energy needs and to generate jobs, economic growth and private sector investment in an environmentally responsible way. Two years later, the government has completed or begun work on all 26 Energy Plan commitments.

Energy for Our Future: A Plan for BC is designed to responsibly and efficiently develop our resources to:

- ensure our province continues to enjoy the BC Hydro legacy of low electricity rates;
- provide a secure, reliable supply of power to meet our needs today, and for future generations;
- encourage new private investment in the energy sector, creating new jobs, growth and prosperity; and
- ensure that energy resources are used and developed in an environmentally responsible way.



BRITISH COLUMBIA
Ministry of Energy and Mines
www.em.gov.bc.ca

GOAL: Low electricity rates and public ownership of BC Hydro

B.C.'s electricity rates are amongst the lowest in North America. However, until the Energy Plan was developed there was no mechanism in place to ensure benefits continued to flow to ratepayers, and the public had little opportunity to review BC Hydro's costs and rates.

We have completed 100% of commitments under this goal, preserving the benefits of low rates provided by the decades of public investment in BC Hydro, and ensuring, via legislation, that BC Hydro's assets will remain owned by the residents of BC. We are committed to ensuring that ratepayers will receive electricity at rates based on service costs, not market rates, through an open and transparent regulatory environment.

Benefits: The legacy of low-cost power continues to benefit B.C. Competitive rates give B.C. an edge in attracting business, supporting industry, running our households and making our province one of the best places to live, work and raise a family.

COMMITMENTS	PROGRESS
✓ A legislated heritage contract will preserve the benefits of BC Hydro's existing generation.	Completed. On November 20, 2003, the <i>BC Hydro Public Power Legacy and Heritage Contract Act</i> received royal assent. This Act protects BC Hydro's core assets and sets out a regulatory framework to respond to the BC Utilities Commission (BCUC) recommendations on how to lock-in the value of BC Hydro's low cost electricity.
✓ BC Hydro ratepayers will continue to benefit from electricity trade.	Completed. In late November 2003, the government accepted the BCUC's recommendations on allocating the benefits of electricity trade to domestic customers. All trade benefits up to \$200 million per year, accrue to BC Hydro's ratepayers.
✓ Public ownership of BC Hydro generation, transmission and distribution assets will continue.	Completed. BC Hydro generation, transmission and distribution assets will continue to be owned by the people of British Columbia, as ensured through the <i>BC Hydro Public Power Legacy and Heritage Contract Act</i> .
✓ BC Hydro will outsource the delivery of services where costs can be reduced for electricity consumers while maintaining quality of service.	Completed. Administrative functions have been outsourced to Accenture Business Services of B.C. as of April 1, 2003, saving BC Hydro customers about \$250 million over 10 years.
✓ The BC Utilities Commission will once again regulate BC Hydro rates.	Completed. BC Hydro submitted a revenue requirements application to the BCUC in December 2003. This was the first time in a decade that either the BCUC or BC stakeholders were given the opportunity to review BC Hydro's costs and revenue needs. The BCUC conducted a thorough hearing with substantial opportunities of stakeholder input and a decision is expected in fall 2004. This decision will be followed by a rate design proceeding in spring 2005.
✓ Electricity distributors will acquire new supply on a least-cost basis, with regulatory oversight by the BC Utilities Commission.	Completed. The <i>Utilities Commission Amendment Act</i> , passed in May 2003, requires that distributors file their supplier contracts with the BCUC, proving they are acquiring new supply on a least-cost basis within a framework of the utility's resource plan.

GOAL: Secure, reliable supply

To ensure a secure, reliable supply of energy, B.C. must make the most of all our resources and explore emerging opportunities in areas like coalbed gas and alternative sources such as wind and wave power. We must also diversify energy markets, with more sources of supply, greater competition and enhanced customer choice – ensuring we have the power we need today and for future generations.

