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

BY EMAIL

September 4, 2026

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

Dear Ritchie Murray:

Re: Ontario Energy Board (OEB) Staff Submission
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 submission in the above referenced proceeding, pursuant to Procedural Order No. 1.

Yours truly,

Katherine Wang

Digitally signed by Katherine Wang
Date: 2026.09.04 11:43:48 -04'00'

Katherine Wang
Senior Advisor, Transmission

Encl.

cc: All parties in EB-2026-0142

ONTARIO ENERGY BOARD

OEB Staff Submission on Settlement Proposal

Independent Electricity System Operator

Application for 2026, 2027, and 2028 Revenue Requirements, Expenditures, and Usage Fees

EB-2026-0142

September 4, 2026

Introduction

The Independent Electricity System Operator (IESO) filed an application with the Ontario Energy Board (OEB) on April 23, 2026, under section 25(1) of the *Electricity Act, 1998*, seeking approval for its revenue requirements, expenditures, and usage fees for 2026, 2027, and 2028 (the Application).

The IESO proposed revenue requirements of $328.8 million, $357.2 million, and $364.4 million for 2026, 2027, and 2028, respectively. The proposed usage fees for domestic and export customers are derived based on the proposed revenue requirements and charge determinants. The IESO also requested approval of:

- its proposed capital expenditure budgets of $60.5 million, $58.4 million, and $51.1 million in each of the respective years
- its proposed establishment of certain other fees and proposed adjustments to a number of other existing fees
- an increase to its operating reserve balance

A settlement conference was held on August 5 to 7, 2026. The IESO and the following intervenors, as well as OEB staff, participated virtually in the settlement conference:

- Association of Major Power Consumers in Ontario
- Canadian Manufacturers & Exporters
- Consumers Council of Canada
- Electricity Distributors Association
- Energy Probe Research Foundation
- HQ Energy Marketing Inc. (HQEM)
- School Energy Coalition
- The Society of United Professionals (SUP)
- Vulnerable Energy Consumer Coalition

The IESO and the intervenors listed above have agreed to settle all issues of the Application. The IESO and the intervenors listed above are collectively referred to as "Parties" in this submission.

The IESO filed a settlement proposal on August 28, 2026 (Settlement Proposal). The Settlement Proposal indicates that SUP took no position on issues 1.4, 1.5 and 1.6 and SUP supports the settlement reached on each of the other issues. The Settlement Proposal also indicates that HQEM took no position on any of the issues.

Per the OEB's *Practice Direction on Settlement Conferences*, OEB staff is required to file a submission commenting on two aspects of the Settlement Proposal: whether the settlement represents an acceptable outcome from a public interest perspective, and whether the accompanying explanation and rationale is adequate to support the settlement. OEB staff's submission is provided in detail in the following sections.

OEB Staff Submission

OEB staff submits that the Settlement Proposal is in public interest, and that the accompanying explanation and rationale are adequate to support the Settlement Proposal. OEB staff's submission is organized by the main issues in the approved issues list.

Issue 1.0 Revenue Requirement, Operating Costs and Capital Spending

Consistency with 2026-2028 Business Plan

As stated in the Application, the IESO's 2026-2028 Business Plan was submitted to the Minister of Energy and Mines (Minister) on August 29, 2025, and was approved on March 27, 2026 (Business Plan). The IESO's proposed revenue requirements, operating costs and capital envelopes in the Application appear to be consistent, from both a budget and objectives perspective, with the IESO's Minister-approved Business Plan.

Revenue Requirement

The Parties agree that the IESO's proposed 2026, 2027 and 2028 revenue requirements of $328.8 million, $357.2 million, and $364.4 million, respectively, are appropriate, subject to the continuation of certain existing commitments under Issue 5.0 and a number of new or modified commitments as identified in the Settlement Proposal.[1]

OEB staff supports the settlement of the IESO's revenue requirement request. The IESO noted in the Business Plan and the Application that a significant portion of the 2026 increase is due to legacy cost pressures and cost deferrals from the 2023-2025 period – driven primarily by the reversal of the cap on salary rate increases from Bill 124. OEB staff is of the view that, through the course of the proceeding, the IESO has provided evidence and explanation to support its planned activities that are driving its proposed expenditures. OEB staff is also of the view that the accepted reporting and engagement commitments specified in the Settlement Proposal will help enhance transparency and accountability in the IESO's planning, spending, project delivery and operational performance.

