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

BY EMAIL

July 9, 2026

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

Dear Mr. Murray:

Re: Ontario Energy Board (OEB) Staff Interrogatories
Independent Electricity System Operator (IESO)
Application for 2026, 2027 and 2028 Revenue Requirements, Expenditures and Usage Fees
OEB File Number: EB-2026-0142

Please find attached OEB staff's interrogatories in the above referenced proceeding, pursuant to Procedural Order No. 1.

Please note, the IESO is responsible for ensuring that all documents that it files with the OEB, including responses to OEB staff questions and any other supporting documentation, do not include personal information (as that phrase is defined in the *Freedom of Information and Protection of Privacy Act*), unless filed in accordance with rule 9A of the OEB's *Rules of Practice and Procedure*.

Yours truly,

Katherine Wang

Digitally signed by Katherine Wang
Date: 2026.07.09 12:05:48 -04'00'

Katherine Wang
Senior Advisor, Transmission

Encl.

cc: All parties in EB-2026-0142

OEB Staff Interrogatories

Independent Electricity System Operator

2026, 2027 and 2028 Incremental Revenue Requirements, Expenditures and Usage Fees

EB-2026-0142

Issue 1.0 Revenue Requirement, Operation Costs and Capital Spending

1-Staff-1

Ref 1: Decision and Order (EB-2024-0004)
Ref 2: Exhibit C-1-1, page 2

Preamble:

In the Decision and Order for the IESO's 2024-2025 Incremental Revenue Requirement application (EB-2024-0004), the OEB required the IESO to provide "[a]n assessment of its processes for assessing and re-prioritizing plans to mitigate usage fees to accommodate unexpected work".

In Ref 2, the IESO noted that it introduced an enhanced review process establishing the Prioritization Committee, which reinforces a collaborative and transparent process with a focus on enterprise thinking. The IESO further noted that this process looks at reprioritizing during the business-planning cycle, within divisions and within the organization, to ensure resources are appropriately allocated to strategic priorities.

Question(s):

a) When was the Prioritization Committee established?
b) The IESO provided an introduction to the enhanced review process and the Prioritization Committee in Ref 2. Please provide an assessment of the Prioritization Committee's enhanced review process, as required in Ref 1.
c) Please provide examples of any re-prioritized plans and associated efficiencies achieved through the enhanced review process.

1-Staff-2

Ref 1: Exhibit B-2-1 - The IESO's 2026-2028 Business Plan (Business Plan), page 16
Ref 2: Exhibit B-2-1, page 17 – Detailed Financials

Preamble:

In Ref 1, the IESO stated that in addition to the efficiencies it achieved within the 2023-2025 Business Plan, it remains committed to continuously seeking opportunities to recognize savings and mitigate costs. The IESO further stated that it has included a 1% annual efficiency target through the business cycle that will be achieved by leveraging AI, minimizing red tape and streamlining internal processes in alignment with our strategic goals.

In Ref 2, the Detailed Financials table shows efficiency target amounts of $3.3 million, $7.0 million and $10.7 million for 2026, 2027 and 2028 respectively.

Question(s):

a) Please briefly discuss the efficiencies that the IESO achieved within the 2023-2025 business cycle.

b) Is 2026-2028 the first business cycle where the IESO has included an efficiency target adjustment in its revenue requirement budget?

c) On what basis is the 1% efficiency target determined?

d) How were the efficiency target amounts in Ref 2 derived? Please provide a brief description of the calculations.

1-Staff-3

Ref 1: Exhibit B-2-1, page 17 – Detailed Financials Table

Ref 2: Exhibit B-2-1 Attachment 4 – 2025 Annual Report and Audited Financial Statements

Preamble:

In Ref 1, the IESO provided the following “Detailed Financial” table to outline the 2025-2028 revenues and expenses:

