Board Staff Interrogatory #199

Interrogatory

Reference:
Exhibit F2 / Tab 1 / Schedule 1 / Attachment 2 / p. 70

Question(s):

a) The terms 'site capacity' and 'unit capacity' appear to be used interchangeably. Please provide the definition for both 'site capacity' and 'unit capacity'. In the response, please clarify if the two different terms are being used to discuss the same concept or two separate concepts.

b) Please provide a detailed explanation for third quartile performance for Darlington NGS and fourth quartile performance for Pickering NGS even with the normalizations applied.

Response

a) The terms 'site capacity' and 'unit capacity' are being utilized to discuss two separate concepts.

Site capacity: Total megawatts ("MW") across all units at a particular site
Unit capacity: MW for each individual unit.

b) As discussed in Ex. F2-1-1, the use of the normalizations as recommended by ScottMadden provides for a closer comparison of OPG's performance to peers.

Darlington's normalized total generating cost per megawatt-hour ("TGC/MWh") performance was in the third quartile in 2019, which reflects increased capital investment necessary to prepare the station for 'second life' operations post refurbishment (Ex. D2-1-2, pp. 3-4; Ex. F2-1-1, Attachment 2, p. 70). Once the decision to refurbish Darlington and extend end of life was made, OPG began an extensive program to replace obsolete and/or life-expired plant equipment. This can be seen from the benchmarking of OPG's capital expenditures against industry peers, which showed that OPG's average capital cost per MW Design Electrical Rating ("DER") prior to beginning the extensive replacement program was lower

than that of the comparators, placing OPG at or below first quartile.[1] Darlington's three-year average capital cost per MW DER is now higher than most comparators such that OPG currently places in the fourth quartile. Therefore, Darlington's 2019 TGC/MWh performance in large part reflects the timing of lifecycle investments and pursuit of life extension for Darlington relative to peers. Additional details regarding the factors contributing to Darlington's 2019 TGC/MWh performance are available at Ex. F2-1-1, Attachment 2, pp. 70, 74, 77, 80.

Pickering's normalized TGC/MWh performance was in the fourth quartile in 2019. Pickering's performance was partly impacted by requirements for Pickering Extended Operations. Pickering units are the smallest in the peer group with a capacity of 540 MW per unit compared to the peer group average of 1,026 MW (Ex. F2-1-1, p. 14), a factor for which TGC/MWh results have not been normalized. Additional details regarding the factors contributing to Pickering's 2019 TGC/MWh performance are available at Ex. F2-1-1, Attachment 2, pp. 71, 74, 77, 80.

[1] The 2020 Benchmarking Report (Ex. F2-1-1, Attachment 2) shows that for the period 2014-2016, the three year average capital costs per MW DER was at or well below first quartile. Similar results were reported in the 2012 Benchmarking Report (EB-2013-0321, Ex. F2-1-1, Attachment 1) and the 2015 Benchmarking Report (EB-2016-0152, Ex. F2-1-1, Attachment 1).