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March 28, 2022

DELIVERED BY EMAIL & RESS
Registrar@oeb.ca

Ms. Nancy Marconi, Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Marconi:

Re: Generic Proceeding on UTR-Related Issues and the Export Transmission Service ("ETS") Rate Board File No. EB-2021-0243 ("Proceeding")
Association of Power Producers of Ontario ("APPrO") Interrogatories

Please find attached the interrogatories of our client, APPrO, in the above-noted proceeding.

If you have any questions or concerns, please do not hesitate to contact me.

Yours very truly,

BORDEN LADNER GERVAIS LLP

J Vellone

John Vellone

cc: David Butters, APPrO
Parties to EB-2021-0243

Encl.

ASSOCIATION OF POWER PRODUCERS OF ONTARIO

EB-2021-0243

Interrogatories

Filed: March 28, 2022

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ASSOCIATION OF POWER PRODUCERS OF ONTARIO INTERROGATORIES

APPrO-1

References:

Submissions on the ETS Rate / Attachment 1

Submissions on the ETS Rate / Attachment 3 / p.5

Preamble:

IESO states that "[e]xporters contribute to the cost of the transmission system through two mechanisms. The first mechanism is through the ETS rate, a fixed volumetric charge, which is the focus of this rate application. The second mechanism is through the ICP mechanism, a dynamic charge set based on its market value to traders, administered through the IESO-administered market. ICP revenues are collected entirely from intertie importers and exporters for the purpose of offsetting transmission service charges." (Attachment 3 at page 5)

Elenchus views the "…changes arise from the inclusion of "no free service" as an appropriate principle to adopt in addition to the strict cost causality principle." (Attachment 1 at page 36)

Questions for Elenchus:

a) Please discuss why Elenchus did not consider Intertie Congestion Pricing ("**ICP**") in the ETS Rate Cost Allocation Report.

b) Please discuss why Elenchus did not consider uplift or avoided system costs in the ETS Rate Cost Allocation Report.

c) Please discuss why Elenchus views exporters as "free riders" in light of ICP, uplift and avoided system costs.

d) Please discuss how the addition of ICP to Elenchus' analysis as a second "cost mechanism" affects the conclusions in the ETS Rate Cost Allocation Report.

e) Please discuss what portion of the Shared Network Asset related costs are paid for by ICP, uplift and avoided system costs.

f) Please update Tables 14 and 15 to reflect that fact that certain Shared Network Asset related costs are already paid by exporters via ICP, uplift and avoided system costs.

g) Please confirm that interties are included in the ETS Rate Cost Allocation Report.

h) How many interties were included in the ETS Rate Cost Allocation Report? What were the assumed costs, expenses or revenue requirements for those interties?

i) Please confirm that the IESO is the designated operator of the transmission system.

j) Please confirm that the IESO is responsible for billing and collecting all aspects of the transmission revenue requirement.

k) Please confirm that the IESO is also responsible for billing and collecting ICP, uplift and other ratepayer benefits associated with electricity exports.

l) Please update the ETS Rate Cost Allocation Report to include ICP, uplifts, avoided system costs and other benefits as a revenue offset directly beneficial to ETS rate class.

APPrO-2

References:

EB-2019-0082, Exhibit I2, Tab 4, Schedule 1 ("Prior Elenchus Report")

Submissions on the ETS Rate / Attachment 1 / p.9

Submissions on the ETS Rate / Attachment 3 / p.15-16

Preamble:

"The criteria for Elenchus' recommended methodology to allocate costs are defined 27 below: …Allocate only dedicated assets used to serve export customers and related 5 expenses to the export customer class. No asset related costs associated with 6 shared assets should be allocated to export customers."

"In its Decision and Order in HONI's most recent Transmission rate application, dated April 23, 2020 (EB-2019-0082), with respect to Export Transmission Service rates the Ontario Energy Board ("OEB") directed HONI to undertake further work on developing a cost based ETS rate… *Hydro One supported intervenor arguments that a cost allocation methodology that includes the allocation of shared network costs to exporters should be provided in Hydro One's next transmission rebasing application. The OEB agrees…*"

"In the case of exporters, their marginal costs and willingness-to-pay varies hour-to-hour with market conditions as detailed above. Pole attachers by contrast make infrastructure usage decisions based on multi-year, fixed investments. In this context it can be seen that the dynamic approach of the ICP, which adjusts to reflect the changing marginal costs and willingness-to-pay of exports is more appropriate than the fixed rate approach used for pole attachers."

Questions for Elenchus:

a) In the Prior Elenchus Report, Elenchus established criteria for its recommended methodology to allocate costs. In Decision EB-2019-0082, the OEB directed Elenchus to amend certain criteria when filing an updated report.

    a. Please confirm, in your professional opinion, that the criteria for Elenchus' recommended methodology to allocate costs in the Prior Elenchus Report continues to be the recommended methodology to allocate costs. Please provide a discussion to justify.

b. Please discuss whether the direction by the OEB to allocate shared network costs to exporters is appropriate in light of the concerns raised by the IESO.

b) Please update the Prior Elenchus Report and include revenue offsets from ICP, uplifts, avoided system costs and other benefits.

Questions for IESO:

c) Please confirm, in the IESO's view, that the hybrid methodology used in the pole attachment case (EB-2015-0304) to allocate commons costs is not the approach that should be used to allocate common network costs for exporters.

