



Independent Electricity System Operator

Application for Approval of 2023, 2024 & 2025 Expenditures, Revenue Requirement, and Fees

DECISION ON CONFIDENTIALITY AND ISSUES LIST May 19, 2023

The Independent Electricity System Operator (IESO) filed an application with the Ontario Energy Board (OEB) on March 29, 2023 under section 25(1) of the *Electricity Act, 1998*, seeking approval for its 2023, 2024, and 2025 expenditures, revenue requirement, and fees (Application).

Part 1: IESO Confidentiality Request

In its application cover letter, the IESO requested confidential treatment for certain information in Exhibit E-2-1 Attachment 2 – Project Charter – Core Network Refresh, and Exhibit E-2-1 Attachment 3 – Project Charter – Enabling Resources Program. The IESO stated that the information in question is (a) irrelevant to this proceeding and (b) could pose a cybersecurity risk if disclosed. In respect of the cybersecurity risk, the IESO explained that disclosure of the information could allow for a threat actor to gain insights into the IESO's IT systems that could be used for malicious purposes, and could make it easier for threat actors to launch phishing and impersonation attacks against the IESO.

Procedural Order No. 1 indicated that, in accordance with section 11.1.3 of the *Practice Direction on Confidential Filings*, the OEB would review the confidential, unredacted versions of Attachments 2 and 3 to confirm the relevance of the redacted information, and that following this review, the OEB would provide further directions concerning the information for which the IESO has sought confidential treatment.

Decision on Confidentiality Request

The OEB is satisfied that the IESO's proposed redactions relate to information that is not relevant to this proceeding. The redactions are therefore approved under section 11 of the Practice Direction. Accordingly, there is no need to consider whether the redacted information is subject to confidential treatment under any other provision of the Practice

Direction. The IESO is not required to provide unredacted versions of Attachments 2 and 3 to Exhibit E-2-1 to the intervenors, even those who sign a Declaration and Undertaking under the Practice Direction.

Part 2: Issues List

The IESO filed a draft issues list with its application. Procedural Order No. 1 provided for OEB staff and intervenors to comment on the IESO's draft issues list and for the IESO to respond to those comments. Procedural Order No. 1 also indicated that the OEB Panel would determine the final issues list prior to the filing of interrogatories.

Submission of OEB Staff

OEB staff had two submissions on the IESO's draft issues list, the first being a correction to a minor typographical error in Issue 2.3, which the IESO agreed to in its reply. The second proposal was the addition of the following new issue:

New Issue 3.3: *"Is the IESO's proposal for adjusting the usage fees due to material unforeseen changes appropriate?"*

In the Application, the IESO provided a "proposal for adjustment due to material unforeseen change" should the balance of the Forecast Variance Deferral Account (FVDA) go into a deficit or surplus within the three-year approval period. The IESO also provided a definition for a material change threshold and outlined a process under which the IESO would consider whether the best course of action would be to apply for revised usage fees.¹ OEB staff submitted that the reasonableness of revisiting usage fees, the process for re-submission, and the frequency at which to do so should be examined in this proceeding.

The IESO did not oppose the addition of Issue 3.3 but proposed revised wording:

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

Findings on OEB Staff's Submission

The OEB accepts the correction of the minor typographical error in Issue 2.3 and will amend Issue 2.3 to read, *"Is the methodology used to derive the IESO's proposed 2025 Usage Fees to be paid commencing January 1st, 2025 appropriate?"*

¹ EB-2022-0318, Application, Exhibit F, Tab 1, Schedule 1, p. 4 & 5

The OEB finds it appropriate to add a new Issue 3.3 regarding the IESO's off-ramp proposal in the event of a material unforeseen change. The OEB finds that the amended wording proposed by the IESO is insufficiently clear – it is not evident what “adjustments” are captured. The OEB will use the following wording, which reflects the wording of section 25 of the *Electricity Act, 1998*: *“Is the IESO’s proposal for seeking OEB approval to adjust its previously approved expenditures, revenue requirement and fees in the event of a material unforeseen change appropriate?”*

Submission of the Canadian Manufacturers and Exporters (CME)

CME submitted that it supports the submission from OEB Staff.

Submission of the Association of Major Power Consumers of Ontario (AMPCO)

AMPCO submitted one proposal on the topic of the Market Renewal Program (MRP). AMPCO proposed to add a new issue:

New Issue 4.4: *“Is the IESO’s MRP Baseline Schedule and Budget for each year of the MRP appropriate?”*

AMPCO submitted that the IESO's revised in-service date and forecast budget, which the IESO's Board of Directors approved in August 2022, warrant having the issue added to the proceeding. AMPCO also noted that this was an issue in the previous proceeding.

