

May 12, 2022

BY EMAIL and RESS

Ontario Energy Board
2300 Yonge Street
P.O. Box 2319
Toronto, ON M4P 1E4

Attn: Ms. Nancy Marconi, Registrar

Via the Ontario Energy Board RESS Web portal

Dear Ms. Marconi:

**Re: Independent Electricity System Operator (IESO) 2023-2025 Revenue Requirement,
Expenditures and Fees Application: EB-2022-0318
EDA Submission on Draft Issues List**

The Electricity Distributors Association (EDA) is an intervenor in the above-named matter.

In accordance with Procedural Order No.1 dated May 4, 2023, and Procedural Order No. 2 dated May 9, 2023, in the above-noted proceedings these are our comments with respect to the draft issues list in Appendix B provided by the IESO.

1) We propose that the Ontario Energy Board (OEB) revise the wording of the following issues as follows:

Issues 1.0 Revenue Requirement, Operating Costs, and Capital Spending:

Issues 1.7, 1.8, and 1.9: Is the IESO's 2023/2024/2025 capital expenditure budget of \$86, \$75.9, \$58.2 million for capital projects appropriate?

The EDA submits that these issue statements should not reference the term budget, as that implies that the revenue and expenditure is over a set period of time. Rather these statements should reference capital envelope for the capital projects approach which the IESO uses to prepare its capital expenditures projects over the span of multiple years. As a result, we propose that issues 1.7, 1.8 and 1.9 read as follows:

Issues 1.7, 1.8, and 1.9: Is the IESO's 2023/2024/2025 capital expenditure "envelope" of \$86, \$75.9, \$58.2 million for capital projects appropriate?

Issues 2.0: Usage Fees:

Issues: 2.1, 2.2, and 2.3: Is the methodology used to derive the IESO's proposed 2023, 2024 and 2025 Usage Fees to be paid commencing January 1st, 2023, 2024, and 2025 appropriate?

The EDA submits that these issue statements should reference the two separate rate classes. The IESO develops its proposed revenue requirement and calculates its usage fees for both domestic and export customer classes based on allocations. Within these usage fees are separate rate making considerations and allocations for embedded generation of local distribution networks, estimated losses, and transmission loss. As a result of the separate allocation considerations, we propose that issues for 2.1, 2.2 and 2.3 read as follows for each usage fee consideration:

Issues: 2.1, 2.2, and 2.3: Is the methodology used to derive the IESO's proposed 2023, 2024 and 2025 Usage Fees for domestic customers (including embedded generation) and for export customers to be paid commencing on January 1st of 2023, 2024 and 2025 appropriate?

Issues 3.0: Operating Reserve:

Issue 3.1: Is the IESO's proposal to retain an Operating Reserve of \$15 million in the Forecast Variance Deferral Account (FVDA) appropriate?

The EDA submits that this issue statement should reference the requirement to increase the FVDA by \$5 million of funding. The IESO's operating reserve is intended to address cost and revenue variances from forecasts that are not always foreseeable. In its previous application evidence (EB-2022-0002) the IESO did not exceed (+/-) the \$10 million-dollar threshold, whereas in OEB approved threshold between 2021 and 2022. In 2023 the gain is due to unforeseen gains which exceeds the \$10 million. It is not clear as to why this account would not remain at \$10 million, and a rebate of \$13.7 million would be returned to ratepayers through disposition.

Issue 3.1: Is the IESO's proposal to increase the Forecast Variance Deferral Account (FVDA) operating reserve from \$10 million by \$5 million to retain \$15 million appropriate?

2) EDA also proposes that the OEB expand the IESO's proposed Issues list to include the following issues:

Issues 2.0: Usage Fees:

Issues 2.8: Are the Actual Load and Forecast Volumes (charge determinants) used to calculate usage fees for 2023, 2024, and 2025 appropriate over the proposed 3-year horizon forecast?

The EDA submits that this issue be added to the list. In the IESO's evidence filed **Exhibit C-2-1 Attachment 1** the forecasted volumes for charge determinants used are Ontario Demand (TWh), IESO's Reliability Outlook (RO), and IESO's Annual Planning Outlook (APO). Whereas historically on a yearly basis and in the IESO's 2022 application (EB-2022-0002) **Exhibit C-1-1 Attachment 1** the IESO only used Ontario Demand (TWh), and the IESO's Quarterly Reliability Outlook report. Given that this is the IESO's first multi-year application with a 3-year rate horizon, we believe that there should be an issue to assess the use of the charge determinants, forecasts, their appropriateness, and future reconciliation or materiality thresholds.

Issues 3.0: Operating Reserve:

Issue 3.4: Is the IESO's Material Change Threshold and Surplus Threshold of operative reserve above \$30 million during the interim year period appropriate for a three-year horizon?

The EDA submits this be added as the IESO issues list. This consideration has not been given on the year-to-year basis and the IESO is proposing rates over a three-year horizon.

Issues 4.0: Market Renewal Program (MRP):

Issue 4.4 Is the IESO's MRP Baseline Schedule and Budget of \$5.3, \$4.4, and \$2.5 million for 2023, 2024, 2025 years of the MRP appropriate?

The EDA submits that this remains on the issues list as it was on the 2022 application and is ongoing and relevant to the application and impacts IESO's future projections.

Please do not hesitate to contact Brittany J. Ashby, the EDA's Senior Regulatory Affairs Advisor, at 416.886.4420 or bashby@eda-on.ca if you have any questions or require anything further.

Sincerely,

Original signed by

Ted Wigdor
Vice President, Policy, Government and Corporate Affairs

Cc: Mr. George Dimitropoulos, Senior Advisor Regulatory Affairs, IESO (Email)
Patrick G Duffy, Counsel to the IESO (Email)
All intervenors of record, EB-2022-0318 (Email)