	2025 Original Budget	2025 Revised Budget	2025 2nd Interim Outlook	2026 Budget	2027 Budget	2028 Budget
Revenue						
IESO Usage Fee – Annual Expenses	229.7	235.1	235.1	309.9	338.3	345.6
IESO Usage Fee – Reserve Restoration	-	-	-	18.9	18.9	18.8
Total Revenue	**229.7**	**235.1**	**235.1**	**328.8**	**357.2**	**364.4**
Expenses						
Baseline Expenses	**188.6**	**194.0**	**212.9**	**230.6**	**248.2**	**254.2**
Accelerating the Big Build	**11.3**	**11.3**	**12.5**	**16.0**	**19.4**	**20.8**
Resource Adequacy	*8.1*	*8.1*	*9.0*	*10.0*	*11.1*	*12.1*
Stakeholder & Rights-holder Engagement	*3.2*	*3.2*	*3.5*	*6.0*	*8.3*	*8.7*
Enabling Economic Growth in the Short Term	**4.2**	**4.2**	**9.3**	**18.9**	**24.7**	**28.5**
Enhanced Market Operations	*4.2*	*4.2*	*6.0*	*14.3*	*20.7*	*24.3*
Demand-Side Management	-	-	*3.3*	*4.6*	*4.0*	*4.2*
Delivering on Our Core Mandate	**5.3**	**5.3**	**7.7**	**16.3**	**21.3**	**22.5**
Sustaining Technology, Evolving Processes & Tools	*2.2*	*2.2*	*2.4*	*5.3*	*6.5*	*6.5*
Cyber Security	*2.1*	*2.1*	*3.6*	*5.3*	*6.1*	*6.3*
Investing in Organizational Talent & Skills	*1.0*	*1.0*	*1.7*	*3.5*	*4.8*	*5.9*
Artificial Intelligence	-	-	-	*0.6*	*2.1*	*2.0*
Info & Data Governance	-	-	-	*1.1*	*1.3*	*1.3*
Facilities Maintenance	-	-	-	*0.5*	*0.5*	*0.5*
Enhancing System & Integrated Planning	-	-	-	-	-	-
Efficiency Target	-	-	-	**(3.3)**	**(7.0)**	**(10.7)**
Operating Expenses Sub-Total	**209.4**	**214.8**	**242.4**	**278.5**	**306.6**	**315.3**
Amortization	27.0	27.0	29.2	37.1	40.4	40.3
Net Interest	(9.2)	(9.2)	(9.0)	(5.2)	(8.4)	(9.7)
Registration Fee	-	-	(0.5)	(0.5)	(0.3)	(0.3)
Market Renewal Program	2.5	2.5	2.5	-	-	-
Total Expenses	**229.7**	**235.1**	**264.6**	**309.9**	**338.3**	**345.6**
Operating Reserve / Deficit	-	-	**(29.5)**	**18.9**	**18.9**	**18.8**
Accumulated Operating Reserve			**(26.6)**	**(7.7)**	**11.2**	**30.0**

In Ref 2, the IESO provided its 2025 Annual Report and Audited Financial Statements.

Question(s):

a) Please update the “Detailed Financials” table with the same layout as presented in Ref 1 with the following items:

   i. Please insert a column for “2025 Actual” and update the amounts in light of the 2025 Annual Report and Audited Financial Statements.

ii. Please insert a column for “2026 Forecast” and enter the amounts for each row using the latest available information. Please briefly discuss the information source.

1-Staff-4

Ref: Exhibit B-2-1 - Business Plan, page 14

Preamble:

The IESO is proposing to increase the revenue requirement by 40% in 2026, 9% in 2027 and 2% in 2028. In the Reference, the IESO stated that a significant portion of the 2026 increase is due to legacy cost pressures and cost deferrals from the 2023-2025 Business Plan – driven primarily by the reversal of the cap on salary rate increases from Bill 124 – that the IESO has absorbed without passing the impacts to ratepayers. The IESO further noted that despite these increases, it remains consistent at 1.2% of overall system costs throughout the cycle.

Question(s):

a) Within the 40% (or $93.7 million) revenue requirement increase in 2026, please indicate how much is due to “legacy cost pressures and cost deferrals”. Please provide a breakdown by cost drivers.

b) Please elaborate on the statement “a significant portion of the 2026 increase is due to legacy cost pressures and cost deferrals from the 2023-2025 Business Plan”. Does it mean that a portion of the 2026 revenue requirement will be used to recover previous costs incurred in 2023-2025? In 2023-2025, how did the IESO resolve the cost pressures from incremental costs which were not included in the Business Plan?

c) Please indicate for which “legacy cost pressures” items, the IESO has absorbed the cost impacts without passing the impacts to ratepayers to date. What is the total amount? What does it mean for the IESO to absorb these costs?

d) The Reference states that “despite these increases, the IESO remains consistent at 1.2% of overall system costs throughout the cycle”. Please explain what this statement means. Please explain what the “1.2% of overall system costs” is. Please provide calculation of the 1.2% rate.

e) The Reference states that “this step change largely represents a one-time correction to address the structural deficit to bring the IESO back to a balanced budget for the 2026-2028 Business Plan.” Please explain what the “one-time correction” is. What is the amount pertaining to the “one-time correction”?

f) The Reference states that “for the average residential electricity bill, this would translate to a projected per month increase of 48 cents, with 44 of the 48-cent increase occurring in 2026". Please provide calculations for the bill impact results.

