

ONTARIO ENERGY BOARD

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

AND IN THE MATTER OF an Application by Ontario Power Generation Inc.
seeking approval of the Reliability Must-Run contract entered into with the
Independent Electricity System Operator in relation to OPG's Lennox
Generating Station;

REPLY SUBMISSION OF ONTARIO POWER GENERATION INC.

1. Ontario Power Generation Inc. ("OPG") has reviewed the final submissions made by the Independent Electricity System Operator (IESO) and the Power Workers' Union (PWU) regarding OPG's application for approval of a Reliability Must-Run ("RMR") Contract for the Lennox Generating Station ("Lennox").
2. OPG notes that both the IESO and PWU support the application and recommend that the Board approve the Lennox RMR contract as submitted.
3. The IESO indicates that extending the term of the Lennox RMR contract beyond one year would produce modest cost savings for the IESO in relation to the annual negotiation process and the related regulatory hearing. The PWU supports a longer term agreement to help reduce regulatory and administrative costs and to provide greater certainty as to the generation expected to be available over the intermediate term.
4. OPG reiterates its earlier submission that such an approach would be more cost effective from its perspective as it would reduce the OPG resources spent on contract negotiations, the preparation of application materials and the participation in hearings relating to the Lennox RMR contract. OPG therefore strongly supports the implementation of a condition allowing for longer terms for future Lennox RMR contracts. OPG also proposes that any future contracts, regardless of term, continue to use the existing

contract model and true-up methodology, as in OPG's submission this model works well and would continue to do so regardless of contract term. OPG also reiterates its earlier submission that future Lennox RMR contracts be placed on a calendar year basis to align with OPG's planning and reporting year. This would also serve to reduce the administrative burden on OPG.

5. Recommendation 2 in the PWU submission recommends that the OEB direct OPG to evaluate and consider the merits of converting the RMR agreement to a medium term agreement between the OPA and OPG. OPG submits that any such alternative to the Lennox RMR agreement should be considered as part of, or after the completion of, the IPSP process and is not within the scope of this proceeding.
6. No parties have made submissions indicating that they believe the Board should withhold approval of the contract as submitted. As indicated previously, there are no material changes from the first agreement, which was recently subject to a full written hearing and approved by the Board. In addition, it has been demonstrated that the financial provisions of the proposed RMR agreement are reasonable.
7. Accordingly, OPG submits that the Board should approve the RMR agreement as filed.

All of which is respectfully submitted,

[Original signed by]

Andrew Barrett

Vice President, Regulatory Affairs and
Corporate Strategy

Date: _____