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February 21, 2014
File No.: 101926.1072


Ms. Kirsten Walli
Ontario Energy Board
Yonge-Eglinton Centre
P.O. Box 2319, Suite 2700
2300 Yonge Street
Toronto ON M4P 1E4

Dear Ms. Walli:

**Re: Independent and Electricity System Operator — Fiscal 2014 Fees
Submission for Review: EB – 2013-0381**

Attached is the Supplementary Evidence containing the Actual 2013 Financial Results. The requisite number of paper copies will follow by courier. All intervenors will be served with the Supplementary Evidence.

Yours truly,


Glenn Zacher

/sc
Encl.

cc: Adrian Pye

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IESO Financial Update

Actual 2013 Financial Results

The following table outlines the IESO's 2013 actual results and variances against the 2013 budget.

(\$ millions)	2013 Actual	2013 Budget	Variance
Usage Fees	128.3	123.9	4.4
Cost Recovery for Services	1.7	2.7	(1.0)
Market-related Interest Income	1.4	1.2	0.2
Total Revenues	131.4	127.8	3.6
OM&A Costs	103.8	112.1	8.3
Amortization	14.3	14.7	0.4
Net Interest	0.7	1.0	0.3
Total Costs	118.8	127.8	9.0
Operating Surplus/(Deficit)	12.6	-	12.6
Accumulated Operating Surplus (opening balance)	5.0	5.0	-
Rebates to Market Participants	(12.6)	-	(12.6)
Accumulated Operating Surplus (closing balance)	5.0	5.0	-

The following table details the variances from the actual 2013 results and the projected 2013 results included in the IESO 2014-2016 Business Plan.

(\$ millions)	2013 Actual	2013 Projected in 2014-16 B/Plan	Variance
Usage Fees	128.3	126.0	2.3
Cost Recovery for Service	1.7	2.0	(0.3)
Market-related Interest Income	1.4	1.2	0.2
Total Revenues	131.4	129.2	2.2
OM&A Costs	103.8	109.1	5.3
Amortization	14.3	14.7	0.4
Net Interest	0.7	0.6	(0.1)
Total Costs	118.8	124.4	5.6
Operating Surplus	12.6	4.8	7.8
Accumulated Operating Surplus (opening balance)	5.0	5.0	-
Rebates to Market Participants	(12.6)	(4.8)	(7.8)
Accumulated Operating Surplus (closing balance)	5.0	5.0	-

Surplus to be Rebated to Market Participants

The actual 2013 surplus was \$12.6 million, \$7.8 million higher than the \$4.8 million projected in the 2014-2016 Business Plan as shown above. When the actual 2011 and 2012 surpluses are included, \$3.5 million and \$9.5 million respectively, the accumulated surplus to be rebated to market participants is \$25.7 million.

The IESO's 2013 surplus is largely due to an increase in usage fee revenues and a decrease in staffing-related costs.

Usage Fees

Actual usage fee revenues for 2013 are \$128.3 million, approximately \$2.3 million higher than the 2013 projection included in the 2014-2016 Business Plan. The positive variance was the result of higher than forecast exports, slightly offset by lower than forecast domestic demand. The following table details the variance in terawatt hours (TWh).

TWh	2013 Actual	2013 Projected in 2014-16 B/Plan	Variance
Ontario Demand (net of line losses)	137.8	138.3	(0.5)
Exports	18.3	15.0	3.3
Total	156.1	153.3	2.8

Staffing

Staffing related costs were lower than projected by \$3.2 million. In 2012, IESO management significantly limited hiring in order to provide flexibility for the anticipated merger with the OPA. The merger did not proceed and, as stated in the 2014-2016 Business Plan, it was anticipated that delays in hiring would reduce staff costs in 2013. There were 464 staff, including 440 regular staff, as of December 31, 2013. While the year-end number of staff is closely aligned to the Business Plan forecast staff costs were lower than forecast as a number of these positions were vacant for part of 2013 as the positions were being filled.