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

DECISION AND ORDER

EB-2026-0142

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

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

BEFORE: James Sidlofsky
Presiding Commissioner

Damien A. Côté
Commissioner

Robert Dodds
Commissioner

November 3, 2026

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

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1 OVERVIEW

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*, requesting approval of its 2026, 2027, and 2028 revenue requirements, expenditures, and usage fees.

On August 28, 2026, the IESO filed a settlement proposal (Settlement Proposal) that reflected a comprehensive settlement between the IESO and participating intervenors on all issues on the approved Issues List.[1] OEB staff filed a submission supporting the Settlement Proposal on September 4, 2026.

The OEB approves the Settlement Proposal for the reasons described in this Decision and Order. For greater clarity, the OEB's approval includes, without limitation, the agreed-upon expenditures, revenue requirements and fees set out in the Settlement Proposal, together with all commitments given by the IESO as part of the complete settlement.

[1] The Issues List was approved in the Decision on Issues List and Procedural Order No. 1, dated June 19, 2026.

2 PROCESS

The IESO filed this application on April 23, 2026. A Notice of Hearing was issued on May 25, 2026. The following parties requested and were granted intervenor status:

- Association of Major Power Consumers in Ontario (AMPCO)
- Canadian Manufacturers & Exporters (CME)
- Consumers Council of Canada (CCC)
- Electricity Distributors Association (EDA)
- Energy Probe Research Foundation (Energy Probe)
- HQ Energy Marketing Inc. (HQEM)
- Power Workers' Union (PWU)
- School Energy Coalition (SEC)
- Society of United Professionals (SUP)
- Vulnerable Energy Consumers Coalition (VECC)

Each of AMPCO, CME, CCC, Energy Probe, SEC, and VECC applied for and were granted eligibility for cost awards.

Following an interrogatory process, 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:

- AMPCO
- CME
- CCC
- EDA
- Energy Probe
- HQEM
- SEC
- SUP
- VECC

The IESO and the intervenors that participated in the settlement conference (collectively, the Parties) have agreed to settle all issues, with two exceptions: SUP took no position on issues 1.4, 1.5 and 1.6 but supported the settlement of all other issues; and HQEM took no position on any of the issues. The resulting Settlement Proposal was filed on August 28, 2026.

On September 4, 2026, OEB staff filed a submission in which it advised that, in its view, the Settlement Proposal is in public interest and that the accompanying explanation and rationale are adequate to support the Settlement Proposal.

3 DECISION ON THE SETTLEMENT PROPOSAL

As part of the Settlement Proposal, the Parties accepted that the IESO's proposed 2026, 2027, and 2028 revenue requirements of $328.8 million, $357.2 million, and $364.4 million, respectively, were appropriate subject to the continuation of certain existing commitments under Issue 5.0[2] and a number of new or modified commitments as identified in the Settlement Proposal.[3]

The Parties accepted that the proposed capital expenditure envelopes of $60.5 million, $58.4 million, and $51.1 million in each of the respective years were appropriate. The Parties also agreed that the IESO's proposed 2026, 2027 and 2028 schedules of other fees, respectively, are appropriate.

Regarding usage fees, the Parties accepted that the methodology used by the IESO to derive its proposed 2026, 2027, and 2028 usage fees for both domestic and export customers, as well as a usage fee effective date of January 1 in each of the respective years, were appropriate subject to the updated charge determinants identified in the Settlement Proposal.

For the IESO's operating reserve levels, which are held in the Forecast Variance Deferral Account (FVDA), the Parties agreed 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.[4]

OEB staff submitted that the Settlement Proposal represented an acceptable outcome from a public interest perspective and that the explanation and rationale provided by the Parties were adequate to support the settlement. OEB staff supported the settlement of all issues in the proceeding.

[2] Issue 5.0: Commitments from Previous OEB Decisions. See more particularly Issue 5.1: Has the IESO responded appropriately to outstanding OEB directions from previous proceedings? EB-2026-0142, Settlement Proposal, pages 18-20
[3] *Ibid.*, pages 7-8, Issue 1.0: Revenue Requirement, Operating Costs and Capital Spending
[4] *Ibid.*, page 17, Issue 4.0: Operating Reserve

Findings

The OEB has considered the Settlement Proposal and agrees with OEB staff that it represents an acceptable outcome from a public interest perspective and that the explanation and rationale provided by the Parties were adequate to support the settlement.

Section 25(4) of the *Electricity Act, 1998* provides that the OEB "may approve the proposed expenditure and revenue requirements and the proposed fees or may refer them back to the IESO for further consideration with the Board's recommendations." The OEB approves the expenditures, revenue requirements and proposed fees set out in the Settlement Proposal, together with the agreed-upon IESO commitments.

The OEB has organized its findings on the Settlement Proposal according to the issues in this proceeding.

Issue 1.0: Revenue Requirement, Operating Costs and Capital Spending; *and* ***Issue 5.0: Commitments from Previous OEB Decisions***

The Parties agreed on the IESO's proposed 2026, 2027, and 2028 revenue requirements of $328.8 million, $357.2 million, and $364.4 million, respectively, subject to a series of new or modified commitments identified under Issue 1.0; and to the continuation of the commitments identified under Issue 5.0. The Parties also agreed, with respect to Issue 5.0, that the IESO has responded appropriately to OEB directions from previous proceedings and that the IESO will continue to fulfill the commitments identified under that issue.

The OEB accepts the settlement of the 2026, 2027, and 2028 revenue requirements, operating costs, and capital spending on that basis.

Staffing Levels and Compensation: Issues 1.4 (2026), 1.5 (2027) and 1.6 (2028)

The OEB finds that the agreed-upon projected 2026, 2027, and 2028 staffing levels and compensation are appropriate, subject to the related IESO commitments.

