

July 13, 2018

VIA Email, Courier and RESS



Independent Electricity System Operator

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Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
27th Floor 2300 Yonge Street
Toronto, ON
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Dear Ms. Walli:

**Re: Independent Electricity System Operator
2018 Expenditure and Revenue Requirement Submission
Ontario Energy Board File No.: EB-2018-0143**

The Independent Electricity System Operator (“IESO”) filed an application with the Ontario Energy Board (“OEB”) on April 30, 2018 under section 25(1) of the *Electricity Act, 1998*, seeking approval of the IESO’s 2018 expenditure and revenue requirements and fees. On June 26, 2018, the OEB issued Procedural Order No. 1 in which it asked OEB staff and intervenors to file written submissions by July 6, 2018 on the draft issues list that was prepared by the IESO and filed with its application. Submissions were received from seven parties: OEB staff, AMPCO, Energy Probe, Environmental Defence, HQEM, SEC and VECC. The IESO is to file its response to the submissions of OEB staff and intervenors on the draft issues list no later than July 13, 2018. The IESO’s submission is below.

OEB staff submissions

OEB staff submitted that two issues should be added to the draft Issues List and that issue 6.2 be edited to improve clarity. The IESO does not oppose the additions and edits suggested by OEB staff and has suggested further edits to issue 6.2 to provide greater clarity.

OEB staff proposed to add the following two issues:

- 6.3 Is the IESO’s proposed Market Renewal Program capital budget of \$4 million appropriate?
- 6.4 Is the IESO’s proposed Market Renewal Program operating expenses budget of \$12.7 million appropriate?

OEB staff submitted that highlighting these elements of the IESO’s budget is consistent with the importance placed by the OEB on maintaining appropriate regulatory oversight of Market

Renewal Program spending as reflected in the OEB's Decision and Order in the last IESO fees case¹. The IESO does not oppose these additions.

OEB staff suggested edits to issue 6.2 to provide greater clarity; these are shown in bold below. The IESO supports the OEB staff's suggested edits and proposes further edits, shown in italics, to further improve the clarity of these issues:

- (a) Comparison of budget and actual operating and capital costs by initiative **for 2018** (*which will be filed as part of ~~available in~~ the 2019 Revenue Requirement Submission **filing for 2018***)
- (b) Quantification of the project performance measures of Cost Performance Index ("CPI") and Schedule Performance Index ("SPI") **for 2019** (*which will be filed as part of ~~available in~~ the 2020 Revenue Requirement Submission **for 2019***).

AMPCO submissions

AMPCO submitted that three issues be added to the draft Issues List. The IESO does not support these additions for the reasons described below.

AMPCO the addition of two issues related to the Market Renewal Program:

- Issue 1.5: Are the IESO's forecast 2018 operational costs for the Market Renewal Program appropriate in the context of the scope and timing of the overall project?
- Issue 1.6: Are the IESO's forecast 2018 capital costs for the Market Renewal Program appropriate in the context of the scope and timing of the overall project?

The IESO does not support the addition of these two proposed issues. The IESO believes that the two suggested issues proposed by OEB staff, and which are not opposed by the IESO, effectively capture the issues of interest to AMPCO and are appropriately positioned under category 6.0 Market Renewal Program.

The third suggested issue proposed by AMPCO deals with the four standard financial reporting forms, which were an issue in the IESO's 2017 revenue requirement application, EB-2017-0150. AMPCO has suggested that the format of two of the forms as provided by the IESO in this application differ from the format agreed upon in the settlement proposal in EB-2017-0150. While the IESO does not oppose this addition to the Issues List, the IESO does not believe it is required. Any variation from the agreed upon formats was not intentional and the IESO will reach out to intervenors and work with them to prepare and file revised forms.

¹ EB-2017-0150, Decision and Order, December 14, 2017

Energy Probe submissions

Energy Probe submitted that three issues be added to the draft Issues List. The IESO does not oppose the addition of one of the proposed issues, with modification, as described below.

Energy Probe's first suggested addition to the draft Issues List is:

Are the costs associated with meeting the Long-Term Energy Plan (LTEP) initiatives appropriate and accurately tracked?

The IESO does not oppose this addition of this issue to the draft Issues List with the modifications shown below:

Are the costs associated with *the activities identified in the IESO's ~~meeting the~~ Long-Term Energy Plan (LTEP) Implementation Plan initiatives* appropriate and accurately tracked?

The IESO believes its suggested proposed edits provide greater clarity on the issue suggested by Energy Probe. The IESO's work related to the LTEP is based on the IESO's LTEP Implementation Plan, *Putting Ontario's Long-Term Energy Plan Into Action*, and with the IESO's proposed edits, provides further clarity to the scope of the IESO's work and this issue.

Energy Probe's second suggested addition to the draft Issues List is:

Has IESO clearly and appropriately tracked the cost of work related to the Ontario Climate Change Plan.

