

October 5, 2017



VIA Email, Courier and RESS

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
27th Floor 2300 Yonge Street
Toronto, ON M4P 1E4

Independent Electricity System Operator

1600-120 Adelaide Street West
Toronto, ON M5H 1T1
t 416.967.7474
www.ieso.ca

Dear Ms. Walli:

**Re: Independent Electricity System Operator
2017 Expenditure and Revenue Requirement Submission
Ontario Energy Board File No.: EB-2017-0150**

On October 3, 2017, the Independent Electricity System Operator (“IESO”) filed the settlement proposal with the Ontario Energy Board (“Board”). All parties have agreed to the settled issues, or take no position on the issues in the settlement proposal, with the exception of the Unsettled Issues 4.4 and 5.1:

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

5.1 Is the IESO’s proposed Regulatory Scorecard appropriate?

As part of the settlement proposal, parties agreed to file written submissions on whether to proceed by way of oral or written hearing. These written submissions are due to the Board by October 5, 2017. The Independent Electricity System Operator’s (“IESO”) submission is provided below.

The IESO submits that both of these Unsettled Issues, 4.4 and 5.1, should proceed by way of written hearing. These Unsettled Issues do not require a Board determination on underpinning factual matters and are thus well-suited to written submissions.

Issue 4.4 should proceed by written submissions

In its June 29, 2017 comments suggesting the addition of Issue 4.4, Energy Probe stated:

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, if 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)?

In its July 11, 2017 response to Parties' comments on the draft Issues List, the IESO outlined why it did not support Issue 4.4 as proposed by Energy Probe:

As the MRP is larger in scope, cost and profile than most projects it is being treated as a cost centre and will have the costs of staff and external resources dedicated to it tracked and reported against planned costs and resources. The IESO will regularly review the planned MRP work and reprioritize work where required to ensure maximum value results from the investment in the MRP. The IESO recognizes that the MRP is and will continue to be subject to a greater level of review than most of its projects and will continue to work with stakeholders on the project in an open and transparent manner as described in its evidence.

As the MRP's costs are being tracked as described above, the IESO suggests that the establishment of a deferral account for the MRP is neither required nor useful.

In its August 4, 2017 decision to include Issue 4.4 in the Final Issues List, the Board stated:

...Some intervenors, and OEB staff, supported this proposal.

The OEB will add Energy Probe's proposed issue to the issues list: 4.4 Should the IESO establish a separate Market Renewal Program Deferral Account? While the IESO has stated that it can report on actual costs for the project against planned costs and therefore no separate account is required, the OEB agrees with OEB staff that this is best determined through this proceeding.

Given that Energy Probe had suggested the addition of Issue 4.4, and other parties had supported the inclusion of this issue, the IESO reasonably expected intervenors would seek additional evidence through interrogatories and/or file evidence themselves if they believed it was required to assist the Board in its decision making. Ultimately, intervenors and Board staff must have been satisfied that there was little or no need for additional evidence on this issue as only one party saw fit to ask any interrogatories on this issue. Even so, that party posed only one interrogatory on Issue 4.4.

In addition, as the Settlement Proposal indicates, "while the issue refers to the establishment of a deferral account, the disputed issue is about the creation of a specific *variance account* related to the Market Renewal Program" (emphasis added). The IESO submits that, with this revised focus and given the limited interest by intervenors to file interrogatories or evidence on this

issue, there is sufficient evidence on the record to address the scope of this issue. The IESO further submits that there is no added benefit to an oral examination and, as such, the IESO believes that it is appropriate to proceed by way of written proceeding.

Issue 5.1 should proceed by written submission

5.1 Is the IESO's proposed Regulatory Scorecard appropriate?

In section 6.2 of the settlement agreement reached in the IESO's 2016 Revenue Requirement Submission and ultimately approved by the Board, the IESO agreed to the following:

... 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.

The IESO ultimately engaged Elenchus to facilitate the development of a draft scorecard with the participation of intervenors and interested parties. At the outset and to encourage participation, the IESO offered to reimburse eligible intervenors' costs for participation in this engagement according to the OEB's Practice Direction on Cost Awards. Ultimately eleven participants, including the IESO, participated in sessions facilitated by Elenchus to assist in the development of a draft scorecard and Board staff were observers. Environmental Defence, though not previously an intervenor in the IESO's revenue requirement submissions, requested to and did participate in these sessions. All parties, including Board staff, who participated in the scorecard engagement facilitated by Elenchus are also active participants in this proceeding.

Elenchus actively sought the opinion and assistance of each of the participating parties in developing the report and recommended items in the draft scorecard through multiple group sessions and confidential one-on-one discussions. Through these sessions, Elenchus encouraged parties to bring forward all ideas for items that could be included in a regulatory scorecard. The report, the *IESO Regulatory Scorecard*, was prepared by Elenchus based on the input received from parties. Parties were also given the opportunity to review and comment on the report prior to it being finalized by Elenchus. When the report was finalized, Elenchus provided the report to all participants prior to the IESO filing it as part of the IESO's 2017 proposed revenue requirement submission. The draft scorecard filed by the IESO in this proceeding includes many items that are in the draft scorecard provided in the Elenchus report. As such, the draft scorecard is not a proposal brought forward by the applicant alone – instead, the scorecard is the outcome of a consultation process involving the applicant and participating parties.

In this proceeding, thirty five interrogatories ("IRs") were filed under issue 5.1, many with multiple sub-parts. These IRs inquired into a variety of the items included in the draft scorecard

filed by the IESO. A number of the IRs also examined areas not included in the IESO's draft scorecard including, but not limited to:

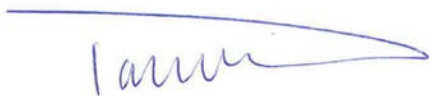
- transmission losses,
- the inclusion of the Total Resource Cost Test net benefits of its CDM programs as one of the IESO's scorecard metrics, and
- the inclusion of cost-benefits analyses of options from the IESO's Ontario-Quebec Interconnection Capability report to increase Ontario's capacity to import electricity from Quebec as one of the IESO's scorecard metrics.

Though many of these IRs delved into areas not included in the draft scorecard, the IESO responded to these IRs. The IESO believes that there is an extensive body of evidence on the record on this issue in this proceeding. In addition, with the consultation by Elenchus in developing its report, there has also been extensive input and examination on the draft regulatory scorecard by parties in advance of the IESO's filing of the draft scorecard with the Board. Indeed, parties have had a greater opportunity than usual, through the consultations and IRs, to bring forward ideas and items to include in the draft scorecard and to examine the items within the draft scorecard filed by the IESO. The IESO believes that given the evidence already on the record and the extensive examination completed to date, it is appropriate that this issue be examined through a written proceeding.

The Unsettled Issues should proceed by way of written submission

The IESO believes that further exploration and clarification of the issues can be achieved most efficiently through written submissions rather than an oral hearing process. For these reasons, the IESO respectfully submits that the Unsettled Issues remaining in its 2017 Revenue Requirement Submission should proceed by way of written submissions.

Yours truly,

A handwritten signature in blue ink, appearing to read 'Tam Wagner', with a long horizontal line extending to the right.

Tam Wagner
Senior Manager, Regulatory Affairs

cc: Mr. Fred Cass, Aird & Berlis (email)
Intervenors to EB-2017-0150 (email)
Michael Lesychyn, Case Manager, Ontario Energy Board (email)