

SETTLEMENT PROPOSAL
Independent Electricity System Operator
2016 Submission for Review

September 7, 2016

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PREAMBLE

This Settlement Proposal is filed with the Ontario Energy Board (the "OEB" or the "Board") in connection with the Submission by the Independent Electricity System Operator ("IESO") for the review of its proposed expenditure and revenue requirements for the fiscal year 2016 and the fees that it proposes to charge during the fiscal year 2016. A decision by the Board approving fees on an interim basis, effective January 1, 2016, was issued on December 22, 2015.

In Procedural Order No. 3, dated June 17, 2016, the Board established the process to address the Submission for Review, up to and including a Settlement Conference and associated activities.

In accordance with Procedural Order No. 3, a Settlement Conference was held on August 17 and 18, 2016. Jennifer Webster acted as facilitator for the Settlement Conference. This Settlement Proposal arises from the Settlement Conference.

The IESO and the following intervenors, as well as Ontario Energy Board technical staff ("OEB Staff"), participated in the Settlement Conference:

- Association of Major Power Consumers in Ontario ("AMPCO")
- Association of Power Producers of Ontario ("APPrO")
- Building Owners and Managers Association Toronto ("BOMA")
- Canadian Manufacturers & Exporters ("CME")
- Energy Probe Research Foundation ("Energy Probe")
- HQ Energy Marketing Inc. ("HQEM")
- Ontario Sustainable Energy Association ("OSEA")
- School Energy Coalition ("SEC")
- The Society of Energy Professionals ("Society")
- Vulnerable Energy Consumers Coalition ("VECC")

The Settlement Proposal deals with all of the relief sought in this proceeding. As set out in more detail below, a full settlement has been reached on all issues, except for certain issues relating to the IESO's proposal for a single usage fee to be charged to all market participants based on energy withdrawn from the IESO-controlled grid, including scheduled exports.

The IESO and all intervenors listed above except HQEM and APPrO have agreed to the settlement described on the following pages, HQEM and APPrO take no position on the settled issues. Any reference to "Parties" in this Settlement Proposal is intended to refer to the IESO and the intervenors listed above and the positions stated in the prior sentence.

All intervenors listed above participated in the Settlement Conference and subsequent discussions. OEB Staff is not a party to the Settlement Proposal. Although it is not a party to the Settlement Proposal, once the Settlement Proposal is filed, OEB Staff will file a submission commenting on two aspects of the settlement: whether the settlement represents an acceptable outcome from a public interest perspective, and whether the accompanying explanation and rationale is adequate to support the settlement. Also, as

noted in the Practice Direction on Settlement Conferences, OEB Staff who participated in the Settlement Conference are bound by the same confidentiality and privilege rules that apply to the Parties to the proceeding.

This document is called a “Settlement Proposal” because it is a proposal by the Parties to the Board to settle the issues in this proceeding. It is termed a proposal as between the Parties and the Board. However, as between the Parties, and subject only to the Board’s approval of this Settlement Proposal, this document is intended to be a legal agreement, creating mutual obligations, and binding and enforceable in accordance with its terms. As set forth below, this Settlement Proposal is subject to a condition subsequent, that if it is not accepted by the Board in its entirety, then unless amended by the Parties it is null and void and of no further effect. In entering into this agreement, the Parties understand and agree that, pursuant to the Ontario Energy Board Act, 1998, the Board has exclusive jurisdiction with respect to the interpretation or enforcement of the terms hereof.

Best efforts have been made to identify all of the evidence that relates to each settled issue. The supporting evidence for each settled issue is identified individually by reference to its exhibit number in an abbreviated format; for example, Exhibit B, Tab 3, Schedule 1 is referred to as B-3-1. The identification and listing of the evidence that relates to each settled issue is provided to assist the Board.

