
Decision of the Independent Panel
Exemption Application #1315

PART 1 – PANEL MEMBERS

Panel members hearing the Application: John Wiersma and William Museler.

PART 2 – GENERAL INFORMATION

1. Exemption Application ID: #1315.
2. Market Participant Name: Ontario Power Generation Inc. ("OPG" or, the "Applicant".)
3. Location/Site: Pickering B Nuclear Generating Station (NGS).
4. Role of Applicant in the market as it relates to this Exemption Application: *Generator*.
5. Date Exemption Application Heard: March 2, 2012.
6. Did Applicant Agree to Terms and Conditions of the IESO Staff Recommendation: Yes.
7. Section of the *Exemption Application and Assessment Procedure* under which the Exemption Application is made: section 1.4.
8. Market Rule(s) or related Market Manual(s) from which exemption is requested: Chapter 4, Section 3.1.1 and Appendix 4.1, Reference 2.
9. Material Reviewed & Exemption Process:
 - a) OPG's Exemption Application (and summary)
 - b) IESO Staff Recommendation
 - c) Exemption Application & Assessment Procedure
 - d) Applicable *market rules*
 - e) Exemption Panel Hearing
10. Applicant's Position:

If OPG is not granted the requested exemption, then OPG takes the position that the *facility* could not be operated in its current configuration, and it would become necessary to replace all the SST and GST transformers at Pickering B NGS with transformers equipped with on-potential

tap changers, at significant costs and loss of generating capacity for an extended period of time on several units simultaneously. OPG takes the position that it is doubtful that such a change could be implemented on all transformers before end of life of the *facility* in 2020.

OPG takes the position that if the *exemption* were granted, then it would not threaten the ability of the *IESO* to ensure non-discriminatory access to the *IESO-controlled grid*, would not provide OPG with an undue preference within the *IESO-administered markets*, and would not increase costs to other *market participants* or the *IESO*.

PART 3 – DECISION

Decision:

Exemption #1315 is issued to OPG subject to the terms and conditions set forth in the Reasons of the Panel below.

PART 4 – REASONS

Reasons of the Panel:

Compliance with the *market rules* for *generation facilities* is mandatory. However, when extenuating circumstances are present, it is possible for an *exemption* from the *market rules* to be granted. Exemption Orders are exceptional and are granted by an Exemption Panel on a discretionary and case-by-case basis.

In rendering our decision, we considered OPG's Exemption Application, *IESO* Staff Recommendation, the Exemption Application and Assessment Procedure, the applicable *market rules* and the responses of *IESO* Staff to the issues and questions raised by us at the hearing of the Exemption Application concerning the nature of the requirement, the reliability of the contingencies, the potential impact on Cherrywood TS, the existence of mitigation procedures and the need for an *exemption*. We were advised that, among other things, OPG self-reported the non-compliance to the *IESO's* Market Assessment and Compliance Division (MACD) and that OPG discussed the various available options with MACD, one of which was to apply for this *exemption*.

OPG's Exemption Application and the *IESO* Staff Recommendation satisfied us that granting the *exemption* would not materially impact the ability of the *IESO* to direct the operation and maintain the *reliability* of the *IESO-controlled grid*.

Factors considered in granting this *exemption* are as follows:

- The Pickering B NGS has been operating to the terms of the *exemption* and is capable of continuing to operate the *facility* consistent with the terms of the proposed *exemption*.
- There would be both significant costs and adverse revenue impact to OPG if OPG were required to take the *generation units* in the *facility* out for refurbishment to meet the requirement.
- There is an extremely remote possibility of local voltage dropping below 222 kV due to:
 - (i) The close electrical proximity of Cherrywood TS to the Pickering B switchyard that ensures that the voltage at these locations is always nearly the same, with the Pickering B switchyard voltage usually slightly higher;
 - (ii) The *facility* being located in an electrical area with a combination of strong transmission connections and large *generation units*;
 - (iii) IESO analysis regularly showing that grid voltages remain well above 222 kV for the combinations of planned and unplanned events that the grid is designed to withstand;
 - (iv) IESO having sufficient flexibility to assess the timing and nature of the corrective actions necessary to restore voltage within the desired range;
 - (v) IESO confirming that it will notify the Pickering operators if and whenever the grid is vulnerable to lower than normal voltages, or when experiencing actual low voltage that cannot be corrected within 10 minutes; and
 - (vi) IESO procedures instructing to disconnect firm customer demand, if necessary, to manage voltages on the *IESO-controlled grid* and restore them to acceptable levels.

Therefore, the *exemption* is hereby granted for the lifetime of the Pickering B NGS *facility* without conditions other than as set forth in the IESO Staff Recommendation regarding Restrictions and Reconsideration.

Exemption Period

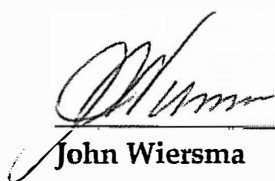
Under the circumstances, we are satisfied that an *exemption* for the life of the *facility* is justified as recommended by IESO Staff.

PART 5 – TERMS AND CONDITIONS

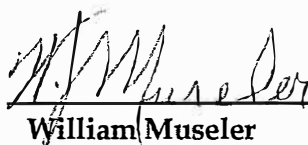
Effective Date of Exemption (or event causing exemption to become effective)	The date when and if the <i>exemption</i> is filed (May 25, 2011).
Date of Expiration of Exemption <ul style="list-style-type: none">If greater than 5 years, the Panel must be satisfied that the circumstances justify a later date Circumstances which will cause the exemption to immediately expire	Lifetime of the Pickering B NGS <i>facility</i> , so long as the <i>facility</i> does not undertake any major refurbishment of the station transformers or to materially extend the <i>facility's</i> projected useful life beyond the year 2020.
Market Rule (s) or related Market Manual(s) from which the Exemption is granted	Chapter 4, Section 3.1.1 and Appendix 4.1, Reference 2.
Restrictions on the manner of operation and/or additional obligations to be met during the term of the Exemption, if any	None.
Monitoring Information Required Information required to be provided by the Exemption Applicant for monitoring by the IESO	None.
Payment of Costs <ul style="list-style-type: none">Processing Costs (when introduced)	None.

<ul style="list-style-type: none"> Incremental Exemption Costs Settlement amounts to be withheld or repaid 	
<p>Reconsideration/Removal</p> <ul style="list-style-type: none"> Date on which the Exemption will be reconsidered (<i>if applicable</i>) <p>Circumstances under which the Exemption will be reconsidered (<i>if applicable</i>) other than unforeseen future change in circumstances</p>	<p>The <i>exemption</i> will be reconsidered if the <i>facility</i> undertakes any major refurbishment of the station transformers, or materially extends the <i>facility's</i> projected useful life beyond the year 2020.</p>
<p>Transferability</p> <ul style="list-style-type: none"> List the terms and conditions that need to be met to allow for a transfer of this exemption to be approved by IESO staff <p><i>Transferability</i> in respect of a corporation, refers to a change of control of the corporation within the meaning of the <i>Business Corporations Act</i> (Ontario)</p>	<p>None.</p>
<p>Other:</p>	<p>None.</p>

PART 6 – SIGNATURE OF PANEL MEMBERS


John Wiersma

April 11, 2012
Date

 April 11, 2012
William Museler Date