

1 **AMPCO INTERROGATORY 1**

2 **QUESTION**

3 **Issue 1.1 Is the Operating Budget of \$6.391 million allocated to Strategic Objective #1**
4 **(Power System Planning) reasonable and appropriate?**

5 The term "surplus" in the context of excess supply is not used in the OPA application nor
6 does the concept appear to be explicitly applied. The terms "consumer" and "customer" are
7 used almost exclusively in the context of conservation planning, with only vague references
8 to the economic efficiency of the power system.

9 Please indicate the importance the OPA attaches to the current generation surplus in the
10 context of its business planning and the practical implications of this prioritization.

11 **RESPONSE**

12 In the context of business planning, the OPA has developed capability to plan for reliable
13 and sustainable electricity supply. The OPA places importance on all aspects of electricity
14 supply in its planning activities.

15 Current market conditions, including an unanticipated slowdown in economic activity, have
16 lead to a surplus of baseload generation that occurs periodically. The OPA's ongoing long
17 term planning considers the available resources and the forecast demand in order ensure
18 that an appropriate balance between supply and demand is maintained.

AMPCO INTERROGATORY 2

QUESTION

Issue 1.1 Is the Operating Budget of \$6.391 million allocated to Strategic Objective #1 (Power System Planning) reasonable and appropriate?

Reference: A-2-1 p. 13

"The Power Authority will also continue to develop scenarios and strategies to identify and mitigate risk, as well as address cost and operability issues..."

"The projection of electricity costs and analysis on carbon policy options as they apply to the electricity sector are expected to be other significant issues during the planning period."

With respect to the above noted remarks on page 13 of the 2010-2012 Business Plan:

- a) Please itemize the scenarios and electricity cost projections developed during 2009 and planned for 2010.
- b) Please provide copies of each scenario and the electricity cost projection completed in 2009.

RESPONSE

- a) In light of the uncertainties of future demand for electricity and the possible strategic options available in the long term, the OPA has initiated a scenario-based exploration of potential futures for Ontario's electricity sector. The scenarios prepared reflect a series of conditions, including varying levels of growth in demand and supply (both capacity and source). These scenarios have been developed and analyzed in part to respond to the Minister's September 17, 2008 Directive, which is discussed in greater detail in the response to VECC Interrogatory 5, at Exhibit I-5-10.
- b) The requested scenarios are still under development, and will be included in the OPA's response to the new Minister as discussed in Exhibit I-5-10.

AMPCO INTERROGATORY 3

QUESTION

Issue 1.1 Is the Operating Budget of \$6.391 million allocated to Strategic Objective #1 (Power System Planning) reasonable and appropriate?

Reference: A-2-1 p. 20

"The OPA aims to bring reliable, cost-effective megawatts into the Ontario electricity system in a continuous improvement framework."

- a) Please provide details of the "continuous improvement framework" referred to above and include all milestones.
- b) Please summarize the progress to date against the milestones.

RESPONSE

- a) The OPA has always and continues to evolve the generation procurement and contracting framework by assessing, adopting and reflecting new needs, requirements and any changes in the sector or related policies. To focus on that activity a new group (Policy and Analysis) has been created within the Electricity Resources division. This group investigates how the OPA can better integrate with the other agencies and stakeholders in Ontario's electricity sector.

The Policy and Analysis group provides guidance and suggestions on how to improve the OPA's procurement and contracting mechanisms by reflecting changes in the electricity sector, which range from the way the electricity market operates (market rules) to adjustments to commonly used procurement techniques. The goal of monitoring and reflecting some of these changes is to achieve more effective procurement processes, improved market interaction and more efficient contract terms. In addition, the Policy and Analysis group monitors other jurisdictions to ensure the OPA remains current on recent procurement methodology, market design and contracting method developments and changes. By continuously assessing and adapting the procurement and contracting framework, as well as other OPA policies and processes such as project evaluation techniques, the OPA ensures that it continues to procure cost-effective generation while meeting all OPA objectives.

