

July 15, 2022

BY EMAIL

Mr. Brian Hewson
Vice President, Consumer Protection & Industry Performance
Ontario Energy Board
27th Floor - 2300 Yonge Street
Toronto, ON
M4P 1E4

Dear Mr. Hewson:

Re: Ontario Power Generation Inc. ("OPG") – Clean Energy Credits

This correspondence is in response to the letter from the Ontario Energy Board ("OEB") dated May 27, 2022, in which the OEB staff requests information pertaining to OPG's sales of clean energy credits. OPG's answers to OEB staff's questions are provided in the attached.

Please note that the attached information includes OPG confidential information relating to OPG's projected sales of clean energy credits attributable to its hydroelectric and nuclear production. This information has been redacted for the public record. A separate unredacted version has been filed with the OEB in confidence for the OEB's review only.

OPG respectfully requests that prior to any intention the OEB may develop to disclose the confidential information on the public record, that the OEB give OPG notice and afford OPG an opportunity to make submissions on the issue.

Respectfully submitted,



Saba Zadeh

cc: Charles Keizer, Torys LLP
Aimee Collier, OPG

Attachment 1 – Responses to Questions on Clean Energy Credits

OEB Staff Question #1

Question

Please provide a table showing the annual revenues that OPG has earned through sales of environmental attributes, credits, or rights (collectively Clean Energy Credits) from 2013 to the present from its regulated facilities. Please also show the production quantities (e.g., MWh or TWh) associated with the revenues. Please show the revenues and production quantities separately for hydro-electric and (if applicable) nuclear.

Response

OPG has provided the revenues and volumes of OPG's Clean Energy Credits from July 1, 2014 through December 31, 2021 in Tables 1 and 2, below. OPG has not provided revenues or volumes prior to the newly regulated facilities becoming regulated.

It should be noted that Clean Energy Credits are sometimes sold for past years, meaning that the vintage year for a volume of Clean Energy Credits sold may not align with the year in which the revenue is earned. For example, a sale of 2016 Clean Energy Credits that took place in 2021 would show in 2016 volumes and 2021 revenues.

Table 1: Clean Energy Credit Revenues by Year of Sale

	2014 ¹	2015	2016	2017	2018	2019	2020	2021
Revenues (\$M)	\$0.1	\$0.3	\$0.4	\$0.3	\$0.0	\$0.3	\$0.3	\$5.5

Table 2: Clean Energy Credit Volumes by Vintage Year

	2014 ¹	2015	2016	2017	2018	2019	2020	2021
Volumes (TWh)	0.03	0.10	4.10	3.60	0.00	1.12	2.76	4.13

All Clean Energy Credits revenue to date have been sourced from hydroelectric facilities.

¹ Represents sales/volumes from July 1, 2014 to December 31, 2014.

OEB Staff Question #2

Question

Please provide an annual forecast of the revenues that OPG expects to earn through sales of Clean Energy Credits from 2022-2026 from its regulated facilities as well as the associated production quantities. Please show the revenues and production quantities separately for hydro-electric and nuclear.

Response

Forecasts of the revenues and volumes based on currently projected sales of OPG's Clean Energy Credits from 2022-2026 are provided in Tables 3 and 4, below:

Table 3: Clean Energy Credit Forecast Revenues by Year of Sale

	2022	2023	2024	2025	2026
Hydro Revenues (\$M)	█	█	█	█	█
Nuclear Revenues (\$M)					
Hydro and Nuclear Total Revenues (\$M)	\$4.8	\$3.5	\$2.0	\$1.9	\$1.7

Table 4: Clean Energy Credit Forecast Volumes by Vintage Year

	2022	2023	2024	2025	2026
Hydro Volumes (TWh)	█	█	█	█	█
Nuclear Volumes (TWh)					
Hydro and Nuclear Total Volumes (TWh)	1.9	0.5	0.3	0.8	0.7

OEB Staff Question #3

Question

Are revenues from the sales of environmental credits from OPG's regulated facilities referenced in any of the materials that have been filed in any of the payment amounts proceedings before the OEB? If so, please provide the references. If not, why not?

