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By Email and RESS

File No.: 1019261160

Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto ON M4P 1E4

Attention: Nancy Marconi, Registrar

Dear Ms. Marconi:

**Re: Independent Electricity System Operator
2024 and 2025 Incremental Revenue Requirement, Expenditures and Usage Fees.
Ontario Energy Board File No. EB-2024-0004**

We write on behalf of the Independent Electricity System Operator (the “**IESO**”) in response to the Decision and Order of the Ontario Energy Board (the “**Board**”) dated August 1, 2024 (the “**Decision and Order**”) in which the Board:

- approved the IESO’s 2024 and 2025 expenditures and revenue requirement;
- approved the IESO’s proposed usage fees for 2024 effective on the next billing cycle following the Decision and Order;
- approved the proposed 2025 usage fees on an interim basis beginning January 1, 2025; and
- referred the final 2025 usage fees back to the IESO for further consideration in accordance with subsection 25(4) of the *Electricity Act, 1998*.

The Decision and Order included a recommendation that the IESO consider whether the 2025 fee increase could be avoided in whole or in part. The Board directed the IESO to file updated information once its 2024 financial information is available to be utilized in setting the final usage fees for 2025. The Board stated that final usage fees for 2025 would be implemented on a prospective basis.

In response to the Decision and Order, the IESO:

- implemented the revised 2024 usage fees approved by the Board in the Decision and Order for the billing cycle that began on September 1, 2024, and will charge those fees for the remainder of 2024;
- considered the Board’s recommendation with respect to the proposed 2025 usage fees and, for the reasons detailed below, determined that it will not be seeking further Board approvals related to its 2025 usage fees; and

- will charge the 2025 usage fees previously approved by the Board in EB-2022-0318 (\$1.4492/MWh for domestic customers and \$1.4398/MWh for export customers) as of January 1, 2025.

The IESO has carefully considered the Board's recommendations in the Decision and Order and the process that the Board has outlined for the approval of the final 2025 usage fees. The IESO has determined that it will not be seeking further Board approvals for its 2025 usage fees and will instead seek approval to recover any budget deficits in the Revenue Requirement Submission for its 2026-2028 Business Plan. The IESO made this determination for the following reasons:

- The Board's requirement to submit a new or updated business plan to support the 2025 fee increase within one month of the approval of the IESO's 2024 financials by the IESO's board of directors (which will occur in March 2025) presents significant logistical challenges for the IESO. A new or updated business plan must be approved by the IESO's board of directors and the Minister (as required by section 24 of the *Electricity Act, 1998*). The Board's one month timeframe is insufficient to prepare a new or updated business plan and obtain these approvals.
- It is conceivable that the Board's approval process for the final 2025 usage fees will stretch well into Q3 or Q4 for 2025 fees that will be implemented on a prospective basis. The IESO does not believe this process will be consistent with the intended benefits and efficiencies of the multi-year planning and fees application process implemented in EB-2022-0318.
- The IESO will be preparing its 2026-2028 Business Plan and its associated Revenue Requirement Submission for filing with the Board throughout 2025. The IESO is required to submit the 2026-2028 Business Plan to the Minister for approval by September 1, 2025 to comply with subsection 24(1) of the *Electricity Act, 1998*. Subsection 25(1) contemplates the IESO filing its Revenue Requirement Submission with the OEB by November 1, 2025 if Ministerial approval has been obtained by that time. The IESO resources that would be required to prepare a new or updated business plan for 2025, and to support the IESO in any subsequent Board approval process, are the same resources that will be needed for the preparation of the 2026-2028 Business Plan and the associated Revenue Requirement Submission. The IESO believes these resources are best utilized in support of the 2026-2028 Business Plan and the associated approval processes.
- The IESO acknowledges the Board's recommendation that it undertake an assessment of the IESO's processes for assessing and re-prioritizing plans to mitigate usage fees to accommodate unexpected work. As part of its 2026-2028 Revenue Requirement Submission the IESO will also address its processes for business planning and prioritization, including the review of those priorities in interim years to accommodate unexpected work.

The IESO intends to proceed as described above and will be filing its 2026-2028 Revenue Requirement Submission once it has completed and obtained the necessary approvals for its 2026-2028 Business Plan.

The IESO would appreciate confirmation that no further Board approval is required at this time to implement the steps outlined above.

Yours truly,

A handwritten signature in black ink, appearing to read "PDuffy", written in a cursive style.

Patrick G. Duffy

PGD/sb

cc. All parties to the proceeding