Quinte Manufacturers Association

August 31, 2021

Ms. Christine Long
Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, Ontario
M4P 1E4

Via e-mail
registrar@oeb.ca

Dear Ms. Long:

Re: EB-2020-0290 – Ontario Power Generation Inc. Application for 2022-2026 Payment Amounts – Quinte Manufacturers Association Submissions on Unsettled Issues.

As per the requirements of Procedural Order 4, please find attached the submissions of the Quinte Manufacturers Association concerning the above-noted matter.

Respectfully,

Michael McLeod
for
Quinte Manufacturers Association

Cc: C. Davis, QMA Steering Committee Chair
chandyd@electrocables.com
All Parties to EB-2020-0290

IN THE MATTER OF the Ontario Energy Board Act, 1998;

AND IN THE MATTER OF an Application by Ontario Power Generation Inc. for an order or orders approving payment amounts for prescribed generating facilities for the period 2022 – 2026.

EB-2020-0290

Submissions of the Quinte Manufacturers Association

Introduction

The Quinte Manufacturers Association ("QMA or "Association") appreciates the opportunity to participate as an intervenor in the Ontario Power Generation Inc. ("OPG") 2022-2016 Payment Amounts ("Application") proceeding.

When OPG filed its Application with the Ontario Energy Board ("OEB" or "Board"), there were a number of issues that were of concern to the QMA specifically the work being undertaken by OPG staff in relation to the development of small modular reactors ("SMR") as part of Ontario's participation with the federal government and other provinces in Canada's SMR action plan released in December 2020.[1] The up-front costs being incurred by OPG in anticipation of the possible development of a SMR at the site of the Darlington Nuclear Generating Station ("NGS") became a concern of the QMA.

The QMA was pleased to work with other intervenors during the Settlement Conference to develop a Settlement Proposal with OPG to address a substantial number of issues identified on the approved Issues List for the proceeding. The QMA supported the Settlement Proposal that was agreed to with OPG. The Settlement Proposal was submitted to the OEB Hearing Panel on July 16, 2021 and approved on August 6, 2021. The issue of the SMR at Darlington, and in particular Issue 13.1 was not settled.

[1] Argument-in-Chief, pg. 2

The focus of the QMA submissions below concern Issue 13.1 "*Is the nature or type of costs recorded and the methodologies used to record costs in the deferral and variance accounts related to OPG's nuclear and hydraulic assets appropriate?*" In its May 20, 2021 Decision on the Issues List, the Board stated that it would consider the "narrow issue" of whether or not SMR related non-capital costs are appropriate to be accounted for in the NDVA in Issue 13.1.

Submissions Concerning Darlington SMR Recorded Costs in the NDVA – Issue 13.1

The QMA is of the view that the recording of non-capital planning and preparation costs for the proposed Darlington SMR development should not be captured in the current Nuclear Development Variance Account ("NDVA"). The QMA recognizes the fact that the potential development of the Darlington SMR is not an issue in the payment amounts proceeding and that this proposal may never receive a formal "go-ahead" from the Ontario Government. However, the Association is concerned with the accumulating planning and preparation costs that OPG has identified in its evidence that are associated with the development of a grid-scale 300 MW SMR at the Darlington NGS site.

The QMA submits that there is a long history of costs related to planning, designing, operating, maintaining and ultimately closing existing nuclear generation facilities in Ontario that have proven, to be very expensive over time. Consequently, as an important part of the Ontario customer base and ratepayer pool that pay OPG's nuclear costs, the Association's member manufacturers continue to be very concerned with the cost of electricity (electrons) and the related cost drivers that a new SMR would attract. The potential of building another nuclear generator, using new/alternative technology (i.e., non-CANDU) at Darlington raises legitimate concerns among manufacturers about OPG's project cost control particularly at a time when they are considering the advantages and disadvantages of using Distributed Energy Resources to help manage electricity costs.

The QMA submits that it is not only prudent, but also fair and reasonable to track the costs of the potential SMR project at Darlington in an account that is separate from the existing NDVA which already covers the existing fleet of nuclear facilities in Ontario. The QMA submits that tracking the non-capital costs of planning and developing a Darlington SMR keeps the project "clean" from the beginning, meaning that the anticipated advantages of SMR technology and innovation can be clearly demonstrated going forward and not get frustrated by being compared, possibly unfairly, to the costly planning and development path the older CANDU units have experienced.

The QMA submits that NDVA which was established in 2005 under Ontario Regulation 53/05 (as amended from time to time) has served its purpose as a useful account for tracking eligible non-capital costs and firm financial commitments related to the planning and preparation of proposed new nuclear generation facilities.[2] The QMA takes no issue with the legislated purpose of the account and why it was created. OPG has argued that the NDVA remains a valid account to capture the SMR costs.[3] The QMA submits that there is no evidence to show that small modular reactors were contemplated when the regulation was created and that the actual purpose of the NDVA was to record those costs that were legitimately being directed to any existing and proposed "new" CANDU reactor models that were being promoted and considered at that time – not "next generation" SMRs.

The QMA submits that for the purposes of clarity of the SMR work, it is appropriate for OPG to establish a new account, separate from the NDVA, to record non-capital SMR costs to ensure a clear separation of those costs from other "new" nuclear costs associated with OPG's current fleet of reactors and support facilities. The OEB would, of course, ensure OPG is permitted to recover its prudently incurred costs that would be captured in a new account.

All of which is respectfully submitted.

[2] Ex H1-1-1/pg. 31
[3] Argument-in-Chief pg. 5