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Toronto, December 16, 2010

Kirsten Walli  
Board Secretary  
Ontario Energy Board  
Suite 2700  
2300 Yonge Street  
Toronto, ON M4P 1E4

Dear Ms. Walli:

**RE: Ontario Power Authority 2011 Revenue Requirement (EB-2010-0279)**  
**Association of Power Producers of Ontario ("APPrO")**  
**Submission on Draft Issues List and Interim Usage Fee**

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We are counsel to APPrO in the above-noted proceeding. APPrO's main area of concern in the proceeding is Issue 7.2 (extension of the usage fee to exporters), and APPrO is satisfied with the current wording of that issue on the draft Issues List.

APPrO does have submissions on the OPA's request to have the Board establish an interim usage fee at the applied-for level (of \$0.523/MWh). By way of this letter, APPrO is requesting that the Board deny the OPA's request to set the interim usage fee at the applied-for level. For reasons set out below, APPrO submits that it would be more appropriate for the Board to set the interim usage fee at \$0.551/MWh (the current level).

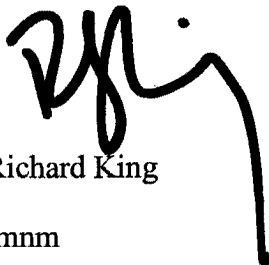
The OPA's 2011 revenue requirement submission is unique in that the OPA's proposed revenue requirement is increasing (as compared to 2010), but the proposed usage fee is decreasing (from \$0.551/MWh to \$0.523/MWh). The main reason for the decreased usage fee is that the OPA is proposing to collect its revenue requirement from exporters (in addition to Ontario electricity consumers). The OPA's proposed fee of \$0.523/MWh is derived by dividing the OPA's net revenue requirement of \$79.9 million by the Ontario electricity forecast of 142.9 TWh, less line losses of 3.1 TWh, plus electricity exports of 12.9 TWh. If exporters are not charged a usage fee (i.e., if the current methodology for establishing the fee is left in place) the proposed usage fee

for 2011 is \$0.571/MWh, which is an increase from the current 2010 fee. In a nutshell, the OPA fee is going down because the OPA has broadened the scope of entities from which it seeks to recover its cost.

The extension of the usage fee to exporters is a significant change to the methodology used to recover the OPA's revenue requirement. The Board has had no opportunity to consider the implications of this change (e.g., appropriateness of levying charge on exporters, possible impacts on exports and regional market efficiencies, logistics of levying the charge through the IESO, etc.). These are important issues that need to be canvassed in this proceeding. The OPA's rationale for the methodology change is set out in a single paragraph at Exhibit D, Tab 1, Schedule 1, by stating that "export customers also benefit from the planning, conservation and procurement activities undertaken by the OPA". The OPA also states that recovery of fees from exporters is "consistent with the practice used by the IESO for recovery of its fees."

It is APPrO's submission that approval of a usage fee (even on an interim basis) that incorporates the extension of the usage fee to exporters would be inappropriate (given the lack of any Board assessment of the rationale and implications associated with the change in methodology) and potentially prejudice the position of parties that will be opposed to the extension of such fee to exporters.

Yours very truly,



Richard King

/mnmm

c.c. David Butters, APPrO  
All Parties in EB-2010-0279