Staffing Levels and Compensation

The Parties agree that the IESO's 2026, 2027 and 2028 projected staffing levels and compensation are appropriate. The Settlement Proposal notes that the IESO will

[1] EB-2026-0142, Settlement Proposal, pages 7-8

continue to work to make progress towards reaching the 50th percentile for total compensation, and the IESO will report on this progress and will file related study and forward-looking plan in the 2029-2031 revenue requirement application.[2] The IESO also committed to include a management bargaining mandate to work towards a 50:50 employee-employer pension and other post-employment benefits (OPEB) contribution ratio for upcoming collective agreement negotiations with both the SUP and the Power Workers Union. The IESO will also continue to work towards a 50:50 employee-employer pension and OPEB contribution ratio for management employees.[3]

OEB staff supports the settlement of the IESO's staffing levels and compensation. OEB staff also supports the inclusion of additional information related to total compensation in future IESO revenue requirement applications, as this will allow for a more comprehensive understanding of the IESO's overall compensation budgets and costs.

Capital Expenditure Budget

The Parties agree that the IESO's proposed 2026, 2027 and 2028 capital expenditure budget of $60.5 million, $58.4 million, and $51.1 million, respectively, are appropriate. Table 1 presents the IESO's proposed capital expenditure budget by core operations.

Table 1: Capital Expenditure Budget

Capital ($ Millions)	2025 Approved	2026 Proposed	2027 Proposed	2028 Proposed
Core Operations	43.6	30.5	34.2	30.3
Market Renewal Program	14.6	-	-	-
Enabling Resources Program	-	9.7	8.6	11.4
Space Needs Program Phase 3 - Future@Work	-	20.2	15.6	9.5
Total	58.2	60.5	58.4	51.1

OEB staff supports the settlement of the IESO's capital expenditure budget request. The IESO noted in the Business Plan and the Application that previous underspending of its capital expenditure budget during the 2023-2025 period was largely driven by construction delays in its Space Needs Program. OEB staff is of the view that, through the course of the proceeding, the IESO has provided evidence and explanation of distilling past lessons learned to deliver their proposed capital expenditure projects on schedule and within budget. OEB staff is also of the view that the accepted reporting and engagement commitments specified in the Settlement Proposal regarding the

[2] EB-2026-0142, Settlement Proposal, pages 9-10
[3] EB-2026-0142, Settlement Proposal, page 10

Enabling Resource Program will support transparency and accountability in the IESO's planning, spending, project delivery and operational performance.

Issue 2.0 Usage Fees

As committed in the previous settlement proposal filed for the IESO's 2023-2025 revenue requirement proceeding,[4] the IESO filed a report on the review of its cost allocation methodology conducted by London Economics Canada Limited (LECL) in the current Application (LECL Report).[5] The LECL Report concluded that the IESO's cost allocation methodology continues to be generally reasonable and consistent with cost allocation principles. The IESO has incorporated three changes into the calculation of its 2026-2028 usage fees in response to the LECL Report's recommendations.

The IESO provided the following proposed domestic and export usage fees for 2026, 2027 and 2028 in the Application.

