Ontario Energy Board | Commission de l'énergie de l'Ontario

BY EMAIL

May 21, 2024

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

Dear Ms. Marconi:

Re: Ontario Energy Board (OEB) Staff Submission
Independent Electricity System Operator (IESO)
Application for 2024 and 2025 Incremental Revenue Requirement, Expenditures, and Usage Fees
OEB File Number: EB-2024-0004

Please find attached OEB staff's submission in the above referenced proceeding, pursuant to Procedural Order No. 2.

Yours truly,

Katherine Wang
Digitally signed by Katherine Wang
Date: 2024.05.21 16:50:29 -04'00'

Katherine Wang
Senior Advisor, Generation & Transmission

Encl.

cc: All parties in EB-2024-0004

ONTARIO ENERGY BOARD

OEB Staff Submission

Independent Electricity System Operator

Application for 2024 and 2025 Incremental Revenue Requirement, Expenditures, and Usage Fees

EB-2024-0004

May 21, 2024

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Introduction

The IESO filed an application with the Ontario Energy Board (OEB) on January 12, 2024, under section 25(1) of the *Electricity Act, 1998*, seeking approval for increases of $4.5 million and $5.4 million in its revenue requirements, expenditures, and usage fees for fiscal years 2024 and 2025 respectively (Current Application). The OEB previously approved a settlement proposal for the IESO's 2023, 2024 and 2025 revenue requirement, expenditures, and fees on August 29, 2023 (Previous Application).[1]

The IESO states that its incremental funding request for fiscal years 2024 and 2025 is intended to support specific initiatives outlined in the Minister of Energy's letter to the IESO in support of the Ministry of Energy's Powering Ontario's Growth: Ontario's Plan for a Clean Energy Future (POG) plan.[2] The incremental funding request is also consistent with the IESO's amended 2023-2025 Business Plan, which was approved by the Minister of Energy.[3]

A settlement conference was held on February 27 and 29, 2024. The parties to this proceeding were unable to settle any aspects of the Current Application.

The OEB issued Procedural Order No. 2 on March 22, 2024, in which it set the timeline for a series of procedural steps and provided an approved issues list for this proceeding.

On April 10, 2024, intervenors and OEB staff filed their written interrogatories. The IESO filed its responses to all interrogatories on April 24, 2024, followed by the argument-in-chief on May 6, 2024.

OEB staff recommends that the OEB allow the IESO's application and approve the incremental revenue requirements, expenditures and revised usage fees. OEB staff's submission is provided in detail in the following sections.

[1] IESO 2023-2025 Expenditures, Revenue Requirement, and Fees, EB-2022-0318
[2] Minister of Energy's Letter to IESO, dated July 10, 2023
[3] Minister of Energy's Letter to IESO, dated November 28, 2023

OEB Staff Submission

1.0 General

Issue 1.1 What is the effect of the approved settlement proposal for the IESO's 2023-2025 Expenditures, Revenue Requirement, and Fees Application (and associated OEB decision), and the timing of the Minister of Energy's July 10, 2023 Letter upon the relief now sought by the IESO?

OEB staff's submission on this issue is structured as follows:

a) The Relationship between the Settlement Proposal and the Current Application
b) Should the OEB consider adjusting IESO's approved fees for 2024 and 2025?
c) Timing of Minister of Energy's July 10, 2023 Letter

a) The Relationship between the Settlement Proposal and the Current Application

As part of the settlement proposal approved in the Previous Application, the parties accepted the IESO's proposed 2023, 2024, and 2025 revenue requirements. The parties further agreed to the Adjustment Mechanism,[4] which the OEB described as follows in its findings:

> Under the terms of the settlement proposal, the IESO may seek OEB approval to adjust the approved expenditures, revenue requirement, and fees in the event of a material unforeseen change. **However, this would only occur if the balance of the FVDA is less than zero in year 1 of the three-year cycle, and any adjustment would be for year 3**. Prior to filing any revised revenue requirement application with the OEB, the IESO would submit a revised business plan with the Minister of Energy.[5] [6] [Emphasis Added]

In the Current Application, IESO states that it is not relying on the Adjustment Mechanism. IESO further takes the position that the inclusion of the Adjustment Mechanism in the approved settlement proposal in no way precludes the IESO from applying to adjust its usage fees in response to unplanned material operating or capital budget variances arising from changes in government policy, because that the IESO has a statutory right to apply for an incremental increase to its fees under section 25(1) of the *Electricity Act, 1998* once the Minister has approved the IESO's Business Plan.