Response

OPG has not previously referenced revenues from the sale of environmental credits from its regulated facilities in its payment amount proceedings before the OEB.

As noted in Question 1, all Clean Energy Credits revenue to date have been sourced from hydroelectric facilities. OPG did not forecast any sales from its nuclear facilities until very recently and the values of which are immaterial as noted in Question 2.

OPG's revenues from environmental credits (now Clean Energy Credits) were sourced from its EcoLogo certified small hydroelectric stations, which became subject to OEB regulation on July 1, 2014. OPG did not begin selling CECs sourced from other regulated hydroelectric facilities until Q3 2021 when CECs sourced from the Sir Adam Beck GS were included as part of a pilot program.

OPG submitted its last rebasing application for hydroelectric rates in 2013 for rates effective 2014-2015 (EB-2013-0321). At that time, EcoLogo revenues over the 2014-2015 period from its "newly" regulated small hydroelectric facilities were not expected to be material (actual revenues are provided in Table 1).

In OPG's next payment amounts application (EB-2016-0152), the OEB approved a transition to an Incentive Rate Mechanism, providing for a formulaic increase based on the existing 2014-2015 rates. For the period of 2022-2026 (EB-2020-0290), OPG's hydroelectric rates are frozen at the 2021 rate through Ontario Regulation 53/05. As a result, these applications (EB-2016-0152 and EB-2020-0290) did not examine OPG's prescribed hydroelectric costs or revenues.

OEB Staff Question #4

Question

In its letter dated May 6, OPG indicated that “The determination of how revenues from the sale of environmental attributes will either flow back to ratepayers or be used to support future clean energy projects will be based on developing government policy direction, which is expected to issue following the conclusion of the Independent Electricity System Operator’s (‘IESO’) ongoing stakeholder engagement to develop a Clean Energy Credit registry.” To the extent that the revenues are intended to flow back to ratepayers, how will OPG flow money back to ratepayers in the absence of a deferral account that would capture these revenues? Does this apply to revenues that have been earned to date, or only to future revenues?

Response

As stated in OPG’s May 6th response, the details around how benefits from Clean Energy Credits sales will flow back to ratepayers are still under consideration by the IESO and subject to developing government policy direction. As a result, OPG is unable to determine how benefits from Clean Energy Credits sales will flow back to ratepayers, including whether the mechanism would apply to revenues earned to date or only to future revenues.

If following the conclusion of the IESO stakeholder consultation there is not a clear direction with respect to how revenues/benefits will flow to ratepayers, OPG would propose a regulatory mechanism for OEB approval in a future proceeding. Such a mechanism would only address future revenues.

OEB Staff Question #5

Question

Does OPG plan to continue selling environmental credits in markets outside Ontario after the proposed Clean Energy Credit registry is established in Ontario? If so, how will revenues from such sales be treated for payment amount purposes? To the extent that the revenues are intended to flow back to ratepayers, will this apply to revenues that have been earned to date, or only to future revenues?

Response

OPG will determine its strategy for selling Clean Energy Credits after the conclusion of the IESO stakeholder consultation. The IESO was tasked by the government to create a Clean Energy Credit registry in Ontario. OPG will reflect any final government policy addressing the sale of Clean Energy Credits sourced from Ontario generators, including any direction provided on the sale of Clean Energy Credits outside of Ontario.

OPG would treat revenues from its prescribed assets the same, whether generated inside or outside of Ontario. If following the conclusion of the IESO stakeholder consultation there is not a clear direction with respect to how revenues/benefits will flow to ratepayers, OPG would propose a regulatory mechanism for OEB approval in a future proceeding. Such a mechanism would only address future revenues.