The IESO did not agree with the inclusion of a separate issue regarding the baseline schedule and budget as proposed by AMPCO. In the IESO's view, the MRP schedule and budget fall within the scope of proposed Issues 4.2 and 4.3:

“Are the IESO’s forecast 2023, 2024 and 2025 operational costs for the MRP appropriate in the context of the scope and timing of the overall project?”

And

“Are the IESO’s forecast 2023, 2024, and 2025 capital costs for the MRP appropriate in the context of the scope and timing of the overall project?”

Findings on AMPCO's Submission

The OEB agrees with the IESO that the existing Issues 4.2 and 4.3 are sufficient for the parties to thoroughly examine the IESO's MRP baseline schedule and budget. As a result, the OEB will not add Issue 4.4 as proposed by AMPCO.

Submission of The Electricity Distributors Association (EDA)

The EDA submitted six proposals on the topics of Capital Expenditures, Usage Fees, Operating Reserve, and MRP.

On the topic of Capital Expenditures, the EDA proposed to re-word Issues 1.7, 1.8, and 1.9 to identify a capital expenditure envelope as opposed to a budget:

The IESO's proposed wording is "*Is the IESO's 2023/2024/2025 capital expenditure budget of \$86, \$75.9, \$58.2 million for capital projects appropriate?*"

Whereas the EDA proposed "*Is the IESO's 2023/2024/2025 capital expenditure envelope of \$86, \$75.9, \$58.2 million for capital projects appropriate?*" (emphasis added)

The EDA submitted that its proposed revision to Issues 1.7, 1.8, and 1.9 reflects the projects approach the IESO uses in preparing its capital expenditures over multiple years.²

The IESO did not agree with this proposal, as the IESO stated it is unclear what value is provided by replacing the word "budget" with "envelope."

On the topic of Usage Fees, the EDA submitted one proposed revision and one proposed addition to the issues list. The EDA proposed revising Issues 2.1, 2.2, and 2.3:

The IESO's proposed wording is "*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?*"

Whereas the EDA proposed "*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?*" (emphasis added)

The EDA submitted that the issue statement should reference the two separate rate classes. The EDA's proposal to revise Issues 2.1, 2.2., and 2.3 is tied to the IESO's allocation considerations and their differences between the two rate classes.

² EB-2022-0318, Application, Exhibit E, Tab 1, Schedule 2

The EDA also proposed to add a new issue:

New Issue 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 the first multi-year application from the IESO should assess the use of charge determinants, forecasts, their appropriateness, and future reconciliation of materiality thresholds.

The IESO disagreed with the proposal to revise the wording of Issues 2.1, 2.2, and 2.3, as the IESO views that the methodologies for domestic and export usage fees can be appropriately investigated with the existing wording in the draft Issues List.

The IESO objected to the proposal to add Issue 2.8, citing the existing stakeholder processes to review the Reliability Outlook and the Annual Planning Outlook. The IESO also took the position that these forecast volumes are not within the scope of review for this proceeding.

Similarly, on the topic of Operating Reserve, EDA had one proposed revision and one proposed addition to the issues list. EDA proposed revising Issue 3.1:

The IESO’s proposed wording is “Is the IESO’s proposal to retain an Operating Reserve of \$15 million in the Forecast Variance Deferral Account (FVDA) appropriate?”

Whereas the EDA proposed “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?”
(emphasis added)

The EDA submitted that the reported surplus is due to unforeseen gains in excess of the approved threshold. The EDA further submitted that it is not clear as to why this account would not remain at \$10 million.

The IESO did not agree with the EDA’s reasoning to support a revision to Issue 3.1 and took the position that the 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 FVDA balance.

The EDA also proposed to add another new issue:

New Issue 3.4 as *“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 this issue be added since consideration has not been given on the year-to-year basis of the three-year horizon. The proposed addition contains two parts, the first being similar to OEB staff’s proposal to add an issue related to the IESO’s proposal to revise usage fees based on a material change threshold. The second part relates to the approved threshold for the FVDA.

The IESO did not agree with the wording of the additional issue and submitted that the wording the IESO proposed in response to OEB staff’s suggested Issue 3.3 is appropriate to review the IESO’s adjustment proposal.

The EDA’s final proposal related to MRP was to add the following new issue:

New Issue 4.4 as *“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 submitted that the MRP schedule and budget were on the issue list in the 2022 application and is ongoing and relevant to the Application. This proposal is similar to that of AMPCO.

The IESO did not agree with the inclusion of the additional issue, citing its response to AMPCO’s submission. The IESO proposed that the MRP baseline schedule and budget can be appropriately reviewed within the context of the costs through Issues 4.2 and 4.3.

