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May 26, 2016

Ontario Energy Board  
2300 Yonge Street  
P.O. Box 2319  
Suite 2700  
Toronto, ON M4P 1E4

**Attention: Ms Kirsten Walli  
Board Secretary**

Dear Ms. Walli:

**Re: Independent Electricity System Operator  
2016 Expenditure and Revenue Requirement Application  
EB-2015-0275**

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We are counsel to HQ Energy Marketing Inc. (“**HQEM**”) and the Association of Power Producers of Ontario (“**APPPrO**”) in the above-captioned matter.

Pursuant to Procedural Order No. 2, the purpose of this letter is to provide comments and additions to the draft issues list proposed by the IESO.

In paragraph 6(c) of its application (Exhibit A, Schedule 1, page 2), the IESO states that it is seeking (emphasis added):

Approval **to rebate to (or charge) market participants the difference between the 2016 IESO usage fee approved by the Board and the interim usage fee they paid, if any,** based on their proportionate quantity of energy withdrawn, which may include scheduled exports and embedded generation, **in 2016**. Any such rebates (or charges) will be provided in the next billing cycle following the month in which Board approval is received.

HQEM and APPPrO are very concerned with the IESO’s proposal to retroactively apply the new usage fee. Such a retroactive application will be a significant issue should the retroactive application result in a charge to some or all market participants.

The request for retroactive application is also particularly problematic in light of the IESO’s delay in filing its 2016 Expenditure and Revenue Requirement Application, including the delay in filing updates to the application. These delays are entirely outside the control of market participants, and yet it appears that the IESO expects market participants to bear the risk and uncertainties of retroactive application for a period of time which will amount to more than half a year.

The IESO should be required to justify its delay if it seeks to apply the usage fee retroactively.

As a result, HQEM and APPrO request that the following issues be added to the issues list:

1. Appropriateness of retroactive application of the usage fee; and
2. The reasons for the IESO's delay in submitting its 2016 Expenditure and Revenue Requirement Application.

Moreover, HQEM and APPrO have reviewed Board Staff's submission on the draft issues list and agree with Board Staff's revised issues 2.1 and 2.2.

Please do not hesitate to contact the undersigned if you have any questions in relation to the foregoing.

Sincerely,

*Signed in the original*

George Vegh