

May 17, 2023

**VIA Email and RESS**



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Dear Ms. Marconi,

**Re: Independent Electricity System Operator  
2023, 2024, 2025 Expenditure and Revenue Requirement Submissions  
Ontario Energy Board File No.: EB-2022-0318**

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On March 29, 2023, the Independent Electricity System Operator (IESO) filed its 2023, 2024 and 2025 Revenue Requirement Submissions with the Ontario Energy Board (OEB), seeking approval of its 2023, 2024, and 2025 expenditures, revenue requirements and fees. On May 9, 2023, the OEB issued Procedural Order No. 2 which revised the schedule of Procedural Order No. 1 and invited OEB Staff and intervenors to file written submissions on the draft Issues List prepared by the IESO by May 12, 2023.

Four parties responded with submissions on the draft Issues List prepared by the IESO:

- OEB Staff;
- The Association of Major Power Consumers of Ontario (AMPCO);
- Electricity Distributors Association (EDA); and
- Canadian Manufacturers and Exporters (CME).

The OEB's Procedural Order No. 2 provided that the IESO may respond to the submissions of parties by May 17, 2023. The IESO's response to submissions is below.

### **OEB Staff Submission**

- 1) OEB Staff noted a minor typographical error appearing in Issue 2.3. As written, the issue referenced a January 1, 2024, commencement date for the IESO's proposed 2025 Usage Fees. OEB staff proposed that Issue 2.3 be worded as follows:

"Is the methodology used to derive the IESO's proposed 2025 Usage Fees to be paid commencing January 1st, 2025 appropriate?"

### **IESO Response:**

The IESO agrees with OEB Staff's proposed changes to correct the minor typographical error in Issue 2.3.

2) OEB Staff also proposed the following issue be added as Issue 3.3:

"Is the IESO's proposal for adjusting the usage fees due to material unforeseen changes appropriate?"

OEB Staff stated the addition of this issue would allow for review of the IESO's proposal for adjustment of its usage fees if there were an unforeseen material change in its business after receiving the OEB approvals sought in this application and prior to the filing of the next revenue requirement application.

**IESO Response:**

The IESO does not oppose an issue for review of its proposal for a process if a material unforeseen change occurs after the IESO receives the OEB approvals sought in this submission and prior to the next three-year revenue requirement submission. However, the IESO proposes revised wording to OEB Staff's proposed Issue 3.3:

"Is the IESO's proposal for adjustment due to a material unforeseen change appropriate?"

The IESO submits that the revised wording captures the process and options within the IESO's proposal and allows for a fulsome review.

**CME Submission**

The submission filed by CME agreed with the revisions and additions proposed in OEB Staff's submission and noted no further concerns with the draft Issues List.

**AMPCO Submission**

1) AMPCO proposed to include an additional issue under Issue 4 Market Renewal Program (MRP) as Issue 4.4:

"Is the IESO's MRP Baseline Schedule and Budget for each year of the MRP appropriate?"

AMPCO noted that the IESO's Board of Directors approved a revised project schedule and the IESO completed a thorough review of the schedule which resulted in a revised in-service date of May 2025, and a forecast budget of \$233 million. AMPCO submitted that the issue should be added to the Issues List in the context of the IESO's updated baseline schedule and cost - baseline 5 or BL5.

**IESO Response:**

The IESO does not agree with the inclusion of a separate issue regarding the MRP baseline schedule and budget for each year as proposed by AMPCO. These items are appropriately reviewed through Issues 4.2 and 4.3, which address whether the costs for the MRP are appropriate in "the context of the scope and timing of the overall project". In the IESO's view, the MRP schedule and budget fall within the scope of a review of overall MRP costs and should be reviewed in the context of the overall project.

**EDA Submission**

The EDA proposed changes to the wording of three issues in the draft Issues List and the addition of three issues. The proposed changes and additions are presented below along with the IESO's response:

- 1) The EDA proposed changes to Issues 1.7, 1.8 and 1.9, revising these three issues and removing reference to the word "budget". The EDA stated that the term budget implies revenues and expenditures over a set period of time. The EDA submitted that the issue "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", and put forth the following for Issue 1.7, 1.8, 1.9:

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

**IESO Response:**

The IESO does not agree with the EDA's proposal to replace the word 'budget' with 'envelope'. It is unclear to the IESO what value replacing 'budget' with 'envelope' provides for the review of its capital expenditures within the Issues List.

- 2) The EDA proposed changes to Issues 2.1, 2.2, and 2.3 and submitted that these issues should reference each of the separate rate classes, i.e., domestic and export customer classes. The EDA stated that there are separate allocation considerations for each of the separate rate classes, and thus proposed that Issues 2.1, 2.2 and 2.3 read as follows for each usage fee consideration:

"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?"

**IESO Response:**

The IESO does not agree with the proposed changes to the issues submitted by the EDA. It is unclear to the IESO what value creating a distinction between the domestic customers and export customers provides when investigating the usage fee methodology that is not already available within the existing issue as worded in the draft Issues List.

- 3) The EDA submitted that Issue 3.1 should reference the requirement to increase the Forecast Variance Deferral Account (FVDA) by \$5 million of funding. The EDA stated that it was not clear why the account (i.e., the FVDA) should not remain at its current \$10 million level because the IESO did not exceed the \$10 million threshold in the IESO's last application (EB-2022-0002). The EDA proposed revisions to Issue 3.1 as follows:

"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?"

**IESO Response:**

The IESO does not agree with the EDA's reasoning for revising Issue 3.1. The current wording in the draft Issues List allows for appropriate review of the IESO's request for approval of a \$15 million operating reserve and the IESO's FVDA balance.

- 4) The EDA submitted an additional issue be added with respect to the IESO's 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 submitted that given that this is the IESO's first multi-year application with a 3-year rate horizon, there should be an issue to assess the use of the charge determinants, forecasts, their appropriateness, and future reconciliation or materiality thresholds.

**IESO Response:**

The IESO objects to the addition of this issue and submits that the investigation of the usage fee methodology is provided within the current issues under 2.0 Usage Fees. In addition, the Reliability Outlook (RO) and Annual Planning Outlook (APO) are reviewed through their own separate stakeholder processes. The forecast volumes provided by the RO and APO are not within the scope of review for this proceeding.

- 5) The EDA submitted the addition of a new issue, Issue 3.4 which would state:

"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 submitted that consideration has not been given on a year-to-year basis and the IESO is proposing rates over the three-year horizon.

**IESO Response:**

The IESO does not agree with the wording of the additional issue proposed by the EDA and submits that the wording the IESO has proposed in response to OEB Staff's suggested issue 3.3 is appropriate for review of the IESO's adjustment proposal. The IESO's proposed wording provides for a review of the process and options within the IESO's adjustment proposal.

- 6) The EDA submitted the addition of an issue for MRP with respect to the MRP baseline schedule and budget as in the previous 2022 Revenue Requirement Submission:

"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?"

**IESO Response:**

The IESO does not agree with the inclusion of the additional issue regarding the MRP Baseline Schedule and Budget for the MRP. As noted in response to AMPCO's submission, the MRP schedule and budget does not require its own issue as the MRP schedule can be appropriately reviewed within the context of the costs through Issue 4.2 and 4.3.

Yours truly,

A handwritten signature in blue ink, appearing to read "Beverly Nollert", with a stylized flourish extending to the right.

Beverly Nollert

Senior Manager, Regulatory Affairs

cc: Mr. Patrick Duffy, Stikeman Elliott LLP (email)  
OEB Staff (email)  
All EB-2022-0318 Intervenors (email)