**IN THE MATTER OF** the *Ontario Energy Board Act, 1998;*

**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 and the Independent Electricity System Operator.

**Ontario Power Generation Inc. (OPG) – EB-2013-0061**

**Interrogatories of the Vulnerable Energy Consumers’ Coalition**

**to the Independent Electricity System Operator**

**1. Does the reliability must-run agreement comply with OPG’s licence?**

**1-VECC-1**

**Reference: General**

Is the IESO aware of any changes in either the market rules or in the terms and conditions of OPG’s licence – since the last time the Board approved an R M-R Agreement pursuant to an application by OPG – that would have any effect with respect to approval being granted on the instant application? If so, please provide details.

**2. Are the financial provisions of the reliability must-run agreement reasonable?**

**2-VECC-1**

**Preamble:**

The Board’s Decision with Reasons issued in the EB-2005-0490 proceeding states (page 2) in part:

*Some salient provisions of the RMR Contract include:*

*• term of 1 year, without renewal or extension;*

*• payments to OPG of an estimated $62 million over the contract term (comprised of OPG’s fixed and variable costs for Lennox, a “margin amount” of $1.283 million, and additional revenues equivalent to 5% of the gross revenues earned by or attributed to Lennox in the IESO-administered markets); and*

*• an obligation on OPG to offer into the IESO-administered markets the maximum amount of energy and operating reserve from Lennox in a commercially reasonable manner and in accordance with stated performance standards.*

The Board’s Decision with Reasons issued in the EB-2006-0205 proceeding states (page 2) in part:

*Salient provisions of the new RMR Contract include:*

* *One-year term, from October 1, 2006 to September 30, 2007, without renewal or extension (although it may be terminated by either party upon written notice);*

* *Estimated payments to OPG of $62 million over the contract term (comprised of OPG’s fixed and variable costs for Lennox, a “margin amount” of $1.404 million, and additional revenues equivalent to 5% of the gross revenues earned by or attributed to Lennox in the IESO-administered markets);*
* *An obligation on OPG to offer into the IESO-administered markets the maximum amount of energy and operating reserve from Lennox in a commercially reasonable manner and in accordance with stated performance standards; and*
* *Rewards or penalties (neither to exceed $2 million) based on OPG exceeding or failing to meet agreed performance standards.*

**Ref.: General, Application, Schedule D, Table 1**

To the IESO’s knowledge, does the current proposed agreement include a margin payment for OPG? If so, (i) what is the purpose of the margin payment, (ii) what is the amount of the margin payment, and (iii) how was the margin payment determined?

**2-VECC-2**

**Reference: Application, Attachment 4, IESO Technical Assessment and Application, Schedule D, Table 1**

In addition to the IESO’s technical assessment regarding delisting the subject facility, did IESO conduct any significant, independent financial assessment as to the reasonableness of the cost estimates provided by OPG and the revenues paid to OPG under the proposed agreement? If so, please elaborate.

**3. What are the incentive effects, if any, of the reliability must-run agreement?**

**3-VECC-1**

**Reference: EB-2006-0205 Decision with Reasons, page 2 and Application, page 4, Penalties/Rewards Cap**

In the cited Lennox R M-R proceeding, penalties/rewards were capped at $2M. In the current proceeding, penalties/rewards are capped at $500K. Please provide the reasons as to why the smaller cap is appropriate in IESO’s view.