In the past, B.C. worked with other jurisdictions and utilities to enhance the reliability and security of regional electricity; however, some important provincial electricity supply decisions - in particular, those related to Vancouver Island - were allowed to by-pass the regulatory process.

With the full implementation of the Energy Plan, the BCUC is once again the regulator of BC Hydro, ensuring the utilities' resource acquisitions are in the best interest of ratepayers. The Energy Plan also ensures that government continues to work together with regional neighbours to ensure a reliable western power grid.

Benefits: The benefits to British Columbians from achieving a reliable energy supply are immeasurable. We rely on energy in almost every aspect of our daily lives – from heating and lighting our homes to operating our vehicles to powering the businesses and industries that keep our economy thriving. Ensuring that the energy is available when we need it is critical to a growing and thriving province.

COMMITMENTS	PROGRESS
✓ The Vancouver Island Generation Project will be reviewed to determine if it is the most cost-effective means to reliably meet Island power needs.	Completed. The BCUC determined in September 2003, that the project was not the most cost-effective option. BC Hydro issued a call for tenders from the private sector on October 31, 2003, and 23 bidders registered to participate. BC Hydro qualified 11 bidders, and six Independent Power Producers (IPPs) submitted bids to BC Hydro in August 2004. The BCUC is expected to make a decision on the proposed contracts in late 2004.
✓ High reliability and energy security will be maintained through well-functioning natural gas markets and coordinated electricity planning.	Implemented and Ongoing. BC is working with jurisdictions such as Alberta, Washington, Oregon, Montana and California to ensure a secure, reliable supply of electricity to meet future needs. Natural gas markets are functioning well.

✓ Development of coalbed gas and other unconventional resources will be encouraged to provide a new source of energy supply and opportunities for regional economic growth.	Underway. A new royalty regime and regulations, combined with more and better information about the resource, are encouraging development of coalbed gas. New information and incentives have also been developed to encourage exploration of unconventional resources such as tight gas and shale gas.
✓ The Ministry of Energy and Mines will establish a dedicated provincial offshore oil and gas team to develop a provincial position, work with the federal government and move effectively toward development of the offshore resource.	Completed. The Offshore Oil and Gas Team was established in January 2003, and has developed a work plan that will lead to scientifically sound and environmentally responsible offshore activity by 2010.
✓ The structure of the BCUC, and its mandate in regulating BC Hydro and other energy distributors, will be strengthened.	Completed. The <i>Utilities Commission Amendment Act</i> , passed in May 2003, includes a range of measures that strengthens the BCUC's structure and mandate and streamlines its operations. For example, BC Hydro filed its Integrated Electricity Plan, and BC Transmission Corporation its Capital Plan, with the BCUC in the spring of 2004.
✓ Pre-tenure and land-use planning, as well as northern road improvements, are improving access to oil and gas resources.	Ongoing. Pre-tenure planning in the Muskwa-Kechika Management area is completed (except for the higher elevation zoning of the Sulphur 8/mile that will be completed in 2010 to allow for Stone's sheep studies). The government has allocated \$30 million in royalty credits for roads, with matching industry funding, to improve the road infrastructure and access to oil and gas resources in NE B.C. The Heartlands Oil and Gas Road Rehabilitation Strategy commits \$18 million for the improvement of public roads to increase road safety, provide all-season access and increase employment opportunities. The Ministry has also entered into a public-private partnership (P3) to upgrade, operate and maintain the Sierra Yoyo Desan road.

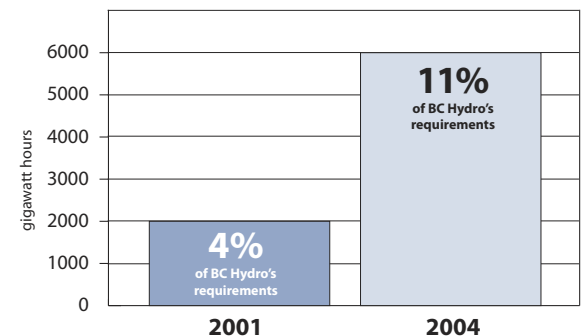
GOAL: More private sector opportunities

Private companies play a key role in B.C.'s thriving energy sector – finding necessary capital, building and operating new facilities and infrastructure, and effectively managing the risks associated with new development. Led by private companies, the energy sector already pumps over \$9 billion a year into our provincial economy, supporting our health care and education programs.