The Parties agreed that the IESO's 2026, 2027, and 2028 projected staffing levels and compensation are appropriate.[5] The Parties also confirmed commitments from the IESO related to two matters:

[5] *Ibid.*, pages 9-10, Issues 1.4 – 1.6

- continued work to make progress toward reaching the 50th percentile for total compensation, with certain related material to be filed with its 2029-2031 Revenue Requirement Submission; and

- a management bargaining mandate to work toward 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 PWU; and continued work toward a 50:50 employee-employer pension and OPEB contribution ratio for management employees.

Capital Spending: Issues 1.7 (2026), 1.8 (2027) and 1.9 (2028)

Consistent with the agreement of the Parties, the OEB finds that the proposed capital expenditure envelopes of $60.5 million, $58.4 million, and $51.1 million in each of the respective years, are appropriate, subject to the related IESO commitments.

As stated in the Settlement Proposal,[6] the IESO will, in the 2029-2031 Revenue Requirement Submission, provide enhanced reporting of annual results of its strategic initiatives described under these issues.

Issue 2.0: Usage Fees

The OEB is satisfied that the methodology used by the IESO to derive the following is reasonable, subject to the related IESO commitments:

- the proposed 2026, 2027, and 2028 usage fees for both domestic and export customers;

- the agreed-upon usage fees effective January 1 in each of the respective years; and

- the updated charge determinants on which the agreed-upon fees are based.

As discussed in the Settlement Proposal, the IESO filed a report on the review of its cost allocation methodology. The report was produced by London Economics Canada Limited (LECL Report) in satisfaction of a commitment made in the settlement proposal in its 2023-2025 revenue requirement proceeding. The LECL Report concluded that the IESO's cost allocation methodology continues to be generally reasonable and consistent with cost allocation principles. The IESO incorporated three changes into the

[6] EB-2026-0142, Exhibit I-1-1, Page 11 of 20

calculation of its 2026-2028 usage fees in response to the LECL Report's recommendations.

The Parties agreed that the methodology used by the IESO to derive its proposed 2026, 2027, and 2028 usage fees for both domestic and export customers, and the usage fees effective January 1 in each of the respective years, are appropriate, subject to the following updated and agreed-upon 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 agreed domestic demand volumes are based on the volumes in the IESO's response to OEB staff interrogatory H-2-STAFF-1 c) and d) and updated attachments to Exhibit I-1-1 filed concurrently with the Settlement Proposal. The Parties concurred that the agreed export demand volume is to be used exclusively for the calculation of the usage fees, and it is not intended to represent an update to the filed export forecast in response to OEB staff interrogatory H-2-STAFF-1.[7]

The Settlement Proposal included a number of commitments by the IESO on matters to be addressed in its next (2029-2031) revenue requirement submission with respect to the charge determinants forecast. The OEB takes note of these commitments:

> The IESO will review the Forecast Accuracy Reports prepared by the Australian Energy Market Operator (AEMO) and undertake a jurisdictional scan on forecast accuracy frameworks and performance metrics. In the 2029-2031 Revenue Requirement Submission, the IESO will present its findings and recommendations for an Ontario forecast accuracy framework and performance metrics informed by the review, highlight elements of comparability, and describe the rationale for elements that are not recommended to be implemented in Ontario. The review and recommendations will be developed through an IESO stakeholder engagement process beginning in Q1 2027. Before finalizing the recommendations, the IESO will publish feedback received from the engagement process.

[7] *Ibid.* page14, Issue 2.0: Usage Fees

> The IESO will procure a consultant to review the IESO's export forecast methodology. As part of the IESO's 2029-2031 Revenue Requirement Submission, the IESO will file the results of the consultant's review and detail the methodology that the IESO has selected for the next rate period.[8]

Issue 3.0 Other Fees

The OEB agrees with OEB staff that the other fees addressed under Issue 3 are reasonable and reflect the cost-causation principle in that they appropriately allocate the costs of providing those services to the customers who directly benefit from, or create the need for, those services.

The ten sub-issues within Issue 3 pertain to a group of proposed fees including, among others, application, registration and submission fees plus a variety of hourly rates for system impact assessments, feasibility studies, integration of facilities to the IESO-controlled grid, and training. Some represent increases to existing fees and rates, while others are new.[9]

The Parties agree that the IESO's cost-recovery fees are appropriate as proposed.[10]

OEB staff noted that the IESO's proposed adjustments to other fees reflect the increasing costs of delivering these activities and follow the cost-causation principle. OEB staff submitted 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.[11]

Issue 4.0 Operating Reserve

The OEB approves the proposed operating reserve rebate mechanism, and agrees with OEB staff that "the rebate mechanism as specified in the Settlement Proposal will effectively control the year-end balance in the [Forecast Variance Deferral Account

[8] EB-2026-0142, Exhibit I-1-1, page 14 of 20
[9] See the OEB staff submission, September 4, 2026, pages 7-8, Table 4 for a list of current and proposed other fees.
[10] EB-2026-0142, Settlement Proposal, pages 15-17
[11] OEB staff submission, September 4, 2026, page 8

(FVDA)] and will return excess funds to ratepayers while preserving a prudent reserve for operational requirements."[12]

As discussed by OEB staff, the IESO proposed in its application an operating reserve of $30 million in the 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.[13]

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

> If the year-end balance in the Forecast Variance Deferral Account exceeds $20 million for 2026, 2027 or 2028, the IESO will rebate an amount to ratepayers that reduces the operating balance in the Forecast Variance Deferral Account to $15 million.[14]

OEB staff supported the settlement of this issue.

[12] OEB staff submission, September 4, 2026, page 8
[13] EB-2026-0142, Exhibit F-1-1, pages 2-4 and OEB staff submission, September 4, 2026, page 8
[14] EB-2026-0142, Exhibit I-1-1, page 17 of 20

4 ORDER

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. The Ontario Energy Board accepts the Settlement Proposal attached as Schedule A.

