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January 15, 2013

VIA RESS AND COURIER

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

Re: EB-2012-0002 – Request For Order For Confidential Treatment

Dear Ms. Walli,

On Monday, January 14, 2013, OPG wrote to you requesting confidential treatment of certain information of part of its written response to AMPCO Interrogatory #7, found at L-2-2, AMPCO-7, and attachments to SEC Interrogatory #5, found at Ex. L-1-7 SEC-5 (parts of Attachments 1 and 2).

As you know, earlier today, OPG also wrote an email to you and to the intervenors in EB-2012-0002 advising that OPG had inadvertently disclosed part of its confidential information found in Ex. L-1-7 SEC-5, Attachment 1, in the non-confidential interrogatory responses intended for public posting by the OEB and as part of the letter requesting the subject confidential treatment of OPG confidential information. OPG understands that notwithstanding that it inadvertently sent the subject confidential information to the OEB for public posting, given the timing of OPG's alert to the OEB of the error, the information has not in fact been publicly posted by the OEB. A copy of OPG's referenced email of earlier today is attached to this letter for ease of reference as Attachment A.

By this letter, OPG requests confidential treatment of its information which it inadvertently failed to redact in the non-confidential interrogatory response. OPG has always regarded this information as confidential and treated it as such. In all parts of the non-confidential response where this information appeared, OPG had redacted this information and OPG had intended it also be redacted in the one location in the document where it was mistakenly not done. Attached as Attachment B is the page of the non-confidential attachment to SEC Interrogatory #5, found at Ex. L-1-7 SEC-5 in

which the OPG error was made. OPG has circled the location of where it failed to make its intended redaction.

Given the inadvertent disclosure referenced above, as part of its request for a confidentiality order per OPG's letter of January 14, 2012, OPG also requests that the Order provide that all intervenors, and such other persons who may have received OPG's inadvertently disclosed confidential information, permanently delete any electronic copies of the above-referenced emails and their attachments, as well as permanently destroy any hard copies of those email attachments without reviewing the subject interrogatory response. In addition, if any intervenors have already forwarded the subject emails to any other persons, OPG requests that the Order provide that intervenors advise those persons of the OEB's Order. OPG also requests that the OEB order provide that if intervenors and other persons have already reviewed the subject interrogatory response and have seen OPG's confidential information, all such persons are requested to keep the information confidential until the Board permanently rules on OPG's confidentiality request.

Yours truly,

[Original signed by]

Garry M. Hendel
Director (Acting), Ontario Regulatory Affairs
Ontario Power Generation

Attach

cc:	Charles Keizer (Tory's)	via email (no attachments)
	Carlton Mathias	via email (no attachments)
	EB-2012-0002 Intervenors	via email

ATTACHMENT A

OPG REG AFFAIRS

From: OPG REG AFFAIRS
Sent: Tuesday, January 15, 2013 11:52 AM
To: Alfredo Bertolotti; David Crocker; David MacIntosh; James Wightman; Jay Shepherd; John Sprackett; Judy Kwik; Julie Girvan; Kim Dullet; Lawrence Schwartz; Michael Buonaguro; Norman Rubin; Paul Clipsham; Peter Thompson; Richard Stephenson; Robert Warren; Shelley Grice; Vincent J. DeRose; Wayne McNally
Cc: 'violet.binette@ontarioenergyboard.ca'; 'ckeizer@torys.com'; MATHIAS Carlton -LAW DIVISION; HENDEL Garry -REGAFFAIRS; ANDERSON Colin -REGAFFAIRS
Subject: URGENT - EB-2012-0002 Correction to OPG's Confidential Responses to Interrogatories - Issue 1
Importance: High

Dear Ms. Walli and All Intervenors in EB-2012-0002

I am writing to advise of an urgent matter that has come to my attention this morning. It is in relation to OPG confidential information that OPG inadvertently disclosed in its non-confidential filing made yesterday. The disclosure was made in an interrogatory response for posting through RESS and was repeated as part of an attachment to OPG's letter of yesterday to the Board Secretary requesting confidential treatment of certain information.

