



# Ontario Energy Board Commission de l'énergie de l'Ontario

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## DECISION AND ORDER

EB-2018-0143

## INDEPENDENT ELECTRICITY SYSTEM OPERATOR

Application for Approval of 2018 Expenditures, Revenue Requirement, and Fees

**BEFORE: Cathy Spoel**  
Presiding Member

**Lynne Anderson**  
Member

**Susan Frank**  
Member

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October 25, 2018

## 1. INTRODUCTION AND SUMMARY

On April 30, 2018, the Independent Electricity System Operator (IESO) filed an application with the Ontario Energy Board (OEB) under section 25(1) of the *Electricity Act, 1998*, requesting approval for its proposed 2018 expenditures, revenue requirement, and fees.

On October 2, 2018, the IESO filed a settlement proposal for the OEB's review and approval. The settlement proposal reflects the agreement reached between the IESO and participating intervenors on all issues on the OEB approved Issues List.

For the reasons that follow, the OEB accepts the settlement proposal.

## 2. PROCESS

The following parties requested and were granted intervenor status:

- Association of Major Power Consumers in Ontario (AMPCO)
- Brookfield Energy Marketing LP (BEM)
- Building Owners and Managers Association (BOMA)
- Canadian Manufacturers & Exporters (CME)
- Energy Probe Research Foundation (EP)
- Environmental Defence (ED)
- HQ Energy Marketing Inc. (HQ)
- Ontario Power Generation Inc. (OPG)
- Ontario Sustainable Energy Association (OSEA)
- Power Workers' Union (PWU)
- School Energy Coalition (SEC)
- Society of United Professionals (SUP)
- Vulnerable Energy Consumers Coalition (VECC)

Each of AMPCO, BOMA, CME, EP, ED, OSEA, SEC, and VECC applied for and were granted eligibility for cost awards.

After receiving submissions from the other parties on the draft Issues List filed by the IESO as part of its application, the OEB approved a final Issues List on July 30, 2018.

Following an interrogatory process, a settlement conference was held on September 12 and 13, 2018. The settlement proposal that resulted from the settlement conference represents a full settlement on all issues on the Issues List.<sup>1</sup>

On October 9, 2018, OEB staff filed a submission on the settlement proposal. OEB staff submitted that the settlement proposal represents an acceptable outcome from a public interest perspective.

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<sup>1</sup> The intervenors that participated in the settlement conference were AMPCO, BOMA, CME, EP, ED, OSEA, PWU, SEC, and VECC. The settlement proposal notes that not all of the participating intervenors took a position on all issues, although no one opposes the settlement.

### 3. DECISION ON SETTLEMENT PROPOSAL

The OEB accepts the settlement proposal. A copy of the settlement proposal is attached as Schedule A. As part of the settlement proposal, the parties accepted that the IESO's proposed net revenue requirement for 2018 of \$190.8 million is appropriate. The parties also agreed, among other things, that the usage fees proposed by the IESO – \$1.2402/MWh for domestic customers and \$1.0115/MWh for export customers, with an effective date of January 1, 2018 – are appropriate.<sup>2</sup>

The OEB finds that the settlement proposal represents an acceptable outcome. The revenue requirement reflected in the settlement proposal is consistent with the IESO's 2018 Business Plan which was approved by the Minister of Energy on March 19, 2018, and is unchanged from the amount approved by the OEB for 2017. The methodology for calculating the usage fees for domestic and export customers was accepted by the parties to the settlement and is the same as the methodology used in prior IESO fees cases.

The OEB notes that in the settlement proposal, the parties agreed that the IESO will file a number of items with its 2019 revenue requirement application and at other times. The OEB is accepting these aspects of the settlement proposal on the understanding that it is the OEB that will determine the extent to which this information is in scope of the OEB's review of the IESO's revenue requirement. For example, the costs and budgets for segments of the IESO's operations that are not part of the IESO's revenue requirement would typically only be relevant to the appropriate allocation of costs to and from the IESO's revenue requirement. Furthermore, parties have characterized the filing of a baseline Market Renewal Project schedule and budget as a "compliance filing". It is the OEB that determines what, if any, action is taken if parties are not satisfied with this filing.

The OEB also observes that the fees are to be applied effective January 1, 2018, several months before the application was even filed with the OEB. The OEB appreciates the constraints faced by the IESO as the revenue requirement must reflect the approved business plan, however, the OEB encourages the IESO to use its best efforts to make future applications on a more timely basis.

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<sup>2</sup> The approved usage fees for 2017 were \$1.2187/MWh for domestic customers and \$0.9872 for export customers.

