

INDEPENDENT ELECTRICITY SYSTEM OPERATOR (IESO)
FISCAL YEAR 2014 FEES SUBMISSION FOR REVIEW
SETTLEMENT PROPOSAL
EB-2013-0381

This Settlement Proposal is filed with the Ontario Energy Board ("the OEB" or "Board") for consideration in the determination of the Independent Electricity System Operator ("the IESO") Fiscal Year 2014 Fees Submission for Review, EB-2013-0138 (the "IESO's 2014 Fees Submission").

The Settlement Proposal arises from a Settlement Conference that was conducted on April 30, 2014 pursuant to Rule 31 of the OEB's *Rules of Practice and Procedure* (the "*Rules*") and the OEB's *Practice Direction on Settlement Conferences*. This Settlement Proposal was prepared in accordance with Rule 32 of the *Rules* and the *Settlement Conference Guidelines*.

The following parties participated in the Settlement Conference:

- The IESO;
- Energy Probe Research Foundation ("Energy Probe");
- Canadian Manufacturers and Exporters ("CME");
- Vulnerable Energy Consumers Coalition ("VECC") and
- The Building Owners and Managers Association Toronto ("BOMA").

OEB Staff are not a party to this Settlement Proposal and therefore take no position on any issue.

The IESO, Energy Probe, CME, VECC and BOMA, the parties to the Settlement Proposal, are hereinafter collectively referred to as the "Parties". The Parties are satisfied with the IESO's evidence on all issues and have agreed to a settlement on all issues. The Settlement Proposal therefore covers all issues on the Board-approved Issues List (attached hereto as Schedule "A").

In accordance with Rule 32 of the Board's *Rules* and *Settlement Conference Guidelines*, this Settlement Proposal outlines the Parties' agreement and provides a direct and transparent link between the issues and the evidence in the record. The Parties further agree that the evidence is sufficient to support the Settlement Proposal in respect of the

settled issues and that the quality and detail of the supporting evidence will allow the Board to make findings on the settled issues.

The following general evidence, in addition to the specific evidence cited under the issues below, supports this agreement:

- Exhibit A, Tab 1, Schedule 1, IESO's 2014 Fees Submission;
- Exhibit B, Tab 1, Schedule 1, 2013-2016 Business Plan;
- Exhibit B, Tab 1, Schedule 2, Letter from the Minister of Energy to IESO and dated October 22, 2013;
- Exhibit B, Tab 3, Schedule 1, Methodology for Calculating 2014 Usage Fee and Proposal for Treatment of Accumulated Surplus;
- Exhibit B, Tab 4, Schedule 1, Elenchus Review of IESO Fees Billing Determinant;
- Exhibit C, Tab 1, Schedule 1, Supplemental Financial Information — IESO Financial Update, Actual 2013 Financial Results.

IESO 2014 Revenue Requirement, Proposed Capital Envelope and Surplus

The Parties agree to the IESO's 2014 proposed revenue requirement of \$129.9 million and proposed capital expenditure envelope of \$24 million. The Parties agree to the continuation of the \$1,000 application fee and proposed IESO usage fee of \$0.803/MWh to be charged as set out in section 3.0 herein. The Parties agree to the IESO retaining \$5 million of the accumulated surplus and returning the remaining accumulated surplus of \$25.7 million from 2011, 2012 and 2013 to market participants based on their respective yearly proportionate quantity of energy withdrawn from the grid (including exports). The rebate to market participants will be processed within two billing cycles of the approval being received. The parties agree that the return of any accumulated surplus in future years should be based on the same methodology as the fee was collected. The Parties agree to the Approval of the Interim Usage Fee as the final usage fee for each of the 2012 and 2013 fiscal years.

1.0 Operating Costs

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

The Parties accept that the evidence set out below supports the appropriateness and reasonableness of the IESO's projected OM&A costs:

- Exhibit B, Tab 1, Schedule 1, 2013-2016 Business Plan pages 9, 11 & 16
- IESO responses to the following Interrogatories: Board Staff 1.1.1, 1.1.2, 1.1.3, 1.1.4, 1.1.5, 1.1.6, 1.1.7, 1.1.8 & 1.1.9; Energy Probe 2 a) & 2 b); VECC 1 d) & 2 b)

1.2 Are the IESO's projected staffing levels appropriate and reasonable?

The Parties accept that the evidence set out below supports the appropriateness and reasonableness of the IESO's projected staffing levels:

- Exhibit A, Tab 1, Schedule 1, IESO's 2014 Fees Submission page 4
- Exhibit B, Tab 1, Schedule 1, 2013-2016 Business Plan pages 5 & 11
- IESO responses to the following Interrogatories: Board Staff 1.2.1, 1.2.3, 1.2.4, 1.2.5, 1.2.7 a), 1.2.7 b), 1.2.7 c), 1.2.8 & 1.2.9; BOMA 3 a), 3 b) & 3 c); VECC 2 a) & 2 c)

2.0 Capital Spending

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

The Parties accept that the evidence set out below supports the appropriateness and reasonableness of the IESO's proposed capital expenditure envelope of \$24 million for 2014:

- Exhibit A, Tab 1, Schedule 1, IESO's 2014 Fees Submission page 4
- Exhibit B, Tab 1, Schedule 1, 2013-2016 Business Plan pages 3 – 6, 12 – 13 & 19 - 21
- IESO responses to the following Interrogatories: Board Staff 2.1.1, 2.1.3, 2.1.4, 2.1.5 a), 2.1.5 b), 2.1.5 c), 2.1.5 d), 2.1.5 e), 2.1.5 f), 2.1.5 g), 2.1.5 h), 2.1.5 i) & 2.1.6; Energy Probe 3 a) & 3 b)

3.0 The IESO Usage Fee

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

The Parties accept that the evidence set out below supports the appropriateness and reasonableness of the IESO's proposed usage fee of \$0.803/MWh to be paid by all

market participants based on energy withdrawn from the IESO-controlled grid (including exports) and embedded generation commencing January 1, 2014; and, the parties agree to the IESO relying on and using the information provided to the IESO by Local Distribution Companies (LDCs) on the amount of embedded generation in their service territory under O.Reg 429/04 in calculating the total usage fee to be billed to each LDC for each billing period commencing January 1, 2014. The Parties agree to the IESO charging (or rebating to) market participants the difference between the Interim Usage Fee and the 2014 Approved Usage Fee with such charges, or rebates, being processed within two billing cycles of the approval being received.

- Exhibit A, Tab 1, Schedule 1, IESO's 2014 Fees Submission pages 5 - 6
- Exhibit B, Tab 1, Schedule 1, 2013-2016 Business Plan pages 6 & 9 - 10
- Exhibit B, Tab 3, Schedule 1, Methodology for Calculating 2014 Usage Fee and Proposal for Treatment of Accumulated Surplus;
- Exhibit B, Tab 4, Schedule 1, Elenchus Review of IESO Fees Billing Determinant
- IESO responses to the following Interrogatories: Board Staff 3.1.1, 3.1.2, 3.1.3, 3.1.4, 3.1.5 & 3.1.6; BOMA 1 & 5; CME 3 a) & 3 b); Energy Probe 4 a) & 4 b); VECC 3 d)

Schedule "A"

**INDEPENDENT ELECTRICITY SYSTEM OPERATOR ("IESO")
FISCAL 2014 FEES SUBMISSION FOR REVIEW
ISSUES LIST
EB-2014-0381**

1.0 Operating Costs

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

1.2 Are the IESO's projected staffing levels appropriate and reasonable?

2.0 Capital Spending

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

3.0 The IESO Usage Fee

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