

VINCENT J. DEROSE
T 613.787.3589
vderose@blg.com

Borden Ladner Gervais LLP
World Exchange Plaza
100 Queen St, Suite 1300
Ottawa, ON, Canada K1P 1J9
T 613.237.5160
F 613.230.8842
blg.com



File No. 339583/000218

June 30, 2016

By Electronic Filing

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street
27th floor
Toronto, ON M4P 1E4

Dear Ms Walli,

Re:	Independent Electricity System Operator (IESO) 2016 Expenditure and Revenue Requirement Application
Board File No.:	EB-2015-0275

Pursuant to Procedural Order No. 3 dated June 17, 2016, please find enclosed the Interrogatories of Canadian Manufacturers & Exporters (CME) to IESO, in this proceeding.

Yours very truly,

A handwritten signature in black ink, appearing to read 'VJD', followed by a long horizontal flourish.

Vincent J. DeRose
VJD/kt
Encl.

- c. Miriam Heinz and Nancy Marconi (IESO)
Fred Cass (Aird & Berlis)
All Interested Parties EB-2015-0275
Paul Clipsham and Ian Shaw

OTT01: 7711515: v1

ONTARIO ENERGY BOARD

Independent Electricity System Operator

**Application for approval of 2016 revenue requirement,
expenditures and fees**

**INTERROGATORIES OF
CANADIAN MANUFACTURERS & EXPORTERS (CME)
TO INDEPENDENT ELECTRICITY SYSTEM OPERATOR (IESO)**

CME 1

Ref: Exhibit B, Tab 3, Schedule 1, pages 1 and 2

The evidence states that the merger of the IESO and the OPA on January 1, 2015 has resulted in a decrease in annual costs of more than \$5M in 2015. Furthermore, based on the 2016-2018 Business Plan, the IESO is targeting savings of more than \$10M by 2018.

CME wishes to better understand these achieved and potential efficiencies. In this regard:

- (a) Please provide a more detailed description of the drivers of the decrease in annual costs of approximately \$5M in 2015;
- (b) Please provide a detailed description of the drivers for the targeted savings of \$10M to be achieved by 2018. In answering this question, please confirm whether the targeted savings of more than \$10M to be achieved by 2018 is inclusive or exclusive of the \$5M reduction in annual costs already achieved in 2015;
- (c) For each of the drivers described in (a) and (b), please identify those savings which are sustainable on a year-over-year basis, and which are one-time savings (if any).

CME 2

Ref: Exhibit B, Tab 3, Schedule 1, page 7 of 7

The IESO is proposing that any final year end 2015 FVDA balance in excess of \$10M be recalculated into two pools of funds to allow the funds to be returned to the OPA and IESO usage fee payers in a manner which accurately and fairly reflects the usage fees they paid in 2015 as a percentage of the total IESO revenues.

It appears to CME that the IESO's operating reserve of \$10M is based on the fact that both the IESO and the OPA each previously had operating reserves of \$5M. In light of the fact that the IESO and OPA are now merged, CME questions whether an operating reserve of \$10M remains

necessary. Please provide a detailed justification as to why the IESO requires such a large operating reserve.

CME 3

Ref: Exhibit A-2-2, page 3 of 20

The IESO confirms that throughout 2015 it has focussed on integrating the OPA and IESO, merging information technology, financial and business systems and processes, and consolidating staff in new work units and locations. In this regard, while a significant amount of merger-related work has been completed, a number of activities are still under way.

CME would like to better understand the merger-related work that remains outstanding. Please provide a description of the merger-related work to be completed in 2016 or beyond. In providing this description, please also identify the anticipated cost for that merger-related work. If possible, also explain when the IESO anticipates that all merger-related work will be completed.

OTT01: 7711389: v1