## 4. ORDER

### THE ONTARIO ENERGY BOARD ORDERS THAT:

1. The OEB accepts the settlement proposal attached as Schedule A.
2. The IESO shall charge usage fees of \$1.2402/MWh for domestic customers and \$1.0115/MWh for export customers, effective January 1, 2018.
3. Eligible intervenors shall file with the OEB, and forward to the IESO, their respective cost claims by November 1, 2018.
4. The IESO shall file with the OEB, and forward to eligible intervenors, any objections to the claimed costs by November 12, 2018.
5. Eligible intervenors shall file with the OEB, and forward to the IESO, any responses to any objections to cost claims by November 19, 2018.
6. The IESO shall pay the OEB's costs of and incidental to this proceeding upon receipt of the OEB's invoice.

**DATED** at Toronto October 25, 2018

### ONTARIO ENERGY BOARD

*Original Signed By*

Kirsten Walli  
Board Secretary

**SCHEDULE A**  
**TO DECISION AND ORDER**  
**INDEPENDENT ELECTRICITY SYSTEM OPERATOR**

**EB-2018-0143**

**OCTOBER 25, 2018**

The Settlement Proposal

# **SETTLEMENT PROPOSAL**

## **Independent Electricity System Operator 2018 Revenue Requirement Submission for Review**

**October 2, 2018**

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## **PREAMBLE**

This Settlement Proposal is filed with the Ontario Energy Board ("OEB") in connection with the Submission by the Independent Electricity System Operator ("IESO") for the review of its proposed expenditure and revenue requirements for the fiscal year 2018 and the fees that it proposes to charge during the fiscal year 2018. An OEB Decision and Order (EB-2017-0150) was issued on December 14, 2017 approving fees on an interim basis, effective January 1, 2018.

In Procedural Orders No. 1 and 2, dated June 26, 2018 and July 30, 2018 respectively, as well as a letter to the IESO dated September 27, 2018, the OEB established the process to address the Submission for Review, up to and including a Settlement Conference and associated activities.

In accordance with Procedural Order No. 2, a Settlement Conference was held on September 12 and 13, 2018. Mr. Leslie Dizgun of ADR Chambers International facilitated the Settlement Conference. This Settlement Proposal arises from the Settlement Conference.

The IESO and the following intervenors, as well as OEB technical staff ("OEB Staff"), participated in the Settlement Conference:

- Association of Major Power Consumers in Ontario ("AMPCO")
- Building Owners and Managers Association Toronto ("BOMA")
- Canadian Manufacturers & Exporters ("CME")
- Energy Probe Research Foundation ("Energy Probe")
- Environmental Defense ("ED")
- Ontario Sustainable Energy Association ("OSEA")
- Power Workers' Union ("PWU")
- School Energy Coalition ("SEC")
- Vulnerable Energy Consumers Coalition ("VECC")

The Settlement Proposal deals with all of the relief sought in this proceeding as set out in more detail below; a full settlement has been reached on all issues.

The IESO and all intervenors listed above have agreed to the settlement described on the following pages. Any reference to “Parties” in this Settlement Proposal is intended to refer to the IESO and the intervenors listed above.

All intervenors listed above participated in the Settlement Conference and subsequent discussions. Although OEB Staff is not a party to the Settlement Proposal, once the Settlement Proposal is filed, OEB Staff shall file a submission commenting on two aspects of the settlement: whether the settlement represents an acceptable outcome from a public interest perspective, and whether the accompanying explanation and rationale is adequate to support the settlement. Also, as noted in the OEB’s Practice Direction on Settlement Conferences, OEB Staff participants to the Settlement Conference are bound by the same confidentiality and privilege rules that apply to the Parties to the proceeding.

This document is called a “Settlement Proposal” because it is a proposal by the Parties to the OEB to settle the issues in this proceeding. It is termed a proposal as between the Parties and the OEB. However, as between the Parties, and subject only to the OEB’s approval of this Settlement Proposal, this document is intended to be a legal agreement, creating mutual obligations, and binding and enforceable in accordance with its terms. As set forth below, this Settlement Proposal is subject to a condition subsequent, that if it is not accepted by the OEB in its entirety, then unless amended by the Parties, it is null and void and of no further effect. In entering into this agreement, the Parties understand and agree that, pursuant to the *Ontario Energy Board Act, 1998*, the OEB has exclusive jurisdiction with respect to the interpretation or enforcement of the terms hereof.

Best efforts have been made to identify all of the evidence that relates to each settled issue. The supporting evidence for each settled issue is identified individually by reference to its exhibit number in an abbreviated format; for example, Exhibit B, Tab 3, Schedule 1 is referred to as Exhibit B-3-1. The identification and listing of the evidence that relates to each settled issue is provided to assist the OEB.