The Settlement Proposal describes the agreements reached on the issues. The Settlement Proposal provides a direct link between each settled issue and the supporting evidence in the record to date. In this regard, the Parties are of the view that the evidence provided is sufficient to support the Settlement Proposal in relation to the settled issues and, moreover, that the quality and detail of the supporting evidence, together with the corresponding rationale, will allow the Board to make findings agreeing with the proposed resolution of the settled issues. In the event that the Board does not accept the proposed settlement of any issue, then subject to the Parties’ agreement on non-severability set out in the final paragraph below, further evidence may be required on the issue for the Board to consider it fully.

None of the Parties can withdraw from the Settlement Proposal except in accordance with Rule 30 of the Ontario Energy Board Rules of Practice and Procedure. Further, unless stated otherwise, a settlement of any particular issue in this proceeding is without prejudice to the positions Parties might take with respect to the same issue in future proceedings.

The Parties acknowledge that this Settlement Conference (including subsequent related discussions) is confidential in accordance with the Board’s Practice Direction on Settlement Conferences. The Parties understand that confidentiality in that context does not have the same meaning as confidentiality in the Board’s Practice Direction on Confidential Filings, and the rules of that latter document do not apply. Instead, in this Settlement Conference, and in this Settlement Proposal, the Parties have interpreted “confidential” to mean that the documents and other information provided during the course of the Settlement Conference, the discussion of each issue, the offers and counter-offers, and the negotiations leading to the settlement – or not – of each issue during the Settlement Conference are strictly privileged and without prejudice. None of the foregoing is admissible as evidence in this proceeding, or otherwise, with one

exception, the need to resolve a subsequent dispute over the interpretation of any provision of this Settlement Proposal. Further, the Parties shall not disclose those documents or other information to persons who were not attendees at the Settlement Conference. However, the Parties agree that “attendees” is deemed to include, in this context, persons who were not physically in attendance at the Settlement Conference but were a) any persons or entities that the Parties engage to assist them with the settlement conference, and b) any persons or entities from whom they seek instructions with respect to the negotiations; in each case provided that any such persons or entities have agreed to be bound by the same confidentiality provisions.

It is fundamental to the agreement of the Parties that none of the provisions of this Settlement Proposal are severable. If the Board does not, prior to the commencement of the hearing of the evidence in this proceeding, accept the provisions of the Settlement Proposal in their entirety, there is no Settlement Proposal (unless the Parties agree that any portion of the Settlement Proposal that the Board does accept may continue as a valid Settlement Proposal).

OVERVIEW

The Parties have reached a package settlement of issues in this proceeding (the “Package Settlement”), although, as noted below, certain Parties do not take any position in respect of the settled issues. The Package Settlement does not include certain issues (the “Unsettled Issues”) relating to the IESO’s proposal for a single usage fee to be charged to all market participants based on energy withdrawn from the IESO-controlled grid, including scheduled exports. More specifically, the Unsettled Issues not included in the Package Settlement are Issues 2.1, 2.2, 2.3, 2.4 and 2.5 in the Board-approved Issues List that is attached as Schedule A to Procedural Order No. 3.

As part of the Package Settlement, the IESO has agreed to settlement terms described more particularly under Issues 1.1, 6.1 and 6.2, below. Given the IESO’s agreement to these settlement terms, the Package Settlement includes acceptance of the IESO’s proposals in respect of all issues other than the Unsettled Issues. The Unsettled Issues remain to be determined by the Board.

THE ISSUES

1.1 Is the IESO’s Fiscal Year 2016 net revenue requirement of \$182.1 million appropriate?

Parties note that the IESO’s proposed 2016 revenue requirement of \$182.1 million, and a net revenue requirement of \$181.1 million, is lower than the Board approved \$190.2 million combined 2014 revenue requirements of the IESO (\$129.9 million) and OPA (\$60.3 million). Parties also note that the merger resulted in ongoing savings from a workforce reduced by 35 employees, real estate savings from amalgamating staff into one location from two in downtown Toronto, and reducing the amount of floor space

under lease at that location by utilizing the space more efficiently, as well as the elimination of one Board of Directors.