<u>1-Staff-5</u>

Ref 1: Independent Electricity System Operator licence, EI-2013-0066, as amended August 20, 2025, page 11:

> 22.2 Cyber Security Information Sharing
>
> 22.2.1 The Licensee shall, in consultation with licensed transmitters and licensed distributors in the province, carry out the services, referred to as Cyber Security Information Sharing services, outlined in 22.2.2 a) and b).
>
> 22.2.2 The Licensee shall:
>
> (a) Provide and promote centralized Cyber Security Information Sharing services, accessible to all licensed transmitters and distributors, including, without limitation:
>
> i. Cyber Security Situational Awareness **–** provide consolidated and easily understood information about, and analyses of, potential cyber security risks and events that may impact the electricity sector.
>
> ii. Information exchange **–** develop and maintain a centralized mechanism for sharing cyber security best practices.

Ref 2: Ontario Cyber Security Standard, as amended November 6, 2025, p.3:

> A transmitter or distributor shall participate in the IESO's Lighthouse service and will confirm its participation as required by the OEB. Participation will be evidenced by the transmitter or distributor:
>
> - having signed the participation agreement provided by the IESO
> - having been granted access to the Lighthouse Member Portal by the IESO
> - having established a secure network connection with the IESO's Lighthouse solution infrastructure

Ref 3: Exhibit B-2-1, Attachment 1, page 9 of 50:

> This includes the expansion of our flagship Lighthouse program to include Canadian entities outside of Ontario, providing improved cyber situational awareness and information sharing for the sector.

Ref 4: Exhibit B-1-2, page 17 of 36

Ref 5: Exhibit B-2-1, Attachment 2, page 9 of 53:

> Since 2019, as part of its commitment to reducing cyber risks posed by emerging threats, the IESO has been providing the Lighthouse program. Lighthouse is

offered to all licensed Ontario distributors and transmitters at no cost, providing near-real-time analysis of potential external threats, as well as providing sector-specific threat intelligence products, services and training. By 2024, the number of organizations participating in Lighthouse encompassed about 99.75 per cent of all Ontario ratepayers/customers.

Question(s):

a) How many total Lighthouse participants are there? How many Lighthouse participants are not OEB licensed distributors or transmitters? Please describe those entities (e.g. industry, size, location).

b) Please describe the services provided by the Lighthouse program.

c) Do Lighthouse participants that are not OEB licensed distributors or transmitters benefit from the Lighthouse program? Please explain.

d) Do Lighthouse participants that are not OEB licensed distributors or transmitters pay a fee to participate in the Lighthouse program? If yes, please provide information about the fees charged. If no, why not?

e) In 2026, how many FTEs are required to operate and maintain the Lighthouse program?

f) The following cyber security expenses are contained in Ref 4 ($ million).

	2025 Original Budget	2025 Revised Budget	2025 2nd Interim Outlook	2026 Budget	2027 Budget	2028 Budget
Cyber Security	2.1	2.1	3.6	5.3	6.1	6.3
Lighthouse						

i. Please complete the above table for Lighthouse expenses.
ii. Please explain the increase of $1.5 million for cyber security between the 2025 Revised Budget and the 2025 2nd Interim Outlook.
iii. Please explain the increase of $1.7 million for cyber security between the 2025 2nd Interim Outlook and the 2026 Budget.

g) Please describe the training provided by the IESO that is referenced in Ref 5.

i. Who receives the training?
ii. Are training participants charged fees? If yes, describe the fees. If no, why not?

1-Staff-6

Ref: Exhibit D-1-1, pages 2-3, Table 9

Preamble:

In the Reference, the IESO stated that its actual 2023-2025 Operations, Maintenance and Administration (OM&A) expenses of $714.9 million were $89.2 million higher than the OEB approved OM&A budget of $625.7 million. The IESO listed the cost drivers and associated amounts in the Reference.

