

ONTARIO ENERGY BOARD

IN THE MATTER OF the Ontario Energy Board Act, 1998,
S.O. 1998, c.15, Schedule B, as amended;

AND IN THE MATTER OF a Generic Hearing on Uniform
Transmission Rates Related Issues and the Export
Transmission Service Rate.

**Energy Probe Interrogatories
To APPrO Consultant Power Advisory**

June 17, 2022

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EP.APPrO.1

Reference: Power Advisory Report, pages 3 and 6

Preamble: “What is likely to happen to ICP revenues and other ratepayer benefits if the ETS rate is increased to \$6.07/MWh?”

- a) Please explain the origins of the \$6.07/MWh ETS rate on page 3 and \$6.54/MWh ETS rate on page 6.
- b) Please reconcile the differences between the two numbers.

EP.APPrO.2

Reference: Power Advisory Report, page 12

Preamble: “The methodology proposed in this proceeding relies on a traditional cost allocation methodology to justify a near four-fold increase in the ETS rate. The methodology does not incorporate cost causality principles in its conclusion – neither the planning of the transmission grid or generation investments consider export demand as part of the investment planning process.”

- a) What are “cost causality principles” as understood by Power Advisory?
- b) Is Power Advisory claiming that “traditional cost allocation methodology” does not incorporate cost causality principles?
- c) Does Hydro One make generation investments?
- d) Why does Power Advisory believe that Hydro One does not consider export demand in its investment planning?
- e) In the opinion of Power Advisory should cost allocation methodology be used to develop the ETS rate? If the answer is yes, please explain how it should be used. If the answer is no, please explain why not?

EP.APPrO.3

Reference: Power Advisory Report, page 10, para 22

Preamble: “All of the evidence in this proceeding is clear that export customers do not impose a cost on Ontario’s electricity grid.”

- a) Please explain list all types of costs that can be imposed on an electricity grid and explain why export customers do not impose any of these costs.
- b) Please confirm that export customers are users of Ontario’s electricity grid.
- c) Is Power Advisory opposed to the user pay principle where users of an asset pay for their proportionate use of that asset?

EP.APPrO.4

Reference: Power Advisory Report, page 10, and Table 1

Preamble: “The financial impact to Ontario ratepayers from increasing the ETS rate to \$6.54/MWh would have been a net increase in costs of \$42.6 million over the 2018 – 2021 timeframe. The increase is a result of lower congestion rents, increased curtailment at wind and hydro generators and lower market revenues from selling Ontario power in neighbouring jurisdictions.”

- a) Please explain why the quote refers to increasing the ETS rate to \$6.54 / MWh while Table 1 presents an increase to \$4.69/ MWh, and both claim a benefit to ratepayers of \$42.6 million.
- b) Please confirm that Table 1 deals with two alternatives. One alternative is increasing the rate from \$1.85/ MWh to \$4.69/ MWh and the other alternative is decreasing the ETS rate from \$1.85/MWh to zero. Why did Power Advisory not consider an alternative that would keep the ETS rate at \$1.85/ MWh?
- c) Please list all assumptions used in the calculation that support the quantities shown in Table 1.
- d) For each of the two alternatives shown in Table 1, please explain how the following quantities were calculated:
 - i) Wind Curtailment Cost
 - ii) Congestion Rent
 - iii) Hydro Curtailment Cost
 - iv) Market Revenues

EP.APPrO.5

Reference: Power Advisory Report, page 16, paragraph 49

Preamble: “This “opportunity service” targets excess capacity in the system that is being inefficiently used by existing domestic demand.”

- a) Does Power Advisory suggest that any system that has spare capacity is inefficiently used?
- b) Is not spare capacity needed to rapidly respond to changes in demand and supply? Would not a system with no spare capacity have reliability issues?
- c) Why should exporters have right to spare capacity?

EP.APPrO.6

Reference: Power Advisory Report, page 17, paragraph 49

Preamble: “Any cost allocation methodology should recognize the economic opportunity nature of exports and that exports do not purchase a fixed amount of capacity from the system.”

- a) Please explain how a cost allocation methodology would recognize an “economic opportunity” and use it in setting rates.
- b) Is Power Advisory aware of a case where economic opportunity was used by a utility to set rates that were approved by a regulator? If the answer is yes, please provide a reference.

EP.APPrO.7

Reference: Power Advisory Report, page 20, paragraph 57

Preamble: “Zero marginal cost supply includes baseload supply from nuclear plants, must-run hydro supply and intermittent supply from wind generators and, to a lesser extent, solar generators. Simplistically, baseload supply is limited in its ability to respond to price – nuclear units for the most part cannot be easily shutdown and offer into the wholesale market at extremely negative prices, storage capability at hydro generators is limited and wind and solar generators generate under intermittent physical conditions and typically offer supply at \$0/MWh or below”.

- a) What is Power Advisory’s definition of baseload?
- b) Why does Power Advisory consider wind and solar generators to be baseload?

EP.APPrO.8

Reference: Power Advisory Report, page 25, paragraph 66

Preamble: “Overall, Ontario prices are significantly discounted compared to neighbouring wholesale markets – providing an ideal economic landscape for arbitraging Ontario supply into higher-priced wholesale markets and reducing system costs.”

- a) Is the reduction of Ontario supply costs the only purpose of arbitraging?
- b) Do generators benefit from arbitraging?

EP.APPrO.9

Reference: Power Advisory Report, page 29, paragraph 72

Preamble: “When the intertie is congested, congestion rents are collected – the higher price that exporters pay compared to HOEP (\$20/MWh) for each MWh of exports – in an account to be distributed to ratepayers. In a perfectly efficient market, congestion rents either accrue to ratepayers or are used to fund transmission expansion – essentially, funding an economic buildout of intertie capacity.”

Is Power Advisory suggesting that Hydro One should collect congestion rents in an account that Hydro One would use to pay for construction of transmission facilities that would relieve congestions at interties? If the answer is yes, please explain how Hydro One would do that. If the answer is no, please explain what Power Advisory is suggesting.

EP.APPrO.10

Reference: Power Advisory Report, page 30, paragraph 74

Preamble: “A regulated process would typically only be used when there is a market failure. In this case, there is no market failure on the province’s interties.”

- a) Please define “market failure”.
- b) Please list all instances of market failure in the 2018 to 2021 period.
- c) Does Power Advisory expect that market failure is likely to occur in the next five years.

EP.APPrO.11

Reference: Power Advisory Report, page 35, paragraph 87

Preamble: “Surplus hydro supply is doubly bad for Ontario ratepayers, as they are charged the full regulated rate for it, while receiving no external market revenue to offset a portion of the regulated rate.”

Are surplus wind and solar also bad for Ontario ratepayers? Please discuss their impact and compare it to the impact of surplus hydro.