In the past, the future of the Province's fledgling IPP sector was uncertain. The implementation of the Energy Plan facilitates greater IPP activity. Since 2001, the amount of electricity purchased under long-term contracts from IPPs and other suppliers has grown steadily: from 19 IPPs in 2001 to 39 IPPs by the end of 2004 – triple the amount of gigawatt hours. The Energy Plan provides opportunities for IPPs to reach more buyers by facilitating access to the export market and allowing IPPs to supply power directly to industrial customers.

Benefits: Opening up additional opportunities for the private sector encourages development and diversification of energy sources, increases competition to help keep rates affordable, and renews investment in our province.

IPPs: A Growing Part of BC Hydro's Requirements



COMMITMENTS	PROGRESS
✓ The private sector will develop new electricity generation, with BC Hydro restricted to improvements at existing plants.	Implemented and Ongoing. In September 2003, 16 IPPs signed agreements for proposed new generation projects worth up to \$800 million and providing enough BC Clean energy to meet the needs of 180,000 homes. IPPs were also invited to submit bids for 150 to 300 megawatt hours of capacity from new generation facilities on Vancouver Island.
✓ Under new rates, large electricity consumers will be able to choose a supplier other than the local distributor.	Underway. The government accepted the BCUC's recommendations regarding stepped rates for large consumers, who will have the choice of buying their "Tier 2" requirements (about 10% of current needs) from BC Hydro at a higher rate, from other suppliers, or through self-generation or efficiency improvements. BC Hydro will submit its proposed stepped rate structure to the BCUC in the spring of 2005.
✓ BC Hydro distribution will operate as a separate line of business from generation.	Completed. BC Hydro has been restructured along separate lines of business for generation and distribution.
✓ The BC Transmission Corporation will improve access to the transmission system and enable IPP participation in U.S. wholesale markets.	Underway. Legislation relating to the BC Transmission Corporation (BCTC) came into force in July 2003. The BCTC became fully operational on August 1, 2003, and agreements establishing the relationship between BC Hydro and BCTC were signed in November 2003. BCTC becomes fully independent from BC Hydro once it begins operating under its own tariff, which is expected in spring of 2005.
✓ The BC Utilities Commission will determine the rates and access for this new transmission entity.	Underway. On May 31, 2004 the BCTC submitted its Capital Plan Application to the BCUC and on August 3, 2004 the BCTC submitted its application for its own Open Access Transmission Tariff, to replace BC Hydro's Wholesale Transmission Tariff. BCTC will file its own revenue requirements application with the BCUC in late 2003.

<p>✓ The Ministry of Energy and Mines will provide support for continued industry investment in natural gas production over the next 10 years.</p>	<p>Underway. Road improvements, royalty changes, a regulatory review and a strategy to support the industry's service sector are among the highlights of the government's Oil and Gas Development Strategy (OGDS), announced in May 2003. These incentives contributed to record-high sales of B.C. oil and gas rights in September 2003. Further initiatives under OGDS announced in November 2003, built on this success. Specifically, we have seen the following progress:</p> <ul style="list-style-type: none"> • NE B.C. business incorporations increased 23% in 2003 as compared to 2002. • Summer drilling increased by more than 100% in 2004 as compared to 2002 and overall drilling increased 33.5% in the first eight months of 2004 over the same period in 2003. • B.C. is one of the few North American jurisdictions where marketable natural gas production has increased – from January to May 2004, marketable gas production increased by 7%. • Industry invested over \$3.8 billion in the oil and gas sector in British Columbia in 2003/2004 as compared to \$3 billion in 2002. • Royalty and bonus bids contributed about \$2 billion, or 8% of total provincial revenue in 2003/2004.
<p>✓ Natural gas marketers will be allowed to sell directly to small volume customers, and will be licensed to provide consumer protection.</p>	<p>Underway. 10,000 small commercial customers will soon have the choice of buying natural gas directly from licensed marketers. If this initial phase of the "customer choice initiative" is successful, the BCUC will extend the option to residential customers.</p>

