STAKEHOLDER & RIGHTSHOLDER CONSULTATION

1.0 PURPOSE

This evidence provides a description of the stakeholder and rightsholder consultation process that OPG held on the Application prior to filing it with the OEB.

2.0 BACKGROUND

OPG held a stakeholder and rightsholder information session on November 30, 2023, in advance of submitting the Application. The following provides an outline of the session including the objective, process, participants, and participant funding guidelines.

3.0 OBJECTIVE

The objective of the consultation process was to inform stakeholders and rightsholders about the Application.

4.0 PROCESS

OPG invited stakeholders who participated in the last OEB proceeding regarding OPG's payment amounts, and other stakeholders and rightsholders who, in OPG's view, may have a material interest in the application.

The invitation letter, including funding guidelines, is provided in Attachment 1. Funding was offered to participants who qualified under the funding guidelines. The session presentation is provided in Attachment 2.

ATTACHMENTS

Attachment 1:	Stakeholder Invitation Letter and Funding Guidelines
Attachment 2:	Information Session Presentation

Matt Kirk
Director, Regulatory Affairs

700 University Avenue, Toronto, ON 416-592-8541 matthew.kirk@opg.com

November 24, 2023

VIA EMAIL

Dear Stakeholders and Rightsholders:

Stakeholder and Rightsholder Information Session:
Application relating to impacts from the Market Renewal Program and disposition of 2022 deferral and variance account balances

Ontario Power Generation (OPG) is preparing an application to the Ontario Energy Board (OEB) to address impacts of the Independent Electricity System Operator's Market Renewal Program, and request disposition of the balances in OPG's deferral and variance accounts as at December 31, 2022.

OPG plans to file the application shortly. The purpose of this letter is to invite you to participate in an information session that OPG is conducting in advance of filing the application.

We are contacting stakeholders and rightsholders who we believe may have an interest in this application. The objective of the information session is to provide an overview of our application.

The session will be held on November 30, 2023, from 11:00am to 11:30am. The session will be held virtually via Teams, details of which are to follow.

The agenda for the session will be forwarded to participants in advance, and all of OPG's presentation materials will be posted on OPG's website, www.opg.com, following the session. OPG will provide funding for participation in the stakeholder and rightsholder information session to eligible participants. A copy of the funding guidelines is attached for your information.

If you have any questions, please contact me at matthew.kirk@opg.com. Please confirm your attendance at the session by contacting Lori Patchett by email at lori.patchett@opg.com or by phone at 416-592-3534.

Sincerely,

Matt Kirk

Attachment 1: OPG Stakeholder Information Session Participant Funding Guideline

Attachment 1:

Participant Funding Guidelines

To facilitate dialogue with its stakeholders, Ontario Power Generation (OPG) will provide funding to assist qualifying stakeholders to participate in its stakeholder consultation process for its application to the Ontario Energy Board (OEB) relating to impacts from the Market Renewal Program and disposition of 2022 deferral and variance account balances. The funding criteria that will be used are based on the OEB's most recent Practice Direction on Cost Awards. The following provides eligibility guidelines and a description of the funding process.

Eligibility

- The determination of whether a party is eligible for funding will be at the sole discretion of OPG.
- Funding is limited to not-for-profit organizations whose interests are affected by the application such as public interest organizations, environmental organizations, and Indigenous communities.
- Individuals and organizations with a direct commercial or business interest in the application are not eligible for funding. This includes, but may not be limited to, transmitters, wholesalers, generators, distributors, retailers and marketers, or organizations representing these interests.
- Municipal or provincial government staff or representatives are not eligible for funding.
- Parties with similar interests are encouraged to combine their participation.
- Funding will be provided only to stakeholders participating in the discussion session.

Process for Funding and Eligible expenses

- To allow timely processing of requests, it is suggested that stakeholders seeking funding apply to OPG prior to the session. Stakeholders should indicate in writing that they will be participating and include a statement justifying their eligibility. Parties should submit their request for financial support to:

  Matt Kirk
  matthew.kirk@opg.com

- OPG will notify the party prior to the session if their funding application is accepted.
- Funding will be provided for meeting preparation and attendance for one person based on rates outlined in the OEB's Cost Award Tariff.
- Preparation time is not to exceed an amount equal to the meeting time. Preparation time is only allowed if the stakeholder attends the session.
- As this will be a virtual meeting, no travel expenses will be allowed.
- Reasonable disbursements, such as postage, photocopying, etc., are eligible expenses.
- Eligible participants must submit an OPG disbursement claim sheet form complete with receipts, no later than 30 days after the session.