These continuous improvements act as a feedback loop that allows the OPA to develop best practices by reflecting on actual experience to provide a prospective view to what could be used in future contracts and procurement processes to yield better results. Specific milestones measuring the progress of these continual improvements are difficult to establish given that these are ongoing. Milestones for 2010 have been

- 1 included at Exhibit B-4-1, pages 6 and 7. Milestones for the 2010 to 2012 period are
- 2 included in the OPA's Business Plan at Exhibit A-2-1, pages 22 and 26.
- 3 b) The milestones referred to above are for the time period from 2010 to 2012. As at
- 4 January 2010, there is no progress to report.

AMPCO INTERROGATORY 4

QUESTION

Issue 1.1 Is the Operating Budget of \$6.391 million allocated to Strategic Objective #1 (Power System Planning) reasonable and appropriate?

Reference: A-2-1 p. 24

"The OPA will work to implement tools and mechanisms to continue to evolve Ontario's electricity system to be more economically efficient and sustainable and to have minimal environmental impact."

Please detail the "tools and mechanisms" referred to above designed to promote an economically efficient electricity system.

RESPONSE

In its procurement processes, the OPA uses a set of control mechanisms such as benchmarking, open book negotiation or price limits which will vary depending on the procurement process. Furthermore, the OPA has developed and continues to evolve a number of its contract structures (such as the deemed dispatch contract structure), to ensure reliable and economically efficient generation.

The OPA will continue to work with, evolve and develop new tools as needed to improve how electricity resources are planned, procured and contracted in order to continue to promote an economically efficient electricity system. This work is described in greater detail in the response to AMPCO Interrogatory 3 at Exhibit I-2-3.

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(“REFO”) and other agencies, with regard to FIT information and other renewable energy

programs. There is no incremental impact on the 2010 budget because this is part of the

duties assigned to the staff managing the FIT program.

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1 **AMPCO INTERROGATORY 6**

2 **QUESTION**

3 **Issue 2.1 Is the Operating Budget of \$16.484 million allocated to Strategic**
4 **Objective #2 (Conservation) reasonable and appropriate?**

5 **Reference: B-2-1 p. 4**

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7 Please indicate any benchmarking the OPA has conducted or plans to conduct comparing
8 the cost effectiveness of CDM programs for four C&DM program areas: (a) Consumer
9 Program; (b) Low-income Consumer Program; (c) Business Program; and (d) Industrial
10 Program.

11 **RESPONSE**

12 In October 2008, the OPA published a Conservation Procurement Cost Transparency
13 report which provided a comparison of the cost and operational attributes of OPA
14 conservation programs in market 2006 and 2007. This report is available at:

15 [http://www.powerauthority.on.ca/Page.asp?PageID=122&ContentID=6671&SiteNodeID=45](http://www.powerauthority.on.ca/Page.asp?PageID=122&ContentID=6671&SiteNodeID=454&BL_ExpandID=)
16 [4&BL_ExpandID=](http://www.powerauthority.on.ca/Page.asp?PageID=122&ContentID=6671&SiteNodeID=454&BL_ExpandID=)

AMPCO INTERROGATORY 7

QUESTION

Issue 2.1 Is the Operating Budget of \$16.484 million allocated to Strategic Objective #2 (Conservation) reasonable and appropriate?

Reference: A-2-1 p. 10

"Investments made by the Power Authority since 2005, as well as the results of government initiatives, have accounted for 40 percent of the current decline in demand."

Please provide the data and studies the OPA relies upon in making this statement. To the extent possible, please break down the factors contributing to the decline in demand by sector.

RESPONSE

This statement was based on an internal analysis conducted by the OPA during June 2009, described below.

Since 2005, the demand for energy has fallen in Ontario. IESO measurements as at June 2009 demonstrated that demand in 2008 was 5.3% lower than in 2005 and IESO forecast that the decline would increase to 7.7% in 2009. This represents a decline of 12.1 TWh on a weather corrected basis.

To determine the attribution of the decline in energy demand between conservation and economic effects, the verified conservation results are considered first and the balance of the difference in demand is attributed to economic factors.

