

CANADA

Province of Québec

Before the RÉGIE DE L'ÉNERGIE

No.: R-3669-2008

Régie de l'énergie
DOSSIER: R-3669-2008 Phase 2
DÉPOSÉE EN AUDIENCE
Date: 5 juillet 2011
Pièces n°: NON COTÉE

Hydro-Québec,

Applicant

- And -

Régie de l'énergie
DOSSIER: R-3669-2008 Phase 2
PIÈCE NO: C-12.17
Date: 5 juillet 2011

Ontario Power Generation,

Intervenor

**OPG's argument on Topic 4 – Reception and Delivery Imbalances
(Schedules 4 and 5 of the HQT proposed
Open Access Transmission Tariff and Conditions)**

Ontario Power Generation Inc. (hereinafter called OPG) is an Ontario corporation which owns and operates a significant portfolio of electricity generation plants in the Province of Ontario.

OPG buys and sells electricity from and into the interconnected markets of other provinces, including Québec, and the U.S. Northeast and Midwest.

In its observations submitted as the representative of OPG on December 3, 2008 to the Régie (Document D-2) in the present file in Phase 1, Mr. Colin Anderson, Director – Ontario Regulatory Affairs, explains the following:

"3- OPG is able to segregate production of certain hydroelectric generating resources from the control area of the Ontario Independent Electricity System Operator (IESO) to the control area of Hydro-Quebec (TransEnergie). Segregated mode of operation (SMO) allows OPG to facilitate market activity on its own behalf or on behalf of other market participants when there are economic opportunities in neighbouring markets. These transactions are arranged in

advance with counterparties and are scheduled appropriately with the IESO and Hydro-Quebec TransEnergie, who must agree with the schedules. Prior to entering into SMO, OPG must seek approval from the IESO. The IESO may refuse a request for SMO and may also terminate SMO at any time.

4- *OPG follows the instructions of the IESO and has no capability to deviate from the directions it receives. It is the responsibility of the control areas to monitor inadvertent energy flows and request required changes to the schedule. Such changes to schedules in real time are communicated from Hydro-Quebec to the IESO and subsequently to OPG. At no time is OPG permitted to unilaterally change its output independently of such directions.*

...

6. *OPG shares the view of TransEnergie that it is the responsibility of control area operators to address system imbalances. However, Transenergie's proposed revisions to Annexes 4 and 5 seek to impose an ongoing penalty for a contingency over which OPG ... following instructions from its control area operator, has no control. ... This creates unnecessary additional financial risk to OPG, does not constitute just and reasonable treatment and appears punitive and discriminatory in nature, since it targets a very small subset of generators.*

8- *OPG requests that the Régie de l'énergie proceed in making its Order associated with Hydro-Quebec TransEnergies's Application in a manner consistent with these comments."*

In a Joint Statement issued on March 27, 2009 between the IESO and Hydro-Québec TransÉnergie (hereinafter called HQT) and addressed to Mr. Colin Anderson, Director – Ontario Regulatory Affairs, at OPG (Exhibit C-12.5), IESO and HQT stated that at the January 8, 2009 meeting of their Interconnection Committee, they have considered how, if the case may be, the proposed Hydro-Quebec Open Access Tariff (R-3669-2008 in the proceedings of the Régie de l'énergie) would apply to the generators located within the IESO Control Area during Segregated Mode of Operation (SMO).

In the IESO/HQT Joint Statement (Exhibit C-12-5), the parties to it recognized the following:

"OPG, even in SMO, is located in IESO's Control Area and subject to IESO directions as Balancing Authority

IESO, as a Balancing Authority, has the same responsibilities, means and authority in the Ontario Control Area that HQ TransÉnergie has over generating units located within its own Québec Control Area

IESO, as Balancing Authority, has means comparable to HQ TransÉnergie to deal with imbalances

Imbalances between schedules and flows that may appear when OPG is generating in SMO can be dealt with at a Balancing Authority level”

Therefore, IESO and HQT came to the following conclusion in their Joint Statement (Exhibit C-12-5)=

“Therefore, members of the Committee came to the conclusion that the proposed Schedules 4 and 5 in the Hydro-Québec Open Access Transmission Tariff would not apply to generators located within the IESO Control Area such as OPG Saunders generation facilities.”

Consequently, contrary to what is submitted in HQT written argumentation on Topic 4 – Reception and Delivery Imbalances at page 7 paragraph 25, the HQT/IESO Joint Statement (Exhibit C-12-5) does not foresee the application of Schedules 4 and 5 to OPG’s production resources but concludes that Schedules 4 and 5 in the HQT Open Access Transmission Tariff would not apply to generators located within the IESO Control Area such as OPG’s Saunders generation facilities.

Moreover, Mr. Clermont testifying for HQT on the topic of the IESO/HQT Joint Statement (p. 128-130) explains that the generation units located at Saunders and Chats Falls (when they operate in SMO), will not receive the application of the Schedule 4 and 5 of the proposed HQT Open Access Transmission Tariff and Conditions by HQT but will receive its equivalent to Schedules 4 and 5 by IESO.