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Impacts of the Market Renewal Program and Clearance of Deferral & Variance Accounts

Stakeholder & Rightsholder Information Session

November 2023

Territory Acknowledgement

Application Summary and Timing

Impact of the IESO's Market Renewal Program

Deferral & Variance Account Clearance

Application Summary and Timing

EB-2020-0290 Settlement

- "OPG shall file an application with the OEB regarding any changes to the Hydroelectric Incentive Mechanism and other impacts arising from the MRP with sufficient time for the OEB to adjudicate the application prior to the scheduled implementation of the MRP."
- "in conjunction with [the MRP] application, or separately during the IR term, OPG may also file an application to clear deferral and variance accounts."

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Application Summary and Timing

In the application, OPG is requesting:

- Approval of the Surplus Baseload Generation Variance Account spill calculation methodology.
- Approval of a revised Hydroelectric Incentive Mechanism ("HIM") methodology and HIM adjustment for spill.
- Continuation of current treatment of make whole payments.
- Approval for recovery of audited December 31, 2022 balances of regulated hydroelectric and nuclear deferral and variance accounts.

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02

Impact of the IESO's Market Renewal Program

Market Renewal Program Status and Impacts

- IESO is currently in the implementation phase of its Market Renewal Program ("MRP") with an expected in-service date of May 2025.

Impacts of MRP on OPG's regulated framework are primarily due to:

- Replacing the two-schedule market with a single schedule market ("SSM") and locational marginal price ("LMP").
- Introducing a financially binding day-ahead market ("DAM").

02

Impact of the IESO's Market Renewal Program

Overview of OPG's Effective Payment Amounts

- OPG's base payment amounts for the 2022-2026 period were set in EB-2020-0290 for OPG's regulated hydroelectric and nuclear facilities.
- Certain components of OPG's regulatory framework incorporate features of the current two-schedule market, for example the uniform market price.
- Elements of OPG's payment amounts designed on this basis are incompatible with the market post-MRP implementation and will need to be revised to reflect resultant changes and new drivers.

Major Changes Introduced by Market Renewal Program

	Today's Market	Renewed Market
Market	• Day-Ahead Commitment Process + Real-time market • No financially binding day-ahead schedule/price	• Day-Ahead market + Real-Time balancing market • Financially binding day-ahead schedule/price
Scheduling & Dispatch	• Two Schedules: I. Pricing schedule – determines prices for market settlement II. Dispatch schedule – determines dispatch of resources	• Single Schedule One schedule for market prices and dispatch scheduling
Price	• Uniform market price	• Locationally-based market prices

IESO MRP Resources
Background: https://ieso.ca/en/Market-Renewal/Background/Overview-of-Market-Renewal
High-level Design documents: https://ieso.ca/en/Market-Renewal/Energy-Stream-Designs/High-Level-Designs

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02

MRP Impacts on OPG Regulated Framework Addressed in this Application

MRP Changes		SBGVA	HIM	MWP/CMSC
Single Schedule Market	Uniform price to Locational Prices	☑	☑	
	Eliminate Unconstrained schedule	☑		☑
	Changes to MWP			☑
DAM & RTM	DAM & RTM Settlement		☑	

02

Surplus Baseload Generation Variance Account (SBGVA)

MRP Impact:

1. The calculation of SBG spill amounts will be affected by transition to a single schedule market with the elimination of the uniform market price used in the current SBG spill determination methodology
2. OPG will no longer have access to an indicator of global SBG conditions.

Proposed Treatment:

Revise the calculation of amounts booked in OPG's SBGVA to record the financial impact of forgone production due to SBG conditions based on LMP.

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02

Hydroelectric Incentive Mechanism (HIM)

MRP Impact:

The HIM needs to be revised to reflect new market features including LMP and settlement of the new day-ahead and real-time markets.

Proposed HIM Treatment:

A revised Hydroelectric Incentive Mechanism to incorporate:

- separate incentives for the day-ahead and real-time timeframe;
- settlement on LMP;
- daily production averaging instead of the current monthly production averaging.

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02

HIM Adjustment for SBG ("Unintended Benefit")

MRP Impact:

In alignment with proposed changes to the HIM and calculation of SBG spill, the formula for unintended benefit will be revised accordingly.