Table 2: Proposed IESO Domestic and Export Usage Fees

Usage Fees	2026	2027	2028
Domestic	$2.0486/MWh	$2.1987/MWh	$2.1684/MWh
Export	$2.0527/MWh	$2.2834/MWh	$2.2745/MWh

The Parties agree that the methodology used to derive the IESO's proposed 2026, 2027 and 2028 usage fees is appropriate subject to the following updated charge determinants:

- the 2026 usage fee will be calculated using a domestic demand of 146.5 TWh and an export demand of 18.9 TWh
- the 2027 usage fee will be calculated using a domestic demand of 148.9 TWh and an export demand of 13.9 TWh
- the 2028 usage fee will be calculated using a domestic demand of 154.3 TWh and an export demand of 14.1 TWh

The updated IESO domestic and export usage fees calculated, with the updated domestic and export volumes using the cost allocation methodology as described in the Application, are shown in Table 3 below. The updated domestic and export usage fees

[4] EB-2022-0318, Settlement Proposal, July 21, 2023
[5] EB-2026-0142, Exhibit G-1-1, Attachment 7

are lower than the proposed domestic and export usage fees for each year of 2026-2028.

Table 3: Updated Domestic and Export Usage Fees as in the Settlement Proposal

Usage Fees	2026	2027	2028
Domestic	$1.9856/MWh	$2.1586/MWh	$2.1312/MWh
Export	$1.6373/MWh	$1.9219/MWh	$1.9241/MWh

The Parties also agree that the IESO's proposal to charge (or rebate) market participants the difference between the approved 2026 usage fees and the interim fees following the OEB's approval, the proposed January 1, 2027 effective date for the 2027 usage fees, and the proposed January 1, 2028 effective date for the 2028 usage fees, are all appropriate.

As stated in the Settlement Proposal, the IESO committed to review the Forecast Accuracy Report prepared by the Australian Energy Market Operator (AEMO) and undertake a jurisdictional scan on forecast accuracy frameworks and performance metrics. (The related reporting commitments are specified in the Settlement Proposal.)[6] The IESO also committed to procure a consultant to review the IESO's export forecast methodology, and to file the results of the review and detailed methodology selected for the next rate period in its 2029-2031 revenue requirement application.[7]

OEB staff supports the settlement reached related to the IESO's domestic and export usage fees. In review of the evidence filed during the course of this proceeding, OEB staff identified that the IESO's forecast export demand has been consistently lower than the actual export demand for each year of 2022 to 2025, especially for 2024 and 2025, where significant variances were noted. The under-forecasted export demand volumes caused over-collected revenues from export customers (i.e. actual revenue from export IESO fees being higher than model-projected revenue) in the period 2022-2025.[8] Thus, OEB staff supports the use of the reduced export demand for 2026, 2027 and 2028 in the fees calculation as agreed in the Settlement Proposal. With respect to the 2026 domestic demand, OEB staff supports the use of the most recent actual volumes for January to June 2026 as agreed in the Settlement Proposal.

[6] EB-2026-0142, Settlement Proposal, page 14
[7] Ibid.
[8] EB-2026-0142, IESO's responses to OEB staff interrogatory 2-Staff-2

OEB staff is of the view that the IESO's commitments to review the AEMO's Forecast Accuracy Report and to procure a consultant to review the IESO's export forecast methodology (with related information to be filed in the next revenue requirement application) will help improve the accuracy, transparency and credibility of the IESO's forecasting.

Issue 3.0 Other Fees

The Parties agree that the IESO's proposed 2026, 2027 and 2028 schedule of other fees, respectively, are appropriate. Table 4 presents the IESO's schedule of fees for approval.

Table 4: Schedule of Fees for Approval

Fee	Current	Proposed	Effective Date
Application	$1,000	$2,000	2 months following OEB approval
Electricity Service Procurements and Programs			
Registration Fee	≤ $10,000*	≤ $2,000	Month following OEB approval
Submission Fee	-	≤ $25,000	Month following OEB approval
Connection Assessment and Reliable Integration Activities			
System Impact Assessment Fee	$145/hr	$190/hr	2 months following OEB approval
Expedited System Impact Assessment Fee	$145/hr	$190/hr	2 months following OEB approval
Technical Feasibility Study Fee	$145/hr	$190/hr	2 months following OEB approval
Reliable Integration Activities Fee	$145/hr	$190/hr	2 months following OEB approval
Transmission			
Transmission Registration Fee**	-	$2,000	January 1, 2027
Transmission Procurement Submission Fee			
Projects less than $500 million	-	$100,000	Month following OEB approval
Projects between $500 million and less than $1 billion	-	$150,000	Month following OEB approval
Projects $1 billion or greater	-	$200,000	Month following OEB approval
Training			
Public Courses (Half Day)	$150	$180	January 1, 2027
Public Courses (Full Day)	$350	$420	January 1, 2027