The Settlement Proposal describes the agreements reached on the issues. The Settlement Proposal provides a direct link between each settled issue and the supporting evidence in the record to date. In this regard, the Parties are of the view that the evidence provided is sufficient to support the Settlement Proposal in relation to the settled issues and, moreover, that the quality and detail of the supporting evidence, together with the corresponding rationale, will allow the OEB to make findings agreeing with the proposed resolution of the settled issues. In the event that the OEB does not accept the proposed settlement of any issue, then subject to the Parties’ agreement on non-severability set out in the final paragraph below, further evidence may be required on the issue for the OEB to consider it fully.

None of the Parties can withdraw from the Settlement Proposal except in accordance with Rule 30 of the OEB's Rules of Practice and Procedure. Further, unless stated otherwise, a settlement of any particular issue in this proceeding is without prejudice to the positions Parties might take with respect to the same issue in future proceedings.

The Parties acknowledge that this Settlement Conference (including subsequent related discussions) is confidential in accordance with the OEB's Practice Direction on Settlement Conferences. The Parties understand that confidentiality in that context does not have the same meaning as confidentiality in the OEB's Practice Direction on Confidential Filings, and the rules of that latter document do not apply. Instead, in this Settlement Conference, and in this Settlement Proposal, the Parties have interpreted "confidential" to mean that the documents and other information provided during the course of the Settlement Conference, the discussion of each issue, the offers and counter-offers, and the negotiations leading to the settlement – or not – of each issue during the Settlement Conference are strictly privileged and without prejudice. None of the foregoing is admissible as evidence in this proceeding, or otherwise, with one exception, the need to resolve a subsequent dispute over the interpretation of any provision of this Settlement Proposal. Further, the Parties shall not disclose those documents or other information to persons who were not attendees at the Settlement Conference. However, the Parties agree that "attendees" is deemed to include, in this context, persons who were not physically in attendance at the Settlement Conference but were a) any persons or entities that the Parties engage to assist them with the Settlement Conference, and b) any persons or entities from whom they seek instructions with respect to the negotiations; in each case provided that any such persons or entities have agreed to be bound by the same confidentiality provisions.

It is fundamental to the agreement of the Parties that none of the provisions of this Settlement Proposal are severable. If the OEB does not, prior to the commencement of the hearing of the evidence in this proceeding, accept the provisions of the Settlement Proposal in their entirety, there is no Settlement Proposal (unless the Parties agree that any portion of the Settlement Proposal that the OEB does accept may continue as a valid Settlement Proposal).

## **OVERVIEW**

The Parties have reached a package settlement of all issues in this proceeding (the "Package Settlement"), there are no unsettled issues. Notwithstanding any other clause of this Package Settlement: (a) the PWU takes no position on all issues; (b) ED only takes a position on issue 5.4 and takes no position with respect to, and does not oppose, any of the remaining issues; and (c) OSEA only takes a position on issues 1.0, 3.0, 5.1 and 7.1 and takes no position with respect to, and does not oppose, any of the remaining issues.

Given the IESO's agreement to these settlement terms, the Package Settlement includes acceptance of the IESO's proposals in respect of all issues.

## **THE ISSUES**

### **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?**

As part of the Package Settlement, the Parties accept that the IESO's 2018 revenue requirement of \$190.8 million is appropriate. The acceptance of the revenue requirement is on the representation made by the IESO that while it has spent less than 50% of its 2018 budgeted expenses as of the end of Q2 2018, as shown in the response to SEC Interrogatory 11, the 2018 forecast spending is more heavily weighted to the latter half of the year. The IESO currently forecasts that it will meet its expense budget of \$190.8 million by December 31, 2018.

To increase transparency and accountability, the IESO has agreed to include a status report on certain recommendations<sup>1</sup> to the IESO included in Chapter 3 of the Auditor General's 2017 Annual Report related to market oversight and cybersecurity (Attachment 1 to this Settlement Proposal). The IESO agrees to file an updated status report in the same format with the OEB each year in its revenue requirement submission or by June 1<sup>st</sup>, whichever is earlier, until one year after all recommendations have been addressed.

#### **Evidence:**

Exhibit A-2-2-2018-2020 Business Plan – December 18, 2017

Exhibit A-2-3-Minister's Letter Approving the 2018-2020 Business Plan – March 19, 2018

Exhibit A-3-1-2017 Annual Report and Audited Financial Statements

Exhibit B-1-1-2018 Revenue Requirement and Usage Fee Methodology

Exhibit B-2-1-2018 Registration and Application Fees, the Forecast Variance Deferral Account and Capital Expenses

Exhibit B-3-1-2017 Year End Financial, Surplus and Staffing

Attachment 1 - Appendix 2-AA (capital projects)

Attachment 2 - Appendix 2-JB (OM&A cost drivers)

Attachment 3 - Appendix 2-JC (OM&A programs)

Attachment 4 - Appendix 2-K (employee costs)

#### **Interrogatories:**

Exhibit I, Tab 1.0, OSEA 7.01 and 7.02

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<sup>1</sup> Recommendations discussed in response to SEC Interrogatory 9, as well as Auditor General Recommendations 12, 15, 17 and 18.