2. The Independent Electricity System Operator shall fulfill the commitments it has made in the Settlement Proposal, which have been summarized in Schedule B.

3. Cost eligible intervenors shall file with the Ontario Energy Board, and forward to the Independent Electricity System Operator, their respective cost claims by **November 10, 2026**.

4. The Independent Electricity System Operator shall file with the Ontario Energy Board, and forward to cost eligible intervenors, any objections to the claimed costs by **November 17, 2026**.

5. Cost eligible intervenors shall file with the Ontario Energy Board, and forward to the Independent Electricity System Operator, any responses to any objections to cost claims by **November 24, 2026**.

6. The Independent Electricity System Operator shall pay the Ontario Energy Board's costs of and incidental to this proceeding upon receipt of the Ontario Energy Board's invoice.

Parties are responsible for ensuring that any documents they file with the OEB, such as applicant and intervenor evidence, interrogatories and responses to interrogatories or any other type of document, **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.

Please quote file number, **EB-2026-0142** for all materials filed and submit them in searchable/unrestricted PDF format with a digital signature through the OEB's online filing portal.

- Filings should clearly state the sender's name, postal address, telephone number and e-mail address.
- Please use the document naming conventions and document submission standards outlined in the Regulatory Electronic Submission System (RESS)

Document Guidelines found at the File documents online page on the OEB's website.

- Parties are encouraged to use RESS. Those who have not yet set up an account, or require assistance using the online filing portal can contact registrar@oeb.ca for assistance.
- Cost claims are filed through the OEB's online filing portal. Please visit the File documents online page of the OEB's website for more information. All participants shall download a copy of their submitted cost claim and serve it on all required parties as per the Practice Direction on Cost Awards.

All communications should be directed to the attention of the Registrar and be received by end of business, 4:45 p.m., on the required date.

Email: registrar@oeb.ca
Tel: 1-877-632-2727 (Toll free)

DATED at Toronto **November 3, 2026**

ONTARIO ENERGY BOARD

Ritchie Murray

Digitally signed by Ritchie Murray
Date: 2026.11.03 10:02:57 -05'00'

Ritchie Murray
Registrar

SCHEDULE A

DECISION AND ORDER

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

SETTLEMENT PROPOSAL

EB-2026-0142

NOVEMBER 3, 2026

SETTLEMENT PROPOSAL

Independent Electricity System Operator

EB-2026-0142

2026, 2027, and 2028 Revenue Requirement Submissions for Review

August 28, 2026

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A. OVERVIEW

This Settlement Proposal is filed with the Ontario Energy Board (**OEB**) in connection with the submissions by the Independent Electricity System Operator (**IESO**) under section 25 of the *Electricity Act, 1998* for the review of its proposed expenditure and revenue requirement for the fiscal years 2026, 2027 and 2028 and the fees that it proposes to charge during those fiscal years. The submissions were filed with the OEB following the approval of the IESO's 2026-2028 Business Plan by the Minister of Energy and Mines.

As detailed below, the Settlement Proposal contains a comprehensive settlement of all issues in the application.

B. THE SETTLEMENT CONFERENCE

As directed in Procedural Order No. 1, a settlement conference was held on August 5, 6 and 7, 2026. The settlement conference was conducted in accordance with the OEB's *Rules of Practice and Procedure* (the **Rules**) and its *Practice Direction on Settlement Conferences* (the **Practice Direction**). Mr. Andrew Mandyam (Utilis Consulting) facilitated the settlement conference.

The IESO and the following intervenors, as well as OEB staff (**OEB Staff**), participated virtually in the settlement conference:

1. Association of Major Power Consumers in Ontario (**AMPCO**)
2. Canadian Manufacturers & Exporters (**CME**)
3. Consumers Council of Canada (**CCC**)
4. Electricity Distributors Association (**EDA**)
5. Energy Probe Research Foundation (**Energy Probe**)
6. HQ Energy Marketing Inc. (**HQEM**)
7. School Energy Coalition (**SEC**)
8. Society of United Professionals (**SUP**)
9. Vulnerable Energy Consumers Coalition (**VECC**)

The IESO and the intervenors listed above have agreed to settle all issues in accordance with the terms of this Settlement Proposal. Any reference to "**Parties**" in this Settlement Proposal is intended to refer to the IESO and the intervenors listed above.

Notwithstanding the above, SUP takes no position on issues 1.4, 1.5 and 1.6. SUP supports the settlement reached on each of the other issues. HQEM takes no position on any of the issues.

OEB Staff is not a party to this Settlement Proposal. As it is not a party to this Settlement Proposal, OEB Staff are required under the Practice Direction to file a submission commenting on two aspects of the settlement: 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.

C. THE SETTLEMENT PROPOSAL PREAMBLE

The Parties have reached an agreement to settle all issues in this proceeding and are filing this Settlement Proposal to allow the OEB to review and consider the proposed settlement pursuant to Rule 30 of the Rules.

This Settlement Proposal describes the agreement reached by the Parties on each of the issues on the Final Issues List in Procedural Order No. 1. The supporting evidence for each settled issue is identified individually by reference to its exhibit number in an abbreviated format; for example, Exhibit B, Tab 3, Schedule 1 is referred to as Exhibit B-3-1 or B-3-1. The identification and listing of the evidence that relates to each settled issue is provided to assist the OEB in its review of this Settlement Proposal.

The Parties agree that the evidence in respect of each settled issue, together with the supporting rationale contained in this Settlement Proposal, is sufficient to support the proposed settlement, and the sum of the evidence in this proceeding provides an appropriate evidentiary record to support acceptance by the OEB of this Settlement Proposal.

The Parties request that the OEB consider and accept this Settlement Proposal as a package. None of the matters in respect of which a settlement has been reached is severable. If the OEB does not accept the Settlement Proposal in its entirety, then there is no agreement, unless the Parties agree, in writing, that the balance of this Settlement Proposal may continue as a valid settlement subject to any revisions that may be agreed upon by the Parties.

