October 20, 2017

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VIA Email, Courier and RESS

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

Dear Ms. Walli:

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

In accordance with the Ontario Energy Board's ("OEB") Procedural Order No. 3 of October 13, 2017, the Independent Electricity System Operator ("IESO") is hereby filing responses to the OEB's questions on the settlement proposal contained in the Procedural Order.

The OEB's two questions are as follows:

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 IESO has conferred with parties and provides the following response:

Response

1. Under Issue 4.1, parties have agreed to reduce the Operating Reserve held in the Forecast Variance Deferral Account ("FVDA") from the historic amount of $10 million to $6 million for 2017 only. Parties have not agreed, nor was it an issue in this proceeding, on the Operating Reserve to be used for the FVDA in any subsequent year. Parties have also agreed that the $4 million difference will be refunded after receiving OEB approval of this proposal.

   If approved, the $4.0 million will be taken from the Operating Reserve held in the FVDA and will be rebated to domestic and export customers based on their proportionate quantity of energy withdrawn or scheduled in 2016. Rebates will be provided in the next available billing cycle following the month in which OEB approval is received. To provide an illustrative example, if the ratio of 2016 consumption is 80/20 domestic/export, $3.2 million will be refunded to domestic customers and $0.8 million will be refunded to export customers. This would be a one-time adjustment for 2017. This refund methodology is the same as proposed by the IESO and agreed to in Issue 4.2. The additional $4 million would bring the total refund to $16.5 million.

2. Under Issue 4.3, parties confirm that amounts up to $5.0 million will not be retained at all, i.e., that none of the $5 million will be retained. This has the same practical effect as the IESO withdrawing its original request to retain this additional $5 million.

Should you have any further questions, please do not hesitate to contact me.

Yours truly,

Tam Wagner
Senior Manager, Regulatory Affairs

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