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APPrO
ASSOCIATION OF
POWER PRODUCERS
OF ONTARIO

July 24, 2006

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 26th Floor
Toronto ON M4P 1E4

Dear Ms. Walli

Re: Setting Payments for Output from Ontario Power Generation's Prescribed Generation Assets – Board File No: EB-2006-0064

The Association of Power Producers of Ontario (APPrO) wishes to provide comments on the staff Discussion Paper on the above matter.

First, while the Staff Paper describes different regulatory options that could be used to set payments for the prescribed assets, APPrO takes no position on any of the options being considered given that each has particular advantages and drawbacks, depending on one's point of view.

However, APPrO is of the view that the Board should consider the following fundamental points in reaching its determination:

1. Ontario Power Generation should receive a commercial rate of return, so as not to skew the investment climate for the prescribed facilities or for other market participants.
2. Any option to set payments should provide for maximum information transparency for the regulated assets within that option. All generators will benefit from such transparency.
3. The regulated asset structure should maximize the use of market based incentives. Market-based incentives would be particularly relevant, for example, in directing peaking production from regulated hydroelectric facilities to those hours where the power is most needed.

4. Finally, whatever option is chosen, it should allow for sufficient flexibility to respond to future directions in Ontario's electricity market policy.

Sincerely,

A handwritten signature in black ink, consisting of a large, sweeping loop followed by a smaller, more intricate flourish.

David Butters
President