The IESO opposes this suggested addition to the draft Issues List. In their submissions, Energy Probe provided two reasons to include this proposed issue. Firstly, Energy Probe supported the addition of this proposed issue as "the costs related to that work [Green Ontario Fund] should be part of this proceeding to ensure they are appropriate...". The IESO respectfully submits that as this work, and therefore the costs, is not funded through the IESO's fees it is beyond the scope of this proceeding to review these costs.

Secondly, Energy Probe indicated that the addition of its proposed issue would allow it to ensure that there is no cross subsidization between IESO's customers and the costs of delivering the programs related to the Green Ontario Fund. The IESO submits that in the settlement proposal filed in EB-2017-0150, which was supported by all parties and approved by the OEB, the IESO agreed to conduct a cost allocation study as described below:

"The IESO has also agreed to conduct a corporate cost allocation study on the charges associated with staff and services the IESO provides to third parties, such as the Ontario Climate Change

Solutions Deployment Corporation (“OCCSCD”) and the Smart Metering Entity. The IESO will file this corporate cost allocation study with its next Revenue Requirement Submission.”²

The IESO intends to file this cost allocation study shortly. The IESO submits that Energy Probe’s concerns regarding ensuring cross subsidization between IESO’s customers and the costs of delivering the programs related to the Green Ontario Fund can be examined under issue 5.2: Is the Corporate Cost Allocation Study Appropriate?

As such, the IESO opposes the addition of this issue.

Energy Probe’s third suggested addition to the draft Issues List is:

Are the carrying costs of the Fair Hydro Plan appropriate.

The IESO opposes this proposed addition to the draft Issues List as it is beyond the scope of this proceeding. The carrying costs of the Fair Hydro Plan are not funded through the IESO’s fees approved by the OEB and they do not impact the IESO’s revenue requirement. As such, the carrying costs of the Fair Hydro Plan have nothing to do with the IESO’s proposed expenditure and revenue requirements or the proposed fees which the OEB is reviewing through this proceeding. The IESO’s responsibilities related to the Fair Hydro Plan are set out in the *Fair Hydro Plan Act, 2017* and associated regulations, which clearly articulate that amounts, including the associated carrying costs, are held in an account established specifically for the purposes of the Fair Hydro Plan.

Environmental Defence submissions

Environmental Defence has requested that the OEB:

- Confirm that the draft Issues List allows Environmental Defence to explore the appropriateness of the IESO’s response to the Board’s directions regarding transmission losses; OR
- Add a new issue 5.3 asking: “Has the IESO appropriately responded to the Board’s directions regarding transmission losses?”

The IESO believes that issue 5.1 in the draft Issues List would allow Environmental Defence to explore this issue, therefore a new issue is not required. Issue 5.1 as proposed by the IESO is:

5.1 Is the IESO’s 2018 Regulatory Scorecard appropriate?

In their submission, Environmental Defence stated that the issue of transmission losses “is potentially included under draft issue 5.1”, and the IESO agrees that it can be examined under

² EB-2017-0150, Settlement Proposal, approved by the OEB in Procedural Order No. 5 on October 31, 2017.

this issue. The issue of transmission losses was originally raised by Environmental Defence in the consultations by Elenchus Research Associates to develop a draft scorecard for the IESO in EB-2017-0150.

HQEM submissions

HQEM submitted that issue 2.1 be removed from the draft Issue List. The IESO supports the removal of this issue.

The issue that HQEM has proposed to remove is:

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

HQEM suggests that issue 2.1 be removed from the draft Issues List as it duplicates the information appearing in issue 2.2 and was resolved in a prior application. The IESO supports the suggestion to remove this issue.

SEC submissions

SEC submitted one issue should be added to the draft Issues List:

Has the IESO adequately responded to the findings and recommendations of the 2017 Annual Report of the Auditor General of Ontario?

The IESO opposes this proposed addition to the draft Issues List as it is overly broad and many of the findings and recommendations in the report are beyond the scope of this proceeding. SEC admits this, stating that "... some of the AG's findings and recommendations deal with matters outside of the scope of this proceeding, many others are directly or indirectly related to the Board's mandate in reviewing the IESO's revenue requirement submission." However, SEC did not identify those findings or recommendations in the Auditor General's report which it believes should be included. The Auditor General's report contains multiple findings and recommendations, some of which are directed to the OEB and the Ministry of Energy. As SEC has not recommended which of the findings or recommendations are directly or indirectly related to this proceeding, the IESO believes that this issue is overly broad.

To the extent that individual findings or recommendations in the Auditor General's Report encompass matters within the scope of the proceeding, the IESO believes such relevant and specifically referenced matters can be addressed under one or more of the issues already set out in the draft Issues List.

VECC submissions

VECC submitted that "VECC supports the IESO Fees draft issues list as set out in Procedural Order No. 1 and as amended by the comments of Board Staff and the School Energy Coalition."

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Submissions by OEB staff and SEC on the draft Issues List are discussed, separately, above.

Yours truly,

A handwritten signature in blue ink, appearing to read "Tam Wagner", is written over a horizontal line. The signature is cursive and somewhat stylized.

Tam Wagner
Senior Manager, Regulatory Affairs

cc: Mr. Fred Cass (email)
Intervenors to EB-2018-0143 (email)