

## **BOARD STAFF INTERROGATORY #9**

**Issue 6.4** Has the OPA responded appropriately to previous Settlement Agreements and Decisions?

### **INTERROGATORY**

Issue 6.4/Board Staff/9

Reference: Pre-Filed Evidence of OPA, Exhibit C, Tab 1, Schedule 1, page 13, Table 3.

Question:

Table 3 provides Generation Procurement Cost Disclosure (\$/MW) as the 2009-2012 average, provide the cost disclosure on an annual basis for 2009-2012 and, if available, 2013.

### **RESPONSE**

The table below outlines the data as requested.

	Unit Cost of Generation (\$/MWh)					
	2009	2010	2011	2012	2013	2009 - 2013
Nuclear	Cannot be disclosed due to commercial sensitivity					\$59.21
Combined Heat and Power	\$135.79	\$123.49	\$104.34	\$158.98	\$185.68	\$141.49
Gas	\$90.71	\$91.23	\$87.75	\$72.45	\$95.27	\$86.38
Hydro	\$76.99	\$77.01	\$82.04	\$84.52	\$83.10	\$81.88
Wind	\$80.23	\$80.70	\$91.56	\$100.21	\$111.55	\$96.16
Bioenergy	\$82.84	\$83.47	\$83.64	\$84.22	\$84.22	\$83.70

Notes:

- Cost to Ratepayer includes OPA settled transmission connection facilities only
- Existing OPA solar contracts are all distribution-connected, so are not settled by the OPA and as such do not appear in the table above.
- Cost to Ratepayer is comprised of OPA settlement + IESO market revenues. Costs for Bruce A are net of market revenues.
- Costs to Ratepayer excludes IESO market revenues for facilities less than 20 MW

**BOARD STAFF INTERROGATORY #10**

**Issue 6.4** Has the OPA responded appropriately to previous Settlement Agreements and Decisions?

**INTERROGATORY**

Issues 6.4/Board Staff/10

Reference: Pre-Filed Evidence of OPA, Exhibit C, Tab 1, Schedule 1, page 6.

Preamble: OPA states:

“Electricity Resources – Procurement: Generation Procurement Cost Disclosure (refer to Electricity Resources metric 2.4). The costs associated with generation production from facilities settled by the OPA are the result of a number of factors beyond the control of the OPA, including electricity demand, and generator and transmission availability. Additionally, in some cases the OPA is directed to procure resources at a certain price. As a result, this metric does not provide an informative measure of the OPA’s efficiency in procuring electricity generation facilities.”

Questions:

- a) Does this metric provide transparency and permit an assessment of whether procurements achieve value-for-money for ratepayers? Please explain reasons.
- b) To what degree are the costs of other OPA procurements the result of a number of factors beyond the control of the OPA?
- c) To what degree are other OPA procurements the result of being directed to procure resources at a certain price, type and/or quantity?

**RESPONSE**

- a) The metric provides costs to ratepayers for facilities by each technology type. In providing this information, it is the OPA’s intention to enhance the transparency of our contracts and procurements, and thus allow others the data they need to assess whether the procurements achieve value for money.
- b) It is not known what is meant by ‘other’ OPA procurements. Generally, OPA procurements of generation resources depend on a number of factors beyond the OPA’s control, including system need, government directives, and the state of the overall economy including interest rates. Unless directed otherwise, OPA procurements are competitive and are evaluated on a number of factors including price. Such competitive procurements help ensure that Ontario ratepayers receive maximum value for money.

1 c) It is not known what is meant by 'other' OPA procurements. OPA procurements are  
2 only initiated upon the receipt of a government directive. Almost all of these  
3 directives stipulate the type of resource that should be procured and the quantity.  
4 Certain directives also stipulate the price at which the resources should be procured.  
5 A complete list of all directives can be found on the OPA website at:  
6 <http://www.powerauthority.on.ca/about-us/directives-opa-minister-energy-and->  
7 [infrastructure](http://www.powerauthority.on.ca/about-us/directives-opa-minister-energy-and-) or refer to Exhibit A-5-1.

