



EB-2010-0046

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 2011 in
connection with the IESO-controlled grid and IESO-
administered markets.

BEFORE:

Karen Taylor
Presiding Member

Marika Hare
Member

**DECISION AND ORDER ON ISSUES LIST
FEBRUARY 11, 2011**

INTRODUCTION

On November 2, 2010, the Independent Electricity System Operator (the "IESO" or the "Applicant") filed its proposed expenditure and revenue requirements and proposed fees for 2011 to the Ontario Energy Board (the "Board") for review and approval in accordance with section 19 of the *Electricity Act, 1998*. The Board assigned file number EB-2010-0046 to this proceeding.

The Board issued a Notice of Application ("Notice") dated December 3, 2010 with respect to this matter. The Board also issued a decision dated January 6, 2011 with respect to requests for intervenor status and eligibility for cost awards.

On January 18, 2011, the Board issued Procedural Order No. 1 which set up a timetable for various procedural steps and also requested comments on a Draft Issues List.

SUBMISSIONS ON DRAFT ISSUES LIST

No intervenor provided comments on the Draft Issues List. In a letter filed with the Board on February 2, 2011, the IESO provided its comments on the Draft Issues List as noted below.

Submissions of the IESO

In its February 2, 2011 letter, the IESO commented that it does not object to any of the issues included in the Draft Issues List with the exception of Issue 5.3 which states:

Does the IESO have processes in place to ensure the SME¹ meets its smart meter obligations including requirements to meet electricity distributors' implementation of mandatory TOU² (June 2011) and the SME's licensing requirements?"

The IESO submitted that issue 5.3 is not within scope and is not relevant to the matters at issue in this proceeding.

The IESO further submitted that the purpose of this proceeding is not to review the SME's obligations or licensing requirements, or the related costs and that the costs associated with the IESO's role as SME will be the subject of a separate regulatory mechanism or proceeding.

With respect to mandatory time of use ("TOU") dates, the IESO stated that it is submitting monthly reports to the Board regarding the SME's status and readiness in supporting the implementation of TOU billing.

¹ Smart Metering Entity

² Time-of-Use

Amended Application

On February 2, 2011, the IESO filed an amended 2011 Fees Submission for Review. The IESO revised section 4 (e) of the Application which now indicates that the IESO is seeking approval to retain \$13.1 million of the projected \$23.3 million of accumulated surplus in 2010 and to rebate the balance to market participants.

BOARD FINDINGS

The Board notes that no party objected to any of the issues on the Draft Issues List except for Issue 5.3 as stated above.

With respect to Issue 5.3, the Board accepts the IESO's submission regarding the SME's licensing requirements, since on January 27, 2011 the Board granted the IESO the SME licence for a 5-year period under EB-2007-0750. However, the Board finds that it is relevant to this proceeding to determine whether any of the IESO's expenditures relate to its support of the SME and whether those expenditures are adequate to ensure that the SME meets its obligations.

Accordingly, the Board has revised Issue 5.3 as follows:

Original Version

Does the IESO have processes in place to ensure the SME meets its smart meter obligations including requirements to meet electricity distributors' implementation of mandatory TOU (June 2011) and the SME's licensing requirements?

Revised Version

To what extent do any of the IESO's expenditures relate to its support of the SME and are those expenditures adequate to ensure the SME meets its obligations, including the SME's obligations in relation to smart meters and TOU implementation?

With respect to the IESO's amended Application, the Board has revised Issue 3.3 to reflect the changes to section 4(e) in the amended Application as indicated below:

Original Version

Is the IESO's plan to retain the 2010 projected surplus to assist in rate stabilization and to address the higher than normal risk that energy volumes will be lower than assumed over the planning period appropriate and reasonable?

Revised Version

Is the IESO's proposal for the treatment of its 2010 accumulated operating surplus appropriate and reasonable?

THE BOARD ORDERS THAT:

The Issues List shown in Appendix "A" to this Decision shall be the approved Issues List for this proceeding.

DATED at Toronto, February 11, 2011

ONTARIO ENERGY BOARD

Original Signed By

Kirsten Walli
Board Secretary

APPENDIX “A”

**INDEPENDENT ELECTRICITY SYSTEM OPERATOR
2011 FEES SUBMISSION FOR REVIEW**

EB-2010-0046

Dated: February 11, 2011

ISSUES LIST

INDEPENDENT ELECTRICITY SYSTEM OPERATOR (“IESO”)

FISCAL 2011 FEES SUBMISSION FOR REVIEW

ISSUES LIST

EB-2010-0046

1.0 Operating Costs

- 1.1 Are the IESO's projected OM&A Costs appropriate and reasonable?
- 1.2 Are the IESO's projected staff costs and strategy for setting compensation levels appropriate and reasonable?

2.0 Capital Spending

- 2.1 Are the IESO's proposed 2011 capital expenditures on the enhanced day-ahead commitment (EDAC) project reasonable?
- 2.2 Is the EDAC project on budget and schedule?
- 2.3 Is the current design of the EDAC expected to achieve the desired benefits in light of the evolving market conditions?
- 2.4 Are the IESO's proposed capital expenditures, other than EDAC, appropriate and reasonable?

3.0 Methodology for Calculating Usage Fee

- 3.1 Is the methodology for calculating the 2011 usage fee and process for rebating surpluses appropriate and reasonable?
- 3.2 Is the forecast Market Demand and methodology appropriate and have the impact of Conservation or Demand Management initiatives been suitably reflected?
- 3.3 Is the IESO's proposal for the treatment of its 2010 accumulated operating surplus appropriate and reasonable?

4.0 Green Energy and Green Economy Act (GEGEA) Initiatives

- 4.1 Are the IESO's plans to address GEGEA initiatives reasonable and cost effective?
- 4.2 Are the IESO's proposed increases in resources to implement the GEGEA initiatives reasonable and cost effective?

5.0 Smart Metering Entity

- 5.1 Is the IESO's process for separating costs associated with its role as the Smart Metering Entity ("SME") from costs associated with its role in operation the provincial electricity grid and managing the wholesale electricity market reasonable?
- 5.2 Is the IESO's proposal and timing for recovery of its smart metering costs through a separate regulatory mechanism appropriate and reasonable?
- 5.3 To what extent do any of the IESO's expenditures relate to its support of the SME and are those expenditures adequate to ensure that the SME meets its obligations, including the SME's obligations in relation to smart meters and TOU implementation?

6.0 Reliability

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

Dated: February 11, 2011