Findings on EDA’s Submission

The OEB agrees with the IESO that issues in the draft Issues List do not need revision as proposed by the EDA, except for Issue 3.1, and further clarification on Issues 1.7, 1.8, 1.9, 2.1, 2.2, and 2.3. The OEB finds that Issue 3.1 is more appropriately worded as, *“Is the IESO’s proposal for a proposed Operating Reserve of \$15 million in the Forecast Variance Deferral Account (FVDA) appropriate?”* Further, the OEB finds that the existing wording of issues 1.7, 1.8, and 1.9 is sufficiently broad for the EDA (and other parties) to examine the IESO’s planned capital expenditures and the IESO’s request for increased operating reserve. With respect to the matter of the IESO’s usage fee methodology (including charge determinants), and whether forecast volumes are within the scope of this proceeding, the IESO took the position that forecast volumes are not within the scope of review for this proceeding. Nevertheless, the OEB finds that,

because charge determinants are in scope of this proceeding, the extent to which forecast volumes affect charge determinants is also in scope. The OEB does not find that a separate issue to address forecast volumes is necessary. Instead, parties can explore this matter as part of Issues 2.1, 2.2 and 2.3.

The OEB also finds it unnecessary to add new issues as the EDA proposed given the clarifications noted above. The existing issues related to the usage fee methodology, the revised wording respecting the FVDA, and MRP costs are sufficient to examine these items. Additionally, the added Issue 3.3 as per above will provide the avenue for investigation the EDA seeks with respect to the IESO's proposals related to the material change threshold.

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. The Issues List attached as Appendix A is approved.
2. The IESO's proposed redactions to Attachments 2 and 3 to Exhibit E-2-1 are approved on the ground of irrelevance.

DATED at Toronto, **May 19, 2023**

ONTARIO ENERGY BOARD

Nancy Marconi
Registrar

SCHEDULE A

FINAL ISSUES LIST

DECISION ON ISSUES LIST

INDEPENDENT ELECTRICITY SYSTEM OPERATOR
EB-2022-0318

May 19, 2023

23 Issues

1.0 Revenue Requirement, Operating Costs and Capital Spending

- 1.1 Is the IESO's Fiscal Year 2023 revenue requirement of \$208.4 million appropriate?
- 1.2 Is the IESO's Fiscal Year 2024 revenue requirement of \$218.4 million appropriate?
- 1.3 Is the IESO's Fiscal Year 2025 revenue requirement of \$229.7 million appropriate?
- 1.4 Is the IESO's 2023 projected staffing levels and compensation (including salaries, benefits, pensions and other post-employment benefits) appropriate?
- 1.5 Is the IESO's 2024 projected staffing levels and compensation (including salaries, benefits, pensions and other post-employment benefits) appropriate?
- 1.6 Is the IESO's 2025 projected staffing levels and compensation (including salaries, benefits, pensions and other post-employment benefits) appropriate?
- 1.7 Is the IESO's 2023 capital expenditure budget of \$86.0 million appropriate?
- 1.8 Is the IESO's 2024 capital expenditure budget of \$75.9 million appropriate?
- 1.9 Is the IESO's 2025 capital expenditure budget of \$58.2 million appropriate?

2.0 Usage Fees

- 2.1 Is the methodology used to derive the IESO's proposed 2023 Usage Fees to be paid commencing January 1st, 2023 appropriate?
- 2.2 Is the methodology used to derive the IESO's proposed 2024 Usage Fees to be paid commencing January 1st, 2024 appropriate?
- 2.3 Is the methodology used to derive the IESO's proposed 2025 Usage Fees to be paid commencing January 1st, 2025 appropriate?
- 2.4 Is the IESO's proposal to charge or rebate the difference between the approved 2023 IESO Usage Fees and the interim fees in the billing cycle following the month in which OEB approval is received appropriate?
- 2.5 Is the proposed January 1st, 2023 effective date for the IESO's 2023 Usage Fees appropriate?
- 2.6 Is the proposed January 1st, 2024 effective date for the IESO's 2024 Usage Fees appropriate?
- 2.7 Is the proposed January 1st, 2025 effective date for the IESO's 2025 Usage Fees appropriate?

3.0 Operating Reserve

- 3.1 Is the IESO's proposal for a proposed Operating Reserve of \$15 million in the Forecast Variance Deferral Account (FVDA) appropriate?
- 3.2 Is the IESO's proposal to clear the amount of the 2022 year-end balance in the FVDA that exceeds the \$15 million Operating Reserve appropriate?
- 3.3 Is the IESO's proposal for seeking OEB approval to adjust its previously approved expenditures, revenue requirement and fees in the event of a material unforeseen change appropriate?

4.0 Market Renewal Program (MRP)

- 4.1 Is the reporting on financial and operational performance of the MRP appropriate?
- 4.2 Are the IESO's forecast 2023, 2024 and 2025 operational costs for the MRP appropriate in the context of the scope and timing of the overall project?
- 4.3 Are the IESO's forecast 2023, 2024, and 2025 capital costs for the MRP appropriate in the context of the scope and timing of the overall project?

5.0 Commitments from Previous OEB Decisions

- 5.1 Has the IESO responded appropriately to outstanding OEB directions from previous proceedings?