

**Power Advisory**

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March 3, 2022

**Ms. Nancy Marconi**

Registrar  
Ontario Energy Board  
27<sup>th</sup> Floor – 2300 Yonge Street  
Toronto, Ontario M4P 1E4

Submitted via RESS and email

Dear Ms. Marconi

**Re: EB-2020-0290 – OSEA Response to OPG Cost Claim Objection**

OPG objects to the quantum of OSEA's cost claim. In the context of a nuclear application during a hydroelectric rate freeze, OSEA's cost claim is disproportionate to the narrow scope of its interest and is comparable to claims made by intervenors who participated on a broad range of issues.

For example, the time that OSEA claims for discovery exceeds the average hours claimed by intervenors with broad interests. OSEA also claimed the most hours for preparing for the issues list conference, and at 16.9 hours, greatly exceeded the average preparation time of 4.4 hours. Finally, OPG notes that OSEA engaged the largest team of all intervenors, with costs claimed for four individuals, despite focusing on a narrow scope. OPG respectfully submits that OSEA's cost claim of approximately \$60,000 is excessive given its narrow interest, and as a result, is incommensurate with its relative contribution to the proceeding. OPG respectfully submits that the OEB reduce OSEA's cost award to reflect its proportionate contribution to the proceeding.

**OSEA response**

OSEA would like to respond to Ontario Power Generation's (OPG) objection to its cost claim.

OPG's primary concern is that OSEA's cost claim is "disproportionate to the narrow scope of its interest" and that the application before the Board was largely a "nuclear application." While OSEA recognizes that OPG's regulated hydroelectric rates were frozen throughout this proceeding, the rate freeze does not exempt OPG's hydroelectric assets – and OPG's operation of those assets – from detailed review and examination by intervenors.

In its application, OPG proposed to clear \$208.3 million for 2018-2019 from the Hydroelectric Surplus Baseload Generation Variance Account ("HSBGVA"). This is not an insignificant amount. The appropriateness of the amount proposed for clearance was in issue in this proceeding.<sup>1</sup>

Furthermore, the first issue on the Issues List was whether OPG responded appropriately to previous OEB Decisions. In its decision in EB-2020-0008, the OEB noted that OPG uses the Sir Adam Beck Pump Generating Station ("PGS") to mitigate the impact of SBG:

"if the market price spreads are large enough to incent OPG to deploy the PGS. The Board will review the use of the PGS for this purpose when reviewing the amounts in the [HSBGVA]... for production that is lost due to SBG, ratepayers will compensate OPG directly for the full volume at the regulated payment level. The Board therefore expects OPG to use the PGS to the maximum extent possible to mitigate this additional direct cost on ratepayers. When assessing the circumstances which give rise to lost production due to SBG, the Board will examine the use of the PGS and OPG will have to fully justify any instances in which the PGS is not used. If the Board finds that OPG could have, or should have, used the PGS to mitigate SBG, the Board will adjust the balance in the SBG account accordingly."<sup>2</sup>

Similarly, in the EB-2018-0243 OEB-approved settlement proposal, OPG undertook to

"...prepare a forward looking study to assess OPG's management of its generating facilities in relation to SBG conditions, including any opportunities OPG can take to help the system respond to SBG conditions in order to mitigate the associated cost to customers. In preparing the study, OPG will consult with the IESO and take into consideration IESO forecasts. Such study still be filed as part of OPG's next rebasing application."<sup>3</sup>

OPG prepared and filed a draft SBG Study as part of its application in this proceeding.<sup>4</sup>

This was the first time intervenors had an opportunity to review OPG's SBG Study, and evaluate whether OPG is using the PGS and managing SBG conditions appropriately and consistent with prior OEB decisions.

OSEA took the lead on analyzing and evaluating whether OPG is managing its hydroelectric assets in the best interest of ratepayers and the overall economic efficiency of the grid, which directly impacts OSEA's members. OSEA led the technical discussion on this topic, including by responding to other intervenor's

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<sup>1</sup> EB-2020-0230, OEB's Decision on Issues List dated May 20, 2021.

<sup>2</sup> EB-2010-0008, OEB Decision and Reasons re OPG Payment Amounts (2011 and 2012), dated March 10, 2011 at pg. 23 and 147.

