

# BC Hydro Service Plan

Fiscal Years 2005/2006 to 2007/2008



Reliable power



at low cost



for generations

# 6. Business Environment

BC Hydro’s long-term planning considers both external and internal issues and trends that could affect BC Hydro’s business.

## BC Hydro’s External Context

### Western North American Energy Sector Developments and Opportunities

Energy prices in the Western North American energy sector have become increasingly volatile over the past several years. BC Hydro’s flexible hydroelectric system allows water storage in large reservoirs and enables the company, through its power marketing subsidiary Powerex, to minimize the negative effects and profit from this volatility.

Powerex has also expanded its customer base and increased the number of the products and services it offers. The revenues and profits generated from this activity contribute to BC Hydro’s total net income and help to keep electricity rates low for domestic customers. Transmission constraints between British Columbia and markets in Alberta and the western United States could impede BC Hydro’s ability to grow trade opportunities. Political and regulatory collaboration between these jurisdictions will be necessary to address this potential issue.

### Labour Outlook

British Columbia has the oldest workforce in Canada. By 2010, the number of people in the province’s labour force aged 55 to 64 will be greater than those aged 15 to 24. Infrastructure projects associated with the 2010 Olympic Games will likely intensify the demand for skilled workers. At the same time, economic recovery in the United States could result in B.C. and Canada losing workers to that country. BC Hydro will be competing for trades and skilled workers in this labour market.

### B.C. Utilities Commission

With the return to active regulation by the British Columbia Utilities Commission (BCUC), BC Hydro’s business decisions will be fully scrutinized. It is important that BC Hydro estab-

lishes and maintains a strong relationship with the regulator, and that the shareholder and customers have a clear understanding of the costs and benefits of such regulation in the short and long term.

By actively engaging stakeholders and participating in public forums, BC Hydro will consider the views of all parties interested in BC Hydro’s business. This will also help inform the BCUC.

### Technological Developments

As technology advances, BC Hydro can take advantage of new resource solutions and “smart grid” technology, as well as demand-side solutions for energy efficiency, conservation and optimizing the output of existing equipment. BC Hydro will balance these solutions with customers’ values and expectations. The value of technology developments can be enhanced in combination with solutions such as rate designs and new energy efficiency standards for building.

### Environmental Issues

With the growing movement to view the earth as a global system, organizations must view their environmental impacts both in the context of their immediate business systems and the broader global system. One environmental impact of particular significance on both levels is greenhouse gas emissions (GHG). Globally, the Kyoto Protocol comes into effect in February 2005. While the precise method of implementation is unclear, BC Hydro believes that environmental issues and standards will continue to increase. The implications of the protocol have not been fully clarified by the federal government may include:

- By as early as 2007, BC Hydro may be required to reduce emissions as well as purchase greenhouse gas credits for its thermal generating plants to comply with expected federal regulations, and
- BC Hydro and B.C. independent power producers may face significant costs related to emissions and/or they may have to change their business practices to reduce emissions.