**BOARD STAFF INTERROGATORY #11**

**Issue 6.4** Has the OPA responded appropriately to previous Settlement Agreements and Decisions?

**INTERROGATORY**

Issues 6.4/Board Staff/11

Reference: Pre-Filed Evidence of OPA, Exhibit C, Tab 1, Schedule 1, page 4.

Preamble: OPA states:

“The divisional metrics show an overall favourable trend over the 2011-2013 period, with increased efficiencies in contract management and in the procurement of energy savings and generation. In the Conservation division, efficiencies in procurement and program administration are also clearly evident.”

Questions:

- a) Provide an explanation on how the divisional metric and trends over the 2011-2013 period assist the Board in determining that the OPA has, and will have, a reasonable level of resources to effectively and efficiently procure generation and conservation resources and manage contracts.
- b) Provide a description of the critical elements to effective generation and conservation resource procurement and contract management. Can these elements be measured?

**RESPONSE**

- a) The OPA believes that the divisional metrics and trends substantially demonstrate that the OPA is effectively and efficiently procuring generation and conservation resources, and managing contracts, and the OPA expects for these trends to continue in 2014. The OPA does however, recognize the limitations of the metrics, as discussed in detail in our evidence.

The OPA's 2014 staffing levels remain flat versus 2011 and 2012 while the OPA has implemented program priorities and met adequate service levels within an expanding mandate and increasing volume and complexity of work. The resulting efficiencies are reflected in the various 'per FTE' metrics.

Similarly, the OPA has achieved improved productivity in the Conservation division through such activities as:

- 1 • Investing in the use of technology to facilitate interaction with Local Distribution  
2 Companies and stakeholders
- 3 • Working with natural gas distribution companies to co-promote existing  
4 conservation programs, and identify opportunities for integrated solutions
- 5 • Working to further streamline program application processes through  
6 development of tools to validate the cost-effectiveness of conservation  
7 investments

8 The procurement activities to take place over the coming year will depend on the  
9 directives that have been received, and potential new directives from the  
10 government. The OPA anticipates that the favourable trend in its metrics will  
11 continue as in prior years as the OPA continues to build on productivity  
12 improvements already in place.

13 The OPA will continue to efficiently utilize its resources to effectively fulfill its role in  
14 the delivery of the complete suite of directives and procurements it receives.

- 15 b) The elements that are critical to an effective procurement are distinct from the  
16 elements that are critical to effective contract management. Many of the elements  
17 critical to procurement are frequently set for the OPA in ministerial directives. For  
18 example, directives will often prescribe whether the acquisition of resources should  
19 take place via a competitive tender, a standard offer program, or through bilateral  
20 negotiations. Additionally, directives will stipulate the quantity and type of resource  
21 to be procured, and at times, may also stipulate the price.

22 Contract management efforts can be divided into projects that are under  
23 development or in commercial operation. Projects that are under development are  
24 monitored to ensure that the resource will come into operation when it is  
25 commercially obligated to do so. Critical elements of this process include monitoring  
26 project milestones and obligations, and investigating and remedying instances  
27 where these milestones and obligations are not met. The OPA also has obligations  
28 under the contracts and these also need to be monitored to avoid OPA-specific  
29 events of default. Once a resource is in commercial operation, the OPA or LDC is  
30 responsible for the financial settlement under the contract and ensuring that good  
31 engineering and operating practices are used in the operation and maintenance of  
32 the facilities during the term of the contract.

33 Activity-based and milestone-based measurement is available for procurement-  
34 related activities, however it does not specifically address itself to the assessment of  
35 'effectiveness'.

**BOARD STAFF INTERROGATORY #12**

**Issue 6.4** Has the OPA responded appropriately to previous Settlement Agreements and Decisions?

**INTERROGATORY**

Issues 6.4/Board Staff/12

Reference: Pre-Filed Evidence of OPA, Exhibit C, Tab 1, Schedule 1, page 18, Table 5.

Preamble: OPA states:

“The results of the stakeholder surveys from 2011 and 2012 show a decline in all three of the four key survey measures. In 2011, the OPA was not undertaking a large number of stakeholder engagements, with a total of 33 stakeholder sessions undertaken. This was improved in 2012 with 58 sessions undertaken, and into 2013 with 93 sessions undertaken.”

