

IESO BUSINESS PLAN and 2016 REVENUE REQUIREMENT UPDATE

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The Business Plan

Approved by the Minister in December, key items include:

- A net revenue requirement of \$181.1M, compared to \$190.2M in 2014
- A usage fee of \$1.13/MWh compared to \$1.24/MWh currently
- Charging one fee to all customers rather than the two fees currently charged to different bases
- 724 FTEs in 2016 compared to 730 in 2015 and 765 in 2014
- Merger savings of over \$5 million in 2015, and targeted savings of more than \$10 million by 2018

The 2016 Revenue Requirement Submission

- The RRS was filed with the OEB on January 19
- Supports the Business Plan and includes:
 - A cost allocation report on charging one fee to all customers
 - How the IESO proposes to treat merger costs incurred in 2014
 - Risks the IESO faces

Proposal to Have One Usage Fee

- The IESO has proposed to move to a single IESO usage fee to be charged to all market participants based on energy withdrawn from the IESO-controlled grid
 - OPA fee is based on “net” withdrawals; charged only to allocated quantity of energy withdrawn (AQEW)
 - IESO fee is based on “gross” withdrawals: AQEW + scheduled quantity of energy withdrawn (SQEW) + embedded generation (EG)
- IESO is proposing one fee charged to “gross” withdrawals: AQEW + SQEW + EG

Proposal to Have One Usage Fee

- The IESO believes that as both domestic and export classes of customers benefit from the work that the IESO carries out, both should pay for the work performed by the IESO
- Elenchus was hired to prepare a cost allocation study on this proposal
 - Elenchus's report determined that charging one IESO fee is reasonable and fair
- The IESO believes that as a result of the Legislatively-mandated merger and resulting scope of work for the IESO, as well as the evidentiary support provided in the Elenchus report, its proposal to charge one fee to all customers is fair and reasonable

Proposal for Treatment of Merger Costs

- IESO and OPA incurred \$10.9 million in costs in 2014 to enable the merger to take place

2014 Amalgamation Costs (\$s Millions)			
	OPA	IESO	Total
Labour	5.0	2.8	7.8
Contract services and consultants	0.6	0.8	1.4
Other	-	1.7	1.7
Sub-total	5.6	5.3	10.9

- The IESO proposes to fund the OPA's 2014 merger costs of \$5.6 million through registration fees collected from OPA procurements and operating surplus in 2014
- IESO proposes to fund the IESO's 2014 merger costs of \$5.3 million through the IESO's accumulated operating surplus at the end of 2014

RRS – Next Steps

- File update with audited financial information on March 31
- IESO has proposed that a written hearing begin after the update is filed
- Notice has not yet been issued