Question(s):

a) Among the cost drivers discussed in the Reference, please indicate which ones are considered as unplanned cost pressure caused by unforeseen changes and why. What is the total variance amount that these cost drivers contributed to?

b) For the rest of the cost drivers that are not included in the response to part a), please provide explanations for the variances between budget and actual. What is the total variance amount that these cost drivers contributed to?

1-Staff-7

Ref: Exhibit D-1-1, pages 4-8, Tables 10-12

Preamble:

In the Reference, the IESO provided year-over-year cost driver analysis for the 2026-2028 OM&A expenses.

Question(s):

a) With respect to the expenses to support the three key initiatives (accelerating the Big Build, enabling economic growth in short term, and delivering on core mandate), please discuss how the expenses were determined among the three years. Why are the forecast expenses supporting each of all three initiatives in a consistently increasing trend?

b) In the Reference, the IESO provided the following variance analysis related to the pension and OPEB amounts:

   - 2026 budget versus 2025 actual: $7.8 million higher pension and OPEB expenses
   - 2027 budget versus 2026 budget: $1.7 million lower pension and OPEB expenses
   - 2028 budget versus 2027 budget: $1.8 million higher pension and OPEB expenses

i. Please explain the drivers and the basis of the variances listed above and discuss the reasonableness of these variances.
ii. Please provide a description of the key actuarial assumptions made for the 2026-2028 budget amounts.
iii. Please identify and explain the variance between the 2025 actual and 2025 approved amounts for pension and OPEB expenses.

c) Please provide explanations for the cost driver item “Phasing assumption for spending ramp-up and smoothing of ratepayer impact”. What kind of costs/spending were included in this category? How were the associated amounts determined for each of the three years?

1-Staff-8

Ref: Exhibit D-1-3, pages 1-3, Tables 25 and 26

Preamble:

In the Reference, the IESO provided historic and budgeted average number of employees and associated compensation expenses for 2023-2028.

Question(s):

a) What is the IESO’s current (as of July 2026) number of FTEs? What is the current number of vacancies?

b) Please rebuild Tables 25 and 26 by replacing the row items with business units. The column titles should remain unchanged. (i.e. The tables will show FTEs and compensation information by business unit.)

c) Based on the updated tables in part b), please discuss how the information presented in the tables is in line with the OM&A Business Unit analysis that the IESO provided in Exhibit B-1-2 (including Table 13).

d) Table 25 shows that there will be a budgeted FTE annual increase of 44 and 25 in 2027 and 2028 respectively. Please provide more detailed explanations for the drivers of these increases.

e) Please calculate compensation per average employee for each Approved/Actual/Budget year column and present the results in a row added to Table 26. Please provide explanations for any variances among the years 2025-2028.

1-Staff-9

Ref: Exhibit D-2-1, pages 1-3, Table 28

Preamble:

In the Reference, the IESO stated that its short-term investment income is a combination of market interest income and corporate interest income.

Question(s):

a) As shown in Table 28, the actual 2023 and 2024 short-term investment income amounts are significantly higher than approved level. What is the basis for the IESO's forecast of its income from short-term investment? Please discuss the process used by the IESO to forecast the short-term investment income. Has there been any recent update in this process?

b) Please elaborate on the reasons for the decreased 2026-2028 short-term investment income.

<u>1-Staff-10</u>

Ref 1: Exhibit E-2-1, page 1, Table 29
Ref 2: Exhibit E-2-1, page 3, Table 30
Ref 3: Exhibit E-2-1, page 8, Table 32
Ref 4: OEB Staff Interrogatories - EB-2022-0318, page 11

Preamble:

The IESO is requesting a capital budget of $170 million for the 2026-2028 period, of which $95 million is to be allocated to the IESO's Core Project Portfolio.

It is noted that for the 2023-2025 period, the IESO underspent its cumulative OEB approved capital budget by approximately 7%. The cumulative underspend was driven largely by an approximate $20 million underspend on the IESO's Core Project Portfolio (notably, a $13 million underspend on the Space Needs Program).

It is also noted that the IESO's underspend of its cumulative approved capital budget for 2019 to 2022, inclusive, amounted to approximately 17%.

Question(s):

a) Considering the consistent underspending on capital reported in the above references, please justify the requested capital expenditures for 2026, 2027, and 2028. What lessons has the IESO learned that it has applied to improve capital expenditures related budgeting in this application?

