



**EB-2007-0715**

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

**AND IN THE MATTER OF** an application by Ontario  
Power Generation Inc. for approval, pursuant to Part  
1, Paragraph 5.2 of Ontario Power Generation Inc.'s  
Generation Licence EG-2003-0104, of a Reliability  
Must-Run Agreement for the Lennox Generating  
Station facilities between Ontario Power Generation  
Inc. and the Independent Electricity System Operator.

### **PROCEDURAL ORDER NO. 1**

Ontario Power Generation ("OPG") filed an application on August 9, 2007 with the Ontario Energy Board (the "Board") seeking approval of a reliability must-run contract ("RMR Contract") entered into with the Independent Electricity System Operator ("IESO") in relation to OPG's Lennox generating station ("Lennox"). The Application was made under section 5 of OPG's generation licence, which requires that any reliability must-run contract be approved by the Board prior to its implementation. The Board has assigned file number EB-2007-0715 to the Application.

A Notice of Application and Hearing was published on September 11, 2007. The IESO and the Power Workers' Union ("PWU") requested and were granted intervenor status. A list of parties to this proceeding is set out in Appendix A.

The Board intends to proceed by way of a written hearing.

The Board has previously approved two earlier RMR contracts for Lennox. When it considered the first RMR contract for Lennox in proceeding EB-2005-0490, the Board determined there were three key issues that needed to be addressed before it could approve the subject contract. Those issues were:

1. Does the RMR contract comply with OPG's licence?
2. Are the financial provisions of the RMR contract reasonable?
3. What are the incentive effects, if any, of the RMR contract?

The Board notes that the structure of the proposed RMR Contract is similar to the structures of the two previous RMR contracts approved by the Board in proceedings EB-2005-0490 (for the RMR contract from October 1, 2005 to September 30, 2006) and EB-2006-0205 (for the RMR contract from October 1, 2006 to September 30, 2007). Accordingly, the Board does not intend to revisit the first and third issues identified above in relation to the proposed RMR Contract. Rather, this proceeding will focus on the reasonableness of the financial provisions of the RMR Contract. This includes assessing the reasonableness of the estimated operating costs and gross revenues set out in the proposed RMR Contract.

This issue also includes a consideration of whether the financial provisions could be improved (from the perspective of electricity consumers who ultimately bear the cost of RMR contracts) if the term of the RMR contract were to be longer than one year. The Board notes that, in various public documents, the IESO has indicated that Lennox is critical to provincial resource adequacy and must be retained or replaced.<sup>1</sup> Similarly, the Integrated Power System Plan ("IPSP") that was recently filed with the Board by the Ontario Power Authority assumes that

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<sup>1</sup> See, for example, *The Ontario Reliability Outlook*, Volume 2, Issue 1, March 2007, at page 20, and *An Assessment of the Reliability of the Ontario Electricity System from October 2007 to March 2009*, September 10, 2007, at page 32.

Lennox will remain in service for local reliability reasons at least through 2010.<sup>2</sup> On that basis, and subject to the outcome of the IPSP proceeding, it appears likely that this will not be the last RMR contract entered into between the IESO and OPG with respect to Lennox. Under paragraph 5.2 of Part I of OPG's licence, an RMR contract must comply with the Market Rules and such other conditions as the Board may consider reasonable. One such condition could be that any future RMR contract have a term of more than one year, if that would be more cost-effective. While section 9.7.1.1 of Chapter 7 of the Market Rules states that an RMR contract may have a term of not more than one year, this is expressly subject to section 9.6.11.2 which in turn contemplates the possibility of the Board approving a different term.

The Board considers it necessary to make provision for the following procedural matters. Further procedural orders may be issued from time to time.

**THE BOARD THEREFORE ORDERS THAT:**

1. An Intervenor or Board staff who wishes information and material that is in addition to the materials filed as part of the Application, and that is relevant to this proceeding based on the provisions of this Procedural Order, shall request such information and material by written interrogatories directed to the party from whom the information and material is sought. All written interrogatories shall be filed with the Board and delivered to OPG and all other parties **on or before October 24, 2007**. Interrogatories directed to OPG should include a reference to the specific portion of the Application materials on which the interrogatory is based.
2. Responses to written interrogatories shall be filed with the Board and delivered to OPG and all other parties **on or before November 7, 2007**.

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<sup>2</sup> Integrated Power System Plan, Exhibit D, Tab 8, Schedule 1, at page 9, filed in proceeding EB-2007-0707.

3. OPG shall file final argument with the Board and deliver copies to all other parties **on or before November 14, 2007**.
4. An Intervenor or Board staff may file final argument with the Board and shall deliver copies to OPG and all other parties **on or before November 21, 2007**.
5. OPG may file a reply argument with the Board and shall deliver copies to all other parties **on or before November 28, 2007**.
6. All filings to the Board noted in this Procedural Order must quote file number EB-2007-0715, must clearly state the sender's name, postal address, telephone number, fax number and e-mail address and **must be received by the Board by 4:45 p.m. on the stated dates**. Two paper copies and one electronic copy must be filed. The electronic copy must be in searchable / unrestricted PDF format, be submitted through the Board's web portal at [www.errr.oeb.gov.on.ca](http://www.errr.oeb.gov.on.ca) and conform to the document naming conventions and document submission standards outlined in the RESS e-Filing Guides (available on the Board's website at [www.oeb.gov.on.ca](http://www.oeb.gov.on.ca)). If the web portal is not available, the electronic copy may be submitted by e-mail to [BoardSec@oeb.gov.on.ca](mailto:BoardSec@oeb.gov.on.ca).

ISSUED at Toronto, October 16, 2007.

**ONTARIO ENERGY BOARD**

*Original signed by*

Kirsten Walli  
Board Secretary

**Appendix A**

**To**

**Procedural Order No. 1**

**Issued October 16, 2007**

**EB-2007-0715**

**LIST OF PARTIES**

**EB-2007-0715**  
**ONTARIO POWER GENERATION – Lennox Generating Station**  
**Reliability Must-Run Agreement**

**LIST OF APPLICANT AND INTERVENORS**

**October 16, 2007**

**APPLICANT**

**CONTACT INFORMATION**

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**INTERVENOR**

**CONTACT INFORMATION**

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**INTERVENOR**

2. **Power Workers' Union**

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