Questions:

- a) Please provide a description and interpretation on the causes behind the decline in stakeholder survey results (Communications metric 1) on favourability, transparency, and communications effectiveness.
- b) Please explain why the number of stakeholder sessions undertaken should be considered a measure of efficiency and effectiveness.
- c) Please explain why the number of stakeholder participants should be considered a measure of efficiency and effectiveness.

**RESPONSE**

- a) At the time the stakeholder surveys were undertaken, the OPA was limited in the amount of stakeholder outreach and communication it was undertaking. This was consistent with the advice provided by the Ministry of Energy at the time with respect to stakeholder engagement and communication. Therefore the resulting decline in the stakeholder survey results may be interpreted as stakeholders' dissatisfaction.
- b) The OPA recognizes the limitations of the metrics, as discussed in detail in its evidence. However, the number of stakeholder sessions should be considered a measure of efficiency and effectiveness as it indicates the level of two-way dialogue the OPA has with stakeholders and the number of opportunities stakeholders have to interact and provide feedback to the OPA on programs and initiatives.

1       c) The OPA recognizes the limitations of the metrics, as discussed in detail in its  
2       evidence. However, the number of stakeholder participants should be considered a  
3       measure of efficiency and effectiveness as it indicates the breadth of the  
4       stakeholders reached by the OPA's engagement efforts and the diversity of  
5       feedback sought on the OPA's programs and initiatives.

## **BOARD STAFF INTERROGATORY #13**

**Issue 6.4** Has the OPA responded appropriately to previous Settlement Agreements and Decisions?

### **INTERROGATORY**

Issues 6.4/Board Staff/13

Questions:

- a) Taking into consideration government direction, electricity demand, generator and transmission availability, general economic conditions, and other factors, to what degree is the OPA's performance beyond the control of the OPA?
- b) How do factors beyond the control of the OPA influence the OPA's ability to design meaningful performance metrics?

### **RESPONSE**

- a) Given the OPA's role in the electricity sector and our involvement in the areas of generation, conservation, and transmission, the OPA's achievement of planned activities can be affected by many factors. For example, the OPA's role in identifying infrastructure needs and recommending a preferred option can be impacted by a change in electricity demand: the urgency of a planned project might increase with higher demand, or conversely, the project may need to be placed on hold indefinitely if demand is eroded. In either case, OPA activities related to the project may not proceed as initially planned. Similarly, the OPA's role in facilitating conservation can be impacted by economic conditions: a drop in the economy can reduce the potential for conservation savings, increasing the resources and incentives required to meet targets. Likewise, the OPA's role in procuring generation may be impacted by a policy change: the OPA reports to the Minister and is bound by directives issued by the Minister of Energy under the *Electricity Act, 1998*, and therefore the OPA's work is impacted by changing government policy priorities. A change in government policy can impact the delivery of a planned project, or suddenly require that a new and urgent project be added to the top of the list. Changes to OEB codes and licenses can also impact the OPA's work: new requirements can add responsibilities or impact existing processes. Although the OPA is significantly impacted by changing factors outside of its control, the organization is nimble, flexible, and responsive. It continues to perform at a high level and deliver on its mandate.
- b) As described in C-1-1 on Page 2, it is an inherently challenging exercise to develop metrics for an organization such as the OPA. Not only does the OPA have a unique mandate that is not easily benchmarked, quantified, or measured, but changes in



1 priorities and resources are often required as a result of issued directives and other  
2 variable factors through the course of a year. It is impossible to anticipate at the  
3 business planning stage all of the changes that will impact the OPA's work over the  
4 course of the year, and the OPA has found that no single year has proceeded in a  
5 'business as usual' fashion since its creation. The OPA has worked diligently to try  
6 to design effective metrics that convey the accomplishments of the organization and  
7 withstand the many changes to planned activities over the past 3 years, with little  
8 success.

**BOMA INTERROGATORY #62**

**Issue 6.3** Is the proposed disposition of the various Deferral and Variance Accounts reasonable and appropriate? Are the proposed Deferral and Variance Accounts appropriate?

**Issue 6.4** Has the OPA responded appropriately to previous Settlement Agreements and Decisions?

**INTERROGATORY**

Reference: Exhibit A, Tab 2, Schedule 1, Page 35 of 40: The OPA conducted consultations with intervenors that participated in the regulatory hearing on the OPA's 2011-13 revenue requirement submission.

