

July 6th, 2018

**Marketing d'Énergie HQ Inc. /
HQ Energy Marketing Inc.**
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VIA EMAIL

Attention: Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street
27th Floor
Toronto ON
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Subject: Board file No: EB-2018-0143

Comments of HQ Energy Marketing Inc. ("HQEM") on the Independent Electricity System Operator's ("IESO") draft issues list.

Pursuant to Procedural Order No. 1, issued by the board on June 26, 2018, in respect of the IESO, please find attached the comments of HQEM in respect of the Proposed Issues List in the EB-2018-0143 proceeding for the Board's consideration.

HQEM would like to comment on one specific issue:

2.1 Is the allocation of energy volumes and costs between domestic and export markets reasonable?

HQEM would like to mention that this issue, as of the cost component, duplicates the information appearing in the issue 2.2.¹ As for the energy volumes component, the calculation is based on an Elenchus model to allocate cost between domestic and export customers.²

¹ <http://www.rds.oeb.ca/HPECMWebDrawer/Record/612670/File/document> - Schedule B issue 2.2 (**Attach as schedule "A"**)

² <http://www.rds.oeb.ca/HPECMWebDrawer/Record/607055/File/document> - p.82 (exhibit B Tab 1 schedule 1 p.4of7) (**Attach as schedule "B"**)

The issue about the volumes calculation was resolved in the EB-2015-0275 case, in approval with the OEB's recommendation to charge two separate fees, one for domestic customers and one for export customers, with each fee representing a revenue-to-cost ratio of 100%. HQEM does not see the need to retain this issue in the issues list, unless a new cost allocation study was to be performed, as intervenors would be able to comment on it. This current comment is made for the sake of time and resource efficiency. There is no evidence that this issue should be revisited in the current process.

For these reasons, HQEM is not supportive of the proposed issues list as it currently is. Nevertheless HQEM is open to a dialogue as a more efficient list can be put in place.

Best regards,

A handwritten signature in blue ink, appearing to read 'Frédéric Bélanger', with a long horizontal flourish extending to the right.

Frédéric Bélanger
Manager, Regulatory Affairs, HQEM

Schedule B

The IESO Draft Issues List

Independent Electricity System Operator

EB-2018-0143

1.0 Revenue Requirement, Operating Costs and Capital Spending

1.1 Is the IESO's Fiscal Year 2018 net revenue requirement of \$190.8 million appropriate?

1.2 Is the IESO's Registration & Application Fees revenue forecast of \$0.0 million for Fiscal Year 2018 appropriate?

1.3 Are the IESO's projected staffing levels and compensation (including salaries, benefits, pensions and other post-employment benefits) appropriate and reasonable?

1.4 Is the IESO's Capital Expenditure budget for Fiscal Year 2018 appropriate?

2.0 Usage Fees

2.1 Is the allocation of energy volumes and costs between domestic and export markets reasonable?

2.2 Is the methodology used to derive the proposed IESO Usage Fees and the resulting Usage Fees of \$1.2402/MWh for domestic customers and \$1.0115/MWh for export customers appropriate?

2.3 Is the proposed January 1, 2018 effective date for the Usage Fees appropriate?

Schedule "B"

Filed: April 30, 2018
EB-2018-0143
Exhibit B
Tab 1
Schedule 1
Page 4 of 7

1 **Calculation of the Usage Fees**

2 The next step is the calculation of the domestic and export usage fees. The IESO's OEB-
3 approved fees for domestic and export customers in each of 2016 and 2017 were calculated
4 for the IESO by Elenchus using a model they developed to allocate costs between these two
5 customer classes. To calculate the 2018 usage fees, the IESO requested Elenchus to rerun its
6 model using 2018 business unit budgets and energy as described above. With these inputs,
7 the Elenchus model calculated the domestic and export usage fees as shown in Table 4
8 below:

9 **Table 4: IESO domestic and export usage fees as calculated by Elenchus**

	2018 Usage Fee
Domestic	\$1.2402/MWh
Export	\$1.0115/MWh

10 **Implementation of the 2018 Usage Fees**

11 On December 14, 2017, the OEB issued its decision approving the IESO's 2017 domestic and
12 export usage fees of \$1.2187/MWh for domestic customers and \$0.9872/MWh for export
13 customers, and made these interim effective January 1, 2018. The IESO proposes to
14 continue to charge both interim usage fees to the same pools of market participants the
15 OEB approved in EB-2017-0150 until the end of the month in which OEB approval is
16 received for the 2018 usage fees. Once OEB approval of the IESO's 2018 domestic and
17 export fees is received, the IESO proposes to charge (or rebate) market participants the
18 difference between the 2018 IESO usage fees approved by the OEB and the interim usage
19 fees they paid, if any, based on their proportionate quantity of energy withdrawn until the
20 end of the month in which OEB approval is received for the 2018 usage fees. Any such
21 charges (or rebates) will be provided in the next billing cycle following the month in which
22 OEB approval is received.