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July 14, 2011

VIA EMAIL

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: MSP Monitoring Document:
Submission of Ontario Power Generation Inc.**

Please find attached Ontario Power Generation Inc.'s submission on the Market Surveillance Panel's Draft Monitoring Document: *Generator Offer Prices Used to Signal an Intention to Come Offline*.

If there are any questions with respect to this submission, please do not hesitate to contact me at (416) 592-3326.

Best Regards,



Colin Anderson
Att.

**OPG's Comments on the MSP's Proposed Monitoring Document:
Generator Offer Prices Used to Signal an Intention to Come Offline**

OPG appreciates the opportunity to comment on the Market Surveillance Panel's (MSP's or the Panel's) Proposed Monitoring Document (Monitoring Document or Document): *Generator Offer Prices Used to Signal an Intention to Come Offline*.

In summary, while OPG can understand the Panel's interest in the issue addressed by the Monitoring Document, OPG has concerns relating to the recommendations contained within the Document. Accordingly, OPG respectfully suggests that the Panel postpone any monitoring, as contemplated within the Document, until the results of the Independent Electricity System Operator's (IESO's) SE84 are more fully developed.

OPG submits that there is a problem with the timing of the proposed Monitoring Document given that the IESO has already initiated a stakeholder engagement (SE 84) which is intended to address concerns associated with constrained payments. Included within this initiative is the same issue that is addressed within the proposed Monitoring Document, namely generators who are ramping down. Any threshold instituted by the MSP at this time, via a Monitoring Document, is likely to prejudice the outcome of this stakeholder activity. Accordingly, OPG submits that the consideration of such a monitoring protocol should be deferred until the IESO process has had an opportunity to consider the issue fully and propose solutions.

Notwithstanding this general concern in respect of timing, OPG has some additional specific comments on the concepts expressed in the Document.

Page 2 of the Document makes a reference to the criteria to be used in assessing a generator's actions when coming offline. Here, these criteria are expressed in the following way:

"If a generator's offer price exceeds its marginal or opportunity cost..." and
"...where offer prices are higher than necessary..."

This reference is in contrast to the discussion of criteria on Page 7, where the concept of opportunity cost has been eliminated. OPG questions this disconnect and further recommends that consideration of opportunity cost is reasonable as set out in the comments that follow, and should be included within the criteria.

Section 2 of the Document identifies several acceptable *bona fide* business reasons why a generator may want to come offline such as short-term fuel or staff availability. These reasons appear to be focused on the current operating day only. Consideration must also be given to reliability commitments and cost guarantees that a generator may have for the next day as part of the IESO's Enhanced Day Ahead Commitment (EDAC) process, guarantees which represent a clear opportunity cost to the generator. These obligations and potential financial penalties may require a generator to come offline, even when it appears it would otherwise be economically scheduled, to ensure the required minimum shutdown time is met in order to fulfill the next day's reliability commitments.

Also Section 2.3 of the Document suggests that offers in excess of the greater of 130% of the 3 hour ahead pre-dispatch shadow price or the generator's marginal cost may lead to an inquiry by the MSP. However, there does not appear to be any comprehensive analysis to support these particular levels. In the absence of such an analytical assessment, OPG submits that it can be counterproductive to adopt arbitrary thresholds. It is not inconceivable that such a threshold could be triggered numerous times in legitimate circumstances, resulting in many "false positives", an undesirable outcome that must be considered with any bright-line threshold that is set.

The Document goes on to state that the Minimum Generation Block Run Time (MGBRT) offer price will be considered representative of the generator's marginal cost in this assessment process. OPG submits that the use of MGBRT offers is not appropriate in this assessment as during ramp down a generator's cost could be 2 to 3 times its marginal cost at minimum load. The assessment should not be based on an assumption that generators will be expected to lose money while ramping down.

Finally, other market conditions such as multiple generators, all desiring to shutdown in the same time period, may also require offers that are significantly greater than the proposed thresholds. The Panel may want to reconsider the quantum of this threshold and should generally assess the concept of a materiality limit to further restrict the number of reviewed cases.

In conclusion, OPG respectfully submits that the Panel postpone the implementation of such a Document until after the existing stakeholder exercises have produced results. At that time, if the need for such a Document is still seen to exist, OPG requests that the Panel consider the specific technical comments submitted herein.