OSEA 7.02

Attachment 1 – Conservation Framework Mid-Term Review, Final Report, March 16, 2018 - Navigant

Exhibit I, Tab 1.1, OEB STAFF 1.01 to 1.05

Exhibit I, Tab 1.1, AMPCO 2.01 to 2.06

AMPCO 2.05

Attachment 1 – 2018 IESO Organizational Charts

Attachment 2 – 2017 IESO Organizational Charts

AMPCO 2.06

Attachment 1 – 2018 IESO Corporate Performance Measures

Exhibit I, Tab 1.1, CME 3.02 and 3.04

Exhibit I, Tab 1.1, ENERGY PROBE 4.01

Exhibit I, Tab 1.1, SEC 8.01 to 8.14

SEC 8.01

Attachment 1 – July 13, 2018, Ministerial Directive

SEC 8.03

Attachment 1 – 2017 Corporate Performance Measures and Targets

Attachment 2 – 2017 Corporate Performance Results

SEC 8.10

Attachment 1 – March 2017 - December 2017 Board - Presidents Reports

Attachment 2 – August 29, 2017 - Update AG Market Enforcement

Attachment 3 – February 27, 2018 - MACD Report

Attachment 4 – April 10, 2018 - MACD Report

Attachment 5 – June 12, 2018 - MACD Report

SEC 8.13

Attachment 1 – 2017 Employee Engagement Survey Results - NorthStar

Attachment 2 – 2018 Stakeholder Engagement Review - NorthStar

Exhibit I, Tab 1.1, VECC 10.03, 10.09 and 10.10

**1.2 Is the IESO's Registration & Application Fees revenue forecast of \$0.00 million for Fiscal Year 2018 appropriate?**

As part of the Package Settlement, the Parties accept that the IESO's revenue forecast of \$0.00 million for registration fees in fiscal year 2018 is appropriate.

**Evidence:**

Exhibit A-2-2-2018-2020 Business Plan – December 18, 2017

Exhibit B-2-1-2018 Registration and Application Fees, the Forecast Variance Deferral Account and Capital Expenses

**Interrogatories:**

Exhibit I, Tab 1.2, OEB STAFF 1.06

Exhibit I, Tab 1.2, VECC 10.04

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

As part of the Package Settlement, the Parties accept that the IESO's projected 2018 staffing levels and compensation (including salaries, benefits, pensions and other post-employment benefits) are appropriate.

**Evidence:**

Exhibit A-2-2-2018-2020 Business Plan – December 18, 2017

Exhibit A-2-3-Minister's Letter Approving the 2018-2020 Business Plan – March 19, 2018

Exhibit B-1-1-2018 Revenue Requirement and Usage Fee Methodology

Exhibit B-2-1-2018 Registration and Application Fees, the Forecast Variance Deferral Account and Capital Expenses

Exhibit B-3-1-2017 Year End Financial, Surplus and Staffing

Attachment 1 - Appendix 2-AA (capital projects)

Attachment 2 - Appendix 2-JB (OM&A cost drivers)

Attachment 3 - Appendix 2-JC (OM&A programs)

Attachment 4 - Appendix 2-K (employee costs)

**Interrogatories:**

Exhibit I, Tab 1.3, OEB STAFF 1.07

Exhibit I, Tab 1.3, AMPCO 2.07

AMPCO 2.07

Attachment 1 – Updated Appendix 2-K (employee costs) - filed electronically in excel

Exhibit I, Tab 1.3, CME 3.03

Exhibit I, Tab 1.3, SEC 8.15 and 8.16

Exhibit I, Tab 1.3, SOCIETY 9.01 and 9.02

Exhibit I, Tab 1.3, VECC 10.01 and 10.07

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

As part of the Package Settlement, the Parties accept that the IESO's capital expenditure budget for fiscal year 2018 is appropriate.

