

## EXECUTIVE SUMMARY

### Introduction

The Independent Electricity System Operator (IESO) is a not-for-profit, non-taxable corporation established pursuant to Part II of the *Electricity Act, 1998* (Act). As set out in the Act, the IESO operates pursuant to a licence (EI-2013-0066) granted by the Ontario Energy Board (OEB).

The IESO's mandate is contained in the Act and other associated Ontario regulations.

The IESO ensures the reliability of the province's power system on behalf of all Ontarians, leveraging its expertise and purposeful engagement to advance energy policy that cost effectively achieves this goal. As part of its mandate, the IESO operates Ontario's electricity grid in real-time, governs electricity markets, prepares for the future to ensure electricity will be available when and where it is needed, and helps inform the decisions that will be critical to shaping the future of the electricity sector.

Through these applications the IESO is seeking OEB approval of \$9.9 million in incremental expenditure and revenue requirement over 2024 and 2025 to support specific initiatives outlined in the Minister's letter to the IESO, dated July 10, 2023 (see Exhibit B-1-1) in support of its *Powering Ontario's Growth: Ontario's Plan for a Clean Energy Future* plan. The government has called upon the IESO to play a significant role in implementing the government's policy objectives of meeting growing demand for electricity into 2030 and beyond while transitioning to a clean electricity system. To ensure the IESO has the resources needed for these initiatives it submitted an amendment to its 2023-2025 Business Plan ("Amendment") to the Minister on September 1, 2023 (see Exhibit B-1-2), which was approved on November 28, 2023 (see Exhibit B-1-3). The 2023-2025 Business Plan remains unchanged (see Exhibit B-1-5).

### 2024-2025 Incremental Revenue Requirement Submission

1 The incremental expenditure and revenue requirements for 2024 and 2025 are \$4.5 million and  
2 \$5.4 million respectively. The incremental amounts represent an increase of 2.0%<sup>1</sup>, and 2.4%<sup>2</sup>  
3 as compared to the expenditure and revenue requirements previously approved for 2024 and  
4 2025 in the OEB's Decision and Order in EB-2022-0318<sup>3</sup>. To calculate the proposed usage fees  
5 for 2024 and 2025 the incremental expenditure and revenue requirements were added to the  
6 approved revenue requirements for 2024 and 2025, allocated by customer class, and divided by  
7 the charge determinants established in EB-2022-0318. See Exhibit C-1-1. With the Minister's  
8 approval of the Amendment, the IESO has filed applications with the OEB for approval of the  
9 incremental expenditure and revenue requirements, and the proposed usage fees for each of  
10 2024 and 2025 fiscal years pursuant to Section 25(1) of the Act.

11 The exhibits filed include the information relevant to the incremental expenditures and revenue  
12 requirements for 2024 and 2025.

### 13 **Forecast Variance and Deferral Account**

14 As per the OEB's Decision and Order in EB-2022-0318, the IESO cleared the amount of the  
15 2022 year-end balance in the Forecast Variance and Deferral Account (FVDA) that exceeded  
16 \$15.0 million and issued a rebate of \$8.7 million to market participants on September 14, 2023.  
17 The IESO will retain an operating reserve of \$10 million in the FVDA; if the year-end balance  
18 exceeds \$15 million for 2023 or 2024, the IESO will rebate an amount to ratepayers to return  
19 the operating reserve balance to \$10.0 million.

20  
21 As per the IESO's Interim Business Outlook submitted to the Minister on September 1, 2023  
22 (see Exhibit B-1-4), in accordance with the three-year Business Plan approval process, the IESO  
23 projects an operating deficit of \$12.4 million in 2023 (year 1 of the three-year cycle), resulting  
24 in a FVDA balance of \$2.6 million at the end of 2023. Further, the IESO projects an operating  
25 deficit of \$12.6 million in 2024 (year 2) and \$19.9 million in 2025 (year 3) of the three-year

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<sup>1</sup> 2024 incremental revenue requirement compared to 2024 approved revenue requirement

<sup>2</sup> 2025 incremental revenue requirement compared to 2025 approved revenue requirement

<sup>3</sup> <https://www.rds.oeb.ca/CMWebDrawer/Record/813433/File/document>

cycle, which will lead to year-end deficit balances in the FVDA of \$10.0 million in 2024 and \$29.9 million in 2025. The principal drivers of these projected deficits are the impact from the salary and benefit increases awarded through Arbitration to the IESO's Society of United Professionals (SUP) members and the incremental work required by the Minister's letter to the IESO to support the *Powering Ontario's Growth* plan.