Proposed Unintended Benefit Treatment:

A revised unintended benefit formula that incorporates:

- Settlement on real-time LMP. (Due to the real-time nature of spill);
- daily averaging;

02

Make Whole Payments

MRP Impact:

MRP will introduce changes to the nature and frequency of MWPs. IESO describes MWPs expected post MRP implementation as small and infrequent.

Proposed Treatment:

Consistent with current treatment, OPG proposes to retain any real-time MWPs net of any clawbacks, separate from the regulated payment structure.

03

Deferral & Variance Account Clearance

- OPG proposes to recover December 31, 2022 D&V account balances for most accounts (less amounts previously approved for recovery through payment riders established in EB-2020-0290)
- Hydroelectric D&V account balances of $217M and nuclear D&V account balances of $222M

03

Proposed Recovery Periods

- OPG proposes to clear the recoverable amounts over a 30-month period from July 1, 2024 to December 31, 2026
- Riders concluding at the end of 2026 aligns with the current rate period and subsequent transition to base payment amounts and riders to be approved in OPG's next major rate application

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03

Hydroelectric D&V Account Balances

Regulated Hydroelectric Deferral and Variance Accounts	Audited 2022 Balance ($M)	EB-2020-0290 Amortization ($M)	2022 Balance Less Approved Amortization ($M)*
Water Conditions VA	(172.4)	(72.7)	(99.6)
Ancillary Services Net Revenue VA	(34.3)	(22.2)	(12.1)
Hydroelectric Incentive Mechanism VA	0	0	0
Surplus Baseload Generation VA	401.8	112.2	289.6
Income and Other Taxes VA	(13.3)	(1.8)	(11.5)
Capacity Refurbishment VA	80.3	0	80.3
Niagara Tunnel Project 2008 Disallowance VA	8.0	2.5	5.5
Pension & OPEB Cost VA	2.1	2.1	0
Pension & OPEB Cash VA	(77.0)	(25.7)	(51.3)
Pension & OPEB Cash Vs. Accrual Differential DA	110.4	82.3	28.1
Pension & OPEB Forecast Accrual Vs. Actual Cash – Carrying Costs	(2.0)	(0.1)	(1.9)
Hydroelectric Over/Under Recovery VA	16.1	2.3	13.8
Total	**319.8**	**78.9**	**240.8**

* Represents balance available for recovery. Not all amounts proposed for recovery in this application.

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03

Nuclear D&V Account Balances

Nuclear Deferral and Variance Accounts	Audited 2022 Balance ($M)	EB-2020-0290 Amortization ($M)	2022 Balance Less Approved Amortization ($M)*
Nuclear Liability DA	188.3	0	188.3
Impact Resulting from Changes in Pickering EOL DAs	(102.7)	(163.9)	61.2
Nuclear Development VA	110.9	2.5	108.4
Ancillary Services Net Revenue VA	(13.6)	(2.4)	(11.3)
Income and Other Taxes VA	(18.8)	(9.7)	(9.1)
Capacity Refurbishment VA	50.7	(76.8)	127.5
Bruce Lease Net Revenues VA	101.3	99.6	1.7
Pension & OPEB Cost VA	(79.6)	42.9	(122.6)
Pension & OPEB Cash VA	(383.4)	(116.1)	(267.3)
Pension & OPEB Cash Vs. Accrual Differential DA	688.3	523.5	164.8
Pension & OPEB Forecast Accrual Vs. Actual Cash – Carrying Costs	(12.3)	(0.4)	(11.9)
Nuclear Over/Under Recovery VA	(74.7)	(16.8)	(58.0)
Fitness for Duty DA	1.6	0	1.6
SR&ED ITC VA	(8.6)	(8.1)	(0.5)
Rate Smoothing DA	568.9	0	568.9
Pickering Closure Costs DA	2.8	0	2.8
Total	**1,018.8**	**274.4**	**744.4**

* Represents balance available for recovery. Not all amounts proposed for recovery in this application.

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03

Proposed D&V Recovery

- EB-2020-0290 approved clearance of December 31, 2019 balances over five-year period of 2022-2026
- In this application, OPG will propose to clear December 31, 2022 balances over the 2024-2026 period.

	2024	2025	2026
EB-2023-0336 Proposed Riders ($/MWh)			
Hydro Rider	2.75	2.75	2.75
Nuclear Rider	3.26	3.56	5.05
EB-2023-0336 Estimated Residential Bill Impacts			
Typical Bill Impact ($/Month)	1.07	0.05	0.15
Typical Bill Impacts (%)	0.8%	0.0%	0.1%

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