



## **Independent Electricity System Operator**

### **Application for approval of 2019 revenue requirement, expenditures and fees**

### **DECISION ON ISSUES LIST**

**March 28, 2019**

#### **Background**

The Independent Electricity System Operator (IESO) filed an application with the Ontario Energy Board (OEB) on January 28, 2019 under section 25(1) of the *Electricity Act, 1998*, seeking approval for the IESO's 2019 expenditures, revenue requirement and fees. The IESO filed updated evidence on March 28, 2019.

In accordance with Procedural Order No. 1, OEB staff and six intervenors – the Association of Major Power Consumers of Ontario (AMPCO), the Association of Major Power Producers of Ontario (APPrO), the Building Owners and Managers Association (BOMA), Energy Probe Research Foundation (EP), the School Energy Coalition (SEC) and the Vulnerable Energy Consumers Coalition (VECC) – filed comments on the draft issues list prepared by the IESO, and the IESO responded to those comments.

#### **Issues List Decision**

The OEB accepts Issues 1, 3, 4 and 5 proposed by the IESO. No party objected to these issues.

With respect to Issue 2, OEB staff noted that the OEB had removed Issue 2.1 (*Is the allocation of energy volumes and costs between domestic and export markets reasonable?*) from the Issues List for the IESO's 2018 revenue requirement and fees proceeding (2018 IESO proceeding)<sup>1</sup> on the basis that issues of cost allocation are part

---

<sup>1</sup> EB-2018-0143

of the methodology for establishing fees covered by Issue 2.2. The IESO supported removal of this issue.

The OEB agrees that the same rationale remains and has removed the proposed Issue 2.1 from the final Issues List.

Energy Probe argued that a new Issue 5.2 was needed on the IESO's projected staffing levels and total compensation for represented and non-represented staff. The IESO opposed the addition of this issue as being duplicative of Issue 1.3.

The OEB has determined that staffing levels and total compensation for all IESO staff are covered by Issue 1.3 and an additional issue is not required.

All parties and OEB staff submitted that additional issues are required for the Market Renewal Program (MRP). The IESO did not oppose the addition of additional issues related to the MRP.

The OEB agrees that the issues on the MRP should be expanded. While the scope of this proceeding is the 2019 expenditures, revenue requirement and fees, the significance of the MRP requires review of the 2019 expenditures in the context of the whole project. This is consistent with the OEB's determination for the 2018 IESO proceeding. The OEB is therefore adding new Issues 6.2 and 6.3 as proposed by OEB staff and most intervenors.

Furthermore, the OEB is amending Issue 6.1 to be clear that its review of reporting for the MRP includes past, present and future reporting of financial and operational performance. This includes review of the Market Renewal Program Cost Report filed in this proceeding. This addresses the comments by AMPCO, supported by other intervenors.

BOMA suggested that an issue be added on the increase to the MRP budget. APPrO submitted that an issue be added on assessing the cost/benefit of the MRP. The IESO did not support the addition of these issues.

The OEB is not approving the total MRP budget in this proceeding. This total budget provides context for the OEB's consideration of 2019 expenditures, which are covered by the new Issues 6.2 and 6.3. The OEB has therefore not included these proposed issues.

AMPCO has proposed a new issue on innovation. The IESO did not oppose examination of the IESO's innovation initiative, but opposed the inclusion of AMPCO's proposed issue. The IESO noted that the scale or size of the budget is not like the MRP.

The OEB agrees that innovation is a key initiative identified by the IESO in its business plan. Cybersecurity is another key initiative. The OEB has determined that consideration of these initiatives is covered under Issue 1.0.

VECC proposed broadening the wording of Issue 5.1, which as proposed by the IESO reads: *Is the IESO 2019 Regulatory Scorecard appropriate?* VECC suggested amending this to: *Is the IESO 2019 Regulatory Scorecard appropriate and does the proposed fees budget adequately address its results?* The IESO replied that the issue as originally worded was sufficient to allow for a proper examination of the Regulatory Scorecard, and the OEB agrees.

The final Issues List is attached as Schedule A.

DATED at Toronto, March 28, 2019

**ONTARIO ENERGY BOARD**

*Original signed by*

Kirsten Walli  
Board Secretary

**SCHEDULE A**

**FINAL ISSUES LIST**

**DECISION ON ISSUES LIST**

**INDEPENDENT ELECTRICITY SYSTEM OPERATOR**

**EB-2019-0002**

**March 28, 2019**

**SCHEDULE A: FINAL ISSUES LIST****1.0 Revenue Requirement, Operating Costs and Capital Spending**

- 1.1 Is the IESO's Fiscal Year 2019 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 2019 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 2019 appropriate?

**2.0 Usage Fees**

- 2.1 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?
- 2.2 Is the proposed January 1, 2019 effective date for the Usage Fees appropriate?

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

**4.0 The Deferral and Variance Account**

- 4.1 Is the IESO's proposal to retain an Operating Reserve of \$10 million in the Forecast Variance Deferral Account appropriate?
- 4.2 Is the IESO's proposal to clear the 2018 Year-End balance in the Forecast Variance Deferral Account that is in excess of the \$10 million operating reserve appropriate?

**5.0 Commitments from Previous OEB Decisions**

- 5.1 Is the IESO's 2019 Regulatory Scorecard appropriate?
- 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 Networks Inc. with respect to Transmission Losses?

**6.0 Market Renewal Program**

- 6.1** Is the reporting on financial and operational performance of the Market Renewal Program for 2017, 2018, 2019, and proposed future reporting, appropriate?
- 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?