[4] Adjustment Mechanism refers to the mechanism set out in section 3.3 of the settlement proposal filed on July 21, 2023 for the Previous Application (EB-2022-0318).
[5] EB-2022-0318, Decision and Order, August 29, 2023, page 4
[6] FVDA refers to the Forecast Variance Deferral Account.

OEB staff submits that, when viewed within the overall context of the IESO's application to set its fees, expenditures, and incremental revenues over a three-year term, the IESO and the other parties intended to limit the IESO's ability to seek approval to adjust its fees solely to the circumstances set out in the Adjustment Mechanism.

First, the Adjustment Mechanism was proposed by the IESO in its original application for the 2023-2025 term, where the IESO described it as setting out the circumstances under which the IESO "would choose to re-apply to adjust its fees" within the three-year term.[7] Second, the OEB-approved issues list described the Adjustment Mechanism as "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". Third, as noted above, in the OEB Decision and Order approving the settlement proposal the OEB noted that the IESO would "only" seek approval to adjust the approved expenditures, revenue requirement, and fees if the balance of the FVDA is less than zero in Year 1 of the three-year cycle.

OEB staff does not agree with the IESO that the parties contemplated that the Interim Year Business Outlook might lead to an application to adjust the IESO's fees outside of the Adjustment Mechanism. The reference to the Interim Year Business Outlook in the settlement proposal occurs within a description of the IESO's reporting requirements, and does not contemplate that the Interim Year Business Outlook might lead to an application to adjust the IESO's fees outside of the Adjustment Mechanism. There is nothing else in the settlement proposal that contemplates that the intention of the parties was that the IESO could apply to adjust its fees outside of the Adjustment Mechanism.

If the OEB were to accept the IESO's argument, there would be no need for an Adjustment Mechanism at all and the benefits of the three-year business plan and approval process that the IESO undertook for the first time in 2023-2025 would be eroded.

b) <u>Should the OEB consider adjusting IESO's approved fees for 2024 and 2025?</u>

The IESO agreed to limit its ability to seek an adjustment to its usage fees through the terms of the settlement proposal, which was approved by the OEB. OEB staff submits that, as a general rule, the IESO is required to comply with the terms of the settlement that it reached.

However, OEB staff agrees with the IESO that in the circumstances of this case it may be incongruous to prevent the IESO from seeking adjustments to its fees when it is

[7] EB-2022-0318, Exhibit F, Tab 1, Schedule 1, page 4 of 6

forecasting a significant future deficit balance in the FVDA. OEB staff submits that the OEB can grant relief from the parameters of the Adjustment Mechanism in the particular circumstances of this case and approve the IESO's application to adjust its fees, if it is just and reasonable to do so under section 25(4) of the *Electricity Act*.

For the reasons set out below, OEB staff submits that it is in the public interest for the OEB to consider the IESO's application to adjust its fees for 2024 and 2025 as a very limited exception to the Order that approved the settlement proposal.

The IESO is distinct from other entities regulated by the OEB. The IESO's activities can be, and often are, directed by government, and may require IESO to take on additional expenditures that were not anticipated. The Minister has directed the IESO to undertake additional work to support the POG plan, which the Minister identified as "critical" and the Minister has approved the IESO's Amendment to 2023-2025 Business Plan (Amendment) to implement that work. As a result, the IESO has very little discretion as to whether to incur additional expenditures to implement the POG plan work.

The IESO also has more limited means to manage unplanned material operating or capital budget increases arising from Ministerial directives. The IESO is a not-for-profit corporation without share capital and cannot rely on its shareholders to absorb the additional costs of carrying out the work in support of the POG plan. As the IESO noted in the evidence, without the incremental funding requested in the Current Application, the IESO may need to secure additional financing to fund the POG plan work beyond its operating reserve.[8] OEB staff agrees that requiring the IESO to secure additional financing would be a more costly alternative than updating the IESO's usage fees, since any interest payments or additional fees incurred to finance its operations will ultimately be borne by electricity ratepayers.

OEB staff accepts the IESO's submission that the additional work associated with the POG plan reflects a material change to the IESO's original 2023-2025 budget that has resource implications throughout several areas of the organization. OEB staff also notes that, while the FVDA had a positive balance in 2023, the IESO is projecting a significant deficit (about $22 million) in the FVDA by the end of the three-year term as a result of the combined effect of the POG plan and the additional Bill 124 costs.[9] The operating reserve established by the settlement agreement for the FVDA is $10 million. OEB staff also accepts the IESO's submission that there is a benefit from the perspective of intergenerational equity to recovering the costs associated with the POG plan in the years that they are incurred.

