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November 23, 2012

**VIA RESS AND COURIER**

Ms Kirsten Walli  
Board Secretary  
Ontario Energy Board  
P.O. Box 2319  
2300 Yonge Street, Suite 2700  
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: Board File No. EB-2012-0340 - Consultation regarding Incentive Rate-Making Options for Ontario Power Generation's Prescribed Generation Assets**

In its letter to interested parties dated September 19, 2012 Board staff stated that it had "decided that a one-stage process does not give interested parties the opportunity to consider and comment on alternative options for IRM that may emerge from the first stage of written submissions." Board staff invited all interested parties to "submit a second round of written comments in response to the first round of submissions from interested parties".

The OEB posted the reply submissions in EB-2012-0340 on its website on November 5, 2012. Among the submissions posted was one from the Independent Electricity System Operator ("IESO"). The IESO's submission was its first in this consultation, and was not used to respond to other first round submissions. Other than some of the comments the IESO made with respect to the operation of the Hydroelectric Incentive Mechanism ("HIM") and its relationship to Surplus Baseload Generation ("SBG"), none of the matters identified in the IESO submission had been considered in this consultation.

The IESO submission does not reply to any of the alternative options for IRM that emerged from the first round of submissions. Accordingly, it must be considered an initial submission, one which was due October 1, 2012 – making it a month late. The IESO submission does not comply with Board Staff's stated intent in establishing the second round of submissions. As the IESO submission is not responsive to the directions given to interested parties by Board Staff, it ought not to be considered further.

The IESO clearly acknowledges on Page 2 of its submission that the issues it raises can be addressed “regardless of the regulatory approach applied (i.e., IRM, cost of service, regulation by contract, etc.)”. Put another way, the IESO’s issues could have been introduced in either of OPG’s two most recent cost of service applications, EB-2007-0905 or EB-2010-0008. In conjunction with the fact their initial submission in EB-2012-0340 is a month late; one is left to question the need to address them at this time, and in this consultation. The IESO would not, by its own admission, be prejudiced if these issues were discussed in a future proceeding, be it a cost of service proceeding or otherwise. OPG’s initial submission and its reply submission clearly stated its intention to perform an analysis of SBG (as directed in the OEB’s EB-2010-0008 Decision) and OPG intends to file the analysis in its upcoming hydroelectric main payment amounts application. OPG maintains the view that this issue should not be considered in this consultation; however the IESO is free to raise any issues it has within the context of the analysis to be submitted by OPG in a future application.

Since this consultation is not the appropriate forum, OPG will not comment on the specifics of the IESO’s proposals. However, OPG does note that the general subject of maximizing the efficient use of nuclear assets has been discussed in evidence in OPG’s prior OEB proceedings<sup>1</sup>. In those discussions, OPG has explained, in detail, the complexities associated with scheduling, planning and executing outages on nuclear generating units. It is not a process that lends itself to the short-term response contemplated in the IESO submission due to the potential impacts on costs, resources and nuclear regulatory requirements.

Best Regards,

[Original signed by]

Colin Anderson  
Director, Regulatory Affairs  
Ontario Power Generation

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<sup>1</sup> For example, EB-2010-0008, Ex E2-1-1