Earlier this morning, we telephoned Ms. Violet Binette, the Board's case manager for OPG's application to advise of the error. We are given to understand that in order to assist OPG in this circumstance, the IR responses have not yet been publicly posted.

The inadvertent disclosure was made in OPG's answer found at L-1-7 SEC 5 Attachment 1. OPG omitted to make a redaction in the non-confidential version. OPG's subject IR response was sent directly to the intervenors in:

- (1) an email from OPG REG AFFAIRS with the subject line, "**EB-2012-0002 OPG's Interrogatory Responses - Issue 1**" at **5:23pm on January 14, 2013** and the email referenced RESS confirmation receipt # 19306; and
- (2) in an email from OPG REG AFFAIRS with the subject line, "**EB-2012-0002 OPG's Letter Requesting Confidential Treatment to Interrogatory Response L-1-7 SEC-05 and L-2-2 AMPCO-07**" sent directly to intervenors at **6:30pm on January 14, 2013**.

OPG requests that all intervenors, without reviewing the subject IR response, please permanently delete any electronic copies of the above-referenced emails and their attachments, as well as permanently destroy any hard copies of those email attachments. In addition, if any intervenors have already forwarded the subject emails to any other persons, OPG requests that intervenors advise those persons of this email and the requests herein. If intervenors and other persons have already reviewed the subject IR response and have seen OPG's confidential information, all such persons are requested to keep the information confidential until the Board rules on OPG's confidentiality request.

Corrected versions of the attachments to the above-referenced emails are enclosed.



OPG_IRR_CovLtr_2 Issue 1 Batch.pdf
0130114.pdf



OPG_Ltr_Requestin
g Confidentialia...

Yours truly,

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	Cal-2008	Cal-2009	Cal-2010
$\hat{\sigma}_F$	0.014528	0.016571	0.015395

We note that these estimated volatilities are very similar, and support the simplifying assumption that we can treat all forward price series as having the same daily volatility. Hence, we will take the rounded average of these three volatilities as the final daily, volatility estimate of the forward price: $\sigma_F = 0.015$.

3.2 Required probability of a trade being profitable

It was judged that $p = \blacksquare$ would be too high, as it would probably price any potential transactions out of the market, and that $p = \blacksquare$ would be too low in a very thin and volatile market to have a reasonable profit expectation. In the end, we made a judgment call, and have chosen $p = \blacksquare$ as a reasonable value.

4 Sanity Check

To see what the effects of the key parameters (σ and p) of the model are, we have varied these parameters over a reasonable range and computed what the corresponding risk-premium for a Cal-2010 forward would be. The results are displayed in Table 2 and Table 3. Where the former gives the risk premium, relative to the forward price, as per (7), and the latter the risk premium, relative to the spot price.

The parameter choice of $\sigma = 0.015$ and $p = \blacksquare$ results in a risk premium, relative to spot price, of \blacksquare . This value is comparable to the results from the market studies that OPG commissioned before market opening.

4.1 Internal Validation

Prior to market opening in Ontario on May 1st, 2002, OPG conducted several studies on how to construct forward curves and what risk premiums to charge. The findings [2, p. 18] were that there was a $\blacksquare\%$ premium based on forwards over historical spots. Electricity industry consultant, C. Pirrong, reached similar conclusions. A $\blacksquare\%$ premium was recommended to and approved by the Risk Oversight Committee (ROC).

5 Risk-Neutral Probabilities

We can now apply the model to give an estimate for the risk-neutral probabilities that the put option will be exercised. Combining the last quoted forward prices in 2009, for the 7×24 contracts for the calendar years 2010–2014, with the parameter estimates, previously derived, gives

	2010	2011	2012	2013	2014
FWP	\blacksquare	\blacksquare	\blacksquare	\blacksquare	\blacksquare
$E \bar{S}$	\$32.44	\$34.04	\$35.56	\$38.78	\$38.78
Prob.	41.7%	41.7%	36.7%	27.5%	27.5%

6 Quarterly Valuation

At the start of the period of the exposure, the probability that the option will be exercised is given by (5). For the probability during the period, when time has passed, we need to account for the fact that some portion of the average is already known, and that this reduces the uncertainty