

UNDERTAKING J9.8

Undertaking

To provide a qualitative description of the impact of OPG's energy market trading activity on regulated costs.

Response

The costs associated with OPG's Energy Markets' group are allocated to the regulated facilities as indicated in Ex. F3-T1-S1, page 7, lines 11 - 22.

OPG's offers into the IESO-controlled market are governed by the market rules and by OPG's Generator Licence. OPG's offers, in conjunction with all other generators' offers and bids to purchase energy received from loads, are used to calculate the market clearing price (i.e., the intersection of supply and demand) for the province. Whichever resource is the marginal resource sets the price in any given interval. In this way, OPG's offers have the same impact on market prices as any other market participant – whatever is the marginal resource at any given time sets the price.

Intertie energy trading between markets also affects the Ontario electricity market price. Opportunities for energy trading are based on price differences between markets. Hourly Ontario Energy Price ("HOEP") can either increase or decrease depending on the quantities and prices of imports or exports between Ontario and other jurisdictions. OPG is just one participant amongst several energy trading businesses participating in the Ontario market, whose activities are administered, monitored and supervised by the IESO. It is expected that in the presence of a trading opportunity, if one trading firm forgoes the opportunity then another firm will take it up. Given the competitive nature of energy trading and the IESO's regulatory oversight, OPG's energy trading activities do not have an identifiable impact on HOEP relative to any other energy trader in the market.

For OPG's regulated facilities, the HOEP affects the Hydroelectric Incentive Mechanism, Segregated Mode of Operations, Water Transactions, and some ancillary services¹. Further, changes in HOEP can and do influence IESO non-energy charges, since Global Adjustment (a major component of those charges) varies inversely with HOEP.

So while OPG's market activities have impacts on the Ontario market price, these impacts are no different or necessarily more material than the impacts that result from other market participants' actions.

¹ Ancillary Service Net Revenue Variance Account (Ex. H1-T1-S1)