[8] Argument in Chief, page 9
[9] IESO's response to OEB staff interrogatory 2-Staff-2, pages 2 and 4

OEB staff also notes that, in the Previous Application, the IESO proposed that a deficit in 2023 would be required to trigger the Adjustment Mechanism because the IESO assumed that there would not be sufficient time to seek an adjustment to its fees if there were a deficit in the FVDA in later years. As a result, the IESO contemplated that any unforeseen expenses in later years would need to be reviewed in a subsequent application.[10] However, the timing of the Minister's approval of the Amendment in this case has enabled the IESO to seek an adjustment to its fees within the 2023-2025 term.

c) <u>Timing of Minister of Energy's July 10, 2023 Letter</u>

The IESO received the Minister's letter outlining the additional work that the IESO was asked to undertake with respect to the POG plan on July 10, 2023, after the settlement conference on June 26-29, 2023 where the parties had reached a tentative agreement on the IESO's 2023-2025 application, but before the IESO filed its settlement proposal on July 21, 2003. The IESO did not receive its final decision until August 29, 2023. The IESO filed its Amendment to the Minister on September 1, 2023.

That there would be work associated with the POG plan was therefore known before the IESO filed the settlement proposal, and it is likely that the IESO could have anticipated that the work would result in additional costs. The IESO could have alerted the parties (as part of the confidential settlement process) to the Minister's request so that they could consider whether there were ways to account for the additional work associated with the POG plan in the settlement proposal before it was filed.

The IESO may, if it wishes to do so in its reply, further explain if there are any obstacles to providing full transparency to parties as part of future confidential settlement discussions.

Given that this was the first experience that the IESO has had with a multi-year fees case, it is OEB staff's position that the timing of the Minister's request should not be considered a basis for denying the IESO's application. However, the OEB may consider confirming its expectations regarding the degree of transparency expected in future.

Issue 1.2 In the event of the OEB's approval of the relief sought by the IESO, what additional provisions to such approval should be included?

In the approved settlement proposal for the Previous Application, the parties agreed that when the year-end FVDA balance exceeds $15 million for 2023 or 2024, the IESO shall provide a report with the year-end balance in the FVDA and an explanation of the

[10] EB-2022-0318, Exhibit H, Tab 3.0, Schedule 1.22 – OEB STAFF 22, page 2 of 3

excess balance by April 30 of the following year. OEB staff and parties would have 10 days to ask questions.[11]

OEB staff submits that the IESO should report its final year-end balance in the FVDA for each of 2024 and 2025 regardless of the value of the balance, and provide an explanation if the balance exceeds $5 million. In reviewing the updated FVDA related financial evidence that the IESO provided in interrogatory responses, OEB staff noted that there was a significant variance ($7.6 million) between the IESO's forecast and actual 2023 year-end balance in FVDA.[12] OEB staff is of the view that the above recommended revised reporting requirement will allow the IESO, parties and OEB staff the opportunity to scrutinize the details related to the FVDA.

OEB staff submits that the detailed process and associated timelines for any rebate and reporting should remain unchanged from the approved settlement proposal for the Previous Application.

Issue 1.3 What are the implications of any approval of the IESO request upon the continuation of a three-year term for setting the IESO's fees, expenditures, and incremental revenues?

In its responses to interrogatories and argument in chief, the IESO submitted that the OEB's approval of the IESO request for revised 2024 and 2025 usage fees will not interfere with the continued operation of the three-year cycle approved in the Previous Application. The IESO also stated the following key benefits of a three-year structure have been and will continue to be realized.

- Regulatory efficiency
- Certainty on envelope of operating costs
- Timing of approval[13]

The IESO also noted that it is open to reviewing and refining the adjustment mechanism and other aspects of the settlement proposal for the Previous Application based on the experience gained by the parties in implementing a three-year cycle for IESO usage fees for the first time. The IESO acknowledges this is its first attempt at a multi-year approach and there is an opportunity to learn from this experience.[14]

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[11] EB-2022-0318, Settlement Proposal, July 21, 2023, pages 16-17
[12] IESO's response to OEB staff interrogatory 2-Staff-2 a)
[13] IESO's response to OEB staff interrogatory 1-Staff-1, d) and e); Argument in Chief, pages 7-8
[14] Ibid