Private Courses (Half Day)	$750	$900	January 1, 2027
Private Courses (Full Day)	$1,500	$1,800	January 1, 2027
Public Courses (Half Day)		$225	January 1, 2028
Public Courses (Full Day)		$525	January 1, 2028
Private Courses (Half Day)		$1,125	January 1, 2028
Private Courses (Full Day)		$2,250	January 1, 2028

* The IESO is requesting a change to the currently approved fee of up to $10,000 per submission for electricity service procurements and programs to be two distinct fees: a Registration Fee and Submission Fees.
** Payable every 24 months from the original registration date.

OEB staff supports the settlement of the IESO's schedule of other fees. The IESO notes that the proposed adjustments to other fees reflect the increasing costs of delivering these activities and follow the cost-causation principle. OEB staff is of the view that, through the course of the proceeding, the IESO has provided evidence and explanation of its review of other fees to ensure that the costs of providing those services are appropriately allocated to the customers who directly benefit from, or create the need for, those services.

Issue 4.0 Operating Reserve

In the Application, the IESO proposed an operating reserve of $30 million in the Forecast Variance Deferral Account (FVDA) for the 2026-2028 period. The IESO also proposed that if the balance of its operating reserve reaches above $35 million at any point during the business planning period, the IESO will refund the surplus over $30 million to ratepayers following the publication of its Annual Report on March 31.[9]

The Parties agree that the IESO's proposed operating reserve of $30 million is appropriate with the rebate mechanism detailed below:

If the year-end balance in the FVDA exceeds $20 million for 2026, 2027 or 2028, the IESO will rebate an amount to ratepayers that reduces the operating balance in the FVDA to $15 million.

OEB staff supports the settlement of the IESO's operating reserve with the specific rebate mechanism. OEB staff is of the view that the rebate mechanism as specified in the Settlement Proposal will effectively control the year-end balance in the FVDA and will return excess funds to ratepayers while preserving a prudent reserve for operational requirements.

Issue 5.0 Commitments from Previous OEB Decisions

[9] EB-2026-0142, Exhibit F-1-1, pages 2-4

The Parties agree that the IESO has responded appropriately to OEB directions from prior proceedings and the IESO will continue to fulfill select commitments (as specified in the Settlement Proposal) throughout the 2026-2028 period. OEB staff supports the settlement on the IESO's commitments from previous OEB proceedings.

Policy Direction

As stated in the OEB CEO Policy 2026-01, OEB staff shall identify those portions of *Energy for Generations, Ontario's Integrated Plan to Power the Strongest Economy in the G7 (June 2025)* (IEP) that are relevant to the matters in issues in the proceeding.

In the Application, the IESO stated that it plays a central role in delivering the Government of Ontario's long-term vision as articulated in the IEP. Through the IEP, the IESO has been entrusted with advancing initiatives to maintain reliability, enable a clean resource mix, integrated new technologies, and support provincial economic growth priorities, recognizing electricity as a critical enabler of investment and competitiveness across the province.[10] The IESO indicated that its 2026-2028 Business Plan reflects its commitment to supporting the IEP with investments to deliver on the work needed to accelerate the Big Build and enable short-term economic growth.[11]

OEB staff takes no issue with the discussion that the IESO provided in the Application in relation to the IEP and its Business Plan.

~All of which is respectfully submitted~

[10] EB-2026-0142, Exhibit A-1-5, page 1
[11] EB-2026-0142, Exhibit B-1-2, page 14