

1 The 2011 SMO revenue value is approximately \$5.1M lower than 2010 budget. The
2 2010 budget for SMO was set equal to the value used for 2009 budget, which was
3 based on the Board's direction in EB-2007-0905. This value did not consider the impact
4 of the new direct current interconnection ("DC intertie") coming into service in 2009. The
5 2011 forecast is based on the last six months of actual 2009 revenues, as explained in
6 Ex. G1-T1-S1, section 4.0 and an allowance for inflation as per OPG's 2010 – 2014
7 Business Plan projections. The overall decrease in revenue is attributable to the reduced
8 number of SMO transactions in 2009 once the new DC intertie came into service.

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10 The difference between the WT revenue projections for 2011 and 2010 is due to the use
11 of different historical periods for forecasting, and an allowance for inflation as per OPG
12 Business Plan 2010 projections. The 2010 budget is set equal to the value used for 2009
13 budget (taken from EB-2007-0905) whereas the 2011 plan is based on 2009 actual net
14 revenues (see Ex. G1-T1-S1, section 5.0 for additional discussion).

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16 **3.0 PERIOD-OVER-PERIOD CHANGES – BRIDGE YEAR**

17 2010 Budget versus 2009 Actual

18 The 2010 budgeted ancillary service revenue is approximately \$3.4M lower than 2009
19 actual revenue. This reduction is due to AGC amounts being forecast to return to more
20 typical values. In 2009, actual performance exceeded 2009 budget expectations due to
21 higher actual amounts of AGC requested by the IESO at Sir Adam Beck II, but this
22 situation is not expected to continue. There is no change expected in OR revenue in
23 2010.

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25 The 2010 budgeted SMO revenue is approximately \$3.0M higher than actual 2009
26 revenue. The 2010 budget was established as described above in section 2.0. In 2009
27 there were fewer SMO transactions after the first phase of the DC intertie came into
28 service in July (see Ex. G1-T1-S1, section 4.0 for additional discussion).

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30 The 2010 budgeted WT revenue is approximately \$2.0M higher than actual 2009
31 revenue. The 2010 budget was established as described above in section 2.0. The 2010

1 budgeted amount is higher due mainly to low market prices in 2009 (see Ex. G1-T1-S1,
2 section 5.0 for additional discussion).

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4 **4.0 PERIOD-OVER-PERIOD CHANGES – HISTORICAL PERIOD**

5 2009 Actual versus 2009 Budget

6 Actual 2009 ancillary service revenue is approximately \$9.4M more than the 2009
7 budget, due mainly to higher than anticipated OR prices. OR prices were high in 2009
8 because hydroelectric units were not available to offer OR when running at full capacity
9 due to high water levels. The units available to participate in the OR market were higher
10 priced gas and coal units.

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12 Actual 2009 SMO revenue is approximately \$3.0M less than the 2009 budget. The 2009
13 budget was established pursuant to EB-2007-0905.

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15 Actual 2009 WT revenue is approximately \$2.0M less than the 2009 budget. The 2009
16 budget was established pursuant to EB-2007-0905.

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18 2009 Actual versus 2008 Actual

19 Actual 2009 ancillary service revenue is approximately \$1.3M greater than 2008 actual
20 revenues. This is mainly due to higher OR prices in 2009 and higher than expected
21 amounts of AGC.

22
23 Actual 2009 SMO revenue is approximately \$10.1M lower than 2008 actual revenue.
24 This is due mainly to the reduced number SMO transactions since the first phase of the
25 DC intertie came into service in July 2009.

26
27 Actual 2009 WT revenue is approximately \$3.9M lower than 2008 actual revenue. This is
28 due mainly to low market prices in 2009.

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1 2008 Actual versus 2008 Budget

2 Actual 2008 ancillary service revenue is approximately \$8.8M more than the 2008
3 budget. This is due to higher actual amounts of AGC requested by the IESO at Sir Adam
4 Beck II and higher OR prices. OPG anticipated a drop in AGC revenue as a result of a
5 lower contracted AGC regulation range (MW capacity increments range from 65 MW to
6 125 MW as compared to previous contracted range of 80 MW to 150 MW) and the
7 introduction of additional competition to the market place (which did not happen). Also,
8 actual OR prices were higher than expected in 2008 as a result of higher water levels
9 requiring OR from a higher priced resources.

10

11 Actual 2008 SMO revenue is approximately \$8.8M more than the 2008 budget amount.
12 According to the OEB's Decision with Reasons in EB-2007-0905, the 2008 budget was
13 set at 75 per cent of the 2009 budget. SMO revenues were unusually high in 2008
14 compared to the previous three years due to strong price differentials between Ontario
15 and other markets.

16

17 Actual 2008 WT revenue is approximately \$3.6M more than 2008 budget amount.
18 According to the OEB's Decision with Reasons in EB-2007-0905, the 2008 budget was
19 set at 75 per cent of the 2009 budget. The increase over budget is due mainly to higher
20 than expected volumes in 2008.

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22 2008 Actual versus 2007 Actual

23 Actual 2008 ancillary service revenue is approximately \$5.6M more than the 2007 actual
24 revenue. This is due to higher OR and AGC revenue. OR prices increased significantly
25 in 2008 as a result of higher water levels, requiring OR provision from higher priced
26 resources. AGC revenue also increased as a result of higher OR prices.

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28 Actual 2008 SMO revenue is approximately \$9.3M higher than 2007 actual revenue.
29 SMO revenues were unusually high in 2008 due to strong price differentials, between
30 Ontario and other markets.

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1 Actual 2008 WT revenue is approximately \$4.5M higher than 2007 actual revenue. This
2 is due mainly to higher WT volumes in 2008.

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4 2007 Actual versus 2007 Budget

5 Actual 2007 ancillary service revenue is \$4.0M more than the 2007 Budget. OPG had
6 anticipated a drop in AGC revenue as a result of lower contracted maximum amounts of
7 AGC regulation and the expected entry of additional competitors into the marketplace as
8 discussed above. However, competitors did not participate in the market as expected;
9 hence OPG's market share and revenue were higher than expected.

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11 Prior to the Decision with Reasons (EB-2007-0905) in 2008, OPG did not forecast SMO
12 net revenues. Thus, no 2007 Budget amount is available. Actual 2007 SMO revenue is
13 approximately \$4.4M.

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15 Prior to the Decision with Reasons (EB-2007-0905) in 2008, OPG did not forecast WT
16 net revenues. Thus, no 2007 Budget amount is available. Actual 2007 WT revenue is
17 approximately \$4.3M.