



EB-2017-0150

Independent Electricity System Operator

Application for approval of 2017 revenue requirement, expenditures and fees

PROCEDURAL ORDER NO. 3

October 13, 2017

The Independent Electricity System Operator (IESO) filed an application with the Ontario Energy Board (OEB) on April 21, 2017 under section 25(1) of the *Electricity Act*, 1998, seeking approval for the IESO's 2017 expenditures, revenue requirement and fees.

Following a settlement conference, the IESO filed a settlement proposal for OEB approval. The settlement proposal represents a full settlement between the IESO and participating intervenors on all but two of the issues on the approved issues list. OEB staff filed a submission supporting the settlement proposal.

This Procedural Order addresses two procedural matters arising from the settlement proposal. First, before making a decision on the settlement proposal, the OEB wishes to obtain clarification of two of the terms of the agreement; this Procedural Order requires the IESO to confer with the other parties to the agreement and to provide written responses. Second, this Procedural Order sets out the process for dealing with the two unsettled issues by way of a written hearing.

I. Questions on the Settlement Proposal

In order to fully understand the settlement proposal, the OEB requires answers to the following two questions:

1. Under Issue 4.1 ("Is the IESO's proposal to retain an Operating Reserve of \$10 million in the Forecast Variance Deferral Account appropriate?"), the settlement

proposal explains that, because the updated forecast for Market Renewal Program (MRP) spending is \$4.0 million lower than the 2017 MRP operational budget, “Parties have agreed to account for this reduction by reducing the amount of the operating reserve to \$6.0 million from \$10 million and have agreed that the IESO will refund this \$4.0 million after receiving Board approval of this Settlement Package.” Please elaborate on the mechanics of the proposed refund, including which account the \$4.0 million is coming from, where it is going, and in respect of what period of time. Please confirm if this a one-time adjustment, only for 2017. Also please confirm whether parties have agreed on the Operating Reserve to be used for the Forecast Variance Deferral Account in 2018.

2. Under Issue 4.3 (“Is the IESO’s proposal to retain, in proportionate quantities, up to \$5.0 million above the proposed 2017 revenue requirement received from each of the two customer classes, to be used to fund Market Renewal Program costs that occur in 2018 appropriate?”), the parties have agreed “that the IESO will not retain, in proportionate quantities, up to \$5.0 million above the proposed 2017 revenue requirement received from each of the two customer classes, to be used to fund Market Renewal Program costs that occur in 2018 as originally proposed.” Please confirm that this means that the amounts up to \$5.0 million will not be retained at all, i.e., that none of the \$5.0 million will be retained, regardless of which customer class it came from.

The OEB considers that written responses would be most expedient. The IESO is to confer with the other parties to the agreement and file responses explaining their common understanding.

II. The Unsettled Issues

Two issues were left unresolved in the settlement proposal: Issue 4.4 (“Should the IESO establish a separate Market Renewal Program Deferral Account?”) and Issue 5.1 (“Is the IESO’s proposed Regulatory Scorecard appropriate?”). The parties to the settlement proposal were unable to reach a consensus on whether to deal with the unsettled issues by way of an oral or a written hearing. The IESO filed a submission requesting a written hearing. One intervenor, as well as OEB staff, agreed. Three intervenors filed submissions requesting an oral hearing.

Having reviewed all the submissions, the OEB has decided to proceed with a written hearing. The OEB is not persuaded by the intervenors seeking an oral hearing that further evidence or cross-examination is required in respect of either of the unsettled

issues. It would appear that both issues are appropriate for argument, and the OEB would prefer to receive those arguments in writing.

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. The IESO shall confer with parties and serve and file responses to the OEB's questions on the settlement proposal by **October 20, 2017**.
2. The IESO shall serve and file written submissions in respect of the two unsettled issues by **October 27, 2017**.
3. Intervenor and OEB staff wishing to serve and file written submissions in respect of the two unsettled issues shall do so by **November 3, 2017**.
4. The IESO shall serve and file a reply submission, if any, by **November 10, 2017**.

DATED at Toronto, **October 13, 2017**

ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary