EB-2006-0244

IN THE MATTER OF the Ontario Energy Board Act, 1998, S.O. 1998, c. 15, Schedule B;

AND IN THE MATTER OF the Independent Electricity System Operator Fiscal 2007 Fees Submission for Review

PROCEDURAL ORDER NO. 2

On October 30, 2006, the Independent Electricity System Operator ("IESO") filed its proposed Fiscal 2007 Fees Submission for Review with the Ontario Energy Board for review in accordance with sections 18 and 19 of the *Electricity Act, 1998*. The Board assigned file number EB-2006-0244 to this matter.

On December 1, 2006, the Board issued its Procedural Order No. 1 which set timelines for an Issues Conference, a Technical Conference and a Settlement Conference.

The Issues Conference was held on December 13, 2006. At the conference, the Participants and Board Staff agreed on a draft issues list.

The Board has considered the draft Issues List and is in agreement with it.

The Board considers it necessary to make provision for the following procedural matters. The Board may issue further procedural orders from time to time.

THE BOARD ORDERS THAT

1. The issues for this proceeding are set out in Appendix "A" attached to this Order.

2. The timelines provided in Procedural Order No. 1 remain in effect.

Issued at Toronto, December 20, 2006
ONTARIO ENERGY BOARD

Original Signed By

Kirsten Walli
Board Secretary

APPENDIX "A"

PROCEDURAL ORDER #2

IESO FISCAL YEAR 2007 FEES SUBMISSION FOR REVIEW

EB-2006-0244

DATED: December 20, 2006

ISSUES LIST

BOARD – APPROVED ISSUES LIST
INDEPENDENT ELECTRICITY SYSTEM OPERATOR ("IESO")
FISCAL 2007 FEES SUBMISSION FOR REVIEW
EB-2006-0244

1.0 Operating Cost

1.1 Are the IESO's projected pension costs and strategy reasonable?

1.2 Are the IESO's projected staff costs and strategy for setting compensation levels appropriate and reasonable?

1.3 Are the IESO's proposed costs and strategy reasonable and appropriate in light of its role in carrying out the following activities:

- Establishment and enforcement of reliability standards and assessment criteria;
- Stakeholdering and consultation concerning establishing standards and enforcing compliance.

1.4 Are the IESO's projected administration costs reasonable?

2.0 Capital Spending

2.1 Are the projected expenditures of $8 million in 2007 and $8 million in 2008 on Day-Ahead Market ("DAM") design and strategy for achieving objectives appropriate and reasonable?

2.2 What is the level of IESO commitment to DAM and is this sufficient for funding approval?

2.3 Is the proposed schedule which calls for approval of DAM by summer 2007 and for DAM to be operational in 2008 realistic?

3.0 Methodology to Evaluate DAM

3.1 How was DAM (whether leading to new capital or operating costs) identified, evaluated and decided by the IESO?

3.2 Were the methodologies and criteria used to select DAM reasonable and appropriate?

4.0 Benchmarking

4.1 Are the cost categories in the FERC cost comparison initiative appropriate for effective benchmarking at the IESO?

5.0 Coordination of IESO's Activities with OPA and OEB

5.1 Is there any overlap or duplication of activities? Are there opportunities for further IESO efficiency improvements?

5.2 How is the IESO respecting the distinction between its objects and those of the OPA and reasonably coordinating its activities in respect thereof?

6.0 Reliability

6.1 Are the IESO's proposed 2007 measures to address reliability appropriate and cost-effective?

7.0 Performance Measures

7.1 Are the measures currently included within the IESO Corporate Performance Measures comprehensive and appropriate?

8.0 Stakeholdering

8.1 Are the initiatives undertaken by the IESO to involve consumers, distributors, generators, transmitters and other persons who have an interest in the electricity industry in the development of a long-term vision for the electricity sector appropriate?

8.2 How has the IESO used this input to arrive at a long-term vision for the electricity sector?

8.3 Are the IESO management plans for intervenor funding for the IESO stakeholdering processes appropriate?