<u>1-Staff-11</u>

Ref 1: Exhibit E-2-1
Ref 2: Exhibit E-2-1, Attachment 11, page 4

Preamble:

The IESO requested a capital budget of $77.1 million for its Space Needs Program, of which $17.8 million is allocated as capital contingency. For 2026, the IESO has requested $20.2 million, an approximate 55% increase from the $13 million budgeted for 2025. The IESO noted in its application that construction delays are driving the Space Needs Program underspend, citing a forecasted completion date of Q1 2028.

Question(s):

a) Please explain whether the project budget or contingency amount has changed since the project was initially approved and, if so, provide the reasons for the change.

b) Please explain the basis for the proposed 2026 Space Needs Program expenditure forecast.

c) Please identify the specific project milestones, procurement activities, and construction activities that support the proposed level of expenditure in 2026.

d) Please provide the risk assessment, cost-estimating methodology, or other analysis used to establish the contingency amount.

e) Please explain why the current contingency level remains appropriate in light of the project's historical expenditure deferrals and delays.

1-Staff-12

Ref 1: Exhibit E-2-1, Attachment 2
Ref 2: Exhibit E-2-1, Attachment 11, page 4

Preamble:

The IESO has estimated a total capital expenditure of $22 million (including contingency) and a total estimated operating expenditure of $1.5 million to complete its Facilities Maintenance Program. The program includes mechanical upgrades, electrical system reliability and security systems replacement projects at the IESO's Clarkson facility.

The IESO also includes critical investments in IESO aging infrastructure at the IESO's Clarkson office in their capital budget request for their Space Needs Program. The IESO explains that the program's investments made in electrical and mechanical systems at the Clarkson (Mississauga) location are needed to support the renovated space and provide continuity of the facility's operation for at least 15 more years.

Question(s):

a) Please confirm whether any electrical or mechanical investment scope is shared or overlaps between the Facilities Maintenance Program and the Space Needs Program for the 2026–2028 period.

b) If yes, please identify the overlapping investments and explain how costs are allocated between the two programs. If no, please explain how the IESO ensured there is no duplication of capital expenditures across the two programs.

Issue 2.0 Usage Fees

2-Staff-1

Ref: Exhibit C-1-1

Preamble:

In the Reference, the IESO stated that its usage fees for domestic and export customers for 2026, 2027 and 2028 have been calculated by London Economics Canada Limited using an updated cost allocation model that reflects changes based on the review to the cost allocation methodology.

Question(s):

a) Please provide the excel cost allocation and fee calculation model for each year of 2026, 2027 and 2028.

b) On page 3 of the Reference, the IESO listed a number of changes in the cost allocation models used for the current application. Please indicate where these changes are reflected in the three models provided in part a).

c) Based on the models provided in part a), please complete the following table.

	2026	**2027**	**2028**
Revenue Requirement – Domestic Class ($ million)			
Revenue Requirement – Export Class ($ million)			
Energy Volume – Domestic (TWh)	150.3	153.2	158.5
Energy Volume – Export (TWh)	10.2	8.9	9.2
Usage Fees – Domestic ($/MWh)	$2.0486/MWh	$2.1987/MWh	$2.1684/MWh
Usage Fees – Export ($/MWh)	$2.0527/MWh	$2.2834/MWh	$2.2745/MWh

d) As indicated in the Reference, the charge determinants used to calculate domestic and export usage fees for 2026 are based on actual volumes for January to March 2026 and forecast data for April through December 2026 (as set out in the IESO's 2026 Annual Planning Outlook).

    i. Please update the 2026 charge determinants for domestic and export usage fees by using the most recent actual volumes for January to June 2026 and forecast data for the rest of the year.
    ii. Please update the 2026 cost allocation and fee calculation model accordingly by using the updated 2026 charge determinants.

2-Staff-2

Ref: Exhibit C-2-1

Question(s):

a) Please complete the following table and provide the data source. The forecast volumes should reflect the volumes used in the final usage fee calculations in the previous IESO fee proceedings.

(TWh)	**Forecast Domestic Demand**	**Actual Domestic Demand**	**Forecast Export Demand**	**Actual Export Demand**	**Forecast Transmission Losses**	**Actual Transmission Losses**
2019						
2022						
2023						
2024						
2025						
2026	146.3	N/A	10.4	N/A	3.4	N/A
2027	148.8	N/A	9.1	N/A	3.3	N/A
2028	154.3	N/A	9.4	N/A	3.4	N/A

b) Please complete the following table and provide the data source. The modelled revenue amounts should reflect the revenue amounts used in the final cost allocation models in the previous IESO fee applications.

