

EB-2013-0061

NOTICE OF APPLICATION AND WRITTEN HEARING

ONTARIO POWER GENERATION INC. RELIABILITY MUST-RUN AGREEMENT FOR THE THUNDER BAY GENERATING STATION

Ontario Power Generation Inc. ("OPG") filed an application on March 1, 2013 with the Ontario Energy Board (the "Board") seeking approval of a reliability must-run agreement ("RMR Agreement") entered into with the Independent Electricity System Operator (the "IESO") in relation to one of the two 153 MW coal-fired units at OPG's Thunder Bay Generating Station ("Thunder Bay GS Unit"). The application was made under section 5 of OPG's generation licence, which requires that any reliability must-run agreement be approved by the Board prior to its implementation. The Board has assigned file number EB-2013-0061 to the application.

Subject to Board approval, the RMR Agreement comes into effect as of January 1, 2013. Key provisions of the RMR Agreement include:

- a term of one year without renewal or extension;
- compensation to OPG for the following cost components:
 - monthly fixed payments of \$3.164 million each to cover costs that would be avoided by OPG if the Thunder Bay GS Unit was de-registered;
 - market costs that cover IESO charges related to the energy withdrawn from the IESO-controlled grid to maintain station operations;
 - auxiliary boiler fuel costs and, in certain situations, costs incurred for regulatory testing; and
 - a Net Revenue Sharing Adjustment ("NRS"), calculated quarterly, which allows OPG to retain 5% of the operating profit (market revenue less actual

- fuel costs) when the Thunder Bay GS Unit is dispatched to run. There is no NRSA when actual fuel costs exceed market revenues; and
- an obligation on OPG to offer into the IESO-administered markets the maximum amount of energy and operating reserve from the Thunder Bay GS Unit consistent with good utility practice and in a commercially reasonable matter.

In accordance with the market rules, the total net cost of the RMR Agreement would be recovered by the IESO from wholesale market participants as part of the monthly non-hourly uplift.

Procedural Order No. 1

The Board has issued its Procedural Order No.1 for this proceeding, and a copy is attached as Appendix A to this Notice.

How to see Ontario Power Generation Inc.'s Application

To see a copy of the application, go to the Consumer page of the Board's website and enter the case number **EB-2013-0061** in the "Find an Application" box. A copy can also be seen at the Board's office and at OPG's office at the addresses indicated below, or on OPG's website at www.opg.com.

Written Hearing

The Board intends to proceed with this matter by way of a written hearing unless a party satisfies the Board that there is a good reason for not holding a written hearing. If you object to a written hearing, you must provide written reasons why you believe an oral hearing is necessary. Any submissions objecting to a written hearing must be received by the Board and copied to OPG no later than **April 15, 2013**.

How to Participate

Comment

If you wish to give your opinion on the proceeding to the Board Members hearing the application, you are invited to send a written letter of comment to the Board no later than **May 3, 2013**. A complete copy of your letter of comment, including your name, contact information, and the content of the letter, will be provided to OPG and the Hearing Panel.

Observe

If you do not wish to actively participate in the proceeding but you do wish to receive documents issued by the Board, you may request observer status. Your written request must be received by the Board no later than **April 15, 2013**.

Personal Information in Letters of Comment and Observer Requests

All letters of comment or letters requesting observer status will be placed on the public record, which means that the letters can be seen at the Board's office and will be available on the Board's website. Before placing the letters on the public record, the Board will remove any personal (i.e. not business) contact information from the letters (i.e. the address, fax number, phone number, and e-mail address of the individual). However, the name of the individual and the content of the letter will become part of the public record. Please address your letter to the Board Secretary at the address below, and reference file number **EB-2013-0061** at the top of your letter.

Intervene

If you wish to actively participate in the proceeding (e.g., submit questions, file argument), you may request intervenor status from the Board no later than **April 15, 2013**. Instructions for requesting intervenor status are available on the Board's website at www.ontarioenergyboard.ca/participate. Everything an intervenor files with the Board, including the intervenor's name and contact information, will be placed on the public record, which can be seen at the Board's office and will be available on the Board's website.