GOAL: Environmental responsibility

To ensure a reliable, affordable supply of energy to meet our growing needs we must continue to develop our resources in an environmentally responsible manner.

In the past, there were no specific directions from government to move B.C. towards cleaner energy sources for new energy. B.C. has always had one of the cleanest electricity profiles in North America, with about 89% of the electricity generated in the province coming from renewable resources (mostly hydro and biomass); however, there was no plan to secure a clean electricity future.

The implementation of the Energy Plan dramatically increases government's focus on BC Clean electricity sources, conservation and energy efficiency. It clearly lays out a direction towards a clean electricity future, revitalizes the government's *Energy Efficiency Act* and puts a stronger emphasis on expanded demand side management programs, such as BC Hydro's *Power Smart*.

Benefits: The Plan will help protect one of B.C.'s most valuable assets – its natural environment, and ensure the environmental impacts of energy projects are minimized and mitigated. The Energy Plan's support for the development of cleaner power sources such as wind, wave, solar, micro-hydro and fuel-cell power will also help support the growth of B.C.'s already strong alternative energy sector – creating jobs and stimulating investment while protecting our environment for future generations. Consumers benefit from cost effective energy efficiency standards. Industry benefits from the establishment of clear rules for the development of energy projects.

COMMITMENTS	PROGRESS
<p>✓ Electricity distributors will pursue a voluntary goal to acquire 50% of new supply from BC Clean Electricity over the next 10 years.</p>	<p>Underway. BC Hydro – the province's largest electricity distributor – is on track to meet this goal. A comprehensive BC Alternative Energy Strategy is also being developed, and the ministry has prepared Guidelines on what constitutes BC Clean Electricity.</p>
<p>✓ New rate structures will provide better price signals to large electricity consumers for conservation and energy efficiency.</p>	<p>Underway. Government has accepted recommendations regarding stepped and time of use rates contained in the BCUC's report relating to the Heritage Contract.</p>
<p>✓ The Province will update and expand its <i>Energy Efficiency Act</i>, and will work with the building industry, governments and others to improve energy efficiency in new and existing buildings.</p>	<p>Underway. A review of the Act and regulations, along with consultations on energy performance standards for buildings, will be completed by the end of 2004.</p>
<p>✓ The Utilities Commission Act will be amended to remove a disincentive for energy distributors to invest in conservation and energy efficiency.</p>	<p>Completed. The <i>Utilities Commission Amendment Act</i>, 2003 requires distributors to map out their future resource acquisition plans, including investments in conservation and energy efficiency measures. Both BCTC and BC Hydro have submitted plans to the BCUC under the new requirements to submit resource and capital plans.</p>
<p>✓ The government is developing strategies to manage B.C.'s greenhouse gas emissions and air quality in threatened air sheds.</p>	<p>Underway. An inter-ministry working group is developing a proposed provincial Climate Change Plan.</p>
<p>✓ Provincial processes for environmental assessment, water licensing and waste permitting are being streamlined.</p>	<p>Underway. Part of the shift to results-based regulations in large project reviews as well as licensing processes of the Oil and Gas Commission.</p>
<p>✓ To allow for a fair evaluation of coal-fired electricity plants, final emission standards will be adopted for coal-fired power plants.</p>	<p>Completed. Final emission standards were adopted by the Ministry of Water, Land and Air Protection in December 2002.</p>