



# **ONTARIO ENERGY BOARD**

## **BOARD STAFF SUBMISSION**

**Ontario Power Generation Inc.**

**Thunder Bay Generation Station**

**Application for Approval of Reliability Must-Run Agreement**

**Board File No. EB-2013-0061**

**May 8, 2013**

## **BACKGROUND**

In Procedural Order No. 1 issued on April 3, 2013, the Ontario Energy Board (the “Board”) confirmed the following as the three key issues in relation to the application for approval of a reliability must-run (“RMR”) agreement for one of the units at Ontario Power Generation Inc.’s (“OPG”) Thunder Bay generation station:

- 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?*

However, the Board also made provision for the filing of submissions on whether any further issue(s) should be added to the issues list for this proceeding, and for the filing of responding submissions.

Further to Procedural Order No. 1, the Board received submissions from the following parties: Canadian Manufacturers & Exporters (“CME”), a coalition comprised of the City of Thunder Bay, Common Voice Northwest, the Northwestern Ontario Municipal Association and the Northwestern Ontario Associated Chambers of Commerce (the “NOACC Coalition”); and (iii) the Power Workers’ Union (“PWU”).

In its filing, CME submitted that no additional issues need to be added to the three identified in Procedural Order No. 1. As discussed in greater detail below, PWU proposed in its submission that certain clarifications be made to two of those three issues, and also proposed an additional issue. The NOACC Coalition’s submission expressed support for the clarifications proposed by PWU.

The following are Board staff’s submissions in response to the proposals made by PWU.

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### **1. PWU's Proposed Clarifications for Issues 1 and 3**

Board staff notes that PWU does not dispute the appropriateness of the three issues that have already been articulated by the Board, but rather is seeking to achieve greater clarity with respect to the scope of issues 1 and 3.

With respect to issue 1, PWU's submission notes that in the first proceeding to approve a reliability must-run ("RMR") agreement for the Lennox generation station (EB-2005-0490), the Board's issues list included the same issue as issue 1 in this proceeding, and referred specifically to four sections of the Market Rules; namely, section 4.8 of Chapter 5 and sections 2.4, 9.6 and 9.7 of Chapter 7. Board staff is not aware of any other provisions of the Market Rules that govern the process or terms and conditions applicable to RMR agreements.

In regards to issue 3, PWU notes that the Board's issues list in the first Lennox RMR agreement proceeding referred to above described the relevant incentive effects as follows:

- a. Does the RMR Contract provide incentives that may cause OPG to alter its offering behaviour?
- b. If OPG's offering behavior is altered, what is the potential impact on wholesale electricity prices and other market participants?

Board staff is not aware of other incentive effects that would require consideration in the context of this proceeding.

### **2. PWU's Proposed Additional Issue**

PWU has proposed the addition of the following issue:

*Should the Board develop an expedited process to deal with an extension of the term of the RMR agreement for Thunder Bay GS beyond December 31, 2013?*

Sections 7.1 and 7.2 of the RMR agreement for the Thunder Bay generation station state that the term is for one year, without renewal or extension. As such, absent direction from the Board to the contrary, it appears to Board staff that a new RMR agreement would be required if the unit at the Thunder Bay generation station is needed as an RMR resource beyond December 31, 2013. To Board staff's knowledge, neither the need for, nor the terms and conditions of, any new RMR agreement for the unit at the Thunder Bay generation station is known at this time.

Board staff is supportive of ensuring that proceedings before the Board are as expeditious as possible in the circumstances of any given application. However, Board staff submits that the development of a process for the review of any future RMR agreement for the unit at the Thunder Bay generation station may be premature at this time. In Board staff's view, the Board will be better positioned to develop an appropriate review process as and when an application for approval of such an agreement is filed.

All of which is respectfully submitted.