APPrO-3

References:

Submissions on the ETS Rate / Attachment 1 / p.3

Preamble:

Elenchus states that "[i]f export customers are allocated a portion of Shared Network Asset-related costs, it is Elenchus' view that export customers should also be allocated a portion of external revenues received by HONI for use of their assets. Elenchus recommends for full External Transmission Revenues to be allocated by the same methodology as Shared Network Asset-related costs."

Questions for Elenchus:

a) Please provide an estimate of revenues (2018-2021) for export customers allocated a portion of Shared Network Asset-related costs.

b) Please provide a forecast for future estimated revenues.

APPrO-4

References:

Submissions on the ETS Rate / Attachment 1 / p.31-33

Preamble:

Tables 10, 11, 12 and 13.

Question for Elenchus:

a) Please provide tables 10, 11, 12 and 13 in excel format, including all calculations and data upon which these numbers are based.

APPrO-5

References:

Submissions on the ETS Rate / Attachment 1 / p.23 and 28

Preamble:

"As the domestic peak demands have declined in recent years, the approximate number of hours when exports curtailments were active have also fallen."

"To provide an indication of the degree to which exports are curtailed at peak times, the IESO provided the following:

> Over the top 5 peak hours over the last 5 years, the IESO curtailed exports in 11 out of 25 hours. The average quantity of exports curtailed was 158MW or approximately 10% of exports scheduled."

Question for IESO:

a) Please provide a spreadsheet of hourly curtailment (at wind and solar sites) and spill volumes (at hydroelectric facilities) in the 2016 - 2018 timeframe. The data would reflect the amount of energy (MWh) that was spilled/curtailed by fuel type in every hour.

Questions for Elenchus:

b) Please discuss whether the decline in peak demand in recent years has resulted from COVID-19.

c) Please update Table 6 and provide a forecast of "Hours with Export Curtailment" until 2027.

d) Please provide an annual break down for the statement in the preamble above at lines 7-11.

e) Please provide further clarification on what is meant by the phrase "top 5 peak hours over the last 5 years".

f) In response to certain climate objectives, government authorities are implementing plans to reduce greenhouse gas emissions (e.g. TransformTO Net Zero Strategy) primarily

through electrification. Please discuss the impact these initiatives will have on the curtailment of exporters due to expected increases in future demand.

APPrO-6

References:

Submissions on the ETS Rate / Attachment 3 / p.13

Preamble:

The IESO expects that any increase in revenue resulting from a higher ETS would be offset by an equivalent reduction in revenue from the ICP, which in turn will decrease the amount that is disbursed from the TRCA to Ontario consumers.

Questions for IESO:

a) Please quantify the relative increase in ETS and the reduction in revenue from the ICP. For example, if the ETS is increased by $3/MWh it is expected that revenue from the ICP will reduce by $3 million.

b) When combined with the costs paid by exporters under the ICP, at what point is the ETS rate no longer competitive with other jurisdictions?

c) What other external market forces may dictate or limit the price of ETS?

d) Would the excess capacity on the transmission system be underutilized / idle for the foreseeable future if not used by the electricity exporters?

APPrO-7

References:

Submissions on the ETS Rate / Attachment 1 / p.23

Preamble:

The IESO considers exporters to be a “curtailable” rather than “interruptible” class, consistent with the North American Reliability Council (NERC) definition of interruptible.

Question for Elenchus:

a) Please provide the authority / citation for this statement.

APPrO-8

References:

Submissions on the ETS Rate / Attachment 3 / p.15

Preamble:

"First, as noted above, the ETS is just one component of the total charges on exporters, with other charges including ICP and Uplifts. Combining these charges means total revenues collected from exporters in Ontario is far higher than the $1.85/MWh ETS rate (for example, the ICP alone has recently averaged $7-15/MWh). When comparing jurisdictions, it is important to consider all-in costs which reflect that Ontario collects significant revenues from exporters through the ICP in addition to the ETS."

Questions for Elenchus / CRA / IESO:

a) Please provide an all-inclusive rate ($/MWh) that reflects the true cost of exporting electricity from Ontario.

b) Upon completion of (a), please update Table 1 and Table 2 in Charles River Associates' Jurisdictional Review of Export Transmission Service (ETS) Rates Study.

c) Please provide a forecast for the all-inclusive rate for the period of 2022-2027. List all assumptions and provide an excel spreadsheet setting out the calculations.

APPrO-9

References:

Submissions on the ETS Rate / Attachment 3 / p.11

Preamble:

"Revenues from the ICP are collected by the IESO in the Transmission Rights Clearing Account (TRCA). In addition to ICP revenue, the TRCA also contains revenue from Transmission Rights (TR) auctions. TRs are a financial contract that entitle their holder to a share of the ICP revenue on the intertie specified in the contract. TRs do not involve any use of the physical transmission system, and do not entitle the purchasers of the rights to utilize the transmission assets. By purchasing a TR, the TR holder gains insurance against changes in the ICP on the specified intertie (which can be unpredictable and volatile)."

Questions for IESO:

a) The numbers provided in Table 2: TRCA Historical Flows 2017-2020 do not balance. Please explain.

b) Please explain how the share of ICP revenue in a contract is determined. Will this share fluctuate in the future? If so, by how much?

APPrO-10

References:

Submissions on the ETS Rate / Attachment 3 / p.13

Preamble:

"Any increase in ETS from its current rate will likely reduce the value to ratepayers of exports using the interties, which in turn will result in higher system costs that would need to be recovered from domestic consumers."

Question for IESO:

a) Please confirm whether a decrease in ETS from its current rate will likely increase the value to ratepayers of exports using the interties, which in turn will result in lower system costs that would no longer be recovered from domestic consumers.