

1 **Board Staff Interrogatory #176**

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4 **Ref:** Exh G1-1-1 Table 1

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6 **Issue Number:** 7.1

7 **Issue:** Are the proposed test period revenues from ancillary services, segregated mode of
8 operation and water transactions appropriate?

9
10 **Interrogatory**

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12 OPG's evidence discusses the various types of ancillary services provided by OPG and the
13 contract provisions with the IESO.

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15 a) What are the pricing provisions in the black start, reactive support/voltage control service,
16 and regulation service contracts with the IESO?
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18 b) Are contract prices fixed over the test period or are there provisions for escalation based on
19 an index or a market-determined price, i.e., HOEP?
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21 c) Operating reserve (OR) is a market-based sale with prices determined by the IESO. OPG
22 assumes that revenues in the test period will be an inflationary increase of the 2012 actual
23 revenues.
24 i. Are OPG's revenue estimates for OR based on no increase in OR services provided
25 and strictly an inflationary price increase?
26 ii. What evidence does OPG have that historical changes in OR prices are correlated
27 with OPG's BP inflation measures?
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29 d) Please provide a table with the estimated test period revenues by service provided instead
30 of an aggregate for all services.

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33 **Response**

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35 a) Under the Black Start contract, OPG receives an availability payment and can recover
36 additional compensation if activated during a Black Start event.

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38 Under the Reactive Support/Voltage Control Service ("RSVC") contract, OPG receives an
39 availability payment, variable use-of-service payment and a unit start-up payment. Energy
40 losses during provision of the service are priced at HOEP.

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42 Under the Regulation Service contract, OPG receives a fixed availability payment with
43 additional variable payments based on the amount of usage. The fixed and variable
44 payments change depending on what resource or resources are providing Regulation
45 Service and the amount of Regulation Service requested by the IESO.
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- 1 b) Both. Fixed availability payments do not change over the term of the contract. However,
2 most variable payments are indexed to operating reserve and/or energy market prices.
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4 c) i) Yes.
5 ii). Since 2007, Previously Regulated Hydroelectric Operating Reserve revenues have
6 grown at an average of 2% per annum. As a result, OPG anticipates this same rate of
7 growth over the test period. OPG has not analyzed the relationship between OR prices
8 and the broad economic inflationary measures.
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10 d) Estimated test period revenues by Ancillary Service are shown below.
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Estimated Test Period Revenues by Ancillary Service		
Service	2014 \$M	2015 \$M
Black Start	0.5	0.5
Operating Reserve	11.4	11.7
RSVC	15.3	15.6
AGC	27.7	28.2
Total	54.9	56.0

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