As part of the Package Settlement, the Parties accept that the IESO's fiscal 2016 net revenue requirement of \$182.1 million is appropriate, subject to the following terms:

- 1) Intervenors believe that benchmarking of some or all of the IESO's activities would also be beneficial in informing the Parties and the Board with regard to the reasonableness of the IESO's proposed expenditures and requested fees. The IESO agrees to consider the issue of undertaking cost benchmarking of its activities, and to file with its next Revenue Requirement Submission filed with the Board either benchmarking information, or a rationale for why the IESO believes that benchmarking is not possible or appropriate.

- 2) To promote increased transparency and to encourage a better review of future expenditures and revenue requirement approval requests, in its next Revenue Requirement Submission filed with the Board the IESO will file information in the format of the following Chapter 2 Appendices issued by the Board for the purposes of electricity distributors 2017 Cost of Service applications, modified as necessary or appropriate to reflect the particular circumstances of the IESO:
 - (a) Appendix 2-AA (capital projects);
 - (b) Appendix 2-JB (OM&A cost drivers);
 - (c) Appendix 2-JC (OM&A programs); and
 - (d) Appendix -2K (employee costs).

Prior to filing this information in its in its next Revenue Requirement Submission filed with the Board, the IESO will consult with intervenors to develop the Appendices listed above, modified as necessary and appropriate to reflect the particular circumstances of the IESO.

- 3) The IESO will use its best efforts to estimate its costs and savings, if any, associated with the Ontario government's greenhouse gas cap-and-trade initiative and any new or changing requirements arising from Bill 135 (the Energy Statute Law Amendment Act, 2016 given Royal assent on June 9, 2016). The IESO agrees to provide a reasonable estimate for internal costs or savings, and actual costs or savings for external costs associated with each of these initiatives in its next Revenue Requirement Submission filed with the Board.

- 4) The IESO will provide the following information to intervenors by November 1, 2016:
 - (a) An analysis that will identify which conservation programs have been 100% per cent fully meter-measured as part of the IESO's EM&V process and that will indicate, in addition to the number of programs, the dollar value of these programs that are fully meter-measured. Also, the analysis will show the total number of industrial, commercial and institutional programs that are meter measured as a

percentage of the full program portfolio, both in terms of dollar value and in terms of the number of programs.

(b) The estimated useful lives for each conservation measure that the IESO supports.

Evidence: The evidence in relation to this issue includes the following:

Exhibit A-2-1 - IESO's Letter to the Minister Requesting Approval of the 2016-2018 Business Plan - November 16, 2015

Exhibit A-2-2 - 2016-2018 Business Plan

Exhibit A-2-3 - Minister's Letter Approving the IESO 2016-2018 Business Plan – December 9, 2015

Exhibit A-3-1 - 2014 IESO Annual Report

Exhibit A-3-2 - IESO 2014 Audited Financial Statements Exhibit A-3-3 - OPA 2014 Audited Financial Statements

Exhibit A-3-3 - OPA 2014 Audited Financial Statements

Exhibit A-3-4 - 2015 IESO Annual Report

Exhibit B-1-1 - 2016 Revenue Requirement and Usage Fee Methodology (and Attachments)

Exhibit B-2-1 - 2016 Registration Fees and Deferral and Variance Accounts

Exhibit B-3-1 - Treatment of IESO & OPA Merger Costs and Operating Reserves

Exhibit B-3-2 - 2015 Year-end Financial Update

Interrogatories:

Exhibit I, Tab 1.0, ENERGY PROBE 5.01 to 5.07

Exhibit I, Tab 1.0, BOMA 3.04 to 3.18

Exhibit I, Tab 1.0, SEC 8.01 to 8.08

Exhibit I, Tab 1.0, VECC 10.01 to 10.06

Exhibit I, Tab 1.0, BOMA 3.02

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

As part of the Package Settlement, and subject to the settlement terms agreed to by the IESO set out under Issue 1.1, the Parties accept that the IESO's operating costs budget of \$182.1 million for fiscal year 2016 is appropriate.

