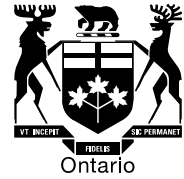


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BY EMAIL

May 26, 2015

Ontario Energy Board
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto ON M4P 1E4

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

**Re: OEB Staff Submission on Draft Issues List.
Independent Electricity System Operator (IESO) Application for Approval of
2016 Revenue Requirement, Expenditures and Fees
OEB File Number: EB-2015-0275**

Pursuant to Procedural Order No. 2, please find attached the submission of OEB staff on the draft issues list prepared by the IESO in the above referenced proceeding.

Yours truly,

Original Signed By

Rudra Mukherji
Project Advisor, Facilities and Infrastructure

cc: Parties to EB-2015-0275



ONTARIO ENERGY BOARD

OEB Staff Submission on Draft Issues List

**Independent Electricity System Operator's Application for the Approval of
2016 Expenditures, Revenue Requirement and Fees**

EB-2015-0275

May 26, 2016

INTRODUCTION

The Independent Electricity System Operator (IESO) filed an application with the Ontario Energy Board (OEB) on January 20, 2016 under section 25(1) of the *Electricity Act, 1998*, seeking approval for the IESO's 2016 expenditures, revenue requirement and fees.

On May 12, 2016, the OEB issued Procedural Order No. 2 in which it asked intervenors and OEB staff to file written submissions on the draft issues list that was prepared by the IESO and filed with its application.

The following are the submissions of OEB staff on the draft issues list.

SUBMISSION

The IESO's draft issues list groups issues under three categories/topics. These are: 1.0 Proposed Fees; 2.0 Deferral and Variance Accounts; and 3.0 Merger Costs and Savings. OEB staff recommends restating certain issues to more clearly represent the relief being sought. OEB staff also recommends reclassifying certain issues and proposes a new section dealing with the IESOs response to previous OEB decisions.

Section 1.0 Proposed Fees on the IESO's draft issues list includes six issues – Issue 1.1 through to issue 1.6. Issue 1.1¹ as drafted includes a number of important issues such as the revenue requirement, expenditures and usage fee. Issue 1.2² also deals with the usage fee. OEB staff submits that the OEB may wish to consider splitting issue 1.1 into separate issues. OEB staff also recommends splitting Section 1.0 into two sections dealing with the usage fee and registration and application fees respectively.

Issues 1.3 to 1.6 on the IESO's draft issues list deal with registration and application fees for which the IESO is seeking approval. Staff recommends categorizing these issues under a new section titled Registration and Application Fees.

Section 2.0 of the IESO's draft issues list covers issues relating to the IESO's proposal in relation to deferral accounts (including operating reserve). The IESO has proposed

¹ IESO Draft Issues List Issue 1.1: Are the expenditures and revenue requirement of \$182.1 million, and the usage fee of \$1.13/MWh as described in the Minister-approved Business Plan, appropriate?

² IESO Draft Issues List Issue 1.2: Is the proposed single usage fee appropriate?

three issues.³ For clarity, OEB staff recommends restating the issues to include the names of the deferral accounts and the specific proposal in relation to each.

Section 3.0 of the IESO's draft issues list deals with merger costs. The IESO has proposed two issues – "Have the merger costs been dealt with appropriately?" and "Have merger savings been captured appropriately?" OEB staff recommends restating the issues to better reflect the IESO's proposal.

Lastly, OEB staff recommends the addition of an issue that deals with the IESO's response to previous OEB decisions, specifically the last fees applications by the IESO (EB-2013-0381) and the Ontario Power Authority (OPA) (EB-2013-0326).

In summary, OEB staff proposes that the IESO's draft issues list be revised as follows:

1.0 Revenue Requirement, Operating Costs and Capital Spending

1.1 Is the IESO's Fiscal Year 2016 net revenue requirement of \$181.1 million appropriate?

1.2 Is the IESO's Operating Costs budget of \$182.1 million for Fiscal Year 2016 appropriate?

1.3 Is the IESO's Registration Fees revenue forecast of \$1.0 million for Fiscal Year 2016 appropriate?

1.4 Is the IESO's capital expenditure budget for Fiscal Year 2016 appropriate?

2.0 Usage Fee

2.1 Is the IESO's proposal to eliminate the OPA Usage Fee and to charge the proposed single IESO Usage Fee to all market participants (domestic and exporter customers) appropriate?

³ IESO Draft Issues List Issue 2.1: Are the proposed dispositions of the existing Deferral and Variance Accounts appropriate? IESO Draft Issues List Issue 2.2: Are the proposed Deferral and Variance Accounts appropriate?
IESO Draft Issues List Issue 2.3: Is the retention of \$10 million of operating reserve appropriate?

2.2 *Is the methodology used to derive the proposed IESO Usage Fee of 1.13/MWh appropriate?*

2.3 *Is the IESO's proposal to charge the proposed IESO Usage Fee from January 1, 2016 and to refund (or charge) all market participants the difference between the approved Usage Fee and the interim usage fees appropriate?*

3.0 Registration and Application Fees

3.1 *Are the registration fees of up to \$10,000 per proposal for electricity supply and capacity procurements, including conservation and load management procurements appropriate?*

3.2 *Are the non-refundable application fees for standard offer programs, such as the Feed-in-Tariff ("FIT") program of \$0.50/kW of proposed Contract Capacity, having a minimum of \$500 and a maximum of \$5,000, appropriate?*

3.3 *Is the Large Renewable Procurement qualification submission fee from RFQ applicants appropriate? Which is the sum of:*

a) The greater of: (a) \$2,000 for the first (or only, if only one renewable fuel is proposed) proposed renewable fuel submitted; or (b) \$1.00 per kW of estimated contract capacity for all large renewable projects to a maximum amount of \$30,000; plus

b) \$2,000 for each additional renewable fuel proposed.

3.4 *Is the \$1,000 application fee for market participation appropriate?*

4.0 Deferral and Variance Accounts

4.1 *Is the IESO's proposal with respect to the Government Procurement Costs Deferral Account appropriate?*

4.2 *Is the IESO's proposal with respect to the Registration Fees Deferral Account appropriate?*

4.3 *Is the IESO's proposal to continue the Forecast Variance Deferral Account to track variances between actual and OEB-approved revenues and costs appropriate?*

4.4 Is the IESO's proposal to retain an Operating Reserve of \$10 million in the Forecast Variance Deferral Account appropriate?

4.5 Is the IESO's proposal to clear 2015 Year-End balances in the Forecast Variance Deferral Account that are in excess of the \$10 million operating reserve appropriate?

5.0 Merger Costs and Savings

5.1 Are the merger costs of \$5.6 million incurred by the OPA and \$5.3 million incurred by the IESO, appropriate?

5.2 Is the IESO's proposal to use the 2014 balances in the Registration Fees Deferral Account and the Forecast Variance Deferral Account (which includes the OPA's Operating Reserve) to cover the OPA's merger costs of \$5.6 million appropriate?

5.3 Is the IESO's proposal to fund its share of the merger costs of \$5.3 million using the 2014 year-end Operating Reserve of \$8.3 million, appropriate?

5.4 Has the IESO appropriately reflected in its 2016 Fiscal Year revenue requirement the synergies and cost savings arising from the merger of the IESO and the OPA?

6.0 Commitments from Previous OEB Decisions

6.1 Has the IESO appropriately responded to requirements in OEB decisions in EB-2013-0326 and EB-2013-0381?

All of which is respectfully submitted