For an analysis of conservation results, the OPA relied on the data collected by the Conservation division as well as estimates of other market activity developed in Power System Planning. For the period 2005 to 2007, these results have been reconciled with IESO weather-corrected actual data. The analysis first counts verified conservation results, as well as changes from codes and standards and the EcoEnergy initiative and attributes all of the remaining impact to economic factors. The analysis considers only the period up to 2008 and does not include any analysis of the 2009 year.

Energy (TWh)	2005	2006	2007	2008	2005 to 2008 Growth in Demand	2005 to 2008 Percentage Growth in Demand	Average Annual Growth in Demand
Ontario Demand Weather Corrected	155.2	152.3	151.6	148.9	-6.3	-4.1%	-1.4%
Change in Demand		-2.9	-0.7	-2.7	-6.3		
Change Due to Conservation		-0.9	-1.2	-0.5	-2.6	-1.7%	-0.6%
Change Due to Economy		-2.0	0.5	-2.2	-3.7	-2.3%	-0.8%

AMPCO INTERROGATORY 8

QUESTION

Issue 2.1 Is the Operating Budget of \$16.484 million allocated to Strategic Objective #2 (Conservation) reasonable and appropriate?

Reference: A-2-1 p. 17

For 2010, the OPA has an objective to implement an energy-efficiency program for directly connected industrial customers.

What communication and outreach is planned to present this program to directly connected industrial users, and what will be the role of such users in the program implementation?

RESPONSE

The OPA has initiated a communication and outreach plan to inform Industrial Transmission Connected customers of the program and to seek their feedback in finalizing the program design. The OPA posted Draft Program Rules on December 2, 2009 and Draft Contracts on December 23, 2009 on its website for review and comment. Written comments were accepted until the end of business on Friday, January 29th. The OPA also held a teleconference on January 7th to introduce the program, to review program features, to provide clarification and to invite feedback on the draft program rules.

Additionally the OPA has appointed key account managers that will work with the transmission connected customers to present the program rules and answer their questions. Key account managers will help the industrial customers to identify suitable projects and to prepare feasibility study and project incentive applications, and will facilitate communication with technical reviewers during execution of the projects. Key account managers will also provide a single point of access for the transmission connected customer to all other OPA conservation initiatives.

The OPA is also working closely with Hydro One Networks Inc. to leverage the communication channel and relationships of its existing account managers with these large industrial customers. Similar working relationships have been established with Union Gas, through its natural gas account managers.

The role of industrial transmission connected customers, as participants in the program, will include:

- Contacting OPA Key Account Managers;
- Completing and submitting feasibility studies, where applicable;

- 1 • Allowing/installing metering as necessary and providing data to the OPA as required
2 for M&V reporting periods;
 - 3 • Preparing incentive application package for submission including application form,
4 project study and material; and
 - 5 • As necessary, responding to information requests regarding study or incentive
6 application.
- 7 The OPA anticipates launching the Industrial Transmission Connected Energy Efficiency
8 Program ("ITCEEP") in early 2010.

AMPCO INTERROGATORY 9

QUESTION

Issue 2.1 Is the Operating Budget of \$16.484 million allocated to Strategic Objective #2 (Conservation) reasonable and appropriate?

Reference: B-2-1

“The OPA is currently developing an energy efficiency initiative for transmission connected customers and anticipates launching this initiative in late 2009 or early 2010.”

Please provide updated information on the planning, scope and launch of this program.

RESPONSE

The Ontario Power Authority is in the final stages of designing a new program to assist transmission connected companies with fast-tracking capital investment in major energy efficiency projects.

The five-year Industrial Transmission Connected Energy Efficiency Program (“ITCEEP”) will provide attractive financial incentives to encourage investment in innovative process changes and equipment retrofits so that the rate of return is competitive with other capital projects. In exchange, companies will contractually commit to delivering specific conservation targets within a set period of time and to maintaining them over the term of the contract.