Evidence: The evidence in relation to this issue includes the following:

Exhibit A-2-1 - IESO's Letter to the Minister Requesting Approval of the 2016-2018 Business Plan - November 16, 2015

Exhibit A-2-2 - 2016-2018 Business Plan

Exhibit A-2-3 - Minister's Letter Approving the IESO 2016-2018 Business Plan – December 9, 2015

Exhibit A-3-1 - 2014 IESO Annual Report

Exhibit A-3-2 - IESO 2014 Audited Financial Statements Exhibit A-3-3 - OPA 2014 Audited Financial Statements

Exhibit A-3-3 - OPA 2014 Audited Financial Statements

Exhibit A-3-4 - 2015 IESO Annual Report
Exhibit B-1-1 - 2016 Revenue Requirement and Usage Fee Methodology (and Attachments)
Exhibit B-2-1 - 2016 Registration Fees and Deferral and Variance Accounts
Exhibit B-3-1 - Treatment of IESO & OPA Merger Costs and Operating Reserves
Exhibit B-3-2 - 2015 Year-end Financial Update

Interrogatories:

Exhibit I, Tab 1.2, AMPCO 2.01 to 7.07
Exhibit I, Tab 1.2, OSEA 7.01

1.3 Are the IESO's proposed compensation costs and staffing levels appropriate and reasonable?

As part of the Package Settlement, and subject to the settlement terms agreed to by the IESO set out under Issue 1, the Parties accept that the IESO's proposed compensation costs and staffing levels are appropriate.

Evidence: The evidence in relation to this issue includes the following:

Exhibit A-2-1 - IESO's Letter to the Minister Requesting Approval of the 2016-2018 Business Plan - November 16, 2015
Exhibit A-2-2 - 2016-2018 Business Plan
Exhibit A-2-3 - Minister's Letter Approving the IESO 2016-2018 Business Plan – December 9, 2015
Exhibit A-3-1 - 2014 IESO Annual Report
Exhibit A-3-2 - IESO 2014 Audited Financial Statements Exhibit A-3-3 - OPA 2014 Audited Financial Statements
Exhibit A-3-3 - OPA 2014 Audited Financial Statements
Exhibit A-3-4 - 2015 IESO Annual Report
Exhibit B-1-1 - 2016 Revenue Requirement and Usage Fee Methodology (and Attachments)
Exhibit B-2-1 - 2016 Registration Fees and Deferral and Variance Accounts
Exhibit B-3-1 - Treatment of IESO & OPA Merger Costs and Operating Reserves
Exhibit B-3-2 - 2015 Year-end Financial Update

Interrogatories:

Exhibit I, Tab 1.3, AMPCO 2.08 to 2.14
Exhibit I, Tab 1.3, SOCIETY 9.01 to 9.03

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

As part of the Package Settlement, the Parties accept that the IESO's revenue forecast of \$1.0 million for registration fees in fiscal year 2016 is appropriate.

Evidence: The evidence in relation to this issue includes the following:
Exhibit A-2-1 - IESO's Letter to the Minister Requesting Approval of the 2016-2018 Business Plan - November 16, 2015
Exhibit A-2-2 - 2016-2018 Business Plan
Exhibit A-2-3 - Minister's Letter Approving the IESO 2016-2018 Business Plan – December 9, 2015
Exhibit A-3-1 - 2014 IESO Annual Report
Exhibit A-3-2 - IESO 2014 Audited Financial Statements Exhibit A-3-3 - OPA 2014 Audited Financial Statements
Exhibit A-3-3 - OPA 2014 Audited Financial Statements
Exhibit A-3-4 - 2015 IESO Annual Report
Exhibit B-1-1 - 2016 Revenue Requirement and Usage Fee Methodology (and Attachments)
Exhibit B-2-1 - 2016 Registration Fees and Deferral and Variance Accounts
Exhibit B-3-1 - Treatment of IESO & OPA Merger Costs and Operating Reserves
Exhibit B-3-2 - 2015 Year-end Financial Update

