

May 31, 2016



VIA Email, Courier and RESS

Independent Electricity System Operator

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Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
27th Floor, 2300 Yonge Street
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**Re: Independent Electricity System Operator
2016 Expenditure and Revenue Requirement Submission
Ontario Energy Board File No.: EB-2015-0275**

Pursuant to Procedural Order No. 2 please find attached the IESO's comments on the Draft Issues List for the Board's consideration.

The IESO would like to take this opportunity to note that the next two steps in the schedule are the filing of interrogatories by Monday, June 20, and the IESO filing responses to interrogatories by Tuesday, July 5, two weeks later. In both its original application and with the updated evidence it filed May 13, the IESO provided a draft schedule which would allow the IESO three weeks to prepare and file interrogatory responses. This is the same amount of time that the IESO was provided to prepare and file interrogatory responses in its most recent fee application, EB-2013-0381, and the IESO believes three weeks is a reasonable time to be allowed to prepare and file fulsome responses to the interrogatories it receives. Given this, as well as the fact that the two weeks currently scheduled for preparing interrogatory responses includes a statutory holiday, the IESO respectfully requests that parties file their interrogatories earlier than June 20, preferably by June 13, or that the Board issue a new schedule providing the IESO up to three weeks to prepare and file interrogatory responses.

Yours truly,

Nancy Marconi
Senior Manager, Regulatory Affairs

cc: Mr. Fred Cass, Aird & Berlis (email)
EB-2015-0275 Intervenors (email and courier as requested)
Rudra Mukherji, Case Manager, Ontario Energy Board (email)

IESO 2016 Revenue Requirement Submission (EB-2015-0275)
Reply to Comments or Additions to the Draft Issues List

The IESO has received and considered the comments and revisions to the IESO's Draft Issues List filed by Board Staff, Energy Probe Research Foundation ("Energy Probe"), Association of Major Power Consumers in Ontario ("AMPCO"), the Association of Power Producers of Ontario ("APPrO"), HQ Energy Marketing Inc. ("HQEM"), Canadian Manufacturers & Exporters, and the Building Owners and Managers Association ("BOMA"). APPrO and HQEM filed a combined submission.

The IESO believes that for the most part, the revisions submitted by Board Staff encompass and include the appropriate edits and revisions submitted by other parties. The IESO suggests two revisions to the submission of Board Staffs, as shown below.

The IESO suggests that Board Staff Issue 6.1 is similar to BOMA Issue 5.1, both of which are duplicated below for ease of reference. The IESO submits that Board Staff Issue 6.1 be redrafted to include the spirit of BOMA Issue 5.1. The IESO's revision is intended to remove any uncertainty around the scope or meaning of the word 'requirements', while still capturing the spirit intended by the issues put forward by Board Staff and BOMA.

Board Staff

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

BOMA

5.1 Has the IESO responded appropriately to previous IESO and OPA Settlement Agreements and Decisions?

IESO

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

Board Staff have proposed four issues under Section 5.0 Merger Costs and Savings to address merger costs and savings, Issues 5.1 to 5.3 address merger costs and Issue 5.4 addresses merger savings. The IESO has no objection to Board Staff proposed Issue 5.4 with regard to merger savings. As far as merger costs are concerned, Board Staff Issue 5.2 is whether the proposal for funding of the OPA's merger costs is appropriate, and Issue 5.3 is whether the proposal for funding of the IESO's merger costs is appropriate. Issues 5.2 and 5.3 suggested by Board Staff capture the full scope of any

issues about the disposition of the merger costs in this proceeding, because they allow the Board to make such determination as it sees fit with regard to the proposal for funding of merger costs already incurred by the IESO and the former OPA. Issue 5.1 suggested by Board Staff, which is whether the merger costs are “appropriate”, does not add to the determination to be made under Issues 5.2 and 5.3, namely, whether the costs already incurred by the IESO and the OPA should be funded in the manner that has been proposed. The issue for this proceeding is not the amount or appropriateness of the costs, but rather the disposition and treatment of the merger costs. The IESO submits that Board Staff Issue 5.1 should be removed from the Draft Issues List and the remaining three issues about merger costs and savings should be re-numbered as Issues 5.1 to 5.3 as shown below:

5.0 Merger Costs and Savings

5.1 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?

5.2 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?

5.3 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?

The IESO submits that with the two changes suggested above, Board Staff Draft Issues List be adopted as the Final Issues List for the IESO’s 2016 Revenue Requirement Submission EB-2015-0326.

The IESO recognizes that other parties made suggestions and provides comments on these below.

AMPCO

AMPCO suggested adding one new issue to the Draft Issues List, which is shown below:

Has the impact of Ontario’s cap-and-trade program been appropriately addressed including but not limited to costs and role of the IESO?

AMPCO provided the following quote from the IESO’s evidence to support the inclusion of this issue:

And finally, in preparing this plan for your review we have also been aware of the ongoing development of Ontario's cap-and-trade program and other government initiatives. These represent one of the major sources of uncertainty of the plan, depending on the implementation choices and the role of the IESO.

The IESO believes AMPCO's suggested issue is not appropriate for inclusion in this application. As of today, details around the implementation of cap-and-trade and the role of specific government agencies, including the IESO, has not been determined. As such, the IESO submits that this issue should not be included in the Board approved Issues List as the Board's review of the IESO's Revenue Requirement Submission is not an appropriate forum to discuss and debate the implications of government policy decisions which have not been finalized.

BOMA

BOMA suggested adding two additional issues to the Draft Issues List, the first was Issue 5.1 dealt with earlier in this letter, and the second was Issue 4.1 shown below. The IESO believes this matter is effectively captured in Board Staff suggested Issue 6.1, as revised by the IESO, as one the Board's findings in the OPA's 2014 Revenue Requirement Submission dealt specifically with Metrics and Performance and Stakeholder Engagement¹. Additionally, while BOMA has stated it has relied on and quotes from the Board's decision in EB-2013-0326 in support for Issue 4.1, BOMA's suggested wording for Issue 4.1 is a significant revision from the wording in the Board's decision. The IESO believes it is appropriate to rely on the wording in the decision rather than formulating new wording with the addition of an issue.

Board Staff – as revised by the IESO

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

BOMA

4.1 Are the IESO's corporate performance measures for 2016 appropriate and reasonable, and do they contain metrics so as to allow parties and the Board to assess the extent to which they will have been realized?

¹ EB-2013-0326, Ontario Energy Board Decision and Order, November 6, 2014, pg. 8.

Energy Probe

Energy Probe suggested multiple changes to the Draft Issues List, merging a number of issues and suggesting further wording changes to the Draft Issues List for clarity.

While the changes suggested by Energy Probe were both helpful and effective, the IESO believes that the Draft Issues List proposed by Board Staff effectively captures the changes and additions suggested by Energy Probe. The Board Staff Draft Issues List also includes individual issues which Energy Probe merged, and the IESO supports these being included as individual issues because of the greater clarity this provides.

APPrO & HQEM

APPrO & HQEM suggested adding two additional issues to the Draft Issues List, the first of which the IESO believes is effectively described and captured in Board Staff suggested Issue 2.3. Both of these are shown below for clarity.

Board Staff

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?

APPrO & HQEM

1. Appropriateness of retroactive application of the usage fee.

The IESO submits that APPrO & HQEM's second suggested issue, which is shown below, should not be added to the Draft Issues List because, if the information is important or relevant, parties can seek further information on this issue under Board Staff Issue 2.3, which is shown above.

APPrO & HQEM

2. The reasons for the IESO's delay in submitting its 2016 Expenditure and Revenue Requirement Application.