The Board may order costs in this proceeding. You must indicate in your letter of intervention whether you expect to seek costs and the grounds for your eligibility for costs.

If you do not have internet access, please call 1-877-632-2727 to receive information about this proceeding and how to participate.

IMPORTANT

IF YOU DO NOT FILE A WRITTEN OBJECTION TO A WRITTEN HEARING OR DO NOT PARTICIPATE IN THE HEARING IN ACCORDANCE WITH THIS NOTICE, THE BOARD MAY PROCEED WITHOUT YOUR PARTICIPATION AND YOU WILL NOT BE ENTITLED TO ANY FURTHER NOTICE IN THE PROCEEDING.

ADDRESSES

The Board:

Ontario Energy Board
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto ON M4P 1E4
Attention: Board Secretary

Filings:
<https://www.pes.ontarioenergyboard.ca/eservice/>
E-mail: boardsec@ontarioenergyboard.ca
Tel: 1-888-632-6273 (Toll free)
Fax: 416-440-7656

The Applicant:

Ontario Power Generation Inc.
700 University Avenue
Toronto ON M5G 1X6
Attention: Mr. Andrew Barrett

E-mail: andrew.barrett@opg.com
Tel: 416-592-4463
Fax: 416-592-8519

DATED at Toronto, April 3, 2013

ONTARIO ENERGY BOARD

Original Signed By

Kirsten Walli
Board Secretary

Appendix A

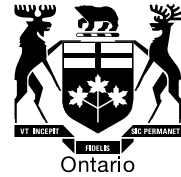
to

**Notice of Application and Written Hearing
Dated April 3, 2013**

EB-2013-0061

**Procedural Order No. 1
Issued April 3, 2013**

[See separate document attached]



EB-2013-0061

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

AND IN THE MATTER OF an application by Ontario Power
Generation Inc. for approval, pursuant to Part 1, Paragraph
5.2 of Ontario Power Generation Inc.'s Generation Licence
EG-2003-0104, of a Reliability Must-Run Agreement for the
Thunder Bay Generating Station between Ontario Power
Generation Inc. and the Independent Electricity System
Operator.

PROCEDURAL ORDER NO. 1

April 3, 2013

Ontario Power Generation ("OPG") filed an application on March 1, 2013 with the Ontario Energy Board (the "Board") seeking approval of a reliability must-run agreement ("RMR Agreement") entered into with the Independent Electricity System Operator (the "IESO") in relation to one of the two 153 MW coal-fired units at OPG's Thunder Bay Generating Station (the "Thunder Bay GS Unit"). The application was made under section 5 of OPG's generation licence, which requires that any reliability must-run agreement be approved by the Board prior to its implementation. The Board has assigned file number EB-2013-0061 to the application.

A Notice of Application and Written Hearing (the "Notice") was issued on April 3, 2013 and served by the Board on: (i) all parties of record in the most recent proceeding associated with the setting of payment amounts for OPG's prescribed generation facilities under section 78.1 of the *Ontario Energy Board Act, 1998* (proceeding EB-2010-0008); (ii) all participants that filed written comments in the consultation on incentive rate-making for OPG's prescribed generation facilities (EB-2012-0340); and (iii) Environmental Defence. The Board will address requests for intervention and cost

awards in this proceeding in the normal course once the deadline for filing those requests has passed.

OPG requested that this matter proceed by way of a written hearing. As indicated in the Notice, it is the Board's intention to do so, subject to the consideration of any submissions the Board may receive objecting to a written hearing.

The Board's review mandate with respect to the RMR Agreement is contained in section 5.2 of OPG's licence, which reads as follows:

Where an agreement is entered into in accordance with paragraph 5.1 [an agreement with the IESO for the supply of energy or ancillary services for the purpose of maintaining the reliability and security of the IESO-controlled grid], it shall comply with the applicable provisions of the Market Rules or such other conditions as the Board may consider reasonable. The agreement shall be subject to approval by the Board prior to its implementation. Unresolved disputes relating to the terms of the Agreement, the interpretation of the Agreement, or amendment of the Agreement, may be determined by the Board.