62) Please provide the dates of the consultations with intervenors and the list of invitees to each consultation.

**RESPONSE**

BOMA has clarified that the reference is Page 37 of 40.

The OPA has reproduced the relevant section from the above noted exhibit for further context:

"The OPA retained external consulting assistance in developing efficiency metrics to respond to the Ontario Energy Board's direction. Meetings were held with representatives from the Power System Planning, Conservation, and Electricity Resources divisions to develop greater understanding of activities, success measures and available data. Metrics used by similar organizations were also identified and reviewed with OPA subject-matter experts. As a result, a list of draft metrics was developed. The OPA conducted consultations with intervenors that participated in the regulatory hearing on the OPA's 2011-13 revenue requirement submission. The development of a final set of metrics was put on hold in 2012 as the OPA focused resources on merger and integration activities. The OPA now looks forward to continuing to build on the metrics development work completed to date."

As noted in the business plan quoted above, one of the OPA's first steps to address the Board's concerns with respect to efficiency metrics was to conduct a review of its operations. This involved working with a number of staff in each of its functional areas to develop a set of proposed metrics for consultation with the intervenors from EB-2010-0279.

The OPA invited all parties to EB-2010-0279 as follows:

1. Mr. Basil Alexander, Klippensteins, Barristers & Solicitors, Pollution Probe Foundation
2. Mr. Carlton Mathias, Senior Counsel, Ontario Power Generation Inc.
3. Mr. Chris Neme, Energy Futures Group, Green Energy Coalition
4. Mr. Colin Anderson, Manager Regulatory Affairs - Operations, Regulator, Ontario Power Generation Inc.
5. Mr. David MacIntosh, Case Manager, Energy Probe Research Foundation
6. Mr. David Poch, Barrister, Green Energy Coalition
7. Mr. Dev Pasumarty, Financial Policy Analyst, Electricity Distributors Association
8. Mr. Don Bjornson, Manitoba Hydro
9. Mr. J. Mark Rodger, Counsel, Borden Ladner Gervais LLP, HQ Energy Marketing Inc.
10. Mr. Jack Gibbons, Public Interest Economics, Pollution Probe Foundation
11. Mr. Jack Hughes, Counsel, Borden Ladner Gervais LLP, Canadian Manufacturers & Exporters
12. Mr. James Wightman, Consultant, Econalysis Consulting Services Inc, Vulnerable Energy Consumers Coalition
13. Mr. Jay Shepherd, Jay Shepherd Professional Corporation, School Energy Coalition
14. Mr. Matthew Gardner, Willms & Shier Environmental Lawyers LLP, Low Income Energy Network
15. Mr. Michael Bell - Project Advisor, Conservation & Reporting, Ontario Energy Board
16. Mr. Michael Buonaguro, Counsel, Public Interest Advocacy Centre, Vulnerable Energy Consumers Coalition
17. Mr. Murray Klippenstein, Klippensteins, Barristers & Solicitors, Pollution Probe Foundation
18. Mr. Paul Clipsham, Director of Policy, Ontario Division, Canadian Manufacturers & Exporters
19. Mr. Paul Kerr, Manager, Market Affairs, Shell Energy North America (Canada) Inc.
20. Mr. Peter Paye, Counsel, Consultant, Energy Probe Research Foundation
21. Mr. Peter Thompson, Q.C. Borden Ladner Gervais LLP, Canadian Manufacturers & Exporters
22. Mr. Richard King, Ogilvy Renault LLP, Association of Power Producers of Ontario
23. Mr. Robert B. Warren, Counsel, WeirFoulds LLP, Consumers Council of Canada
24. Mr. Roy Hrab, Policy Advisor, Conservation & Policy Evaluation, Ontario Energy Board
25. Mr. Tom Brett, Fogler, Rubinoff LLP, Canadian Energy Efficiency Alliance
26. Mr. Vincent DeRose, Borden Ladner Gervais LLP, Canadian Manufacturers & Exporters
27. Mr. Wayne McNally, SEC Coordinator, School Energy Coalition
28. Mr. Yannick Vennes, Econalysis Consulting Services Inc., HQ Energy Marketing Inc.
29. Ms. Biju Gopi, Senior Regulatory Analyst, Independent Electricity System Operator
30. Ms. Cherie Brant, Willms & Shier Environmental Lawyers LLP, Ontario Sustainable Energy Association