Interrogatories:

Exhibit I, Tab 1.4, OSEA 7.02

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

As part of the Package Settlement, and subject to the settlement terms agreed to by the IESO set out under Issue 1.1, the Parties accept that the IESO's capital expenditure budget for fiscal year 2016 is appropriate.

Evidence: The evidence in relation to this issue includes the following:
Exhibit A-2-1 - IESO's Letter to the Minister Requesting Approval of the 2016-2018 Business Plan - November 16, 2015
Exhibit A-2-2 - 2016-2018 Business Plan
Exhibit A-2-3 - Minister's Letter Approving the IESO 2016-2018 Business Plan – December 9, 2015
Exhibit A-3-1 - 2014 IESO Annual Report
Exhibit A-3-2 - IESO 2014 Audited Financial Statements Exhibit A-3-3 - OPA 2014 Audited Financial Statements
Exhibit A-3-3 - OPA 2014 Audited Financial Statements
Exhibit A-3-4 - 2015 IESO Annual Report
Exhibit B-1-1 - 2016 Revenue Requirement and Usage Fee Methodology (and Attachments)
Exhibit B-2-1 - 2016 Registration Fees and Deferral and Variance Accounts
Exhibit B-3-1 - Treatment of IESO & OPA Merger Costs and Operating Reserves
Exhibit B-3-2 - 2015 Year-end Financial Update

Interrogatories:

Exhibit I, Tab 1.5, AMPCO 2.15

2.0 Usage Fee

The Parties have not agreed upon Issue 2.0 or any of the associated sub-issues.

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?

This is an Unsettled Issue. It is not part of the Package Settlement.

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

This is an Unsettled Issue. It is not part of the Package Settlement.

2.3 Is the proposed cost allocation study in support of the proposed IESO Usage Fee appropriate?

This is an Unsettled Issue. It is not part of the Package Settlement.

2.4 Is the IESO's proposal to charge the proposed single IESO Usage Fee from January 1, 2016 and to refund (or charge) market participants the difference between the 2016 single Usage Fee and the interim usage fees they paid, if any, based on their proportionate quantity of energy withdrawn, which may include scheduled exports and embedded generation, in 2016, appropriate?

This is an Unsettled Issue. It is not part of the Package Settlement.

2.5 What would be an appropriate effective date for the Usage Fee(s) approved in this proceeding?

This is an Unsettled Issue. It is not part of the Package Settlement.

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?

As part of the Package Settlement, the Parties accept that the IESO's registration fees of up to \$10,000 per proposal for electricity supply and capacity procurements, including conservation and load management procurements are appropriate.

Evidence: The evidence in relation to this issue includes the following:
Exhibit B-2-1 - 2016 Registration Fees and Deferral and Variance Accounts

Interrogatories:

Exhibit I, Tab 3.0, OSEA 7.03

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?

As part of the Package Settlement, the Parties accept that 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, are appropriate.

Evidence: The evidence in relation to this issue includes the following:
Exhibit B-2-1 - 2016 Registration Fees and Deferral and Variance Accounts

Interrogatories:

Exhibit I, Tab 3.0, OSEA 7.03

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.

As part of the Package Settlement, the Parties accept that the Large Renewable Procurement qualification submission fee from RFQ applicants is appropriate.

Evidence: The evidence in relation to this issue includes the following:
Exhibit B-2-1 - 2016 Registration Fees and Deferral and Variance Accounts

Interrogatories:

Exhibit I, Tab 3.0, OSEA 7.03

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

As part of the Package Settlement, the Parties accept that the \$1,000 application fee for market participation is appropriate.