OEB staff also notes the following statement by the OEB in the Decision and Order issued for the Previous Application:

> This is the first application by the IESO with a three-year forecast of expenditures and revenue requirement. The OEB concludes that this approach advances regulatory efficiency and promotes longer term planning, which is important for the energy transition that is currently underway. Furthermore, the FVDA will true-up between forecast and actual expenses and provide cost stability for the IESO and market participants. The OEB would encourage the IESO to continue using a multi-year fees application approach in future proceedings, supported by a business plan approved by the Minister of Energy.[15]

OEB staff agrees with the IESO on the benefits of the three-year fee-setting term. OEB staff submits that in IESO's next 2026-2028 revenue requirement application, the adjustment mechanism and rebating mechanism should be reviewed and refined based on the parties' experience gained in the Current Application and the current three-year term implementing the fees. As discussed in Issue 1.1, OEB staff is also of the view that full transparency from the IESO will be important to facilitate an effective fee setting mechanism.

2.0 Incremental Revenue Requirements

As stated in this application, the IESO is seeking the OEB's approval of $4.5 million and $5.4 million in incremental expenditure and revenue requirements for 2024 and 2025 respectively – representing increases of 2.0% and 2.4% over the amounts approved by the OEB in the Decision and Order for the Previous Application. The proposed increases are to support specific initiatives outlined in the Minister of Energy's letter to the IESO, dated July 10, 2023, in support of the provincial government's POG plan. The IESO submitted the Amendment to the Minister on September 1, 2023, which included the total 2024 and 2025 budget estimate of $9.9 million for the incremental expenses for work to support the POG plan. The Amendment was approved by the Minister on November 28, 2023.[16]

Issue 2.1 Is the IESO's Fiscal Year 2024 incremental revenue requirement of $4.5 million appropriate?

OEB staff does not oppose the establishment of the 2024 budget for the incremental POG plan related work. OEB staff has certain concerns regarding the need for additional funding for the IESO to carry out the POG plan initiatives in 2024, primarily

[15] EB-2022-0318, Decision and Order, August 29, 2023, page 4
[16] Exhibit A, Tab 1, Schedule 4

because of the significant 2023 actual year-end surplus in its FVDA. However, OEB staff's overall submission for Issue 2.1 is that it does not oppose the 2024 incremental revenue requirement for the following reasons:

- The FVDA is a deferral account for the IESO's operating reserve. Any unused surplus will remain in the account, as long as the balance is below the rebating threshold, and will be used to recover future operating deficits. OEB staff understands that the IESO has forecasted a significant operating deficit for 2025 which will very likely fully absorb the potential FVDA surplus in 2024.

- As projected by the IESO, without the incremental funding for the POG plan related work, the 2024 year-end operating reserve will be a deficit of $0.1 million. Although this is an immaterial deficit, it may still increase the possibility of incurring debt and interest costs.

- The actual incremental revenue that will be recovered through the revised fees is likely to be around 50% of the proposed incremental revenue of $4.5 million, considering the timing of any OEB approval.

Further details on OEB staff's submission on this issue are detailed in the below sections.

Cost Estimated for POG Initiatives

As stated in the Decision and Order in the Previous Application, the OEB recognizes that the Minister of Energy has the discretion to review and approve a revised business plan from the IESO, and any application to the OEB is contingent on this approval.[17]

The IESO notes in the application that the specific incremental resource requirements and revenue requirements resulting from the implementation of the POG related work were defined through the process to develop the IESO's 2023-2026 Interim Year Business Outlook. In its interrogatory responses, the IESO provided further specific detail about the process and methods used to establish the incremental resource and budget required to carry out the POG plan related work in 2024 and 2025.[18]

Considering the Minister of Energy's review and approval of the IESO's Amendment and based on the review of the evidence noted above, OEB staff does not oppose the incremental expenses determined for the POG related work pertaining to fiscal years 2024 and 2025.

[17] EB-2022-0318, Decision and Order, page 4
[18] IESO's response to OEB staff interrogatory 2-Staf-5

IESO's Need for Additional Funding for 2024

In response to OEB staff interrogatories, the IESO updated the "Detailed Financials" table included in its Interim Year Business Outlook 2023-2026 (Outlook) with actual values for 2023 and the most recent energy forecast for 2024 and 2025. The table below was re-built based on the table IESO provided in its response to 2-Staff-2 a).