None of the Parties can withdraw from the Settlement Proposal except in accordance with Rule 30.05 of the Rules.

Unless stated otherwise, a settlement of an individual issue in this proceeding is without prejudice to the positions Parties might take with respect to the same issue in any future proceeding that is not the subject of this Settlement Proposal.

The Parties understand that, pursuant to the *Ontario Energy Board Act, 1998*, the OEB has exclusive jurisdiction with respect to the interpretation or enforcement of the terms of the Settlement Proposal.

D. CONFIDENTIALITY

The Parties acknowledge that the any data, documents or information provided and any discussions, including negotiations, admissions, concessions, offers and counter-offers occurring during the course of the settlement conference, whether culminating in a settlement proposal or not, are strictly confidential, privileged and without prejudice in accordance with section 10 of the Practice Direction.

E. RESOLUTION OF THE ISSUES

1.0 Revenue Requirement, Operating Costs and Capital Spending

1.1 Is the IESO's Fiscal Year 2026 revenue requirement of $328.8 million appropriate?

1.2 Is the IESO's Fiscal Year 2027 revenue requirement of $357.2 million appropriate?

1.3 Is the IESO's Fiscal Year 2028 revenue requirement of $364.4 million appropriate?

The Parties agree that the IESO's 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 identified under Issue 5.0 below and the following new or modified commitments:

(a) In the 2029-2031 Revenue Requirement Submission, in addition to reporting its historical and forecast spending by Business Unit in Appendix 2-JC, the IESO will present forecast and historic spending using the work program format proposed in the Elenchus report included as Exhibit G-1-1, Attachment 1.

(b) In the 2029-2031 Revenue Requirement Submission, the IESO will provide a 3-year view on IESO initiatives that are transforming the electricity sector in Ontario using a similar format to Exhibit G-1-1 Attachment 3, that includes initiative objectives, deliverables, scope, timeline, cost, and resources.

(c) The IESO will initiate a stakeholder engagement by Q1 2027 to review the timing and nature of IESO communications with respect to material market events.

(d) The IESO will implement annual reporting for the 2026 to 2028 period on the Enabling Resources Plan (**ERP**) that will include a comparison of actual costs to budget and schedule and include an explanation of any variances. The report will be published on the IESO website. The report will include:

- total program costs by operations and maintenance (**O&M**) and capital;
- a breakdown of O&M and capital costs by:
  - compensation and benefits;
  - professional and consulting costs;
  - interest (if applicable); and
  - contingency (if applicable);

- Full-Time Equivalents (**FTEs**) assigned to ERP (direct and supporting).

(e) For the 2026 to 2028 period, the IESO shall annually prepare a report on the previous years actuals compared to the OEB-approved/Business Plan amounts with respect to Total Expenses, Operating Deficit/Surplus, Operating Reserve, Total Capital, FTEs, and Performance Metric Results. The report will include an explanation of any material variances and emerging priorities. The IESO will file the report with the OEB and publish a copy on the IESO's website.

Evidence:

- A-1-2 2026 Submission
- A-1-3 2027 Submission
- A-1-4 2028 Submission
- A-1-5 Executive Summary
- A-2-1 Stakeholder and Community Engagement
- A-2-2 Corporate Performance Measures and Targets
  - Attachment 1 – 2026-2028 Performance Measures and Targets
  - Attachment 2 – 2023 Corporate Performance Measures Results
  - Attachment 3 – 2024 Corporate Performance Measures Results
  - Attachment 4 – 2025 Corporate Performance Measures Results
- B-1-1 IESO Letter to the Minister Requesting Approval of IESO's 2026-2028 Business Plan
- B-1-2 Business Plan 2026-2028
- B-1-3 Minister's Letter Approving the IESO's 2026-2028 Business Plan
- B-2-1 Annual Report and Audited Financial Statements
  - Attachment 1 – 2023 Annual Report and Audited Financial Statements
  - Attachment 2 – 2024 Annual Report and Audited Financial Statement
  - Attachment 3 – 2025 Annual Report and Audited Financial Statements
- D-1-1 Operations, Maintenance and Administration Overview (OM&A)
  - Attachment 1 – Summary of OM&A Expenses (Appendix 2-JA) (xlsx)
  - Attachment 2 – OM&A Cost Driver Table (Appendix 2-JB) (xlsx)

- D-1-2 OM&A Business Unit Detail
    - Attachment 1 – OM&A Business Unit Table (Appendix 2-JC) (xlsx)
    - Attachment 2 – Organizational Chart

Interrogatories:

- H-1-CME 1
- H-1-EDA 1-10
    - H-1-EDA-6 Attachment 1 – Forecast and Actuals (xlsx)
- H-1-EDA 15, 16, 18
- H-1-Energy Probe 1-4
- H-1-OEB Staff 1-4
- H-1-SEC 1-10, 12-20
    - H-1- SEC 1 - Attachment 1_Item 8(i) 2026-28 Business Planning Final_Board Material
    - H-1-SEC 1 - Attachment 2_Item 8(ii) 2026-2028 Business Plan Final_Board Material
    - H-1-SEC 2 - Attachment 1_Item 4(i) 2026-28 Business Planning Final_August AC Material Business Plan

1.4 Is the IESO's 2026 projected staffing levels and compensation (including salaries, benefits, pensions, and other post-employment benefits) appropriate?

1.5 Is the IESO's 2027 projected staffing levels and compensation (including salaries, benefits, pensions and other post-employment benefits) appropriate?

1.6 Is the IESO's 2028 projected staffing levels and compensation (including salaries, benefits, pensions and other post-employment benefits) appropriate?

The Parties accept that the IESO's 2026, 2027 and 2028 projected staffing levels and compensation are appropriate.

