

AMPCO INTERROGATORY 24

4.0 The Deferral and Variance Account

Issue 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?

INTERROGATORY

Reference: B-2-1 Page 2

a) For 2016, please provide the calculation of the year-end the variances tracked through the FVDA.

RESPONSE

a) The 2016 FVDA schedule is provided below:

b)

FVDA	
As at December 31, 2016	
(in '000s)	
Accumulated surplus balance forward	10,000
2016 Operating Surplus	12,551
Operating Surplus prior to rebate	22,551
Rebate to Market Participants	0
Accumulated surplus closing balance	22,551

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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?

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INTERROGATORY

Reference: Exhibit B-3-1, p. 1

Preamble:

On page 1 of Exhibit B-3-1 the IESO states that it proposes to rebate the \$12.5 million collected from user fees. The \$12.5 million accumulated surplus is due to actual revenue being \$12 million higher than planned.

Questions:

a) Please explain the rationale for proposing to return \$12.5 million in 2017 and at the same time ask for a fee increase of approximately \$9.7 million in 2017? Did the IESO consider offsetting the proposed fee increase with the balance in the FVDA? Please explain why or why not.

RESPONSE

a) In its application, the IESO did not consider offsetting the proposed fee increase with the \$12.5 million balance in the FVDA above the \$10 million operating reserve.

b) The IESO's past practice has been to return any surplus in the FVDA above its operating reserve after receiving Board approval to do so. However, the IESO believes that Board Staff has raised a reasonable proposal for the treatment of any surplus in future years. To expand on this proposal, the IESO believes it would be reasonable to also examine utilizing some portion of its Board-approved operating reserve of \$10 million in a similar manner to offset any short-term potential fee increases.

The idea described above is intended to allow for stable and predictable IESO usage

- 1 fees based on a forecast of the IESO's costs for the year ahead. The IESO will
- 2 consider these options in future fee applications.