**Evidence:**

Exhibit A-2-2-2018-2020 Business Plan – December 18, 2017

Exhibit A-2-3-Minister's Letter Approving the 2018-2020 Business Plan – March 19, 2018

Exhibit A-3-1-2017 Annual Report and Audited Financial Statements

Exhibit B-1-1-2018 Revenue Requirement and Usage Fee Methodology

Exhibit B-2-1-2018 Registration and Application Fees, the Forecast Variance Deferral Account and Capital Expenses

Exhibit B-3-1-2017 Year End Financial, Surplus and Staffing

Attachment 1 - Appendix 2-AA (capital projects)

Attachment 2 - Appendix 2-JB (OM&A cost drivers)

Attachment 3 - Appendix 2-JC (OM&A programs)

Attachment 4 - Appendix 2-K (employee costs)  
Exhibit C-1-1, IESO Regulatory Scorecard  
Attachment 1 – IESO’s 2018 Regulatory Scorecard (xls version only)  
Exhibit C-2-1, Market Renewal Program Cost Report

**Interrogatories:**

Exhibit I, Tab 1.4, OEB STAFF 1.08  
Exhibit I, Tab 1.4, AMPCO 2.08 to 2.11  
    AMPCO 2.09  
    Attachment 1 – Updated Appendix 2-AA (capital projects) - filed electronically in pdf  
    and excel  
Exhibit I, Tab 1.4, CME 3.01 and 3.06  
Exhibit I, Tab 1.4, SEC 8.17

**2.0 Usage Fees**

**2.1 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?**

As part of the Package Settlement, the Parties accept that the methodology used to derive the proposed IESO Usage Fees and the resulting Fees of \$1.2402/MWh for domestic customers and \$1.0115/MWh for export customers are appropriate.

**Evidence:**

Exhibit A-2-2-2018-2020 Business Plan – December 18, 2017  
Exhibit A-2-3-Minister’s Letter Approving the 2018-2020 Business Plan – March 19, 2018  
Exhibit A-3-1-2017 Annual Report and Audited Financial Statements  
Exhibit B-1-1-2018 Revenue Requirement and Usage Fee Methodology

**Interrogatories:**

Exhibit I, Tab 2.0, SOCIETY 9.03  
Exhibit I, Tab 2.1, OEB STAFF 1.09  
Exhibit I, Tab 2.1, ENERGY PROBE 4.02, 4.04, 4.10 and 4.11

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

As part of the Package Settlement, the Parties accept the IESO’s January 1, 2018 effective date. Parties recognize the inherent difficulty reviewing the IESO’s annual revenue requirement submission when it is filed part way through the fiscal year. The IESO agrees to do all it reasonably can to ensure that it files a full revenue requirement submission 60 days before the beginning of the fiscal year as set out in section 25(1) of the Electricity Act. The IESO will report in its next revenue requirement submission what steps it has taken or plans to take.



**Evidence:**

Exhibit A-2-2-2018-2020 Business Plan – December 18, 2017

Exhibit A-2-3-Minister’s Letter Approving the 2018-2020 Business Plan – March 19, 2018

Exhibit B-1-1-2018 Revenue Requirement and Usage Fee Methodology

Exhibit A-2-2-2018-2020 Business Plan – December 18, 2017

**Interrogatories:**

Exhibit I, Tab 2.2, HQEM 6.01

Exhibit I, Tab 1.1, SEC 8.11

### **3.0 Registration and Application Fees**

#### **3.1 Are the Registration Fees of up to \$10,000 per proposal for electricity supply and capacity procurements, including conservation and load management procurements, appropriate?**

As part of the Package Settlement, the Parties accept that the registration fees of up to \$10,000 per proposal for electricity supply and capacity procurements, including conservation and load management procurements, are appropriate.

**Evidence:**

Exhibit A-2-2-2018-2020 Business Plan – December 18, 2017

Exhibit A-2-3-Minister’s Letter Approving the 2018-2020 Business Plan – March 19, 2018

Exhibit B-1-1-2018 Revenue Requirement and Usage Fee Methodology

Exhibit B-2-1-2018 Registration and Application Fees, the Forecast Variance Deferral Account and Capital Expenses

**Interrogatories:**

Exhibit I, Tab 3.0, OSEA 7.03

#### **3.2 Is the \$1,000 Application Fee for market participation appropriate?**

As part of the Package Settlement, the Parties accept that the \$1,000 application fee for market participation is appropriate.

**Evidence:**

Exhibit A-2-2-2018-2020 Business Plan – December 18, 2017

Exhibit A-2-3-Minister’s Letter Approving the 2018-2020 Business Plan – March 19, 2018

Exhibit B-1-1-2018 Revenue Requirement and Usage Fee Methodology

Exhibit B-2-1-2018 Registration and Application Fees, the Forecast Variance Deferral Account and Capital Expenses

**Interrogatories: NA**

#### **4.0 The Deferral and Variance Account**

##### **4.1 Is the IESO's proposal to retain an Operating Reserve of \$6 million in the Forecast Variance Deferral Account appropriate?**

As part of the Package Settlement, the Parties agree that retaining an operating reserve of \$6 million in Forecast Variance Deferral account is appropriate.