1 31. Ms. Judy Simon, Vice President IndEco Strategic Consulting Inc., Canadian Energy Efficiency Alliance /  
2 Low Income Energy Network / Ontario Sustainable Energy Association

3 32. Ms. Juli Abouchar, Counsel, Willms & Shier Environmental Lawyers LLP, Low Income Energy Network

4 33. Ms. Julie Girvan, Consultant, Consumers Council of Canada

5 34. Ms. Marion Fraser, President Fraser & Company Canadian Energy Efficiency Alliance / Ontario  
6 Sustainable Energy Association

7 35. Ms. Olena Loskutova, Energy Probe Research Foundation

8 36. Ms. Theresa McClenaghan, Executive Director and Counsel, Low Income Energy Network

9 Attendees provided their feedback during a stakeholder session on October 20, 2011.

10 Several intervenors also submitted written comments on the metrics prior to the session.

11 The Stakeholder Participants to the October 20, 2011 session are listed below:

12 1. Mr. David MacIntosh, Case Manager, Energy Probe Research Foundation

13 2. Mr. David Poch (teleconference), Barrister, Green Energy Coalition

14 3. Mr. Jack Gibbons, Consultant, Ontario Clean Air Alliance, Pollution Probe Foundation

15 4. Mr. James Wightman, Consultant, Econalysis Consulting Services Inc.; Vulnerable Energy Consumers  
16 Coalition

17 5. Mr. Michael Bell - Project Advisor, Conservation & Reporting, Ontario Energy Board

18 6. Mr. Roy Hrab, Policy Advisor, Conservation & Policy Evaluation, Ontario Energy Board

19 7. Mr. Vincent DeRose (teleconference), Borden Ladner Gervais LLP; Canadian Manufacturers & Exporters

20 8. Ms. Jessica Savage, Senior Regulatory Analyst, Regulatory Affairs and Sector Policy Analysis,  
21 Independent Electricity System Operator

22 9. Ms. Julie Girvan (teleconference), Consultant, Consumers Council of Canada

23 10. Ms. Marion Fraser, President, Fraser & Company, Canadian Energy Efficiency Alliance

24 11. Ms. Susan Harrison, Senior Regulatory Analyst, Regulatory Affairs and Sector Policy Analysis,  
25 Independent Electricity System Operator

**SEC INTERROGATORY #16**

**Issue 6.4** Has the OPA responded appropriately to previous Settlement Agreements and Decisions?

**INTERROGATORY**

**6.4-SEC-16**

[B1-5-1/p.3, C-3-1] Considering that ultimately procurement and conservation activities are funded by ratepayers, how have the OPA engaged ratepayers, and ratepayer organizations, in developing its plans? How does the OPA plan to improve on this in 2014?

**RESPONSE**

The OPA's approach to stakeholder engagement is outlined in Exhibit C-3-1. In particular section 1.4 of that exhibit outlines the traditional approaches the OPA uses to engage stakeholders as well as several enhanced approaches the OPA has more recently introduced. Below is a summary of the approaches used by the OPA to engage ratepayers and ratepayer groups:

Traditional approaches:

- E-blast notifications
- Subscription services
- Webinars
- Advisory committees
- Working groups
- Meetings
- Written feedback

Enhanced approaches:

- Municipal outreach
- Community meetings
- New communication tools
- Increased access to information
- Closing the loop on feedback
- Establishment of the Stakeholder Advisory Committee

An example of the OPA's stakeholder engagement approach in practice is provided in section 1.5 of Exhibit C-3-1, Page 5.

1 **SEC INTERROGATORY #17**

2 **Issue 6.4** Has the OPA responded appropriately to previous Settlement Agreements and  
3 Decisions?

4 **INTERROGATORY**

5 6.4-SEC-17

6 [C-3-1] With respect to its stakeholder engagement activities, Please explain why the OPA  
7 does not post copies of written submissions it receives, or notes of in-person meetings, as  
8 the IESO and OEB does for its consultation activities?

