



EB-2007-0816

**NOTICE OF APPLICATION AND HEARING
INDEPENDENT ELECTRICITY SYSTEM OPERATOR
FISCAL 2008 FEES SUBMISSION FOR REVIEW**

The Independent Electricity System Operator (the "IESO") has filed its fiscal 2008 proposed revenue requirements, expenditures and fees for review by the Ontario Energy Board in accordance with sections 18 and 19 of the *Electricity Act, 1998*. The IESO manages Ontario's electricity system and operates the wholesale electricity market.

The IESO is seeking the following approvals from the Board:

- a proposed 2008 revenue requirement of \$135.5 million;
- a proposed 2008 capital expenditure envelope of \$20.0 million for capital plans;
- a 2 % reduction in usage fee from the current \$0.815/MWh to \$0.799/MWh commencing January 1, 2008;
- continuation of the \$1,000 application fee; and
- a rebate in 2008 to market participants of the amount of the accumulated operating surplus in the deferral account in excess of \$5 million, based on fiscal year 2007 results.

The Board has assigned File No. EB-2007-0816 to this application.

How to see the IESO's Pre-filed Evidence

Copies of the Application and pre-filed evidence are available for public inspection:

- at the Board's offices;
- at the IESO's offices in Toronto; and
- online at the IESO's website under "Regulatory Affairs"
<http://www.ieso.ca/imoweb/corp/regulatory.asp> .

See the addresses below.

How to Participate

You may participate in this proceeding in one of three ways:

1. Send a Letter with your Comments to the Board

Your letter with comments will be provided to the Board members deciding the application and will be part of the public record for the application. If you wish to make an oral presentation to the Board, your letter should include this request. Your letter must be received by the Board no later than **10 days** from the publication or service date of this notice. The Board accepts letters of comment by either post or e-mail at the addresses below.

2. Become an Observer

Observers do not actively participate in the proceeding but monitor the progress of the proceeding by receiving documents issued by the Board. You may request observer status in order to receive documents issued by the Board in this proceeding. If you become an observer, you need to contact the applicant and others in order to receive documents that they file in this proceeding and they may charge you for this. Most documents filed in this application will also be available on the Board's website. Your request for observer status must be made in writing and be received by the Board no later than **10 days** from the publication or service date of this notice. The Board accepts observer request letters by either post or e-mail at the addresses below; however, two paper copies are also required. You must also provide a copy of your letter to the applicant.

3. Become an Intervenor

You may ask to become an intervenor if you wish to actively participate in the proceeding. Intervenor status is eligible to receive evidence and other material submitted by participants in the hearing. Likewise, intervenors will be expected to send copies of any material they file to all parties to the hearing. Your request for intervenor status must be made by letter of intervention and be received by the Board no later than **10 days** from the publication or service date of this notice. Your letter of intervention must include a description of how you are, or may be, affected by the outcome of this proceeding; and if you represent a group, a description of the group and its membership. The Board may order costs in this proceeding. You must indicate in your letter of intervention whether you expect to seek costs from the

applicant and the grounds for your eligibility for costs. You must provide a copy of your letter of intervention to the applicant. The Board may choose to proceed with this application by way of written or oral hearing.

The Board will not hold a written hearing if a party satisfies the Board that there is good reason for holding an oral hearing. Your letter of intervention should indicate your preference for a written or oral hearing, and the reason for that preference. If you already have a user ID, please submit your intervention request through the Board's web portal at www.errr.oeb.gov.on.ca. Additionally, two paper copies are required. If you do not have a user ID, please visit the Board's website under e-Filing and fill out a user ID password request. For instructions on how to submit and naming conventions please refer to the RESS Document Guidelines found at www.oeb.gov.on.ca, e-Filing Services. The Board also accepts interventions by email, at the address below, and again, two additional paper copies are required. Those who do not have internet access are required to submit their intervention request on a CD or diskette in PDF format, along with two paper copies.

Draft Issues List

Attached to this Notice of Application, is a draft issues list prepared by Board staff. If you are requesting intervenor status, please review the draft issues list and provide any comments/additions to this list **along with your letter of intervention**. The applicant may also provide comments/additions to the draft issues list no later than **Friday January 4, 2008**. The Board will determine the final issues list and only those issues on the approved issues list will be considered during the review.

How to Contact Us

In responding to this Notice, please include Board file number EB-2007-0816 in the subject line of your e-mail or at the top of your letter. It is also important that you provide your name, postal address and telephone number and, if available, an e-mail address and fax number. All communications should be directed to the attention of the Board Secretary at the address below, and be received no later than 4:45 p.m. on the required date.

Need More Information?

Further information on how to participate may be obtained by visiting the Board's website at www.oeb.gov.on.ca or by calling our Consumer Relations Centre at 1-877- 632-2727.

IMPORTANT

IF YOU DO NOT REQUEST TO PARTICIPATE IN ACCORDANCE WITH THIS NOTICE, THE BOARD MAY PROCEED IN YOUR ABSENCE AND YOU WILL NOT BE ENTITLED TO ANY FURTHER NOTICE OF THESE PROCEEDINGS.

ADDRESSES (for viewing of the IESO's submission)

Ontario Energy Board

2300 Yonge Street, 27th Floor
Toronto ON M4P 1E4

Attn: Ms. Kirsten Walli
Board Secretary
Tel: 1-888-632-6273 (toll free)
Fax: 416-440-7656
E-mail: BoardSec@oeb.gov.on.ca

Independent Electricity System Operator

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DATED at Toronto December 12, 2007

ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary

INDEPENDENT ELECTRICITY SYSTEM OPERATOR (“IESO”)

FISCAL 2008 FEES SUBMISSION FOR REVIEW

DRAFT ISSUES LIST PREPARED BY BOARD STAFF

EB-2007-0816

1.0 Operating Cost

- 1.1 Are the IESO's projected OM&A Program Costs reasonable?
- 1.2 Are the IESO's projected staff costs and strategy for setting compensation levels appropriate and reasonable?
- 1.3 The IESO's third quarter 2007 financial statements indicate that the IESO holds \$23.1 million of illiquid Asset-Backed Commercial Paper on which neither principal nor interest has been paid. What are the implications of this ABCP for the IESO's 2008 revenue requirement?

2.0 Capital Spending

- 2.1 Are the projected expenditures of \$8 million in 2008 and \$8 million in 2009 on Day-Ahead Market (“DAM”) appropriate and reasonable?
- 2.2 What is the level of IESO commitment to DAM and is this sufficient for funding approval?
- 2.3 Is the proposed schedule which calls for approval of DAM by the IESO Board by late 2007 or early 2008, capital work to start in 2008 and for DAM to be operational in 2009 realistic?

3.0 Smart Metering Initiative

- 3.1 Is the IESO's process for separating of costs associated with its role as the Smart Metering Entity and as the System Operator appropriate?

4.0 Benchmarking

- 4.1 Are the IESO's proposed cost categories for comparison to its peers appropriate for improving operational efficiency?

5.0 Reliability

- 5.1 Are the IESO's proposed 2008 measures to address reliability appropriate and cost-effective?