Evidence: The evidence in relation to this issue includes the following:
Exhibit B-2-1 - 2016 Registration Fees and Deferral and Variance Accounts

Interrogatories:

Exhibit I, Tab 3.0, OSEA 7.03

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

As part of the Package Settlement, the Parties accept that the IESO's proposal with respect to the Government Procurement Costs Deferral Account is appropriate.

Evidence: The evidence in relation to this issue includes the following:
Exhibit B-2-1 - 2016 Registration Fees and Deferral and Variance Accounts

Interrogatories:

Exhibit I, Tab 4.0, ENERGY PROBE 5.11

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

As part of the Package Settlement, the Parties accept that the IESO's proposal with respect to the Registration Fees Deferral Account is appropriate.

Evidence: The evidence in relation to this issue includes the following:
Exhibit B-2-1 - 2016 Registration Fees and Deferral and Variance Accounts

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?

As part of the Package Settlement, the Parties accept that the IESO's proposal to continue the Forecast Variance Deferral Account to track variances between actual and OEB-approved revenues and costs is appropriate..

Evidence: The evidence in relation to this issue includes the following:
Exhibit B-2-1 - 2016 Registration Fees and Deferral and Variance Accounts
Exhibit B-3-1 - Treatment of IESO & OPA Merger Costs and Operating Reserves

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

As part of the Package Settlement, the Parties accept that the IESO's proposal to retain an Operating Reserve of \$10 million in the Forecast Variance Deferral Account is appropriate.

Evidence: The evidence in relation to this issue includes the following:
Exhibit B-1-1 - 2016 Revenue Requirement and Usage Fee Methodology
Exhibit B-2-1 - 2016 Registration Fees and Deferral and Variance Accounts
Exhibit B-3-1 - Treatment of IESO & OPA Merger Costs and Operating Reserves

Interrogatories:

Exhibit I, Tab 4.4, CME 4.02

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?

As part of the Package Settlement, the Parties accept that 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 is appropriate.

Evidence: The evidence in relation to this issue includes the following:

Exhibit B-1-1 - 2016 Revenue Requirement and Usage Fee Methodology

Exhibit B-2-1 - 2016 Registration Fees and Deferral and Variance Accounts

Exhibit B-3-1 - Treatment of IESO & OPA Merger Costs and Operating Reserves

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

As part of the Package Settlement, the Parties accept that the merger costs of \$5.6 million incurred by the OPA and \$5.3 million incurred by the IESO are appropriate.

Evidence: The evidence in relation to this issue includes the following:

Exhibit B-1-1 - 2016 Revenue Requirement and Usage Fee Methodology

Exhibit B-2-1 - 2016 Registration Fees and Deferral and Variance Accounts

Exhibit B-3-1 - Treatment of IESO & OPA Merger Costs and Operating Reserves

Interrogatories:

Exhibit I, Tab 5.0, CME 4.01 and 4.03

Exhibit I, Tab 5.0, ENERGY PROBE 5.12 to 5.14

Exhibit I, Tab 5.0, OSEA 7.04

Exhibit I, Tab 5.0, AMPCO 2.16

Exhibit I, Tab 5.0, AMPCO 2.17 to 2.24

Exhibit I, Tab 5.1, SEC 8.10 to 8.11

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?

As part of the Package Settlement, the Parties accept that 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 is appropriate.

Evidence: The evidence in relation to this issue includes the following:
Exhibit B-1-1 - 2016 Revenue Requirement and Usage Fee Methodology
Exhibit B-2-1 - 2016 Registration Fees and Deferral and Variance Accounts
Exhibit B-3-1 - Treatment of IESO & OPA Merger Costs and Operating Reserves

Interrogatories:
Exhibit I, Tab 5.2, VECC 10.15

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?

As part of the Package Settlement, the Parties accept that 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 is appropriate.