See= Mr. Clermont’s testimony in cross-examination by Me Paule Hamelin on February 7, 2011, p. 128-130

Mr. Clermont’s testimony in cross-examination by Me Louise Cadieux, on February 8, 2011, p. 125, 129

In his testimony for HQT, Mr. Clermont testifies that Schedules 4 and 5 of the HQT Open Access Transmission Tariff and Conditions will not apply to OPG generation units as long as what is in the IESO/HQT Joint Statement remains true. And if, one day, IESO does not take the appropriate measures to make the correction to the imbalances or does not apply its equivalent to Schedules 4 and 5, HQT, having enunciated the expression “synchronized” in its Schedules 4 and 5, would then takes steps to apply the Schedule to ensure that generation facilities cannot create imbalances without

some form of oversight in place by the appropriate Control Area (i.e. exist “in a no man’s land”).

See: Mr. Clermont’s testimony in cross-examination by Me Paule Hamelin, on February 7, 2011, p. 131

Mr. Clermont’s testimony in cross-examination by Me André Turmel, on February 8, 2011, p. 113 à 115

Mr. Clermont’s testimony in cross-examination by Me Louise Cadieux, on February 8, 2011, p. 132, 133

Mr. Clermont also adds that such a risk does not currently exist, and has almost no probability of occurring in the future.

See: Mr. Clermont’s testimony in cross-examination by Me André Turmel for NLH, on February 8, 2011, p. 115 – 116

Mr. Clermont’s testimony in cross-examination by Me Louise Cadieux for OPG, on February 8, 2011, p. 133, 134

Mr. Clermont’s testimony in cross-examination by Me Jean-François Ouimette for the Régie, on February 8, 2011, p. 169 – 171

In his testimony, Mr. Clermont also agrees that there is a well-recognized principle that NERC’s entity registration processes do not contemplate a single entity to be under the jurisdiction of multiple Reliability Coordinators and Balancing Authorities for the same function. For clarity, it is a well-known principle that a station cannot be subject to more than one Reliability Coordinator.

See: Mr. Clermont’s testimony in cross-examination by Me Louise Cadieux, on February 8, 2011, p. 125, 126

NERC’s Rules, Section 500, rule 501.1.4.4 (Tab 1)

In its decision 2011-068 dated May 13, 2011, in the file R-3699-2009, at page 52, paragraph 216, the Régie notes that OPG, as a generator operator and co-owner of the Chats Falls station, answers to the directives of IESO, the Balancing Authority and the Reliability Coordinator for Ontario, and OPG has the obligation to respect the Reliability Standards adopted by NERC. (Tab 2)

During the hearing of this case, the Régie's lawyer has questioned if the possibility of agreements with neighbouring grids should be codified in a certain manner in the Tariff and Conditions

See: Mr. Clermont's testimony in cross-examination by Me Jean-François Ouimette, on February 8, 2011, p. 173.

HQT has agreed, if the Régie finds it appropriate, to modify the text of Schedule 4 of the proposed HQT Open Access Transmission Tariff and Conditions by adding the following sentence at the end of the first paragraph of this Schedule:

"The provisions of this Schedule do not apply to a generating unit synchronized to the Transmission Provider's system and located in another Control Area if the Reliability Coordinator for Quebec and the Reliability Coordinator for the Control Area in which this generating unit is located have agreed to ensure adherence to schedules."

See: Réponse du Transporteur à l'engagement no. 22 demandé par la Régie (Exhibit HQT-41, Document 16, p. 3)

OPG agrees with this text proposed by HQT.

CONCLUSION

OPG is satisfied that, according to the IESO/HQT Joint Statement dated March 27, 2009 (Exhibit C-12-5), Schedules 4 and 5 of the HQT proposed Open Access Transmission Tariff and Conditions do not apply to OPG.

OPG supports HQT's proposal to include the following text within its Open Access Transmission Tariff and Conditions:

"The provisions of this Schedule do not apply to a generating unit synchronized to the Transmission Provider's system and located in another Control Area if the Reliability Coordinator for Quebec and the Reliability Coordinator for the Control Area in which this generating unit is located have agreed to ensure adherence to schedules."

If the Régie decides to add such an amendment to the said Schedule 4, OPG respectfully submits that the Régie should note that the IESO/HQT Joint Statement of March 27, 2009 (Exhibit C-12-5) is an agreement intended to ensure adherence to schedules in accordance with the proposed amendment to Schedule 4 of the HQT proposed Open Access Transmission Tariff and Conditions and therefore the said Schedules 4 does not apply to OPG.

Finally, OPG requests the Régie to note that, according to the IESO/HQT Joint Statement dated March 27, 2009 (Exhibit C-12-5), Schedule 5 of the HQT proposed Open Access Transmission Tariff and Conditions does not apply to OPG.

All of which is respectfully submitted.

Montreal July 5, 2011

Lafortune Cadieux, LLP
LAFORTUNE CADIEUX, LLP
Counsel to OPG