

ONTARIO ENERGY BOARD

IN THE MATTER OF sections 18 and 19 of the *Electricity Act, 1998*;

AND IN THE MATTER OF a Submission by the Independent Electricity System Operator to the Ontario Energy Board for the review of its proposed expenditure and revenue requirements and the fees which it proposes to charge for the year 2008 in connection with the IESO-controlled grid and IESO-administered market.

SUBMISSION FOR REVIEW

1. On September 25, 2007 the Board of Directors of the Independent Electricity System Operator (the “IESO”) approved the 2008 – 2010 Business Plan for the IESO (the “Business Plan”). In the Business Plan, the IESO established its revenue requirement for 2008 at \$135.5 million and proposed to charge a usage fee of \$0.799/MWh. This proposed usage fee is a reduction of two percent from the current level of usage fee charged by the IESO of \$0.815/MWh. This is the fifth year in a row that the IESO has reduced its total costs and it has done so in an environment of significant infrastructure change and development within the Province.

2. The Business Plan sets out the strategic business objectives and priorities for the IESO, and identifies the opportunities and challenges to the business over the planning period. In summary, the IESO’s strategic business priorities include:

- Delivering a reliable supply of electricity on demand;
- Providing value in the IESO’s services and products;
- Developing Ontario’s electricity market through evolution of the IESO-administered markets;

- Responding to the needs and concerns of stakeholders; and
- Earning the trust of all stakeholders as a just administrator and capable advisor.

3. As highlighted in the Business Plan, the IESO was successful in meeting its strategic business priorities in 2007. Among other things:

- The IESO oversaw the continued reliable operation of Ontario's integrated power system and received high marks on this in customer surveys and in NERC and NPCC audits;
- The IESO continued to provide its wide range of products and services and did so at a reduced cost and with a stable headcount; this was also acknowledged in customer surveys;
- The IESO continued to work with stakeholders on market evolution, including options for a day-ahead market, and in mid-2007 the IESO was appointed as the smart metering entity (SME)¹ for Ontario; and
- The IESO made and is continuing to make improvements to its stakeholdering processes by undertaking an independent review of these processes, improving its research and analysis through the formation of a Market Evolution Analysis and Research (MEAR) unit, and creating a Consumer Forum to enhance opportunities for electricity users to provide their input.

4. The Business Plan identifies the opportunities and challenges that lie ahead and the initiatives the IESO has planned to meet these opportunities and challenges and further its strategic objectives. The key elements of the Business Plan were presented to the IESO's Stakeholder Advisory Committee in June and August.

¹ SME total costs will be recovered through a separate regulatory mechanism from the IESO usage fee for managing Ontario's integrated power system. This mechanism will be independent of the IESO's usage fee that is charged to wholesale market participants. The IESO is therefore not seeking in this proceeding to recover costs relating to performing its role as the SME.

5. In accordance with section 19(1) of the *Electricity Act, 1998* (the “Act”), by letter dated October 2, 2007, the IESO submitted its proposed Business Plan for fiscal year 2008 to the Minister of Energy for approval and pursuant to section 19(3) of the Act, the IESO’s proposed Business Plan was deemed approved.

6. The IESO hereby submits its proposed expenditure and revenue requirements and proposed fees for 2008 to the Board for review and approval pursuant to section 19(1) of the Act.

7. Under section 19(2) of the Act, the IESO is seeking the following approvals from the Board:

- Approval of its proposed 2008 revenue requirements of \$135.5 million;
- Approval of its proposed 2008 capital expenditure envelope of \$20 million for capital plans;
- Approval for the continuation of the \$1000.00 application fee; and
- Approval of a usage fee of \$0.799/MWh to be paid commencing January 1, 2008. The usage fee is paid by all wholesale customers or market participants on all energy withdrawn for use or sale in Ontario and on all exports scheduled out of Ontario. If necessary, pending approval, the IESO proposes to continue to charge the 2007 usage fee (\$0.815/MWh) to market participants from January 1, 2008 until the end of the month in which OEB approval is received for the 2008 IESO fees, and seeks authorization to rebate to market participants the difference between the 2007 and 2008 usage fees based on their allocated quantity of energy withdrawn for that period, directing such rebate to market participants in the next billing cycle following the month in which that approval is received.

8. In conjunction with these approvals, and pursuant to the Settlement Agreement for the IESO's 2007 Fees Submission for Review as accepted by the Board on February 7, 2007, the IESO is also seeking authorization to rebate in 2008 the amount of the accumulated surplus in the deferral account in excess of \$5.0 million. The IESO is seeking approval to refund any such surplus based on the IESO's audited financial statements as approved by the IESO Board for the fiscal year 2007, and to direct such rebate, if any, to market participants in the next billing cycle following the month in which the 2007 financial statements are approved.

9. Supporting this Submission is the IESO's pre-filed evidence which includes:

- i) The 2008 – 2010 Business Plan;
- ii) The IESO's letter to the Minister of Energy, dated October 2, 2007; and
- iii) Status Report on the Obligations and Undertakings Arising out of the IESO's Fiscal 2007 Fees Submission for Review.

The IESO may amend its pre-filed evidence from time to time, prior to and during the course of the Board's proceeding. Furthermore, the IESO may seek to have additional meetings with Board Staff and intervenors in order to identify and address any further issues arising from this Submission, with a view to an early settlement and disposition of this proceeding.

10. The IESO proposes the following title for this proceeding: ***Independent Electricity System Operator Fiscal Year 2008 Fees Submission for Review.***

11. The persons affected by this Submission are all market participants as defined in Chapter 2, section 2.1.1 of the ***Market Rules for the Ontario Electricity Market***, who participate in the electricity markets administered by the IESO. The IESO

communicates regularly with its participants by way of the IESO's Website and e-mail. The IESO therefore proposes that notice of this application be given by the following means:

- (i) Posting this application, including the pre-filed evidence on the IESO's Website at the "Regulatory Affairs" pages. An announcement, in English and French, will also be posted on the "Participant News" page and will be automatically e-mailed to all market participants and interested parties who are registered to receive IESO news and other communiques; and
- (ii) Delivering a copy of this application, including the pre-filed evidence to all registered observers and intervenors in the IESO's 2006 and 2007 Fees Submission for Review.

12. The IESO requests that a copy of all documents filed with the Board by each party to this proceeding be served on the IESO and the IESO's counsel in this proceeding, as follows:

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DATED at Toronto, Ontario, this 2nd day of November, 2007.

INDEPENDENT ELECTRICITY SYSTEM
OPERATOR.

By its counsel in this proceeding
Glenn Zacher