

CME Interrogatory #1 for OPG

Interrogatory

1. In its November 10, 2008 letter to the Ontario Energy Board (the "Board"), OPG indicates that the IESO entered into the RMR Agreement for Lennox for a one year period, expiring September 30, 2009, after determining that the absence of such an agreement would put the IESO-controlled grid at undue risk. In the context of this evidence, CME seeks responses from **both OPG and the IESO** to the following questions:
 - (a) Did OPG invite the IESO to sign a RMR agreement having a duration greater than one year? If so, then what were the essential terms and the duration of the longer term RMR agreement OPG was seeking?
 - (b) Would the IESO please provide a detailed description of the facts upon which it relies to support its decision that a one year extension of the RMR agreement to September 30, 2009, is in the best interests of electricity consumers and other stakeholders; and, in particular, why the IESO envisages that an RMR contract with OPG's Lennox facility beyond September 30, 2009, is either unnecessary or imprudent to commit to at this time.

Response

- (a) OPG requested that the IESO review the continued need for Lennox as a RMR resource beyond September 30, 2009, for the purpose of potentially entering into an agreement with a duration longer than one year.

The IESO's technical assessment indicated that there is insufficient justification to extend the Lennox RMR Agreement beyond September 30, 2009. Given the IESO's assessment, OPG did not pursue the negotiation of a longer term RMR agreement.

- (b) OPG is not in a position to respond to this question, which appears to be directed to the IESO.

CME Interrogatory #3 for OPG

Interrogatory

- (a) In a scenario where the IESO's RMR contract with Lennox expires on September 30, 2009, and OPA makes no contractual commitment to Lennox beyond that date, **will OPG please provide** the following information:
- (a) A detailed description of the measures that OPG would need to take to enhance the competitiveness of the price at which it offers Lennox output in order for Lennox to survive in the competitive electricity generation market.

Response

- (a) As Lennox is expected to continue to operate as a peaking plant going forward, revenues generated from the IESO-administered market are not expected to be sufficient to cover the costs associated with operating Lennox, hence the need to operate the facility under some type of agreement. Contractual support for generators is common in the Ontario hybrid market. In the absence of contractual support, OPG would need to assess whether it makes commercial sense to continue to operate the facility after September 30, 2009.

CME Interrogatory #5 for OPG

Interrogatory

1. OPG's November 10, 2008 letter to the Board concludes with a submission that a longer term agreement for Lennox would be cost effective, **would OPG please provide** responses to the following:
 - (a) In the context of this statement, is OPG inviting the Board to impose an RMR agreement on the IESO of a duration longer than one year?
 - (b) If so, then please specify the length of contract term which OPG says would be "cost effective".
 - (c) Please provide all of the information upon which OPG relies to support its submission that an agreement between the IESO and Lennox, which does not expire on September 30, 2009, would be cost effective.
 - (d) In particular, please provide a Table which will show, year by year, the estimated electricity prices and any other information upon which OPG relies to demonstrate that a RMR contract between the IESO and Lennox, for a term greater than one year, will materially benefit electricity consumers compared to the scenario where the IESO's RMR agreement with Lennox terminates September 30, 2009.

Response

- (a) As noted in its September 12, 2008 application and in its evidence submitted on November 10, 2008, OPG expressed interest in extending the term of the 2008-09 RMR Agreement beyond 12 months during the negotiations with the IESO. The IESO's technical assessment indicated that there was insufficient justification to extend the RMR Agreement beyond September 30, 2009. The evidence filed by OPG regarding the cost-effectiveness of a longer term agreement for Lennox was filed in response to an interest expressed by the Board in the EB-2007-0715 Decision, and reiterated in Procedural Order No. 1 for EB-2008-0298, in a multi-year RMR arrangement.
- (b) Not applicable based on the response to question (a) above.
- (c) OPG, in its November 10, 2008 evidence stated that "a longer term agreement for Lennox would be cost effective." (OPG evidence, part 3, page 5, second para.)

This statement was made in the context of the information provided in parts 1 and 2 of OPG's November 10, 2008 evidence which identified the cost implications if Lennox were to be shut down and potentially restarted, in response to the Board's interest in the cost effectiveness of a multi-year contract.

- (d) OPG did not state that a RMR contract between the IESO and Lennox, for a term greater than one year, would materially benefit electricity consumers compared to the scenario where the IESO's RMR agreement with Lennox terminates September 30, 2009. OPG, in its November 10, 2008 evidence stated that "customers could potentially face higher electricity costs if there was a decision to remove the facility from service or reduce operations at the facility." (OPG evidence, part 1, page 3, second para.) and "a longer term agreement for Lennox would be cost effective." (OPG evidence, part 3, page 5, second para.)

Based on the current operation of Lennox as a peaking plant in the Ontario market, OPG is of the view that there is the potential for customers to face higher electricity costs if the operation of Lennox were to be curtailed. When Lennox operates for energy it is usually the marginal plant, setting the market clearing price. If it were not operating, it would need to be replaced by the next highest cost resource.