



EB-2006-0205

NOTICE OF APPLICATION
ONTARIO POWER GENERATION INC.
RELIABILITY MUST-RUN CONTRACT FOR THE LENNOX
GENERATING STATION

Ontario Power Generation (“OPG”) filed an application on August 23, 2006 with the Ontario Energy Board seeking approval of the second reliability must-run contract (“RMR Contract”) entered into with the Independent Electricity System Operator (“IESO”) in relation to OPG’s Lennox generating station (“Lennox”). The Application was made under section 5 of OPG’s generation licence, which requires that any reliability must-run contract be approved by the Board prior to its implementation. The Board has assigned File Number EB-2006-0205 to the Application.

Lennox is a 2,140 MW dual-fuelled (oil- and natural gas-fired) generating station located near Kingston, Ontario. On July 15, 2005, OPG submitted to the IESO a “Notice of Request to De-register” Lennox. On August 4, 2005, the IESO denied OPG’s request on the grounds that removal of Lennox will or is likely to have an unacceptable impact on the reliability of the IESO-controlled grid. The IESO and OPG signed a reliability must-run contract in September, 2005. OPG made application seeking Board approval of this reliability must-run contract in September 2005 and the Board approved the contract in its Decision in EB-2005-0490 issued on March 15, 2006.

On March 29, 2006, OPG sent a letter to the IESO indicating its willingness to enter into a subsequent reliability must-run contract effective October 1, 2006 if the IESO determined that such an agreement is necessary to support the continued reliability of the IESO-controlled grid or, in the alternative, seeking IESO permission to de-register Lennox. On May 19, 2006, the IESO responded and indicated that continued operation of Lennox was necessary to prevent undue risk to the IESO-controlled grid and that it

would enter into negotiations for a second reliability must-run contract. The second RMR contract was executed by the IESO on July 31, 2006 and by OPG on August 14, 2006.

Subject to Board approval, the RMR Contract comes into effect as of October 1, 2006. Key provisions of the RMR Contract include: a term of 1 year without renewal or extension; payments to OPG of an estimated \$61.7 million over the contract term (comprised of OPG's fixed and variable costs for Lennox, a "margin amount" of \$1.40 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 contractually stated performance standards.

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

OPG has requested that the Application be disposed of without a hearing on the grounds that the Board has recently reviewed and approved the existing RMR Agreement and there has been essentially no change in the agreement. The Board has not yet determined whether to hold a hearing in relation to the Application, and invites submissions on this issue from interested persons.

How to see OPG's Application

Copies of the application and the pre-filed evidence in support of OPG's application will be available for public inspection at the Board's offices and at OPG's offices (addresses below). An electronic copy of the application is available at www.opg.com (under Investor Relations / Regulatory Filings).

How to Participate

1. Interested persons that believe they will be adversely affected in a material way by the outcome of this proceeding may file a written submission with the Board requesting that the Board hold a hearing in relation to the Application. The submission should clearly indicate the nature of the material adverse effect that is being asserted. The submission must be filed with the Board, and a copy sent to OPG at the address listed below, no later than 10 days from the publication date of this notice.
2. Responses to the submission(s) may be filed with the Board by OPG no later than 20 days from the publication date of this notice, with a copy to the person that provided the submission.
3. All filings to the Board must be in the form of nine (9) hard copies, must include the sender's name, postal address and telephone number and, if available, an e-mail address and fax number. All filings must be directed to the attention of the Board Secretary at the address below, and must be received by the Board by 5:00 p.m. on the required date. Filings must reference file number EB-2006-0205. The Board requests that, in addition to the hard copies which are filed, all parties make every effort to include a copy of their filings, on diskette or by e-mail, in searchable PDF or Word format.

Need More Information?

Further information on how to participate may be obtained by visiting the Board's Web site at www.oeb.gov.on.ca or by calling our Consumer Relations Centre at 1-877-632-2727.

IMPORTANT

IF YOU DO NOT RESPOND TO THIS NOTICE IN ACCORDANCE WITH THE INSTRUCTIONS, THE BOARD MAY PROCEED IN YOUR ABSENCE AND YOU WILL NOT BE ENTITLED TO ANY FURTHER NOTICE OF ANY PROCEEDING RELATED TO THIS MATTER.

Addresses

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

Tel: 1-888-632-6273 (toll free)
Fax: 416-440-7656

Mr. Andrew Barrett
Vice President
Regulatory Affairs & Corporate
Strategic Planning
Ontario Power Generation
700 University Avenue
Toronto, Ontario M5G 1X6

Tel: 416-592-4463
Fax: 416-592-8519

DATED at Toronto, September 22, 2006

ONTARIO ENERGY BOARD

Original Signed By

Peter H. O'Dell
Assistant Board Secretary