**Evidence:**

Exhibit A-2-2-2018-2020 Business Plan – December 18, 2017

Exhibit A-2-3-Minister's Letter Approving the 2018-2020 Business Plan – March 19, 2018

Exhibit B-1-1-2018 Revenue Requirement and Usage Fee Methodology

Exhibit B-2-1-2018 Registration and Application Fees, the Forecast Variance Deferral Account and Capital Expenses

**Interrogatories:**

Exhibit I, Tab 4.1, OEB STAFF 1.10

Exhibit I, Tab 4.1, CME 3.05

##### **4.2 Is the IESO's proposal to clear the 2017 Year-End balance in the Forecast Variance Deferral Account that is in excess of the \$6 million operating reserve appropriate?**

As part of the Package Settlement, the Parties agree that the IESO's proposal to clear the 2017 Year-End balance of \$1.4 million in the Forecast Variance Deferral Account that is in excess of the \$6 million operating reserve is appropriate.

**Evidence:**

Exhibit A-2-2-2018-2020 Business Plan – December 18, 2017

Exhibit A-2-3-Minister's Letter Approving the 2018-2020 Business Plan – March 19, 2018

Exhibit B-1-1-2018 Revenue Requirement and Usage Fee Methodology

Exhibit B-2-1-2018 Registration and Application Fees, the Forecast Variance Deferral Account and Capital Expenses

**Interrogatories: NA**

#### **5.0 Commitments from Previous OEB Decisions**

##### **5.1 Are the targets developed by the IESO for each performance measure included in the 2018 Regulatory Scorecard reasonable?**

As part of the Package Settlement, Parties agree that the targets developed by the IESO for each performance measure included in the 2018 Regulatory Scorecard are appropriate.

The Parties also agree that the IESO will propose a new metric(s) specifically on its market assessment and compliance activities to be included in the IESO's 2019 regulatory scorecard. Considering the Auditor General's recommendations in its 2017 Auditor General of Ontario's

Report related to the IESO's market assessment and compliance activities, Parties agree that a new metric(s) would increase transparency and further assist in evaluating the IESO's proposed expenditure and revenue requirement.

**Evidence:**

Exhibit A-2-2-2018-2020 Business Plan – December 18, 2017  
Exhibit A-2-3-Minister's Letter Approving the 2018-2020 Business Plan – March 19, 2018  
Exhibit C-1-1 IESO Regulatory Scorecard  
Attachment 1 – IESO's 2018 Regulatory Scorecard (xls version only)

**Interrogatories:**

Exhibit I, Tab 5.1, OEB STAFF 1.11  
Exhibit I, Tab 5.1, ED 5.01 to 5.07  
ED 5.03  
Attachment 1 – Avoided Supply Costs Table, March 2015  
Exhibit I, Tab 5.1, OSEA 7.04 and 7.05  
Exhibit I, Tab 5.1, VECC 10.02 and 10.11

**5.2 Is the Corporate Cost allocation study appropriate?**

As part of the Package Settlement, the Parties agree that the Corporate Cost allocation study is appropriate.

**Evidence:**

Exhibit C-3-1- Cost Allocation Study  
Attachment 1 – Corporate Cost Allocation Study - BDR North America  
Attachment 2 - OEB Form A and Curriculum Vitae of P. Zarnett

**Interrogatories:**

Exhibit I, Tab 5.2, SEC 8.18 and 19

**5.3 Has the IESO adequately explained how the results of the Cost Allocation Study are being implemented?**

As part of the Package Settlement, the parties agree that the IESO has adequately explained how the results of the Cost Allocation study are being implemented.

The IESO commits to implementing the recommendations as described in BDR's Report on Methodology for the Allocation of Shared Costs to Certain Identified Activities ("BDR Report") in its next revenue requirement submission.<sup>2</sup> The Parties agree that the IESO will implement the recommendations for all work undertaken by its staff to support or assist the Market Assessment and Compliance Division's enforcement activities ("MACD Enforcement"). While these activities were not included in the BDR Report, they are of a similar type of non-fees funded activity of the IESO. Costs the IESO incurs for work and staff time in support of MACD

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<sup>2</sup> See updated response to OEB Interrogatory 12.

Enforcement is charged to MACD Enforcement in the same manner as such work done to support the Smart Metering Entity (“SME”) is charged to the SME. Funding for MACD Enforcement staffing is described in an updated response to SEC Interrogatory 10. Total FTE for MACD from 2016 to 2018, budgets vs actuals, is described in an updated response to AMPCO Interrogatory 5, which asks the IESO to provide organizational charts and the number of FTEs for each group.