The Board has previously approved four reliability must-run agreements between OPG and the IESO, all pertaining to OPG's Lennox 2.140 MW dual-fuelled (oil and gas) generating station. In the proceedings to review those agreements, the Board confirmed that the three key issues that need to be addressed by the Board in relation to a reliability must-run agreement are:

1. Does the reliability must-run agreement comply with OPG's licence?
2. Are the financial provisions of the reliability must-run agreement reasonable?
3. What are the incentive effects, if any, of the reliability must-run agreement?

According to OPG, the RMR Agreement for the Thunder Bay GS Unit is similar to the agreements that the Board has previously approved for the Lennox generating station, and includes some improvements. Accordingly, the Board is of the view that the above remain appropriate as the key issues for this proceeding, and will make provision for the filing of interrogatories relevant to those three issues. However, the Board will also allow parties an opportunity to make submissions on whether any further issue(s)

should be added to the issues list for this proceeding. In the event that any further issues are added to the issues list, the Board may make provision for the filing of supplementary interrogatories at that time.

The IESO has intervened in all previous reliability must-run contract approval proceedings, and the Board fully expects that the IESO will intervene in this proceeding. OPG's pre-filed evidence consists of a copy of the RMR Agreement and the IESO's technical assessment of the reliability implications of the removal from service of the Thunder Bay GS units. As such, the Board considers it expedient to make provision for the filing of interrogatories directed to the IESO at this time.

The Board considers it necessary to make provision for the following matters related to this proceeding. The Board may issue further procedural orders from time to time.

THE BOARD ORDERS THAT:

1. OPG and any person that has been granted intervenor status in this proceeding that wishes to make submissions proposing the addition of an issue to the issues list for this proceeding shall file those submissions with the Board and deliver them to all parties on or before **April 23, 2013**. The written submissions must clearly identify the issue sought to be added and the basis upon which the issue is relevant to this proceeding.
2. OPG, any person that has been granted intervenor status in this proceeding and Board staff that wishes to respond to a submission filed under paragraph 1 shall file written responding submissions with the Board and deliver them to all parties on or before **May 8, 2013**.
3. Any person that has been granted intervenor status in this proceeding and Board staff who wish to request any information and material from OPG or the IESO that is in addition to OPG's pre-filed evidence, and that is relevant to the three key issues listed above in this Procedural Order, shall request it by written interrogatories filed with the Board and served on OPG or the IESO, as applicable, on or before **April 29, 2013**.

4. OPG and the IESO, as applicable, shall file with the Board complete responses to the interrogatories and serve them on all other parties on or before **May 13, 2013**.

All filings to the Board must quote file number EB-2013-0061, be made through the Board's web portal at www.pes.ontarioenergyboard.ca/eservice/, and consist of two paper copies and one electronic copy in searchable / unrestricted PDF format. Filings must clearly state the sender's name, postal address and telephone number, fax number and e-mail address. Please use the document naming conventions and document submission standards outlined in the RESS Document Guideline found at www.ontarioenergyboard.ca. If the web portal is not available you may email your document to the BoardSec@ontarioenergyboard.ca. Those who do not have internet access are required to submit all filings on a CD in PDF format, along with two paper copies. Those who do not have computer access are required to file seven paper copies. If you have submitted through the Board's web portal an e-mail is not required.

All communications should be directed to the attention of the Board Secretary at the address below, and be received no later than **4:45 p.m.** on the required date.

With respect to distribution lists for all electronic correspondence and materials related to this proceeding, parties must include the Case Manager, Michael Bell at Michael.Bell@ontarioenergyboard.ca and the Board's Associate General Counsel, Martine Band at Martine.Band@ontarioenergyboard.ca.

DATED at Toronto, **April 3, 2013**

ONTARIO ENERGY BOARD

Original Signed By

Kirsten Walli
Board Secretary