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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: EB-2015-0275 – IESO 2016 Expenditure and Revenue Requirement
Application
IESO Usage Fee Proposal

HQ Energy Marketing Inc. (“**HQEM**”) and the Association of Power Producers of Ontario (“**APPrO**”) have reviewed the IESO’s usage fee proposal filed in response to the Board’s decision in this proceeding dated December 1, 2016 (the “**Decision**”). In the Decision, the Board referred the matter of the IESO’s usage fee back to the IESO for further consideration, recommending that the IESO submit a revised proposal to the OEB to recover its approved revenue requirement through two separate usage fees, one for domestic customers and the other for export customers, and that each usage fee should represent a revenue-to-cost ratio of 100%.

The IESO’s proposal, filed on December 14, 2016, proposes two usage fees as recommended by the Board and HQEM and APPrO do not object to those fees.

However, the IESO proposal appears to re-open the issue of a retroactive charge or rebate to customers, asking for (emphasis added):

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 Any rebates or charges will be based on the market participants' proportionate quantity of energy withdrawn, which may include scheduled exports and embedded generation, **for those months in 2016 which the Board has deemed the 2016 usage fees effective.** Any such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

The above request is a complete reversal of the IESO’s submission of October 21, 2016, where the IESO stated (emphasis added):

... given that it is now close to the end of October and this proceeding has not yet concluded, the IESO agrees that, in this particular case, it is appropriate that a new usage fee approved by the Board take effect as of the date of the decision regarding the fee.¹

HQEM and APPrO had raised principled objections to a retroactive charge or rebate in their submissions filed on October 14, 2016. The IESO withdrew its request to charge or rebate the usage fee in a retroactive manner in its October 21 submissions² and did not respond to the HQEM and APPrO submissions.

As a result, the IESO did not request that the Board's Order take effect prior to its date. Accordingly, the Board did not depart from the normal practice of an order taking effect at the time it is made. If the IESO now seeks to address the timing of the order coming into effect, it should bring a motion to seek a review of the Board's decision. In requesting such a review, the IESO would have to demonstrate that it meets the requirements of s. 42 of the OEB's Rules of Practice. However, it has not done so and HQEM and APPrO would vigorously oppose any such motion.

For the foregoing reasons, HQEM and APPrO submit that the IESO's request for approval to charge or rebate customers "for those months in 2016 which the Board has deemed the 2016 usage fees effective" should be rejected. Instead, the fee should take effect when the decision is made.

All of which is respectfully submitted.

Signed in the original

George Vegh

¹ See page 13 (para. 37), IESO Reply Submissions filed October 21, 2016 in this proceeding.

² See page 13 (para. 37), IESO Reply Submissions filed October 21, 2016 in this proceeding.