<sup>3</sup> EB-2018-0243, Settlement Proposal dated January 30, 2019, pg. 15.

<sup>4</sup> EB-2020-12-31, Exhibit A1-11-1, Attachment 1.

technical questions (many of which required technical calculations) to facilitate discussion and collaboration.

OSEA has conferred with counsel for Environmental Defence who confirmed that the consultants for OSEA were invaluable in assisting Environmental Defence in identifying and clarifying complex issues around surplus baseload generation. The two parties collaborated on this issue, with OSEA contributing a great deal of technical expertise. Environmental Defence also confirmed support that surplus baseload generation is a very important issue, both in terms of the large sums that OPG sought to clear from the variance account and the ongoing management of those costs.

OPG's regulated hydroelectric assets generated more than 30 TWh of energy in 2020 – amounting to nearly 25% of total energy demand in the province – and generated more than \$1.5 billion in revenue for the crown corporation.<sup>5</sup> Just as importantly, OPG's hydroelectric assets are a key resource in providing flexibility and ancillary services (i.e. Operating Reserve, among other services) in the province's wholesale market. In short, OPG's hydroelectric assets are a vital resource in Ontario's electricity grid and competitive market. OSEA believes that efficient and effective operation of these assets are critical to maintain safe, cost effective and reliable electricity for Ontario's rate-payers, especially as the electricity sector pivots towards a pathway to net-zero emissions.

Even with the regulated rate freeze, how OPG manages and operates its assets in the wholesale market is of vital importance to the overall economic efficiency of the grid. The OEB's own Market Surveillance Panel (MSP) dedicated a significant portion to one of its surveillance reports to understanding whether the current regulatory incentives for the operation of OPG's hydroelectric assets were achieving an appropriate outcome.<sup>6</sup>

OPG's application contained no real-time data on how it operates its assets and whether the current incentives – namely the Hydroelectric Incentive Mechanism and the HSBGVA – achieve their stated outcome. Instead, the application contained only the SBG Study (completed by OPG itself) that contained very little historical operating data.<sup>7</sup> In response to the application, OSEA undertook to compile and analyze real-time data – for OPG's dozens of rate-regulated assets – to better understand how OPG operates these assets. OSEA provided its analysis to other intervenors in the proceeding to use in their questions to OPG and discussions in the settlement conference.

OSEA disagrees with OPG's comment regarding OSEA's limited "contribution to the proceeding." As discussed, OSEA's consultants led the discussion regarding OPG's hydroelectric assets and their operation in the wholesale market. No other intervenor compiled data or undertook a technical analysis on this topic. Undertaking a significant amount of analysis and research – using data from the IESO's public reporting – takes time and expertise, and OSEA submits that this analysis was a valuable

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<sup>5</sup> See OPG's 2020 Annual Report

<sup>6</sup> See: <https://www.oeb.ca/sites/default/files/msp-monitoring-report-20200716.pdf>

<sup>7</sup> EB-2020-0290, Exhibit A1, Tab 11, Att. 1

contribution to this proceeding. Determining whether OPG is operating its hydroelectric assets appropriately is important to OSEA and its members. The operation of the province's hydroelectric fleet will have a significant impact on future investment decisions as the province's moves into material capacity need.<sup>8</sup>

Given the five-year time frame of OPG's application, OSEA will not have another opportunity to extensively review and question OPG on its operation of rate-regulated hydroelectric assets for significant period of time – particularly in the face of significant changes that are expected to occur over that time period (retirement of Pickering and growing demand, among other factors).

In its previous decisions, the OEB recognized the importance of mitigating costs to customers associated with SBG conditions, and the need to rebalance the HSBGVA where SBG could have been and was not mitigated. These objectives reflect the Board's responsibility to promote economic efficiency, cost-effectiveness, and electricity conservation in the generation of electricity. OSEA's participation in this proceeding contributed to these objectives.

OSEA believes its costs are appropriate given the breadth of the topic and limited data provided by OPG regarding its hydroelectric assets.

Sincerely,



Travis Lusney  
Manager of Procurement and Power Systems  
Power Advisory

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<sup>8</sup> See the IESO's 2021 Annual Planning Outlook for the magnitude of the need.