

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 2014 in connection with the IESO-controlled grid and IESO-administered markets.

**INTERROGATORIES OF
ENERGY PROBE RESEARCH FOUNDATION
("ENERGY PROBE")
To
INDEPENDENT ELECTRICITY SYSTEM OPERATOR
("IESO")**

March 13, 2014

**INDEPENDENT ELECTRICITY SYSTEM OPERATOR
FISCAL YEAR 2014 FEES REVIEW**

EB-2013-0381

**Energy Probe Research Foundation
Interrogatories**

Operating Costs

Issue 1.1 Are the IESO's proposed OM&A Costs appropriate and reasonable?

1-Energy Probe-1

Ref: Exhibit C, Tab 1, Schedule 1

On February 21, 2014 the IESO submitted Supplementary Evidence containing the Actual 2013 Financial Results. Contained within that evidence were revised figures for usage fees – which were revised higher to \$128.3 million from the forecast of \$126 million, submitted by the IESO on November 4, 2013 and the \$123.9 million figure in its original budget. The IESO also lowered its Total Costs to \$118.8 million from its original forecast of \$127.8 million.

- a) Does the IESO expect to revise its 2014 figure for usage fees higher, as well as lower its figure for costs?
- b) Currently the IESO is projecting usage fees of \$126.6 million for 2014 (Exhibit B, Tab 1, Schedule 1), but expects total energy volumes – including embedded generation – to rise from 153.3 (gross TWh) to 157.6 (gross TWh). Would the higher demand result in greater revenue from usage fees?

1-Energy Probe-2

Ref: Exhibit B, Tab 1, Schedule 1

In the Financial Outlook 2014-2016, the IESO estimates that its Market-related Interest Income will more than triple over the next three years, “primarily as a consequence of assumed increased in interest rates.” (Exhibit B, Tab 1, Schedule 1, page 10) According to forecasts from economists at Canada’s five largest banks, interest rates are not expected to move until – at the earliest – the second half of 2015. Furthermore, interest rates are not expected to be meaningfully higher until 2016.

- a) Is this in line with forecasts made by the IESO?
- b) And, if not, will this have a meaningful impact on the IESO’s forecast for Market-related Interest Income?

Capital Spending

Issue 2.1 Are the IESO’s proposed 2014 capital expenditures appropriate and reasonable?

2-Energy Probe-3

Ref: Exhibit B, Tab 1, Schedule 1

In the summary of capital spending over the 2013-2016 period (Exhibit B, Tab 1, Schedule 1, page 12) the IESO expects to end spending on its Renewable Integration Initiative in 2013.

- a) Is that reasonable, considering the IESO is also expecting embedded generation to increase meaningfully over the next three years?
- b) Would the IESO not have to continually update and invest in its ability to safely integrate this renewable power into the grid?

The IESO Usage Fee

Issue 3.1 Is the move to gross billing from net billing appropriate?

3-Energy Probe-4

Ref: Exhibit B, Tab 4, Schedule 1

The IESO argues that moving to a gross billing fee will result in a more equitable distribution of the usage fee (Exhibit B, Tab 4, Schedule 1, page 17). Customers of LDCs with large amounts of embedded generation will no longer receive a discount in the amount of usage fee that they pay.

- a) If the target for the introduction of 10,700 MW of renewable power by 2018 laid out in Ontario's Long Term Energy Plan is borne out, is there not a risk that the reverse could come true?
- b) Would customers of LDCs with large amounts of embedded generation then be subsidizing a transmission system they don't use? And would this situation violate the user-pay model?