With respect to compensation, the IESO will continue to work to make progress towards reaching the 50th percentile for total compensation. For the 2029-2031 Revenue Requirement Submission, the IESO will:

- file a total compensation study that will compare IESO compensation to

public and private sector benchmark groups in both the energy and non-energy sectors and will separately report the results for each of these four comparator groups;

- report on the progress of actions taken to make progress towards meeting the 50th percentile for total compensation; and
- include a forward-looking itemized plan identifying how the IESO proposes to continue to make progress towards reaching the 50th percentile for total compensation including incremental steps taken or planned to be taken, and that includes forecast timelines for the actions identified in the itemized plan.

The IESO will 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.

Evidence:

- D-1-3 Staffing and Compensation
  - Attachment 1 – Employee Costs (Appendix 2-K) (xlsx)
  - Attachment 2 – IESO Compensation Guidelines
  - Attachment 3 – Non-Executive Total Remuneration Review
- D-1-4 Corporate Policy on Procurement
  - Attachment 1 – IESO Procurement Policy
  - Attachment 2 – IESO Procurement Restriction Policy
- D-2-1 Interest Expense and Investment Income

Interrogatories:

- H-1-AMPCO 1-4
- H-1-CCC 3-6
- H-1-CME-2-4
- H-1-EDA 9-10
- H-1-Energy Probe 5-7
- H-1-OEB Staff 5-9

- H-1-PWU 3-5
- H-1-SEC 11
    - H-1-SEC 11 – Attachment 1 – Organization Charts
- H-1-SUP-1-3
    - H-1-SUP 3- Attachment 1 – IESO - 2025-2028 Expense and Funding Projections_June 27 2025
    - H-1-SUP 3 Attachment 2 – Actuarial Report Year End 2025
- H-1-VECC 10
    - H-1-VECC-10 Attachment 1 – Society Pay Schedules 2023-2026
    - H-1-VECC-10 Attachment 2 – PWU Rates 2023-2025
    - H-1-VECC-10 Attachment 3 IESO Band Ranges 2023 - 2026

1.7 Is the IESO's 2026 capital expenditure budget of $60.5 million for appropriate?

1.8 Is the IESO's 2027 capital expenditure budget of $58.4 million appropriate?

1.9 Is the IESO's 2028 capital expenditure budget of $51.1 million appropriate?

The Parties agree that the IESO's 2026, 2027, and 2028 capital expenditure envelopes of $60.5 million, $58.4 million, and $51.1 million, respectively, are appropriate.

The IESO will, in the 2029-2031 Revenue Requirement Submission, provide enhanced reporting of annual results of its strategic initiatives which includes:

- the number of strategic initiatives included in the portfolio for each of the years 2026 to 2028;
- the identification of any project that deviated from schedule and budget in each year;
- an explanation of why such projects are not progressing against schedule and budget as planned; and
- a discussion of project lessons learned.

Evidence:

- E-1-1 Asset Management Process Overview

- E-1-2 Capital Expenditure Planning Process Overview
- E-2-1 Capital Budget Overview and Progress on Capital Projects
    - Attachment 1 – Capital Projects (Appendix 2-AA) (xlsx)
    - Attachment 2 – Facilities Maintenance Program
    - Attachment 3 – Supervisory Control and Data Acquisition/Energy Management System and Power System Stabilizer Upgrade
    - Attachment 4 – Network Upgrade Program
    - Attachment 5 – Dispatch Schedule Optimization and Settlement Mitigation Data Preparation Upgrade
    - Attachment 6 – Dispatch Data Management System and Market Power Information System Upgrade
    - Attachment 7 – Network Security Program
    - Attachment 8 – Project Charter for: Storage and Hybrid Integration
    - Attachment 9 – Project Charter for: ERP Distributed Energy Resources (DER) Integration Project
    - Attachment 10 – $1 Million - $4 Million Capital Project Updates
    - Attachment 11 – Material Capital Project Progress Updates
- E-3-1 Gross Assets and Amortization
    - Attachment 1 – Service Life Comparison and Amortization Expense (xlsx)

Interrogatories:

- H-1-AMPCO 5-9
    - H-1-AMPCO-9 Attachment 1 – MRP Closure Report - Market Renewal Program
    - H-1-AMPCO-9 Attachment 2 – MRP Executive Steering Committee _MRP Implementation Lessons Learned
- H-1-CCC 7
- H-1-CME-5
- H-1-EDA 17
- H-1-Energy Probe 8
- H-1-OEB Staff 10-12

- H-1-SEC-16
    - H-1-SEC 16 – Attachment 1 – Prioritize Projects Process Specification
    - H-1-SEC 16 – Attachment 2 – Manage Project Process Specification
    - H-1-SEC 16 – Attachment 3 – Monitor Project Portfolio
    - H-1-SEC 16 – Attachment 4 – Manage Project Process Model
- H-1-SEC-21
    - H-1-SEC 21 - Attachment 1 _Project Portfolio Delivery Audit Review
- H-1-SUP-4
    - H-1-SUP 4 - Attachment 1- Space Needs Program Phase 3 _Supporting Document (xlsx)
- H-1-VECC-11
    - H-1- VECC 11 Attachment 1 – Future@Work_Progress Report – June 12, 2026

2.0 Usage Fees

2.1 Is the methodology used to derive the IESO's proposed 2026 Usage Fees to be paid commencing January 1st, 2026 appropriate?

2.2 Is the methodology used to derive the IESO's proposed 2027 Usage Fees to be paid commencing January 1st, 2027 appropriate?

2.3 Is the methodology used to derive the IESO's proposed 2028 Usage Fees to be paid commencing January 1st, 2028 appropriate?

2.4 Is the IESO's proposal to charge or rebate the difference between the approved 2026 IESO Usage Fees and the interim fees following OEB approval in accordance with the Settlement Schedule and Payment Calendar posted by the IESO on its website appropriate?