Evidence: The evidence in relation to this issue includes the following:
Exhibit B-1-1 - 2016 Revenue Requirement and Usage Fee Methodology
Exhibit B-2-1 - 2016 Registration Fees and Deferral and Variance Accounts
Exhibit B-3-1 - Treatment of IESO & OPA Merger Costs and Operating Reserves

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?

As part of the Package Settlement, the Parties accept that the IESO has appropriately reflected in its 2016 Fiscal Year revenue requirement the synergies and cost savings arising from the merger of the IESO and the OPA.

Evidence: The evidence in relation to this issue includes the following:
Exhibit A-2-2 - 2016-2018 Business Plan
Exhibit B-1-1 - 2016 Revenue Requirement and Usage Fee Methodology
Exhibit B-2-1 - 2016 Registration Fees and Deferral and Variance Accounts
Exhibit B-3-1 - Treatment of IESO & OPA Merger Costs and Operating Reserves

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

As part of the Package Settlement and with the conditions described below, Parties accept that Issue 6.1 is settled:

- 1) The Board stated its expectations regarding stakeholder consultation in the EB-2013-0326 Decision and Order. Intervenors are concerned that, aside from the IESO's Stakeholder Advisory Committee, there are few if any consumer or consumer group participation in the IESO's working groups and stakeholder engagement initiatives. The IESO's current Stakeholder Engagement Principles include the principle of

inclusive and adequate representation,¹ which includes consumers and consumer groups. To address intervenors' concern, the IESO commits to the implementation of the principle of inclusive and adequate representation, including from consumers and consumer groups, in all of its stakeholder engagement activities and working groups. The IESO will report on how it has implemented this principle in its next Revenue Requirement Submission filed with the Board.

- 2) See also Issue 6.2 below, regarding the Board's expectations, as set out in the EB-2013-0326 Decision and Order, with respect to performance targets and metrics.

Evidence: The evidence in relation to this issue includes the following:
Exhibit A-2-2 - 2016-2018 Business Plan

Interrogatories:

Exhibit I, Tab 6.1, OEB STAFF 1.05

Exhibit I, Tab 6.1, AMPCO 2.23

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

As part of the Package Settlement and with the conditions described below, the Parties accept that Issue 6.2 is settled:

The Board stated its expectations regarding annual performance targets and metrics in the EB-2013-0326 Decision and Order. Intervenors continue to have concerns about the current metrics and targets (Corporate Performance Measures) used by the IESO are inadequate for the specific purposes of measuring whether the IESO is "achieving a reasonable standard of effectiveness and efficiency in performing the functions it is mandated to undertake."² In addition, intervenors are concerned that some of the Corporate Performance Measures are not sufficiently detailed and transparent for the Parties and the Board to determine whether they have been met. The achievement of these targets is an input into executive team's compensation, and the intervenors believe the issue is of considerable importance. However, due to the fact that the 2016 year is two-thirds over, intervenors accept that it would be impractical to amend the 2016 Corporate Performance Measures at this time. Intervenors intend to scrutinize and, if necessary, propose changes to the Corporate Performance Measures in their review of the 2017 Revenue Requirement Submission,

The IESO agrees to consult with intervenors to develop a scorecard for filing in its next Revenue Requirement Submission filed with the Board. It is intended that this scorecard will be a tool for the Board and intervenors to use in evaluating the IESO's proposed expenditure and revenue requirement. The IESO will engage an expert to assist with this work.

¹ <http://www.ieso.ca/Documents/consult/IESO-Engagement-Principles.pdf>

² EB-2013-0326 Decision and Order, p.9

Evidence: The evidence in relation to this issue includes the following:
Exhibit A-2-2 - 2016-2018 Business Plan

Interrogatories:

Exhibit I, Tab 6.2, OEB STAFF 1.06 to 1.08

Exhibit I, Tab 6.2, AMPCO 2.24

Exhibit I, Tab 6.2, BOMA 3.01, 3.03, 3.19 and 3.20