The OPA posted Draft Program Rules on December 2, 2009 and Draft Contracts on December 23, 2009 on its website for review and comment. Written comments were accepted until the end of business on Friday, January 29th. The OPA also held a teleconference on January 7th to introduce the program, to review program features, to provide clarification and to invite feedback on the draft program rules.

The OPA anticipates launching the ITCEEP in early 2010.

1 **AMPCO INTERROGATORY 10**

2 **QUESTION**

3 **Issue 2.1 Is the Operating Budget of \$16.484 million allocated to Strategic**
4 **Objective #2 (Conservation) reasonable and appropriate?**

5 **Reference: B-2-1 p.16**

6 Please file a copy of the EM&V report for the 2008 C&DM programs.

7 **RESPONSE**

8 The 2008 Final Conservation Results are available on the OPA website at:

9 <http://www.powerauthority.on.ca/Page.asp?PageID=122&ContentID=7145&SiteNodeID=129>

AMPCO INTERROGATORY 11

QUESTION

Issue 3.1 Is the Operating Budget of \$7.836 million allocated to Strategic Objecting #3 (Supply procurement and contract management) reasonable and appropriate?

Reference: A-2-1 p.6

For managing payments to generators, the efficiency metrics the OPA reports are capacity/FTE and capacity/million budget \$.

- a) Please indicate whether the OPA compares the costs paid vs. the cost that could have been paid under optimal management of prevailing contracts.
- b) If yes to a), please provide the results.

RESPONSE

a) The OPA makes every effort to ensure that costs paid under its contracts are appropriate, and undertakes a rigorous contract management process as outlined in the response to Energy Probe Interrogatory 8, at Exhibit I-3-8. In addition, the contract management process is subject to internal and external audits, as described in the response to AMPCO Interrogatory 12, at Exhibit I-2-12.

The efficiency metrics shown in the Business Plan represent the total OPA FTEs and millions of budget dollars against total generation under management. The resource requirements identified are those which the OPA believes are necessary to best carry out the mandate of the organization.

- b) Please see the response to a), above.

AMPCO INTERROGATORY 12

QUESTION

Issue 3.1 Is the Operating Budget of \$7.836 million allocated to Strategic Objecting #3 (Supply procurement and contract management) reasonable and appropriate?

Reference: B-3-1 p. 7

- a) Has the OPA undertaken any peer review of its financial settlement system?
- b) Please detail the audit processes applied to financial settlement.

RESPONSE

- a) In 2007, OPA management requested an internal audit of the Contract Management Department's settlement process from the Finance & Revenue Audit Service Team, which is part of the Ontario Internal Audit Division at the Treasury Board Office in the Ministry of Finance. The audit included a review of the settlement processes, procedures and supplier statements for each of the various contracts that are managed. The review concluded that the settlement process was both "effective and efficient".
- b) Internal audits within the OPA are executed on a three year risk-based rotational audit plan that is updated annually. Each key financial and operational process at the OPA is subject to an internal audit review every three to five years, based on the risk profile of the process. The internal audit process of the Contract Management Department's financial settlement ensures that settlement payments are supported, properly authorized, and conform to the contract, and that payments are properly recorded and completed in a timely manner.

The OPA's financial statements are also audited by an independent external auditor on an annual basis. The scope of the audit includes the OPA's settlement transactions.

1 **AMPCO INTERROGATORY 13**

2 **QUESTION**

3 **Issue 3.1 Is the Operating Budget of \$7.836 million allocated to Strategic**
4 **Objecting #3 (Supply procurement and contract management) reasonable and**
5 **appropriate?**

6 **Reference: B-3-1 p. 9**

7 “Errors identified on settlement invoices for the period between January 1, 2009 and
8 August 31, 2009 represented 0.0148% of total settlement payments”.
9 Please provide the studies or reports supporting this statement.