2.5 Is the proposed January 1st, 2027 effective date for the IESO's 2027 Usage Fees appropriate?

2.6 Is the proposed January 1st, 2028 effective date for the IESO's 2028 Usage Fees appropriate?

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 18.9TWh;

- the 2027 Usage Fee will be calculated using a Domestic demand of 148.9 TWh and an Export demand of 13.9TWh; and
- the 2028 Usage Fee will be calculated using a Domestic demand of 154.3 TWh and an Export demand of 14.1 TWh.

The agreed Domestic demand volume is based on the volumes in the response to H-2-STAFF-1 c) and d) and updated attachments to Exhibit I-1-1 that will be filed concurrent to this Settlement Proposal (Exhibit I-1-1 Attachment 1 IESO _2026 Cost Allocation Model_Settlement Proposal, Exhibit I-1-1 Attachment 2 IESO _2027 Cost Allocation Model_Settlement Proposal and Exhibit I-1-1 Attachment 3 IESO _2028 Cost Allocation Model_Settlement Proposal).

The agreed Export demand volume is to be used exclusively for the calculation of the Usage Fees, and it is not intended to represent an update to the filed export forecast in response to H-2-STAFF-1.

The updated IESO Domestic and Export Usage Fees, calculated in accordance with the Cost Allocation Methodology as described in Exhibit C-1-1, are shown below in an updated version of Table 4 from Exhibit C-2-1:

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

The IESO will review the Forecast Accuracy Reports prepared by the Australian Energy Market Operator (**AEMO**) and undertake a jurisdictional scan on forecast accuracy frameworks and performance metrics. In the 2029-2031 Revenue Requirement Submission, the IESO will present its findings and recommendations for an Ontario forecast accuracy framework and performance metrics informed by the review, highlight elements of comparability, and describe the rationale for elements that are not recommended to be implemented in Ontario. The review and recommendations will be developed through an IESO stakeholder engagement process beginning in Q1 2027. Before finalizing the recommendations, the IESO will publish feedback received from the engagement process.

The IESO will procure a consultant to review the IESO's export forecast methodology. As part of the IESO's 2029-2031 Revenue Requirement Submission, the IESO will file the results of the consultant's review and detail the methodology that the IESO has selected for the next rate period.

The Parties agree that the IESO's proposal to charge (or rebate) market participants the difference between the approved 2026 IESO Usage Fees and the interim fees they paid, following OEB approval in accordance with the IESO's published Settlement Schedule and Payment Calendar, the proposed January 1, 2027 effective date for the IESO's 2027 Usage Fees, and the proposed January 1, 2028 effective date for the IESO's 2028 Usage Fees, are all appropriate.

Evidence:

- C-1-1 Revenue Requirement and Usage Fee Methodology
- C-2-1 2026-2028 Revenue Requirements and Usage Fees
    - Attachment 1 – Actual Load and Forecast Volumes (xlsx)

Interrogatories:

- H-2-CCC-1
- H-2-HQEM-1
- H-2-STAFF-1-3
    - Attachment 1, 2026-2028 Cost Allocation Model_2026 (xlsx)
    - Attachment 2, 2026-2028 Cost Allocation Model_2027 (xlsx)
    - Attachment 3, 2026-2028 Cost Allocation Model_2028 (xlsx)
    - Attachment 4_2026-2028 Cost Allocation Model_2026_Actuals to June2026 (xlsx)
- H-1-PWU-1
- H-2-SEC-22
- H-1-EDA 13-14

3.0 Other Fees

3.1 Is the IESO's proposal to charge organizations an Application Fee of $2,000 to process a market registration application to participate in the IESO-administered markets appropriate?

3.2 Is the IESO's proposal to charge proponents a Registration Fee of up to $2,000 to participate in an Electricity Service Procurement and Program appropriate?

3.3 Is the IESO's proposal to charge proponents a Submission Fee for Electricity Service Procurement and Programs of up to $25,000 to

evaluate and process a submission in response to a Request for Qualification (RFQ), Request for Proposals (RFP), or other solicitation in an Electricity Service Procurement and Program appropriate?

3.4 Is the IESO's proposal to charge proponents a System Impact Assessment Fee at an hourly rate of $190/hr to assess the impact of a new or modified connection to the IESO controlled grid appropriate?

3.5 Is the IESO's proposal to charge proponents an Expedited System Impact Assessment Fees at an hourly rate of $190/ hr to assess the impact of a new or modified connection to the IESO controlled grid appropriate?

3.6 Is the IESO's proposal to charge proponents a Technical Feasibility Study Fee at an hourly rate of $190/hour for activities of $190/ hr to assess the impact of a new or modified connection to the IESO controlled grid appropriate?

3.7 Is the IESO's proposal to charge proponents a Reliable Integration Fee at an hourly rate of $190/hour for activities the IESO undertakes to reliably integrate new or modified facilities to the IESO-Controlled Grid appropriate?

3.8 Is the IESO's proposal to charge proponents a Transmission Registration Fee of $2,000 per registration, payable every 24 months from the original registration date to review, process and maintain applications to the Transmission Procurement Registry appropriate?

3.9 Is the IESO's proposal to charge a Transmission Procurement Submission Fee of $100,000 for transmission projects with an estimated capital cost of less than $500 million, $150,000 for transmission projects with an estimated capital cost of $500 million to less than $1 billion and $200,000 for transmission projects with an estimated capital cost of $1 billion or greater to evaluate submissions appropriate?

3.10 Is the IESO's proposal to charge participants Training Fees of $180 per person from January 1, 2027 to December 31, 2027, and $225 per person as of January 1, 2028 for half day public courses, $420 per person from January 1, 2027 to December 31, 2027, and $525 per person as of January 1, 2028 for full day public courses, and $900 per course from January 1, 2027 to December 31, 2027, and $1,125 per course as of January 1, 2028 for half day private courses and $1,800 per course from January 1, 2027 to December 31, 2027, and $2,250 per course as of January 1, 2028 for full day private courses appropriate?