### **Adjustment Mechanism**

The IESO's submission does not rely on the adjustment mechanism described in the OEB-approved Settlement Agreement in EB-2022-0318, which is based on the balance of the FVDA reducing below zero at the end of year 1 of the three-year cycle because of a material change. As described above, the FVDA is forecast to reduce below zero in 2024 (year 2) and 2025 (year 3).

The incremental expenses over the business planning horizon associated with salary and benefit increases for SUP members will be managed within the IESO's approved revenue requirement submission and operating reserve, and any deficit balance over the planning period will be recovered in the 2026-2028 Business Plan.

The IESO views the new initiatives in support of the *Powering Ontario's Growth* plan as a significant event with cascading effects to the organization that could compromise the IESO's ability to work within future year's revenue requirements and carry-out the activities in its 2023-2025 Business Plan. Accordingly, the IESO is seeking OEB approval to recover \$4.5 million in 2024 and \$5.4 million in 2025 to carry out the initiatives outlined in the Minister's letter in support of *Powering Ontario's Growth* plan on this basis. This will ensure the impact of this incremental work is well defined and reflected in the fees for the year in which they are incurred. Accounting for this recovery will reduce the projected deficit balance to \$5.5 million at the end of 2024 (year 2) and \$20.0 million at the end of 2025 (year 3).

### **Revised Usage Fees**

The incremental revenue requirements and expenditures have been combined with those previously approved to determine revised usage fees for 2024 and 2025 for domestic and export customers as follows:

- Proposed usage fees of \$1.4516/MWh for domestic customers including embedded generation (representing an increase of \$0.0313/MWh to the currently approved 2024 usage fee) and \$1.2549/MWh for export customers (representing an increase of \$0.0004/MWh to the currently approved 2024 usage fee) to be effective on the next billing cycle following the month in which OEB approval is received; and,
- Proposed usage fees of \$1.4854/MWh for domestic customers including embedded generation (representing an increase of \$0.0362/MWh to the currently approved 2025 usage fee) and \$1.4333/MWh for export customers (representing a decrease of \$0.0065/MWh to the currently approved 2025 usage fee) effective January 1, 2025.

The IESO proposes to continue charging the approved usage fees in EB-2022-0318 until the OEB has approved the IESO's new 2024-2025 usage fees. The new fees will be effective in the next billing cycle following the month in which OEB approval is received.

For more information, please see Exhibit C-1-1 – Incremental Revenue Requirement and Usage Fee Methodology, and Exhibit C-2-1 – 2023-2025 Incremental Revenue Requirements and Usage Fees.

### **Incremental Operations, Maintenance and Administration (OM&A) Expenditures**

The OM&A budget funds the incremental work necessary to carry out the new initiatives in support of the *Powering Ontario's Growth* plan. This work will involve effort from business units across the IESO and is summarized below:

- Planning for a second Long-Term Request for Proposals
- Support for the development of the post-2024 Energy Efficiency and Conservation Framework
- Developing a competitive transmitter selection framework

- 1 • Planning transmission network requirements to address bottlenecks and accommodate
- 2 new generation
- 3 • Protecting land corridors for future transmission needs
- 4 • Developing a Bruce Nuclear new-build Impact Assessment cost recovery framework

5 In 2024, OM&A expenses are budgeted to increase by \$4.5 million from the approved 2024  
6 expenditures, for a total of \$222.9 million (see Exhibit D-1-1 – Incremental OM&A Overview,  
7 and Exhibit D-1-2 – OM&A Business Unit Detail for a description of the activities).

8 In 2025, OM&A expenses are budgeted to increase by \$5.4 million from the 2025 approved  
9 expenditures, for a total of \$235.1 million (see Exhibit D-1-1 – Incremental OM&A Overview,  
10 and Exhibit D-1-2 – OM&A Business Unit Detail for a description of the activities).

#### 11 **Staffing and Compensation**

12 For 2024, the IESO has budgeted an additional 22 full-time equivalents (FTEs) for the new  
13 initiatives in support of *Powering Ontario's Growth* plan. For 2025, the IESO has budgeted 8  
14 additional FTEs, for a total of 30 FTEs, for the new initiatives in support of *Powering Ontario's*  
15 *Growth* plan.

#### 16 **Capital Expenditures**

17 The IESO is not seeking incremental capital expenditures in accordance with the new initiatives  
18 in support of *Powering Ontario's Growth* plan.