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December 8th, 2014

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

**Independent Electricity
System Operator**
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Dear Ms. Walli:

**Re: Board File No.: EB-2013-0321
IESO Comments on the Draft OPG Payment Amounts Order**

Please find attached the Independent Electricity System Operator's comments on the Draft Payment Amounts Order in Board proceeding EB-2013-0321. Two (2) hard copies will follow by courier.

Yours truly,



Paula L. Lukan
Senior Regulatory Analyst
Independent Electricity System Operator

cc (email only): Colin Anderson, OPG
Dave Barr, OPG

ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act, 1998*;

AND IN THE MATTER OF an Application by Ontario Power Generation Inc. for an order or orders approving payment amounts for prescribed generating facilities commencing January 1, 2014.

**COMMENTS OF THE INDEPENDENT ELECTRICITY
SYSTEM OPERATOR ON THE DRAFT PAYMENT AMOUNTS ORDER**

1. On September 27, 2013, Ontario Power Generation Inc. (“OPG”) filed an application with the Ontario Energy Board (the “Board”) under section 78.1 of the Ontario Energy Board Act, 1998, S.O. 1998, c. 15, Schedule B seeking approval for increases in payment amounts for the output of its nuclear generating facilities and the currently prescribed hydroelectric generating facilities effective January 1, 2014. The application sought approval for payment amounts for the output of newly prescribed hydroelectric generating facilities effective July 1, 2014.
2. The Board issued its Decision with Reasons on November 20, 2014. The Board approved the continued use of the current hydro-electric incentive mechanism (“HIM”), noting that the mechanism was working, however the Board did accept Board staff’s recommendation to direct OPG to change its monthly average hourly production threshold calculation to address any unintended benefit in 2014 and 2015.
3. In its Decision, the Board also noted that in the previous cost of service proceeding, the IESO was able to implement the effective date through its billing processes without the necessity of shortfall payment amount riders, and expected that the IESO would be able to accommodate the same process in this proceeding.
4. On December 1, 2014, OPG filed its Draft Payment Amounts Order for comment. The IESO wishes to provide comments in support of the Draft Order, and to request that the Board adopt the precise language referencing the IESO’s settlement role with respect to the HIM, as set out in paragraph 4 of page 2 of the Draft Order, which reads:

OPG confirmed that the IESO will implement payment amounts for nuclear facilities no later than five business days after receipt of the final Board order and payment amounts for hydro-electric facilities on the next available month-end preliminary settlement statement after receipt of the final Board order. The IESO will ensure retroactive recovery for the period November 1 up to the implementation date. With respect to payment amounts for hydro-electric facilities and in order to address any unintended benefit of the hydro electric incentive

mechanism, the IESO shall rely on OPG to provide the appropriate dollar adjustments within 5 business days following each calendar month-end.

5. The IESO respectfully submits that in the interests of producing the desired outcome of the HIM and ensuring the settlement of it in a timely fashion, the final Payment Amounts Order should include the specific language above.
6. The IESO confirms that it is able to accommodate the same process as with the previous cost of service proceeding, in this instance, with a November 1, 2014 implementation for both the newly and previously regulated assets.
7. The IESO has no other comments with respect to the Draft Payment Amounts Order.

DATED at Toronto this 8th day of December 2014.

Independent Electricity System Operator

Paula L. Lukan
Senior Regulatory Analyst