The Parties agree that the IESO's cost-recovery fees are appropriate as proposed.

Evidence:

- C-3-1 Funding Sources
    - Attachment 1 – Funding Sources (xlsx)
    - Attachment 2 – Connection Assessment and Reliable Integration Activities Fees
    - Attachment 3 – Electricity Service Procurements and Programs Fees
    - Attachment 4 – Transmission Registration and Procurement Submission Fees
    - Attachment 5 – Application Fee
    - Attachment 6 – Training Fees

Interrogatories:

- H-3-CCC-2
- H-3-EDA-11-12
- H-3-Energy Probe-9-14
    - H-3-Energy Probe-14 - Attachment 1 - Employee Learning Catalogue 2024-2025
    - H-3-Energy Probe-14 -Attachment 2 - Employee Learning Catalogue 2026
- H-3-STAFF-1
- H-3-VECC-4-6

4.0 Operating Reserve

4.1 Is the IESO's proposal for a proposed Operating Reserve of $30 million in the Forecast Variance Deferral Account (FVDA) appropriate?

The Parties agree that the IESO's proposed operating reserve of $30 million in the FVDA is appropriate with the addition of 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 reserve balance in the FVDA to $15 million.

Evidence:

- F-1-1 Operating Reserve and Forecast Variance Deferral Account

Interrogatories:

- H-4-AMPCO-10
- H-4-Energy Probe 15
- H-4-STAFF-1

5.0 Commitments from Past OEB Decisions

5.1 Has the IESO responded appropriately to outstanding OEB directions from previous proceedings?

The Parties agree that the IESO has responded appropriately to OEB directions from previous proceedings and that the IESO will continue to fulfill the following commitments:

(a) The IESO will continue to publish its Interim Year Business Outlooks for 2026 and 2027 fiscal years on its website after they are approved by the Minister.

(b) The Interim Year Business Outlook will continue to include reporting on the progress on the energy transformation which includes the IESO's response to any changes to government policy, a description of any significant variances in the budgeted/planned operating and capital amounts in the 2026-2028 Business Plan including identification of any unplanned material operating or capital budget increases over the 2026-2028 period and information on the trajectory of these "cumulative" initiatives and a clear indication of year over year changes to that trajectory.

(c) The IESO will continue to work towards making additional market and planning data available and will detail in the 2029-2031 Revenue Requirement Submission the additional data that it has made available since the filing of the 2026-2028 Revenue Requirement Submission.

(d) The IESO will continue to post on its website an up-to-date end of year Hydrogen Innovation Fund Portfolio Report for the 2026 to 2028 period.

(e) The IESO will continue to undertake a third-party evaluation of the Grid Innovation Fund every two years and will publish those evaluations publicly soon after each is completed.

(f) The IESO will continue to provide details of internal audit reports for the 2026 to 2028 period in its next Revenue Requirement Submission formatted as per Exhibit G-1-1, Attachment 11.

(g) The IESO will continue to post the reporting requirements from its Revenue

Requirement Submission on a single webpage on the IESO's website for the 2026 to 2028 period.

(h) The IESO will continue to publish the regulatory scorecard 60 days after the end of each year for the 2026 to 2028 period with the following modifications to the proposed scorecard in Exhibit G-2-1, Attachment 1:

- The IESO will remove the following measures from the regulatory scorecard (identified by Performance Category – Measure):
  - Operational Effectiveness (Planning): Publish an Enhanced Regional Planning Dashboard
  - Operational Effectiveness (Planning): Plans in place to ensure that resource adequacy reliability standards are met for the next five years
  - Operational Effectiveness (Contract Management): Resources required for contract management
- The IESO will add a new measure for Operational Effectiveness (Strategic Initiatives) with performance targets that measure the progress of strategic initiatives against approved schedule and budget, similar to the Strategic Initiatives measure in the Corporate Performance Measures and Targets Scorecard Exhibit A-2-2 Attachment 1, Ref#9.

(i) In the 2029-2031 Revenue Requirement Submission, the IESO will propose for inclusion in the regulatory scorecard:

- a new planning-related measure for Operational Effectiveness (Planning); and
- a new measure of the IESO's performance related to procurements under its resource adequacy framework.

Evidence:

- G-1-1 Summary of Responses to OEB Decisions
  - Attachment 1 – Elenchus IESO - OM&A Work Program Review
  - Attachment 2 – Forecast and Historic Spending on a Major Activity and Initiative Basis
  - Attachment 3 – 3-year Roadmap Related to the Transformation of the Energy Sector
  - Attachment 4 – Increased Participation in Stakeholder Engagement

Activities

- Attachment 5 – IESO External Relations Engagement Framework
- Attachment 6 – Nominations to Strategic Advisory Committee
- Attachment 7 – London Economics Canada Limited Review of IESO's Cost Allocation Methodology
- Attachment 8 – Annual Status Report on 2017 Auditor General Report Recommendations
- Attachment 9 – Reliable Integration Fee Aggregated Data
- Attachment 10 – Internal Audit Recommendations and Management Response
- Attachment 11 – Details of Internal Audit Reports
- Attachment 12 – Market Renewal Program Full Time Equivalents

- G-2-1 IESO 2026-2028 Regulatory Scorecard
  - Attachment 1 – IESO 2026-2028 Regulatory Scorecard (xlsx)

Interrogatories:

- H-5-SEC 23-25
- H-5-VECC 12-13

SCHEDULE B

DECISION AND ORDER

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

LIST OF IESO COMMITMENTS

EB-2026-0142

NOVEMBER 3, 2026

The following list of commitments is provided for ease of reference and it is not part of the Settlement Proposal. In the event of any conflict between this summary and the Settlement Proposal, attached as Schedule B, the Settlement Proposal prevails.

