

IN THE MATTER OF 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

Independent Electricity System Operator ("IESO")

Interrogatory Responses to

Energy Probe Research Foundation ("Energy Probe")

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

3-Energy Probe-1

Ref: OPG Letter Requesting Approval, dated February 27, 2013, s.4 (b) & Attachment 1, Sch. D, Table 1

S.4 (b) of OPG's letter indicates that the monthly fixed payment is designed to compensate OPG for costs "that would be avoided by OPG if the facility is deregistered" and "is based on a forecast of fixed costs". The Notes to Table 1 refer, as regards certain costs, to a "relatively short term".

- a) Does the IESO agree that over a sufficiently long period of time, all costs are avoidable?
- b) Does the IESO maintain that the time period(s) used to distinguish the costs or cost categories in Table 1 as avoidable rather than unavoidable are each appropriate in light of the test stated in s.4 (b) of OPG's letter?
- c) If not, please indicate the cost items or cost categories in Table 1 where the IESO disagrees with the time period(s) used in Table 1 to distinguish a cost as avoidable rather than unavoidable?

IESO Response:

- a) Yes - Most, if not all, costs would be avoidable over a sufficiently long period of time if the facility were deregistered. However, in assessing these proposed costs from OPGI, the IESO had to consider the time period for which the RMR Agreement would be in effect, namely, a period of one year.
- b) Yes.
- c) Not applicable.

3-Energy Probe-2

Ref: OPG Letter Requesting Approval, dated February 27, 2013, s.4 (b) & Attachment 1, Sch. D, Table 1

In this table, Central Support-BU Allocated is shown as a cost to be compensated by the fixed monthly payment. Footnote 3 in Table 1 identifies this cost as “avoidable”.

- a) Please state whether the IESO views this cost item as an allocation of overhead support costs to a business unit within OPG.**
- b) Having regard to the time period adopted by OPG for this cost item, does the IESO maintain that this cost would in fact be shed within that time period if deregistration occurred?**
- c) If not, does the IESO expect that this cost would be reassigned to other fixed cost categories or business units within OPG and continue to be incurred?**
- d) If this cost item would continue to be incurred by OPG following deregistration (perhaps by reassignment to another fixed cost category or business unit), does the IESO maintain that it would be an “avoidable” cost as indicated in Footnote 3 Table 1 for the purposes of s.4 (b) in OPG’s letter?**
- e) If this cost item would continue to be incurred by OPG following deregistration (perhaps by reassignment to another fixed cost category or business unit), does the IESO maintain that it would not have been avoided for the purposes of s.4 (b) in OPG’s letter?**
- f) More generally, if a particular cost is shown in Table 1 as “avoidable” but would not, in fact, be avoided in the relevant time period following deregistration, does the IESO believe that the monthly fixed payment should compensate OPG for such cost or that it should not compensate OPG for such cost?**

IESO Response:

- a) Yes, the IESO views this cost as an allocation of overhead support costs to a business unit within OPG.**
- b) The IESO believes that, if deregistration occurred, this cost could be shed within the time period adopted by OPG.**
- c) Not applicable.**

- d) Yes. IESO further adopts OPG's response to interrogatory 2.c)
- e) IESO adopts OPG's response to interrogatory 2.d)
- f) IESO adopts OPG's response to interrogatory 2.e)

3-Energy Probe-3

Ref: OPG Letter Requesting Approval, dated February 27, 2013, s.4 (b) & Attachment 1, Sch. D, Table 1

Table 1 includes property taxes of \$1.66 million.

- a) If deregistration occurs, does the IESO believe or expect that OPG would sell the property on which the indicated property taxes are paid?**
- b) If OPG would not sell the property within the time period associated with that cost in Table 1, how, in the IESO's opinion, would OPG avoid the costs of those property taxes following deregistration?**

IESO Response:

- a) IESO adopts OPG's response to interrogatory 3.a)
- b) IESO adopts OPG's response to interrogatory 3.b)