

OEB issues decision on Ontario Power Generation's payment amounts application

DECISION

On June 13, 2024, the Ontario Energy Board (OEB) issued its [Decision and Order](#) on an application by Ontario Power Generation Inc. (OPG) relating to impacts from the Independent Electricity Market Operator's (IESO) [Market Renewal Program](#) (MRP)¹ on its regulated hydroelectric and nuclear generating facilities, and the disposition of balances in certain of its deferral and variance accounts.

OPG sought OEB approval for:

- Changes to the calculation methods, to account for the implementation of the MRP, for the following:
 - Hydroelectric Surplus Baseload Generation Variance Account (SBGVA)
 - Hydroelectric Incentive Mechanism (HIM)²
- The treatment of real-time make-whole payments resulting from the implementation of the Independent Electricity System Operator's MRP.
- Disposition of certain deferral and variance account (DVA) balances as of December 31, 2022

The OEB approved the settlement proposal filed by OPG on May 3, 2024, finding that it represents a reasonable outcome for ratepayers and will result in just and reasonable payment amounts.

OPG's payment amounts relate to the generation of electricity from its nuclear facilities and most of its hydroelectric facilities. The payment amounts make up part of the electricity line item on residential and small business customers' bills.

Table 1 below provides the bill impacts for a typical residential customer with a monthly consumption of 700 kWh.

Table 1 - Bill Impacts for a Typical Residential Customer

	2024	2025	2026
Monthly Bill Impacts - \$	\$1.02	\$0.05	\$0.14
Monthly Bill Impacts (%)	0.8%	0.0%	0.1%

¹ MRP, which is anticipated to be in effect in May 2025, will make significant changes to Ontario's wholesale electricity markets administered by the IESO.

² The HIM is designed to encourage OPG's hydroelectric generators with a limited supply of water to move production from periods of low value to periods of higher value, based on market signals. 50% of the proceeds of the HIM above a predefined threshold is returned to ratepayers as a revenue offset.

INTERVENORS IN THE PROCEEDING

- Association of Major Power Consumers in Ontario
- Coalition of Concerned Manufacturers and Businesses of Canada
- Consumers Council of Canada
- Environmental Defence
- IESO
- School Energy Coalition
- Society of United Professionals

APPROVED SETTLEMENT PROPOSAL

The settlement proposal filed following a two-day settlement conference represented a complete settlement on all the issues set out on the approved [Issues List](#), with the parties agreeing to certain modifications to the calculation methods for the SBGVA and HIM, and the treatment of real-time make whole payments from what OPG had proposed in the application.

Additionally, parties agreed to modifications of the proposed DVA amounts for disposal.

The settlement reductions total \$21.8M, or approximately 4.3%, out of the \$502.6M in DVA amounts proposed for disposal in OPG's application.

REGULATORY TERMS

The following is a list of some of the commonly used regulatory terms that appear in this background, along with a plain language description for each one.

Deferral and variance accounts (DVAs) are commonly used regulatory tools that allow a utility an opportunity to address costs that were unknown or uncertain when its rates were set.

A deferral account tracks the cost of a project or program which the utility could not forecast when its current rates were set. When the costs are known, the utility can request OEB approval to recover the costs in future rates.

A variance account tracks the difference between the forecast cost of a project or program, which has been included in rates, and the actual cost. If the actual cost is lower or higher, then the utility can request OEB approval to return the difference to customers as a credit or to recover the difference through rates.

Settlement conference – The purpose of a settlement conference is for the applicant and intervenors to try and settle (reach agreement on) as many issues as possible, other than any issues that the OEB has indicated should not be settled and should proceed to hearing.

Settlement negotiations are confidential. Commissioners do not participate in a settlement conference and are not advised of the discussions that take place in the settlement conference.

Where the parties reach agreement, a settlement proposal is filed by the applicant for approval by the OEB.

About the OEB

The OEB is the independent regulator of Ontario's electricity and natural gas sectors. It protects the interests of consumers and supports the collective advancement of the people of Ontario. Its goal is to

deliver public value through prudent regulation and independent adjudicative decision-making which contributes to Ontario's economic, social and environmental development.

Independence in the hearing and determination of matters is a key element of the OEB's mandate, established through legislative structures, the Memorandum of Understanding between the Minister of Energy and the Chair of the OEB, and by-laws that set out clear lines of communication between government and the OEB. Commissioner panels hear and determine matters independently, with legislative protections and other instruments to ensure decisions are free from interference by the Chief Executive Officer, the Board of Directors and government. This also includes the Chief Commissioner when not assigned to the specific case.

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Ce document est aussi disponible en français.

This backgrounder was prepared by OEB staff to inform Ontario's energy consumers about the OEB's decision and is not for use in legal or regulatory proceedings. It is not part of the OEB's reasons for decision; those may be found in the Decision and Order issued June 13, 2024, which is the official OEB document.