10 **RESPONSE**

11 The studies and reports are commercially sensitive, containing confidential information that
12 cannot be provided. However, the methodology for conducting the studies is as follows:

13 The amount reported represents, as a percentage, the dollar amount of errors made
14 relative to the total amount of settlement payments made to suppliers. Upon identification
15 of a calculation or data input error, an adjustment is applied to the settlement payment for
16 the next settlement month. These adjustments are identified separately by the OPA’s
17 settlement system.

18 From the period between January 1, 2009 and August 31, 2009 the OPA made over
19 \$1 billion in payments to suppliers, with adjustments resulting from errors in settlement
20 calculations amounting to approximately \$150,000. The adjustment was primarily as a
21 result of a third party error that was identified by the OPA.

AMPCO INTERROGATORY 14

QUESTION

Issue 6.1 Is the Operating Budget of \$9.108 million allocated to Strategic Objective #6 (Communications) reasonable and appropriate?

Please itemize the initiatives the OPA is planning for 2010 that directly involve consumers in the work of the OPA.

RESPONSE

Below is an itemized list of initiatives the Ontario Power Authority is planning for 2010 that directly involve consumers in the work of the OPA:

Communications, stakeholder engagement, editorial, media relations and web development for the following programs:

- Industrial Energy Efficiency;
- Electricity Retrofit Incentive Program ("ERIP");
- High Performance New Construction ("HPNC");
- FIT;
- microFIT;
- Multi-family Energy Efficiency Rebates ("MEER");
- First Nations and Métis energy efficiency and renewable energy initiatives;
- Municipal and Community Funds;
- Aboriginal Renewable Energy Network and supporting Aboriginal Funds; and
- OPA Long Term System Planning.

Mass Market conservation programs (Fridge Pick-up, Cool Savings Rebate, Retail Power Savings Event, Power Savings Blitz)

- Corporate Website Development and Maintenance;
- Network design and infrastructure;
- Video development and streaming;
- Communications and repository for reports, RFPs, stakeholder meetings, speeches etc.;

1 **Marketing Communications**

- 2 • Energy Conservation Awareness campaigns to support the growth of a culture of
3 conservation;
4 • FIT;
5 • microFIT; and
6 • First Nations and Métis initiatives.

7 **Issues Management**

8 **Stakeholder Engagement**

9 **Editorial Services**

AMPCO INTERROGATORY 15

QUESTION

Issue 7.2 Are the proposed registration fees per proposal for electricity supply and capacity procurement reasonable and appropriate?

- a) Please explain what fees the OPA is using and/or intends to use with respect to the OPA's Hydroelectric Contract Initiative and NUG recontracting.
- b) Assuming the implementation of non-refundable application fees on the model of those approved in EB-2008-0312, please estimate the revenue that could have been generated in 2009 and forecast for 2010 from NCI and NUG recontracting.

RESPONSE

- a) The OPA would not charge registration fees for these two initiatives. As discussed in Exhibit D-2-1, page 1, registration fees are a tool to confirm the commitment of participants in a competitive procurement process in order to focus OPA resources. These are existing facilities that have already been placed in commercial operation, and are, as such, committed.
- b) In the event that registration fees of \$10,000 per procurement were charged for these two initiatives, estimated fees collected would be as follows:
 - 2009: 12 HCI and 5 NUG = \$170,000; and
 - 2010: 5 HCI and 3 NUG = \$80,000.

1 **AMPCO INTERROGATORY 16**

2 **QUESTION**

3 **Issue 8.1 Is the proposed disposition of the various Deferral and Variance**
4 **Accounts reasonable and appropriate?**

5 **Reference: D-3-1**

6 Please provide the OPA's justification for recovering the cost consequences of retailer
7 settlements from customers other than low-volume and designated consumers.

8 **RESPONSE**

9 In its EB-2005-0489 Decision, the Board approved the OPA's proposal to completely offset
10 its 2006 revenue requirement with the credit balance then outstanding in its Retailer
11 Contract Settlement Deferral Account. This benefit was applied to all Ontario electricity
12 ratepayers, not just low volume and designated consumers. Under these circumstances, it
13 is appropriate to recover the cost consequences of retailer contract settlements from all
14 Ontario ratepayers.

