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BY EMAIL

March 19, 2019

Ontario Energy Board
Ms. Kirsten Walli
Board Secretary
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto ON M4P 1E4

Dear Ms. Walli:

**Re: Ontario Energy Board (OEB) Staff Submission on Draft Issues List
Independent Electricity System Operator (IESO) Application for Approval of
2019 Expenditures, Revenue Requirement, and Fees
OEB File Number: EB-2019-0002**

Pursuant to Procedural Order No. 1, please find attached the submission of OEB staff on the draft issues list prepared by the IESO in the above referenced proceeding.

Yours truly,

Original Signed By

Michael Lesychyn
Project Advisor, Supply and Infrastructure

C: Parties to EB-2019-0002



ONTARIO ENERGY BOARD

OEB Staff Submission on Draft Issues List

**Independent Electricity System Operator's Application for Approval of
2019 Expenditures, Revenue Requirement, and Fees**

EB-2019-0002

March 19, 2019

INTRODUCTION

The Independent Electricity System Operator (IESO) filed an application with the Ontario Energy Board (OEB) on January 28, 2019 pursuant to subsection 25(1) of the *Electricity Act, 1998*, seeking approval of the IESO's 2019 expenditures, revenue requirement, and fees. The IESO included a draft issues list with its application.

The following are the submissions of OEB staff on the draft issues list.

SUBMISSION

The draft issues list filed by the IESO includes 15 issues grouped under the following six categories:

- *1.0 Revenue Requirement, Operating Costs and Capital Spending*
- *2.0 Usage Fees*
- *3.0 Registration and Application Fees*
- *4.0 The Deferral and Variance Account*
- *5.0 Commitments from Previous OEB Decisions*
- *6.0 Market Renewal Program*

The draft issues proposed by the IESO in categories 1.0, 2.0, 3.0, and 4.0 are generally consistent with those approved by the OEB for the IESO's previous revenue requirement proceeding.¹ As further described below, the IESO has proposed changes to the draft issues previously approved under categories 5.0 and 6.0.

Below, OEB staff provides its view on the appropriateness of these changes.

New Draft Issue under Category 2.0: Usage Fees

The IESO has proposed adding the following issue under category 2.0:

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

The draft issues list proposed by the IESO during the previous revenue requirement proceeding² included issue 2.1. Through submissions on the previous draft issues list, HQ Energy Marketing Inc. (HQEM) argued that issue 2.1 should be removed on the

¹ EB-2018-0143

² *Ibid.*

basis that it “is duplicative of issue 2.2 and was resolved in a prior application.” The IESO supported HQEM’s proposal to remove the issue. The OEB agreed with HQEM’s argument and the issue was not included on the approved issues list.

OEB staff is of the view that the same rationale that previously supported removing draft issue 2.1 remains. Further, the IESO’s current application does not provide rationale for why reintroduction of the issue is appropriate. Therefore, OEB staff submits that draft issue 2.1 is duplicative of draft issue 2.2³ and should be removed.

New Draft Issues under Category 5.0: Commitments from Previous OEB Decisions

The IESO has proposed adding the following two issues under category 5.0:

- 5.2 Is the total compensation study for represented and non-represented staff appropriate?
- 5.3 Has the IESO adequately described the division of responsibilities between the IESO and Hydro One Inc. with respect to transmission losses?

OEB staff is of the view that the draft issues proposed by the IESO under category 5.0 are appropriate. These issues are responsive to the previous year’s Settlement Agreement which established expectations related to the IESO’s operations. The addition of these issues will allow parties to explore the extent to which the IESO has fulfilled its commitments.

With respect to draft issue 5.2, although it is possible that it is captured under draft issue 1.3, OEB staff’s opinion is that, given the total compensation study was a distinct commitment placed on the IESO through the 2018 settlement agreement, it warrants its own standalone issue.

New Draft Issues under Category 6.0: Market Renewal Program

The approved 2018 issues list included the following three issues under category 6.0:

- 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?
- 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?

³ 2.2 Is the methodology used to derive the proposed IESO Usage Fees and the resulting Usage Fees of \$1.227/MWh for domestic customers and \$1.0125/MWh for export customers appropriate?

- 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?

For 2019, the IESO has proposed that the above three issues be replaced by the following single issue:

- 6.1: Is the level of reporting on the Market Renewal Program appropriate?

Although OEB staff supports draft issue 6.1 proposed by the IESO, OEB staff is not satisfied that the single draft issue will provide parties with the opportunity to fully explore all relevant aspects of the Market Renewal Program (MRP). Consequently, in the absence of an explanation for the apparent narrower scope and for the reasons described below, OEB staff requests that the following issues similar to those approved for the 2018 issues list be added.

- 6.2 Are the IESO's forecast 2019 operational costs for the Market Renewal Program appropriate in the context of the scope and timing of the overall project?
- 6.3 Are the IESO's forecast 2019 capital costs for the Market Renewal Program appropriate in the context of the scope and timing of the overall project?

OEB staff submits the three issues will allow full exploration of the MRP. This is important given the IESO forecasts significant year-over-year increases to capital budgets (from \$4 million in 2018 to \$38 million in 2019) and staffing levels (from 75 in 2018 to 125 in 2019).

All of which is respectfully submitted