Issue	Area	Commitment
1.1/1.2/1.3	Revenue Requirement	In the 2029-2031 Revenue Requirement Submission, in addition to reporting its historical and forecast spending by Business Unit in Appendix 2-JC, the IESO will present forecast and historic spending using the work program format proposed in the Elenchus report included as Exhibit G-1-1, Attachment 1.
1.1/1.2/1.3	Revenue Requirement	In the 2029-2031 Revenue Requirement Submission, the IESO will provide a 3-year view on IESO initiatives that are transforming the electricity sector in Ontario using a similar format to Exhibit G-1-1 Attachment 3, that includes initiative objectives, deliverables, scope, timeline, cost, and resources.
1.1/1.2/1.3	Revenue Requirement	The IESO will initiate a stakeholder engagement by Q1 2027 to review the timing and nature of IESO communications with respect to material market events.
1.1/1.2/1.3	Revenue Requirement	The IESO will implement annual reporting for the 2026 to 2028 period on the Enabling Resources Plan (ERP) that will include a comparison of actual costs to budget and schedule and include an explanation of any variances. The report will be published on the IESO website.
1.1/1.2/1.3	Revenue Requirement	For the 2026 to 2028 period, the IESO shall annually prepare a report on the previous years actuals compared to the OEB-approved/Business Plan amounts with respect to Total Expenses, Operating Deficit/Surplus, Operating Reserve, Total Capital, FTEs, and Performance Metric Results. The report will include an explanation of any material variances and emerging priorities. The IESO will file the report with the OEB and publish a copy on the IESO's website.
1.4/1.5/1.6	Staffing and Compensation	For the 2029-2031 Revenue Requirement Submission, the IESO will file a total compensation study that will compare IESO compensation to Filed: August 28, 2026, EB-2026-0142, Exhibit I-1-1, Page 10 of 20 public and

Issue	Area	Commitment
		private sector benchmark groups in both the energy and non-energy sectors and will separately report the results for each of these four comparator groups.
1.4/1.5/1.6	Staffing and Compensation	For the 2029-2031 Revenue Requirement Submission, the IESO will report on the progress of actions taken to make progress towards meeting the 50th percentile for total compensation.
1.4/1.5/1.6	Staffing and Compensation	For the 2029-2031 Revenue Requirement Submission, the IESO will include a forward-looking itemized plan identifying how the IESO proposes to continue to make progress towards reaching the 50th percentile for total compensation including incremental steps taken or planned to be taken, and that includes forecast timelines for the actions identified in the itemized plan.
1.4/1.5/1.6	Staffing and Compensation	The IESO will include management bargaining mandate to work towards a 50:50 employee-employer pension and other post-employment benefits contribution ratio for upcoming collective agreement negotiations with represented employees.
1.4/1.5/1.6	Staffing and Compensation	The IESO will continue to work towards a 50:50 employee-employer pension and other post-employment benefits contribution ratio for management employees.
1.7/1.8/1.9	Capital Expenditure	The IESO will provide enhanced reporting of annual results of strategic initiatives in the 2029-2031 Revenue Requirement Submission.
All of 2.0	Usage Fees	The IESO will review the Forecast Accuracy Reports prepared by the Australian Energy Market Operator (AEMO) and undertake a jurisdictional scan on forecast accuracy frameworks and performance metrics. In the 2029-2031 Revenue Requirement Submission, the IESO will present its findings and recommendations for an Ontario forecast accuracy framework and performance metrics informed by the review.
All of 2.0	Usage Fees	The IESO will procure a consultant to review the IESO's export forecast methodology. As part of the IESO's 2029-2031 Revenue Requirement Submission, the

Issue	Area	Commitment
		IESO will file the results of the consultant's review and detail the methodology that the IESO has selected for the next rate period.
4.1	Operating Reserve	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 reserve balance in the FVDA to $15 million.
5.1	Past OEB Commitments	The IESO will continue to publish its Interim Year Business Outlooks for 2026 and 2027 fiscal years on its website after they are approved by the Minister.
5.1	Past OEB Commitments	The Interim Year Business Outlook will continue to include reporting on the progress on the energy transformation.
5.1	Past OEB Commitments	The IESO will continue to work towards making additional market and planning data available and will detail in the 2029-2031 Revenue Requirement Submission the additional data that it has made available since the filing of the 2026-2028 Revenue Requirement Submission.
5.1	Past OEB Commitments	The IESO will continue to post on its website an up-to-date end of year Hydrogen Innovation Fund Portfolio Report for the 2026 to 2028 period.
5.1	Past OEB Commitments	The IESO will continue to undertake a third-party evaluation of the Grid Innovation Fund every two years and will publish those evaluations publicly soon after each is completed.
5.1	Past OEB Commitments	The IESO will continue to provide details of internal audit reports for the 2026 to 2028 period in its next Revenue Requirement Submission formatted as per Exhibit G-1-1, Attachment 11.
5.1	Past OEB Commitments	The IESO will continue to post the reporting requirements from its Revenue Requirement Submission on a single webpage on the IESO's website for the 2026 to 2028 period.
5.1	Past OEB Commitments	The IESO will continue to publish the regulatory scorecard 60 days after the end of each year for the

Issue	Area	Commitment
		2026 to 2028 period with the following modifications to the proposed scorecard in Exhibit G-2-1, Attachment 1.
5.1	Past OEB Commitments	In the 2029-2031 Revenue Requirement Submission, the IESO will propose for inclusion in the regulatory scorecard a new planning-related measure for Operational Effectiveness (Planning).
5.1	Past OEB Commitments	In the 2029-2031 Revenue Requirement Submission, the IESO will propose for inclusion in the regulatory scorecard a new measure of the IESO's performance related to procurements under its resource adequacy framework.