September 26, 2022

Ms. Nancy Marconi
Registrar
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Re: EB-2021-0243
Generic Hearing on Uniform Transmission Rates-Related Issues and the Export Transmission Service
AMPCO's Reply Submissions

Dear Ms. Marconi:

Attached please find AMPCO's reply submissions in the above proceeding.

Best Regards,

Colin Anderson
President

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EB-2021-0243

Generic Hearing on Uniform Transmission Rates-
Related Issues and the Export Transmission Service Rate

AMPCO Reply Submissions

September 26, 2023

The Ontario Energy Board (OEB) generic hearing is on its own motion under sections 19, 21 and 78 of the *Ontario Energy Board Act, 1998* to consider various issues related to Ontario's Uniform Transmission Rates (UTR). The first phase focuses on reviewing and setting the Export Transmission Service (ETS) rate. Other UTR-related issues will be considered in a subsequent phase or phases of the hearing. These issues have been identified in the years since Ontario's UTR framework was established in Hydro One's first rate application proceeding in 2000, and implemented in 2002 following the opening of Ontario's electricity market.

AMPCO filed its final submission in this proceeding on September 6, 2022. Procedural Order No.3 dated August 26, 2022 provides for reply submissions to the submissions of other parties. These are the reply submissions of AMPCO.

In addition to AMPCO, the following parties filed final submissions:

- Association of Power Producers of Ontario (APPrO)
- Anwaatin Inc. (Anwaatin)
- Consumers Council of Canada (CCC)
- Canadian Manufacturers & Exporters (CME)
- Energy Probe Research Foundation (Energy Probe)
- Hydro One Networks Inc. (Hydro One)
- The Independent Electricity System Operator (IESO)
- London Property Management Association (LPMA)
- Naren Pattani
- OEB Staff
- Pollution Probe
- School Energy Coalition (SEC)
- Vulnerable Energy Consumers Coalition (VECC)

AMPCO has reviewed the above submissions and observes there is no consensus on a preferred ETS value or the methodology used to derive the value. Some parties support a pure cost allocation approach; others do not. Some parties support an annual adjustment to the ETS rate; others do not. There is no one-size fits all solution at this time.

For example, and at a high level:

- APPrO's principal position is that the ETS rate be discontinued given the presence of the ICP charges in the market.[1]

- CME supports a modest reduction to the ETS rate for instance, to $1.50, in order for the Board and stakeholders to test whether the amounts recovered through the ICP will outweigh those that would have been collected under a higher ETS rate, but were not.[2]

- Energy Probe submits that the ETS rate should be increased to $2.00/MWh to reflect the increase in Transmission Rate Base since the ETS rate was set in EB-2014-0410.[3]

- Hydro One did not propose an ETS value but recommended that the OEB use cost allocation as a starting point but, ultimately, establish a rate that balances cost recovery from exporters with the objective of achieving the broader cost and system benefits to the Ontario electricity system.[4]

- The IESO requests that the OEB set the ETS rate at zero or no higher than its current level of $1.85/MWh for the duration of the 2023-2027 rate period. Any increase in the current ETS rate above $1.85/MWh would be a concern for the IESO. The IESO does not support any approach that would see a gradual escalation of the ETS rate over time. Further the IESO submits, it would be appropriate to not reset the ETS rate until the end of 2027, at which time there should be greater certainty on how the sector is addressing the projected capacity need and MRP will have been implemented.[5]

- LPMA suggests that the ETS rate be increased to $2.50/MWh for 2023 and then increased by $0.50/MWh in subsequent years. This would result in a $5.00/MWh charge in 2028, which would likely be a rebasing year for HONI at which time a new ETS rate could be determined through the cost allocation methodology.[6] LPMA submits that a cost-based methodology, as provided by Elenchus in this proceeding, should be the basis upon which to set the ETS rate.[7]

- Naren Pattani recommends a fixed ETS rate of $3.66/MWhr (Allocation on 50% Basis of Shared Net Fixed Assets as per Elenchus Research Associates (Elenchus) Report.

[1] APPrO Submission P3
[2] CME Submission P5, P13
[3] Energy Probe Submission P2
[4] Hydro One Submission P10
[5] IESO Submission P18
[6] LPMA Submission P8
[7] LPMA Submission P3

- OEB staff recommends retaining the current \$1.85/MWh ETS rate for all of 2023, increasing the ETS rate to \$2.15/MWh starting in 2024, and then continuing to increase it each year by approximately \$0.30/MWh until it reaches \$3.66/MWh in 2029 at which time the OEB would conduct a review.[8]

- Pollution Probe recommends that the ETS rate be reduced to zero.[9]

- SEC proposes a rate that is at the midpoint of the current \$1.85/MWh rate and the fully allocated cost-based methodology (80% scenario-\$5.42/MWh) proposed by Elenchus.[10]

- VECC (supported by CCC) recommends increasing the ETS rate to \$3.00/MWh somewhere between 6-12 months after the Board issues its Decision (resulting in an ETS rate adjustment sometime mid to late 2023); increasing ETS rate on January 1 of each year during Hydro One Networks' CIR period (2024 to 2027) by the same RCI percentage that is used to adjust Hydro One's transmission revenue requirement; and undertaking a review of the ETS rate at the time of the next rebasing of Hydro One Networks' transmission revenue requirement (currently 2028 based on Hydro One Networks' proposed five year term in its current CIR Plan application.[11]

In AMPCO's view, this scatterplot of preferred ETS values supports AMPCO's final submissions that the status quo of \$1.85/MWh for the ETS rate is appropriate until there is more market certainty and further analysis of the above points of divergence can be undertaken. Consistent with its final submissions, AMPCO submits it is appropriate to not reset the ETS rate until the Market Renewal Program (MRP) has been implemented and the full market impacts are known. The IESO noted the implementation of MRP will result in changes to the Ontario market including the introduction of locational marginal pricing to Ontario.[12]

The IESO also stated that evaluating the risk associated with an increase of the ETS rate is particularly difficult at the present time as the Ontario market is facing a time of transformative change and attendant uncertainty in the years ahead due to, amongst other things, the emerging capacity need in 2025, the roll out of MRP and volatile commodity prices.[13] AMPCO submits this additional market volatility underscores the need to leave the ETS rate as is.

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[8] OEB Submission P1
[9] Pollution Probe Submission P5
[10] SEC Submission P22
[11] VECC Submission P48-49
[12] IESO Submission P16
[13] IESO Submission P1