9 **RESPONSE**

10 Many of the OPA's engagements include the hosting of a webinar to present information  
11 and collect feedback. Webinar presentations and archives of the webinars (including full  
12 audio) are posted to the appropriate program webpage following the session as a record of  
13 the meeting.

14 As well, for larger engagements, such as those received in the development of the  
15 Planning and Siting report, the OPA has posted submissions. Please see the link below for  
16 these submissions:

17 [http://www.powerauthority.on.ca/stakeholder-engagement/stakeholder-consultation/ontario-](http://www.powerauthority.on.ca/stakeholder-engagement/stakeholder-consultation/ontario-regional-energy-planning-review)  
18 [regional-energy-planning-review](http://www.powerauthority.on.ca/stakeholder-engagement/stakeholder-consultation/ontario-regional-energy-planning-review).

1 **SEC INTERROGATORY #18**

2 **Issue 6.4** Has the OPA responded appropriately to previous Settlement Agreements and  
3 Decisions?

4 **INTERROGATORY**

5 6.4-SEC-18

6 [EB-2010-0279 Decision] Why has the OPA not sought to recover a fee from export  
7 customers in this application?

8 **RESPONSE**

9 The OPA decided not to seek approval to recover a fee from export customers in this  
10 application because it did not think that the internal resources required and the expense  
11 necessary to hire an expert and consult with stakeholders in order to pursue this change  
12 was worth the cost to ratepayers at this time. The OPA may choose to pursue this issue in a  
13 future application if it is warranted.



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August 5, 2011

**VIA EMAIL and RESS**

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge Street, 27th Floor  
Toronto, Ontario  
M4P 1E4

Dear Ms. Walli:

**Re: Ontario Power Authority  
2011 Revenue Requirement Submission  
Ontario Energy Board File No. EB-2010-0279  
OPA Response to the Board's Decision**

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On July 8, 2011, the Board issued its Decision and Order in the OPA's 2011 Revenue Requirement proceeding. In its Decision, the Board approved the OPA's Net Revenue Requirement of \$78.9 million, as updated on March 28, 2011, but did not approve the OPA's proposal to recover a portion of its fees from export customers. Removal of the energy forecast for export volumes of 13.4 TWh results in an increase in the OPA's required fee for domestic customers from \$0.514/MWh to \$0.563/MWh.

In its Decision, the Board recommended that the OPA choose from three alternatives and directed the OPA to advise the Board within 30 days as to its approach with respect to the 2011 usage fee:

- Apply to the Board for approval of a usage fee of \$0.563/MWh;
- Re-apply to the Board to recover the 2011 usage fee from export customers with appropriate evidentiary foundation and evidence of stakeholder consultation; and
- Continue with the currently approved interim fee of \$0.551/MWh, which the Board would make final.

The OPA has determined that continuing with the current interim rate of \$0.551 represents the least disruptive option for ratepayers, and hereby requests that the Board make this interim rate final for the remainder of 2011. As the Board's Decision noted, this will result in a revenue variance, which will be recorded in the OPA's 2011 Forecast Variance Deferral Account. This balance will be included for approval in the OPA's 2012 Revenue Requirement submission.



Ms. Kirsten Walli  
August 5, 2011  
Page 2 of 2

In addition to the above, the Board's Decision has directed the OPA to develop a more complete and informative set of performance and efficiency metrics, cost benchmarking, and program milestone tools, including developing the capability of assessing the actual cost of individual initiatives, to be filed in conjunction with its 2012 Revenue Requirement application. As the OPA committed in its final argument, and as acknowledged by the Board in its Decision, the OPA plans to consult with intervenors regarding these initiatives prior to developing its evidence for its 2012 submission. This work is currently underway, and the OPA intends to contact intervenors regarding consultations shortly. In addition, the OPA is currently developing plans for its proposed Conservation stakeholder advisory group, which will be announced in the near future.

Yours truly,

A handwritten signature in blue ink, appearing to read "Michael Lyle", with a stylized flourish at the end.

Michael Lyle  
General Counsel and  
Vice President,  
Legal, Aboriginal and Regulatory Affairs

cc: All Intervenors to EB-2010-0279 (by email)  
Mr. Fred Cass, Aird & Berlis (by email)