The Parties further agree, that to enhance transparency and to provide necessary information to better understand the reasonableness of the BDR Report, the IESO will also provide, in its next revenue requirement submission, the total costs and budgets for the various segments as described in the IESO’s Annual Report (IESO Core Operations, Other Government Programs, Smart Metering Entity and Market Sanctions & Payment Adjustments) with a variance analysis. This analysis will be for the period beginning with fiscal year 2016 to the latest period for which information is available.

**Evidence:**

Exhibit C-3-1-Cost Allocation Study

**Interrogatories:**

Exhibit I, Tab 5.3, OEB STAFF 1.12

Exhibit I, Tab 5.3, ENERGY PROBE 4.14 and 4.15

Exhibit I, Tab 5.3, VECC 10.13 and 10.14

**5.4 What is the status of the IESO’s transmission losses study?**

As part of the Package Settlement parties agree that the IESO provided an update on the status of the IESO’s transmission losses study and that the IESO will satisfy the following conditions:

- a. The IESO is to provide the following information in its 2019 revenue requirement submission:
  - i. Actual 2018 annual transmission losses as a percent of annual demand;
  - ii. Actual 2018 transmission losses at the time of system peak demand as a percentage of system peak demand (peak hour);
  - iii. The wholesale market cost of transmission system energy losses in 2018; and
  - iv. A document describing the division of responsibilities between Hydro One and the IESO relating to transmission losses (subject to being able to jointly prepare this with Hydro One).
- b. The IESO will engage with stakeholders regarding the IESO’s transmission losses work/report (similar to the 2017 engagement the IESO undertook on the development of its regulatory scorecard) including a discussion of the transmission losses processes used by National Grid UK, the recommendations of the Council of European Energy

Regulators, and methodologies to assess the cost effectiveness of transmission loss reduction measures.

**Evidence:**

Exhibit C-1-1-IESO Regulatory Scorecard

Attachment 1 – IESO’s 2018 Regulatory Scorecard (xls version only)

**Interrogatories:**

Exhibit I, Tab 5.4, OEB STAFF 1.13

Exhibit I, Tab 5.4, ED 5.08 to 5.14

ED 5.09

Attachment 1 – Hydro One Transmission Losses Report - EPRI (Electric Power Research Institute)

## 6.0 Market Renewal Program

### 6.1 Does the “Market Renewal Program Cost Report” provide sufficient information on the financial and operational performance of the Market Renewal Program for 2017, 2018 year to date and 2018 forecast?

As part of the Package Settlement, the Parties agree that the “Market Renewal Program Cost Report” provides sufficient information on the financial and operational performance of the MRP for 2017, 2018 year to date and 2018 forecast, on the following condition:

- a. The IESO confirms that the 2019-2024 budget included in the response to SEC Interrogatory 21 does not include the removal of the Operability workstream. The response to SEC Interrogatory 21 has been updated accordingly; and
- b. The IESO will file the baseline MRP schedule and budget with the OEB as a compliance filing no later than January 2nd, 2019 and will copy all Parties on this filing.

**Evidence:**

Exhibit C-1-1, IESO Regulatory Scorecard

Attachment 1 – IESO’s 2018 Regulatory Scorecard (xls version only)

Exhibit C-2-1, Market Renewal Program Cost Report

**Interrogatories:**

Exhibit I, Tab 6.0, ENERGY PROBE 4.03

Exhibit I, Tab 6.1, AMPCO 2.12 to 2.14

Exhibit I, Tab 6.1, VECC 10.12

**6.2 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?**

As part of the Package Settlement, the Parties agree that the IESO's forecast 2018 operational costs for the Market Renewal Program are appropriate in the context of the scope and timing of the overall project.

**Evidence:**

Exhibit A-2-2-2018-2020 Business Plan – December 18, 2017

Exhibit A-2-3-Minister's Letter Approving the 2018-2020 Business Plan – March 19, 2018

Exhibit B-1-1-2018 Revenue Requirement and Usage Fee Methodology

Exhibit B-2-1-2018 Registration and Application Fees, the Forecast Variance Deferral Account and Capital Expenses

Exhibit B-3-1-2017 Year End Financial, Surplus and Staffing

Attachment 1 - Appendix 2-AA (capital projects)

Attachment 2 - Appendix 2-JB (OM&A cost drivers)

Attachment 3 - Appendix 2-JC (OM&A programs)

Attachment 4 - Appendix 2-K (employee costs)

Exhibit C-1-1-IESO Regulatory Scorecard

Attachment 1 – IESO's 2018 Regulatory Scorecard (xls version only)

