



**EB-2008-0289**

**IN THE MATTER OF** the *Ontario Energy Board Act, 1998*,  
S.O. 1998, c.15, Schedule B;

**AND IN THE MATTER OF** an application pursuant to  
section 74 of the *Ontario Energy Board Act, 1998* by Ottawa  
River Power Corporation for an exemption from section 2.2.2  
of the Standard Supply Service Code and section 3.2 of the  
Retail Settlement Code in relation to the power purchase  
arrangement with Brookfield Energy Marketing Inc.

**BEFORE:** Ken Quesnelle  
Presiding Member

Paul Vlahos  
Member

## **DECISION AND ORDER**

### **Background**

On August 25, 2008, Ottawa River Power Corporation ("Ottawa River" or "Applicant") filed an application with the Ontario Energy Board under section 74 of the *Ontario Energy Board Act* (the "Act"), seeking an amendment to Ottawa River's distribution licence to allow an exemption from section 2.2.2 of the Standard Supply Service Code (the "SSS" Code) and section 3.2 of the Retail Settlement Code (the "RSC"). The Board assigned the application file number EB-2008-0289.

The above-referenced sections require a distributor to obtain electricity from an embedded retail generator within the distributor's service area. Section 2.2.2 of the SSS Code states that:

A distributor shall obtain the electricity required to fulfill its standard supply service obligation thru the IESO-administered markets, from an embedded retail generator (as defined in the Retail Settlement Code) located within the distributor's licensed service area in accordance with the Retail Settlement Code or, in the case of an embedded distributor (as defined in the Retail Settlement Code), from the embedded distributor's host distributor (as defined in the Retail Settlement Code).

The relevant portion of section 3.2 of the RSC states that:

A distributor shall purchase energy from an embedded retail generator within its service area where such embedded retail generator has indicated that it intends to generate electricity for delivery and sale directly to the distributor, provided that the embedded retail generator has obtained such licences from the Board as may be required. The price at which such energy sales shall be settled will be the competitive electricity price as described in Appendix "A" to the Code. Notwithstanding any other provision of this Code, where an embedded retail generator has a contract with the Ontario Power Authority under which the Ontario Power Authority is purchasing output from the embedded generation facility, a distributor shall settle all applicable payments or charges associated with the contract, and shall do so in accordance with the pricing provisions of the contract and with such rules as may be determined by the Board. A distributor shall calculate the supply facility loss factor using equation 3.2(e).

Ottawa River purchases 30% of its power requirements from the Waltham Generating Station, a hydro-electric generator located in Quebec and owned by Brookfield Energy Marketing Inc. ("Brookfield Energy"). The supply arrangement has existed since 1904.

The Applicant had entered into a contractual arrangement with Brascan Energy Marketing Inc., the predecessor of Brookfield Energy, for a five-year term from July 1, 2002 until June 30, 2007. The Applicant is seeking to renew the agreement with Brookfield Energy for a period of five years. However, in order to continue this contractual arrangement, Ottawa River requires an exemption from the SSS Code and the RSC Code as these Codes have been revised since Ottawa River entered into the agreement with Brookfield Energy in 2002.

According to the application, the contractual arrangement provides significant benefit to the Applicant's customers through avoidance of transmission charges of approximately \$100,000 per year. Customers pay only the connection charge for this alternate supply rather than the full transmission charge that would be paid to Hydro One in the absence of the arrangement with Brookfield Energy. There is also approximately \$300,000 of avoided wholesale market service charges that would be paid by Ottawa River if it obtained all of its power through the IESO-controlled grid.

On March 27, 2009, the Board issued a decision granting, on an interim basis, an exemption from section 2.2.2 of the SSS Code and section 3.2 of the RSC Code allowing Ottawa River to continue with an extension of the terms of the expired contract with Brookfield Energy. In its findings, the Board stated that, as a new proposed contract with Brookfield Energy had not been filed, the Board was unable to determine whether a contemplated new contract with Brookfield Energy would be in the public interest, in that the Board could not determine whether, going forward, Ottawa River would continue to realize the cost savings it had under the expired contract and whether such savings would continue to benefit consumers. The Board directed Ottawa River to file a copy of a final new contract and make submissions with respect to the benefits to customers.

Ottawa River filed a copy of its new final contract with Brookfield Energy on May 29, 2009 and a submission on June 9, 2009. According to Ottawa River's submission, the proposed agreement with Brookfield Energy provides a financial advantage through the avoidance of certain demand based charges (connection to S/T lines, network service rate and line and transformer connection service) and energy based charges (wholesale market rate and rural rate protection). These charges are charged to Ottawa River as an embedded distributor by Hydro One, being based on the wholesale delivery point and do not apply for energy purchased directly from a small generator. Ottawa River stated that based on historic loading, the annual avoided costs will amount to \$100,000 with respect to demand based charges and \$340,000 for energy based charges. The savings passed on to customers amount to \$50,000 for demand based charges and \$221,000 for energy based charges resulting in a total annual benefit to customers of \$271,000.

## **Board Findings**

There are some discrepancies in the stated level of the benefit to customers. First, in the application, Ottawa River stated that the customer benefit from reduced transmission charges amounted to \$100,000 per year or \$100 per customer. However, given a customer base of approximately 10,000, this would amount to a customer benefit of \$10 per customer. Second, in the information provided with its new contract, Ottawa River stated that the cost savings are to be shared with Brookfield Energy. Ottawa River's submission indicates that the savings passed on to customers from reduced transmission or demand based charges amounts to \$50,000 per year or \$5 per customer. This is half of the avoided demand based charges and is at variance with the application and interrogatory responses which suggested that the entire cost savings from reduced transmission charges were being passed on to customers.

Ottawa River has represented to this Board that the **total** annual benefit to customers from this contractual arrangement is \$271,000. Hence, the total annual benefit to Ottawa River's customers from this arrangement amounts to approximately \$27 per customer.

Despite the discrepancy noted above, the Board considers that customer benefits continue to exist under the arrangements of the new contract and is prepared to grant the relief sought in this application under the conditions below:

The Board's approval is based on the expectation that there will be no erosion of the savings being passed on to Ottawa River's customers, as represented to the Board by Ottawa River, resulting from the renewed agreement with Brookfield Energy. This condition presumes the preservation of the annual savings being passed on to customers of approximately \$271,000 with respect to demand based charges and energy based charges, as represented by the applicant. The Board's approval is effective for the duration of the contractual agreement between Ottawa River and Brookfield Energy, commencing on the effective date of the contract and terminating on such date as the contract is discontinued or amended or the Board orders otherwise.

The Board expects that at the time of filing the next application to possibly continue this arrangement, the Applicant will file a copy of a new contract and evidence demonstrating the continuation and level of benefits to customers.

**THE BOARD ORDERS THAT:**

1. Ottawa River is granted, for the duration of the contractual agreement between Ottawa River and Brookfield Energy, an exemption from section 2.2.2 of the Standard Supply Code and section 3.2 of the Retail Settlement Code. Accordingly, Schedule 3 of Ottawa River Power Corporation's Electricity Distribution Licence ED-2003-0033 is amended (attached) in accordance with this Decision.

**DATED** at Toronto, July 22, 2009

**ONTARIO ENERGY BOARD**

*Original signed by*

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Kirsten Walli  
Board Secretary