

EB-2015-0275
ONTARIO ENERGY BOARD

IN THE MATTER OF subsection 25.(1) of the *Electricity Act, 1998*;

AND IN THE MATTER OF a Submission by the Independent Electricity System Operator to the Ontario Energy Board for the review of its proposed expenditure and revenue requirements for the fiscal year 2016 and the fees it proposes to charge during the fiscal year 2016.

**REPLY SUBMISSION OF THE
INDEPENDENT ELECTRICITY SYSTEM OPERATOR**

Introduction

The Independent Electricity System Operator (IESO) filed an application with the Ontario Energy Board (Board) on January 19, 2016 under section 25.(1) of the *Electricity Act, 1998*, seeking approval for its 2016 expenditures, revenue requirement and fees.

On September 7, 2016, the IESO filed a settlement proposal for the Board's approval reflecting an agreement on all issues on the Issues List except Issue 2.0, which concerned the IESO's proposal for a single usage fee. A written hearing was then held on the unsettled issue.

On December 1, 2016, the Board issued a Decision and Order approving the settlement proposal but not approving the IESO's proposal for a single usage fee. Pursuant to section 25.(4) of the *Electricity Act, 1998*, the Board referred the matter of the usage fee back to the IESO for further consideration, recommending that the IESO submit a revised proposal to recover its approved revenue requirement through two separate usage fees, one for domestic customers and one for export customers, with each fee representing a revenue-to-cost ratio of 100%.

The IESO submitted a revised proposal on December 14, 2016.

On December 15, 2016 the Board issued Procedural Order No. 5 which allowed intervenors and Board staff to file comments on the revised proposal by December 20, 2016 and the IESO to file reply comments by December 23, 2016.

Comments were filed by the Association of Power Producers of Ontario and HQ Energy Marketing Inc. (HQEM/APPrO), Board staff and the School Energy Coalition.

The IESO's reply comments are below.

The IESO's proposal for two separate usage fees

While no party opposed the IESO's proposal to charge two separate usage fees Board staff identified that the fees proposed by the IESO would result in an over-collection. The usage fees proposed by the IESO in its December 14, 2016 filing were based on the Elenchus study and 100% cost allocated, as recommended by the Board, and would result in an over-collection as the Elenchus study used the total IESO revenue requirement of \$182.1 million while the IESO sought a net revenue requirement of \$181.1 million. The IESO sought a net revenue requirement of \$181.1 million as it had forecast to collect \$1 million in registration fees as described in the IESO's January 19, 2016 application¹. As the registration fees are recovered solely from domestic customers, the IESO believes that the fee reduction resulting from a recalculation based on net rather than total revenue should apply only to domestic customers.

The IESO has recalculated the usage fees based on the net revenue requirement of \$181.1 million for the panel's consideration and the revised usage fees are shown below:

	Proposed fees	
	Based on a revenue requirement of \$182.1 million	Based on a revenue requirement of \$181.1 million
Domestic	\$1.1707/MWh	\$1.1636/MWh
Export	\$0.9603/MWh	\$0.9603/MWh

¹ Filed: January 19, 2016, EB-2015-0275, Exhibit B, Tab 1, Schedule 1, Page 2 of 9.

The effective date for the usage fees

In their October 14, 2016 submissions Board staff, Energy Probe and the School Energy Coalition supported a January 1, 2016 effective date for the usage fees.

In its October 14 and December 20 submissions HQEM/APPrO opposed a January 1, 2016 effective date and proposed that the effective date should be the date of the Board's decision approving the usage fees. In its comments filed December 20, 2016 HQEM/APPrO represented that the IESO had reversed its position on the effective date of the usage fee(s) in its December 14, 2016 filing as compared to its October 21, 2016 filing. However, HQEM/APPrO did not consider the following statement in the cover letter to the IESO's December 14 filing:

However, given that the IESO is now proposing two usage fees and each represents a revenue-to-cost ratio of 100% the IESO is neutral as to the month in 2016 they take effect but requests that they take effect on the 1st of the month to assist in the processing of any resulting charges and/or rebates.

In their December 20, 2016 comments Board staff and the School Energy Coalition stated that they continue to support an effective date of January 1, 2016 for the fees. In its comments Board staff noted that exporters have at all material times known that the 2016 fees were interim and therefore subject to change. Board staff further noted that the usage fee proposed for exporters is significantly lower than the single usage fee originally proposed by the IESO.

The IESO remains neutral as to the month in 2016 the proposed usage fees take effect and continues to request that the fees take effect on the 1st of the month to assist in the processing of any resulting charges and/or rebates.

Interim 2017 fees

In its comments Board staff supported the IESO's proposal to have its proposed usage fees made interim effective January 1, 2017 given that the 2016 calendar year is about to

end, and the IESO has not yet filed its 2017 revenue requirement submission with the Board. No objections to the proposed interim order were raised by other parties.

Board staff also confirmed that this panel has the authority to consider the matter of declaring the final usage fees approved in this application interim as of January 1, 2017.

The IESO is making this request as the Minister has not approved the 2017 business plan and consequently the IESO has not filed its 2017 submission for review and, further, the date when the Board will issue its final decision on 2016 fees is not known. The IESO therefore submits that it is appropriate that the proposed usage fees be made interim effective January 1, 2017.