

**UNDERTAKING NO. J2.2:**

TO CHECK THE IESO'S MOST RECENT REVENUE REQUIREMENT SUBMISSION AND THE HYDRO ONE RATES CASE AND CONFIRM IESO HAS A VOLUMETRIC FEE CALCULATED IN A SIMILAR FASHION TO THE OPA'S FEE AND THAT IT IS THE SAME VOLUMETRIC FEE FOR BOTH EXPORT AND DOMESTIC CUSTOMERS.

**RESPONSE:**

**Derivation of IESO Usage Fee**

From the IESO Prefiled Evidence, Proceeding EB-2010-0046, Exhibit B, Tab 3, Schedule 1, filed November 2, 2010, pages 2 and 3:

Usage Fee

There are three basic steps to calculating the usage fee:

1. The first step is to calculate the revenues required.  
2011 Revenue Requirement to be recovered from IESO Usage fees, \$126 million.
2. The second step is to estimate the charge determinant for the usage fee. The charge determinant is the total forecast AQEW (Allocated Quantity of Energy Withdrawn) and SQEW (Scheduled Quantity of Energy Withdrawn (i.e. exports) in TWh : 153.3 TWh in 2011
3. The third step is the rate calculation: \$126 million divided by 153.3 TWh equals the IESO usage fee of \$0.822 MWh

This fee is charged to all Market Participants by the IESO.

**Hydro One Networks Inc. (HONI) Proceeding - Uniform Transmission System Usage Charge**

At page 75 of HONI's most recent transmission rates case decision, EB-2010-0002, the OEB approved the Export Transmission Service (ETS) tariff (formerly Export and Wheel-through Transactions or EWT) for 2011 and 2012 as \$2/MWh. The ETS is a charge for the use of the Ontario transmission system by exporters.

OEB discussion of this charge extends back to HONI's year 2000 transmission cost allocation and rate design proceeding (RP-1999-0044, Decision with Reasons issued on May 26, 2000, section 3.8). Specifically, in section 3.8.23 of that decision the Board found;

“The Board does not accept that the EWT charge should be equal to the domestic charge, as advocated mainly by environmental groups, since such a charge may frustrate the objective of working toward a larger, open power market. While environmental considerations related to power exports are important, as noted elsewhere in this Decision they must be balanced with the other objectives set out for the Board and other well-established rate design objectives.”

On January 18, 2011 (EB-2010-0002) the OEB approved Uniform Transmission rates to be charged by the IESO to Market Participants for the use of Ontario's Transmission System. The Network Service Rate approved for 2011 is \$3.22/kW, (Appendix B, Rate Order, Ontario Uniform Transmission Rate Schedule, page 5 of 6).

As a result of this OEB decision in the latest HONI transmission proceeding, the Board established two different charges to be levied and collected by the IESO for Ontario transmission service: one for domestic customers in the amount of \$3.22/kW and a lower charge for exporters in the amount of \$2/MWh.