

HQ Energy Marketing Inc. (“HQEM”) welcomes this opportunity provided by the IESO to file further comments and its remaining questions which couldn’t be answered or heard at yesterday’s IJTSC due to a lack of time devoted to motion MR-00393 *Limiting Payments to Exports*. As such, please find below our remaining questions and comments, all of which can be published on the IESO’s public website.

HQEM Questions

- 1- At yesterday’s IJTSC, the IESO explained that the number of Nuclear Shutdowns on slide 7 of the presentation is only after consideration of nuclear manoeuvres. The IESO also explained that those nuclear manoeuvres were assumed to be as high as 300 MWs for each nuclear unit on the IESO grid.
 - a. How robust is the 300 MW assumption of nuclear manoeuvres ? Has this been routinely performed in the past on all nuclear units on the IESO grid ?;
 - b. What is the assumed ramp-up time for recovery from a nuclear manoeuvre in this analysis ?;
 - c. What is the assumed Replacement Energy Cost to nuclear manoeuvres (as opposed to shutdowns) (slide 8 of the presentation) ? Please explain the basis for this assumption;
 - d. Please explain how those manoeuvres compare with the recently announced “Bruce flexibility”;
 - e. Please confirm this “Bruce flexibility” is not taken into account in the IESO analysis (slide 8);
 - f. What would be the cost of this “Bruce flexibility” to Ontarians, provided the IESO intends to use it in the future ?;
 - g. What is the assumed ramp-up time for recovery from a nuclear shutdown in this analysis ?

- 2- Please respond to HQEM comments filed to the IESO on April 19, 2012, regarding alternative Market-based solutions to managing SBG, in replacement to the proposed rule:
 - a. Implementing a bid-based export price guarantee for real-time exports during forecasted SBG periods;
 - b. Implementing higher-frequency scheduling with neighbouring jurisdictions;
 - c. Adding new ancillary services to manage SBGs (ex.: using interties).

- 3- At yesterday’s meeting, HQEM asked for precision on the amount of Ontario generation exposed to market prices (ref.: page 2 of the IESO Matrix of Q&A (line #6)). Reading the IESO “response” in this document, one could conclude that only HCI Contracts have some exposure to market prices. For more clarity, HQEM respectfully asks the IESO to list all exposed generation, including relevant OPG’s non prescribed assets, for total capacity and for capacity contribution in overnight hours.

HQEM Comments

HQEM is of the view that the IESO should broaden its analysis, in the interest of Ontario consumers and of market efficiency. HQEM herein lists a number of considerations it believes should taken into account by the IESO:

- The infrastructure costs to generators associated with manoeuvres/shutdowns of nuclear units;
- The replacement energy costs of nuclear manoeuvres (see HQEM question 1d);
- The impact on the value of Transmission Rights to holders;
- The impact of upcoming increases in renewable generation in neighboring jurisdictions;
- The Producer Surplus, notably considering inability to hedge internal generation with export transactions;
- Intertie revenues, notably considering inability to hedge export transactions.

Of particular importance, the IESO analysis (slide 8) omits the “Producer surplus” and the “Intertie revenues” considerations, both of which impact Ontario welfare. To HQEM’s surprise, the IESO explained yesterday that those considerations would not be part of the IESO analysis.

The above-listed considerations should be evaluated, in the interest of Ontario consumers and of market efficiency. At a minimum, the IESO should provide the Technical Panel with the financial impact of those added considerations, for the Technical Panel members to ponder their value.

Finally, as explained by HQEM at yesterday’s meeting, applying this proposed rule to implied wheels amounts electrically to constraining energy sourcing outside Ontario, which we believe goes beyond the objective of this proposal and warrants consideration by the IESO.