Table 1 – Updated Detailed Financials Table (2023 Actuals, 2024 & 2025 Most Recent Energy Forecast)

For the Year Ended December 31st **($ Millions)**	**2023 Budget**	**2024 Budget**	**2025 Budget**	**2023 Forecast**	**2023 Actual**	**2024 Outlook**	**2025 Outlook**
Revenue – IESO Usage Fee	208.4	218.4	229.7	209.4	213.4	220.7	227.8
Expense							
- Expense Included in Business Plan	208.4	218.4	229.7	199.5	195.5	220.1	237.3
- Bill 124 – Society Compensation & Benefits	-	-	-	21.2	22.0	6.4	6.9
Sub-Total	208.4	218.4	229.7	220.7	217.5	226.5	244.2
Powering Ontario's Growth	-	-	-	1.0	0.7	4.5	5.4
Total Expenses	208.4	218.4	229.7	221.7	218.2	231.0	249.6
Operating Deficit	-	-	-	(12.4)	(4.8)	(10.3)	(21.8)
Operating Reserve Variance Account Balance	15.0	10.0	10.0	2.6	**10.2**	**(0.1)**	**(21.9)**

As shown in Table 1 above, the IESO reported the actual 2023 year-end balance in the FVDA (i.e. IESO's operating reserve) in a surplus of $10.2 million and the forecast for 2024 closing balance of FVDA in a deficit of $0.1 million. Given the immaterial deficit forecasted for 2024, an argument could be made that the IESO should be able to manage and operate within its approved budget in 2024.

In its response to OEB staff interrogatory 2-Staff-1 a), the IESO listed three items as "risks of higher expenses in 2024". The risk items as presented by the IESO are only potential events and are not estimates based on analysis and factual evidence.

The evidence filed for this application,[19] shows that the IESO's actual 2023 average full-time equivalent (FTEs) is 861, the amended 2024 average FTEs (2024 budget plus

[19] IESO's response to AMPCO clarification question 3; IESO's response to OEB staff interrogatory 2-Staff-3

incremental FTEs for POG plan) is 948. The IESO noted that as of March 2024, its average FTEs has been increased to 894, representing an increase of 33 above the 2023 actual. The following table was constructed by OEB staff and confirmed by the IESO in its response to interrogatory 2-Staff-4 a).

Table 2 – Achieved FTE Increase

	2020	2021	2022	2023	2024
Approved Average FTEs (A)		794	827	914	948
Actual FTEs (B)	772	774	799	861	-
Planned Increase of FTEs from Prior Year's Actual (C) = current year (A) – prior year (B)		22	53	115	87
Achieved Increase of FTEs from Prior Year's Actual (D) = current year (B) – prior year (B)		2	25	62	
% of Achieved FTE Increase (D) / (C)		9%	47%	54%	

As shown in Table 2, the IESO has only achieved 9%, 47% and 54% of the planned FTE increases in the previous three years (2021, 2022 and 2023 respectively). For the current year, as of March 2024, there's still a gap of 54 in average FTEs to fully meet the amended level. The IESO provided a list of actions that it took in 2023 that it believes will be effective in supporting the acquisition of talent. The IESO noted that to meet the 2024 headcount, it is continuing some of the successful actions taken in 2023.[20] However, as the IESO only achieved 54% of the planned increase of FTEs in 2023, it is arguable that the actions the IESO took in 2023 in support of talent acquisition have in fact proven to be effective.

In response to interrogatory 2-Staff-4 b), the IESO provided that if 50% and 75% of the FTE increase is met in 2024, the approximate impact on annual revenue requirement for 2024 will be $4.2 million and $2.1 million respectively.

For the reasons outlined elsewhere in this submission, OEB staff will not oppose the 2024 budget increase. However, OEB staff submits that the IESO should consider the concerns outlined by OEB staff to inform future fees cases or in the alternative, provide

[20] IESO's response to OEB staff interrogatory 2-Staff-3, d) and f)

further explanations in its reply submission using evidence already on the record that addresses OEB staff's concerns.

Interest Implication

In its interrogatory responses, the IESO provided its projection of the interest implications for the POG plan related work under two scenarios: Scenario 1 assuming the approval of the IESO's proposed 2024 and 2025 funding request; and Scenario 2 assuming the OEB does not approve the request.[21] OEB staff would like to draw attention to the following considerations:

- The projections do not assume that the IESO will exhaust the operating reserve surplus before incurring borrowing costs.
- In Scenario 1 (approval scenario), the 2024 Outlook has an overall operating reserve balance of $2.0 million, thus the IESO should be able to manage the incremental POG expenses without additional borrowing. OEB staff does not understand why there is a $0.1 million borrowing cost for POG work in 2024 given the operating reserve balance.