Exhibit C-2-1-Market Renewal Program Cost Report

**Interrogatories:**

Exhibit I, Tab 6.2, OEB STAFF 1.14 to 1.16

Exhibit I, Tab 6.2, ENERGY PROBE 4.13

Exhibit I, Tab 6.2, SEC 8.20 to 8.24

SEC 8.20

***MRESC Reporting 2018***

Attachment 1 – MRP Program Charter 2.0 February 2018

Attachment 2 – MRESC Terms of Reference July 31, 2018

Attachment 3 – MRP 2018 MRESC Cost Report March 2018

Attachment 4 – MRP 2018 MRESC Schedule Report March 2018 Revised

Attachment 5 – MRP 2018 MRESC Cost Report April 30, 2018

Attachment 6 – MRP 2018 MRESC Schedule Report April 30, 2018

Attachment 7 – MRP 2018 MRESC Risk Report April 30, 2018

Attachment 8 – MRP 2018 MRESC Cost Report May 31, 2018

Attachment 9 – MRP 2018 MRESC Schedule Report May 31, 2018

Attachment 10 – MRP 2018 MRESC Risk Report May 31, 2018

Attachment 11 – MRP 2018 MRESC Cost Report June 30, 2018

Attachment 12 – MRP 2018 MRESC Schedule Report June 30, 2018

Attachment 13 – MRP 2018 MRESC Risk Report June 30, 2018

Attachment 14 – MRP 2018 MRESC Cost Report July 31, 2018

Attachment 15 – MRP 2018 MRESC Schedule Report July 31, 2018

Attachment 16 – MRP 2018 MRESC Risk Report July 31, 2018

Attachment 17 – Program Status Summary August 2018  
*Board of Directors Reporting 2018*

Attachment 18 – Market Renewal Dashboard June 2018

Attachment 19 – Market Renewal Dashboard August 2018

Exhibit I, Tab 6.2, VECC 10.06

**6.3 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?**

As part of the Package Settlement, Parties agree that the IESO's forecast 2018 capital costs for the Market Renewal Program are appropriate in the context of the scope and timing of the overall project.

**Evidence:**

Exhibit A-2-2-2018-2020 Business Plan – December 18, 2017

Exhibit A-2-3-Minister's Letter Approving the 2018-2020 Business Plan – March 19, 2018

Exhibit B-1-1-2018 Revenue Requirement and Usage Fee Methodology

Exhibit B-2-1-2018 Registration and Application Fees, the Forecast Variance Deferral Account and Capital Expenses

Exhibit B-3-1-2017 Year End Financial, Surplus and Staffing

Attachment 1 - Appendix 2-AA (capital projects)

Attachment 2 - Appendix 2-JB (OM&A cost drivers)

Attachment 3 - Appendix 2-JC (OM&A programs)

Attachment 4 - Appendix 2-K (employee costs)

Exhibit C-1-1-IESO Regulatory Scorecard

Attachment 1 – IESO's 2018 Regulatory Scorecard (xls version only)

Exhibit C-2-1-Market Renewal Program Cost Report

**Interrogatories:**

Exhibit I, Tab 6.3, OEB STAFF 1.17

Exhibit I, Tab 6.3, CME 3.07

Exhibit I, Tab 6.3, ENERGY PROBE 4.13

Exhibit I, Tab 6.3, SEC 8.20 to 8.24

Exhibit I, Tab 6.3, VECC 10.06

**7.0 IESO LTEP Cost**

**7.1 Are the costs associated with the activities identified in the IESO's Long-Term Energy Plan (LTEP) Implementation Plan appropriate?**

As part of the Package Settlement, the parties agree that the costs associated with the activities identified in the IESO's Long-Term Energy Plan (LTEP) Implementation Plan are appropriate.

**Evidence:**

Exhibit A-2-2-2018-2020 Business Plan – December 18, 2017

Exhibit A-2-3-Minister's Letter Approving the 2018-2020 Business Plan – March 19, 2018

Exhibit B-1-1-2018 Revenue Requirement and Usage Fee Methodology

Exhibit B-3-1-2017 Year End Financial, Surplus and Staffing

Attachment 1 - Appendix 2-AA (capital projects)

Attachment 2 - Appendix 2-JB (OM&A cost drivers)

Attachment 3 - Appendix 2-JC (OM&A programs)

Attachment 4 - Appendix 2-K (employee costs)

**Interrogatories:**

Exhibit I, Tab 7.1, OEB STAFF 1.18

Exhibit I, Tab 7.1, ENERGY PROBE 4.08 and 4.09

Exhibit I, Tab 7.1, OSEA 7.06

Exhibit I, Tab 7.1, SEC 8.27

SEC 8.27

Attachment 1 – LTEP Implementation Plan