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BY EMAIL

July 22, 2021

Ms. Christine E. Long
Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4
Registrar@oeb.ca

Dear Ms. Long:

**Re: Ontario Energy Board (OEB) Staff Submission on Draft Issues List
Independent Electricity System Operator
Application for Revenue Requirement, Expenditures and Usage Fees for 2020
and 2021
OEB File Number: EB-2020-0230**

Please find attached OEB staff's submission in the above referenced proceeding, pursuant to Procedural Order No. 1.

Yours truly,

Original Signed By

Andrew Bishop
Generation & Transmission

Encl.

cc: All parties in EB-2020-0230



ONTARIO ENERGY BOARD

OEB Staff Submission on Draft Issues List

Independent Electricity System Operator

**Application for Revenue Requirement, Expenditures and
Usage Fees for 2020 and 2021**

EB-2020-0230

July 22, 2021

Table of Contents

Background	1
OEB Staff Submission	1
1.0. Issue 1.0 Revenue Requirement, Operating Costs and Capital Spending and Issue 3.0 Registration Fees	1
1.1. Registration and Application Fees	1
2.0. Issue 2.0 Usage Fees	2
2.1. 2021 Usage Fee Effective Date	2
3.0 Issue 5.0 Other Commitments from Previous OEB Decisions.....	3
3.1 Regulatory Scorecard	3

Background

The Independent Electricity System Operator (IESO) filed an application with the Ontario Energy Board (OEB) on May 27, 2021 under subsection 25(1) of the *Electricity Act, 1998*, seeking approval of its 2020 and 2021 expenditures, revenue requirement, and fees (Application). The Application included a draft issues list. The following are the submissions of OEB staff on the draft issues list.

OEB Staff Submission

The draft issues list filed by the IESO includes 17 issues grouped under the following five categories:

- 1.0 Revenue Requirement, Operating Costs and Capital Spending
- 2.0 Usage Fees
- 3.0 Registration Fees
- 4.0 Market Renewable Program
- 5.0 Other Commitments from Previous OEB Decisions

The draft issues put forward by the IESO are generally consistent with those approved by the OEB for the IESO's 2019 revenue requirement proceeding.¹ Nevertheless, OEB staff has proposed certain modifications.

OEB staff makes the following submissions on the issues.

1.0. Issue 1.0 Revenue Requirement, Operating Costs and Capital Spending and Issue 3.0 Registration Fees

1.1. Registration and Application Fees

The IESO has proposed eliminating the following issues that were included under Issues 1.0 and 3.0 respectively in the last revenue requirement proceeding, and similarly worded issues appeared in prior cases as well:

- ***Is the IESO's Registration & Application Fees revenue forecast of \$0.0 million for Fiscal Year 2019 appropriate?***
- ***Is the \$1,000 Application Fee for market participation appropriate?***

It is not clear whether the IESO's view is that these issues are subsumed within other issues or whether they believe these issues should be eliminated. OEB staff is of the view that these issues remain important and should be included as issues in the 2020-2021 proceeding. OEB staff would be satisfied if these issues are subsumed in the

¹ EB-2019-0002

IESO's proposed Draft Issues 1.1 and 1.2.

Regarding the IESO's forecast of registration and application fee revenue, inclusion of this issue is warranted for two reasons in OEB staff's view. First, the IESO has requested that the 2021 registration fee be increased from \$10,000 to \$50,000 for electricity supply and capacity procurements, including ancillary services. Although the IESO states that the revenues generated from these fees are not expected to materially affect the IESO's revenue requirement,² the request represents a 500% increase. The degree to which the revenue generated through registration fees sufficiently recovers the costs of procurements should be considered.

Regarding the \$1,000 application fee, retaining this issue appears appropriate for the following reasons. First, through the OEB-approved settlement agreement on the 2019 application, parties agreed that continuance of the application fee was appropriate for a single year (2019). Parties to the Settlement Proposal, including the OEB through its Decision and Order of the 2019 application, did not accept or approve continuance of the application fee for multiple years. Next, there is no indication that the IESO will discontinue charging application fees to organizations that want to participate in the IESO-administered markets or programs, or to connect a physical facility to the IESO-controlled grid post-2020 (and pursuant to subsection 25(6) of the *Electricity Act, 1998*, the IESO may not eliminate or change any fee it has established without OEB approval). At a minimum, inclusion of this issue will allow parties to determine if the previously approved application fee remains appropriate, and still generates sufficient revenue to offset related IESO costs.

2.0. Issue 2.0 Usage Fees

2.1. 2021 Usage Fee Effective Date

The Application requests OEB approval to “charge (or rebate) market participants the difference between the 2021 IESO usage fees approved by the OEB and the interim usage fee they paid, if any, based on their proportionate quantity of energy withdrawn until the end of the month in which OEB approval is received for the 2021 usage fees. **Any such charges (or rebates) will be provided in the next billing cycle following the month in which OEB approval is received.**” [Emphasis added]

The OEB's final decision on the Application will not likely be issued in the near term. Therefore, the true-ups charged (or rebated) to market participants could be significant as they will be based on multiple months of energy withdrawals. The IESO has requested that they be provided with approval to conduct true-ups through a single

² Application, C-3-1, p. 1

billing cycle. OEB staff submits that the appropriateness of the IESO's request is dependent on the amounts market participants will be charged, and specifically if these amounts have the potential to create financial strain. If significant, it may be appropriate to settle accounts over several billing cycles to limit strain on market participants.

Accordingly, OEB staff proposes that the IESO's draft issues list be revised by adding the following sub-issue in section 2.0:

- ***Is the IESO's request to charge (or rebate) market participants the difference between the approved 2021 IESO usage fees and the interim fees they paid in the next billing cycle following the month in which OEB approval is received appropriate?***

3.0 Issue 5.0 Other Commitments from Previous OEB Decisions

3.1 Regulatory Scorecard

OEB staff proposes that the following sub-issue be added under Issue 5.0:

- ***Are the IESO's proposed changes to the regulatory scorecard appropriate?***

In the OEB-approved settlement in the IESO's 2016 expenditures, revenue requirement and fees application, the IESO agreed to develop a scorecard in consultation with intervenors.³ Through subsequent IESO revenue requirement proceedings, the scorecard has been updated.

The Application requests that the OEB approve certain changes to the current OEB-approved scorecard related to energy efficiency and planning/reliability.⁴ Despite the request, the IESO has not proposed a related draft issue, even though similar issues were included in previous proceedings. Accordingly, OEB staff proposes that the IESO's draft issues list be revised by adding its proposed issue. Doing so will provide parties with an opportunity to comment on the IESO's proposed revisions. Further, the issue will enable parties the opportunity to make additional recommendations on how the current scorecard should be amended as further experience has been gained with it.

~All of which is respectfully submitted~

³ EB-2015-0275

⁴ Application, G-2-3, p. 1