The IESO may wish to clarify this in its reply submission.

Implementation of 2024 Revised Fees

In the application, the IESO has requested approval for the proposed revised 2024 fees to be effective on the next billing cycle following the month in which the OEB's approval is received.[22] In its interrogatory responses, the IESO confirmed that it does not plan to apply the 2024 revised usage fees retroactively.[23] The IESO also assumed that it may recover half of the POG plan related expenses (approximately in amount of $2.25 million) in 2024 considering the timing of any approval by the OEB.[24]

Issue 2.2 Is the IESO's Fiscal Year 2025 incremental revenue requirement of $5.4 million appropriate?

As discussed in the above section for Issue 2.1, OEB staff takes no issue with the incremental expenses determined for the POG related work pertaining to fiscal year 2025.

[21] IESO's response to OEB staff interrogatory 2-Staff-2, b)
[22] Exhibit A, Tab 1, Schedule 2, page 2; Exhibit A, Tab 1, Schedule 4, page 4
[23] IESO's response to OEB staff interrogatory 3-Staff-1
[24] IESO's response to OEB staff interrogatory 2-Staff-2 b)

Based on the review of the evidence filed in relation to the 2025 incremental revenue requirement including the financial details for FVDA projected for 2025, OEB staff takes no issue with the proposed 2025 incremental revenue requirement of $5.4 million.

Issue 2.3 What are the alternatives to the IESO's proposal to meet the additional revenue requirement? What alternatives did the IESO consider?

As discussed in its interrogatory responses and argument in chief, the IESO stated that there are two alternatives to the IESO's proposal for increased usage fees for 2024 and 2025:

1) Stopping work outlined in the IESO's 2023-2025 Business Plan
2) Additional financing, if available, to fund the incremental work[25]

The IESO noted that the first alternative would introduce risk for the IESO in meeting its strategic objectives and commitments given the 2023-2025 Business Plan remains approved by the Minister; and the second alternative has risks and is ultimately more costly than updating the IESO usage fees for 2024 and 2025. The IESO further noted that as it is a not-for-profit corporation without share capital, any interest payments or additional fees incurred to finance its operations are ultimately borne by the future electricity ratepayers of Ontario.[26]

OEB staff agrees with the IESO that additional financing is an alternative to the IESO's proposal in the Current Application. OEB staff also agrees on the IESO's explanation about the potential future impact of additional financing on ratepayers.

OEB staff acknowledges that stopping the work outlined in the 2023-2025 Business Plan is not a viable alternative to the IESO's current proposal. OEB staff understands that the IESO is accountable for carrying out the work and initiatives as outlined in its Business Plan that has been approved by the Minister of Energy.

3.0 Usage Fees

As stated in the application, the IESO proposes the following 2024 and 2025 usage fees with the corresponding effective dates:

- 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) effective

[25] IESO's response to OEB staff interrogatory 2-Staff-1 b); Argument in Chief, page 9
[26] Ibid

on the next billing cycle following the month in which the OEB's approval is received

- 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[27]

The IESO states that the revised usage fees are determined by adding the incremental revenue requirements to those approved through the OEB's Decision and Order in the Previous Application, allocated by customer class, and dividing by the charge determinants established in the Previous Application.[28]

Issue 3.1 Are the IESO's proposed 2024 and 2025 Usage Fees appropriate?

OEB staff takes no issue with the IESO applying the same methodology and charge determinants approved for the Previous Application. Based on the review of the evidence, OEB staff is of the view that the IESO's proposed 2024 and 2025 usage fees are appropriate.

Issue 3.2 Is the proposed effective date of the next billing cycle following the month in which OEB approval is received for the IESO's 2024 Usage Fees appropriate?

The IESO proposes to continue charging the currently approved 2024 usage fees until the OEB has approved the revised 2024 usage fees. The IESO has confirmed in its argument in chief that it is not requesting the revised 2024 usage fees be applied retroactively for any period of time.[29]

OEB staff takes no issue with the IESO's proposal regarding the effective date of the proposed revised 2024 usage fees. OEB staff submits that the proposed effective date of the next billing cycle following the month in which OEB approval is received for the IESO's 2024 usage fees is appropriate.

~All of which is respectfully submitted~

[27] Exhibit A, Tab 1, Schedule 4, page 4
[28] Exhibit C, Tab 1, Schedule 1, pages 1-2
[29] Argument in Chief, page 11