

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 2017 and the fees it proposes to charge during the fiscal year 2017.

Comments on Proposed Issues List

Energy Probe Research Foundation

June 29, 2017

EB-2017-0150 IESO 2017 Fees Application

Energy Probe Comments on IESO Proposed Issues List

Background

On April 21, 2017, the IESO filed an Application requesting OEB Approval of its 2017 Fees and included a Proposed Issues List. On June 23, 2017, the IESO amended its proposed Issues list to add issue 6.0 regarding Pension and OPEBs.

This Issues List was attached as “Schedule B” to the Board’s Procedural Order #1.

Summary

Energy Probe’s major concerns with the Issues List relate to the proposed issues regarding the IESO Market Renewal Program.

1. Proposed Issue 1.6 asks: “Are the IESO’s Market Renewal Program (MRP) 2017 operational costs appropriate?”

We submit that as worded, this issue:

- a) Ignores whether the future cost consequences that occur as a result of the MRP Business Case are appropriate.
- b) Limits the scope of intervenors inquiry to 2017 operational costs (O&MA) and excludes capital costs.

For these reasons Energy Probe suggests a separate Issue for MRP costs.

1.6 Are the cost consequences, scope and timing of the Market Renewal Program, appropriate?

This additional sub-issue broadens the scope of the issue to include Benefit/Costs for ratepayers that will occur over a number of years, as well as the scope and timing of implementing the MRP. Energy Probe may be interested in testing whether the benefits of the MRP are accurate or complete.

The existing Issue 1.6 would become Issue 1.7.

2. Issue 4.3 relates to the proposed deferral account to collect and track the costs of the Market Renewal Program.

4.3 Is the IESO's proposal to retain, in proportionate quantities, up to \$5 million above the proposed 2017 revenue requirement received appropriate?

Energy Probe submits that it is not appropriate to mix the costs of the MRP in the Forecast Variance Deferral Account (FVDA). These should be recorded and treated separately.

The reasons for this include

- a) The Forecast Variance Deferral Account is for general operating and capital costs whereas the MRP is a special IESO project that should be subject to a higher level of review and a prudence review, in necessary. For example, if the MRP goes over budget, Energy Probe submits that IESO should, similar to LDCs and OPG, have to justify those costs to the Board.
- b) The clearance of the FVDA has become standard practice and the timing of the MRP account may not be appropriate on the same schedule.

For these reasons, Energy Probe suggests that the IESO establish a separate Market Renewal Variance/Deferral Account.

The Issue should be worded:

4.4 Should the IESO establish a separate Market Renewal Program Deferral Account (MRPDA)?

3. Energy Probe addition/clarification to Issue 1.5

1.5 Are the IESO's projected staffing levels appropriate and reasonable?

The omission of salaries and wages and benefits limits the inquiry of intervenors to staffing levels not compensation costs.

The issue should be reworded to state:

1.5 Are the IESO's projected staffing levels, *salaries, wages, benefits and compensation* appropriate and reasonable?

Schedule B – The IESO’s Draft Issues List - with proposed Energy Probe amendments

1.0 Revenue Requirement, Operating Costs and Capital Spending

- 1.1 Is the IESO's Fiscal Year 2017 net revenue requirement of \$190.8 million appropriate?
- 1.2 Is the IESO's Registration & Application Fees revenue forecast of \$0.6 million for Fiscal Year 2017 appropriate?
- 1.3 Is the IESO's Operating Costs budget of \$191.4 million for Fiscal Year 2017 appropriate?
- 1.5 Are the IESO's projected staffing levels *salaries and wages/compensation* appropriate and reasonable?
- 1.5 Is the IESO's Capital Expenditure budget for Fiscal Year 2017 appropriate?
- 1.6 ***Are the cost consequences, scope and timing of the Market Renewal Program appropriate?***
- 1.7 Are the IESO's Market Renewal Program 2017 operational costs appropriate?

2.0 Usage Fees

- 2.1 Is the methodology used to derive the proposed IESO Usage Fees and the resulting Fees of \$1.2187/MWh for domestic customers and \$0.9872/MWh for export customers appropriate?
- 2.2 Is the proposed January 1, 2017 effective date for the Usage Fees appropriate?

3.0 Registration and Application Fees

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

4.0 The Deferral and Variance Account

- 4.1 Is the IESO's proposal to retain an Operating Reserve of \$10 million in the Forecast Variance Deferral Account appropriate?
- 4.2 Is the IESO's proposal to clear 2016 Year-End balance in the Forecast Variance Deferral Account that are in excess of the \$10 million operating reserve appropriate?
- 4.3 Is the IESO's proposal to retain, in proportionate quantities, up to \$5 million above the proposed 2017 revenue requirement received appropriate?

4.4 *Should the IESO establish a separate Market Renewal Program Deferral Account?*

5.0 Commitments from Previous OEB Decisions

- 5.1 Is the IESO's proposed Regulatory Scorecard appropriate?
- 5.2 Are the four Standard Financial Reporting Forms appropriate?
 - Appendix 2-AA (Capital Projects)
 - Appendix 2-JB (Operations and Administration Cost Drivers)
 - Appendix 2-JC (Operations and Administration Programs)
 - Appendix 2-K (Employee Costs)
- 5.3 Are the IESO's costs and savings to implement the Ontario Government Greenhouse Gas Cap-and-Trade Initiative and any new or changing requirements arising from Bill 135 appropriate?
- 5.4 Is the IESO's rationale as to why benchmarking is not possible or appropriate acceptable?

6.0 Pensions and Other Post-Employment Benefits (OPEBs) Costs

- 6.1 Is the IESO's treatment of pensions and other post-employment benefits costs appropriate?