($ million)	**Modelled Domestic Class Revenue**	**Actual Domestic Class Revenue**	**Modelled Export Class Revenue**	**Actual Export Class Revenue**
2019				

2022				
2023				
2024				
2025				
2026		N/A		N/A
2027		N/A		N/A
2028		N/A		N/A

c) Based on the completed tables provided in parts a) and b), please discuss whether the IESO has generally under or over forecasted any electricity demand/losses volumes for the 2019 to 2025 period. If yes, please discuss the causes.

d) Have there been any changes/updates in the charge determinants methodology (including forecast data source) in the current application compared to previous applications? If yes, please discuss the rationale for the changes.

2-Staff-3

Ref: Exhibit A-1-2, page 2

Preamble:

In the Reference, the IESO proposed to charge (or rebate) market participants the difference between the 2026 IESO usage fees approved by the OEB and the interim usage fees they paid, if any, based on their proportionate quantity of energy withdrawn until the end of the month in which OEB approval is received for 2026 usage fees.

Question(s):

a) Please confirm for which time period the IESO proposes to charge (or rebate) market participants the difference between the approved 2026 usage fees and the interim usage fees.

b) For each applicable market participant, will actual quantity of energy withdrawn in the time period indicated in part a) be used to calculate the charge (or rebate) amount?

c) Please discuss the method to be used to process this charge (or rebate).

Issue 3.0 Other Fees

3-Staff-1

Ref 1: Exhibit C-3-1, page 3, Table 5
Ref 2: Exhibit C-3-1, Attachment 2, page 1
Ref 3: Exhibit C-3-1, Attachment 5, page 1
Ref 4: Exhibit C-3-1, Attachment 6, page 2

Preamble:

The IESO notes that the proposed adjustments to other fees reflect the increasing costs of delivering these activities. The IESO further states that proposed cost-recovery fees are based on the cost-causation principle. These fees are summarized in Table 5 of Exhibit C-3-1.

The IESO received approval in 2022 to apply a $145/hour charge for Connection Assessment and Reliable Integration related activities (EB-2022-0002). The IESO proposes to amend this charge to $190/hour, citing increases in average labour costs, overhead, labour support and continuous improvement of services.

The IESO is requesting approval to increase its Application Fee from the current fee of $1,000 to $2,000. The Application Fee of $1,000 recovers the labour costs of the process from registration to the issuance of the registration approval notification.

The IESO is also requesting amended fees to their public and private training courses, corresponding to a 20% and 25% increase year-over-year from 2026 to 2028. The IESO states that training fees allow the IESO to recover labour costs for course content development, facilitation preparation and delivery of the course.

Question(s):

a) Please explain what the indirect costs of labour support referenced are and how they are adding to the cost of delivering Connection Assessment and Reliable Integration related activities.

b) Please confirm whether the FTEs performing Connection Assessment and Reliable Integration, Application and/or Training related activities are included in the staffing growth and compensation pressures (including Bill 124 reversal, collective bargaining, and pension) reflected in the 2026-2028 revenue requirement. If yes, please explain why a corresponding increase in the hourly rate is required, given that the underlying labour cost is already recovered through the usage fees.

Issue 4.0 Operating Reserve

<u>4-Staff-1</u>

Ref: Exhibit F-1-1

Preamble:

The OEB approved an increase in the IESO's operating reserve to $10 million in the Decision and Order for the IESO's 2019 Revenue Requirement proceeding (EB-2019-0002). This $10 million operating reserve level has been maintained for the years 2020-2026.

The IESO is proposing an operating reserve of $30 million for the 2026-2028 period.

Question(s):

a) It is noted that the current operating reserve of $10 million represents approximately 4.4%-5.3% of the annual OEB-approved revenue requirement for the period 2019-2026. The IESO's proposed $30 million operating reserve is about 9% of the proposed 2026 revenue requirement. Please elaborate further on this increase in operating reserve. Why is $30 million considered appropriate?

b) The IESO also proposed that if the operating reserve balance reaches above $35 million during the 2026-2028 cycle, it will refund the surplus over $30 million following the publication of its Annual Report on March 31.

   Under the above proposal, please confirm that the actual maximum operating reserve amount that can be retained by the IESO is $35 million.

c) Based on the updated "Detailed Financials" table in response to 1-Staff-3, does the IESO propose any adjustments to the operating reserve restoration amounts for 2026, 2027 and 2028?