

ONTARIO ENERGY BOARD

IN THE MATTER OF sections 18 and 19 of the *Electricity Act, 1998*;

AND IN THE MATTER OF a Submission by the Independent Electricity System Operator to the Ontario Energy Board for the review of its proposed expenditure and revenue requirements and the fees which it proposes to charge for the year 2010 in connection with the IESO-controlled grid and IESO-administered markets.

SUBMISSION FOR REVIEW

1. On September 11, 2009, the Board of Directors of the Independent Electricity System Operator (respectively the "IESO Board" and the "IESO") approved the 2010 - 2012 Business Plan for the IESO (the "Business Plan").
2. On October 1, 2009, the IESO submitted the Business Plan to the Minister of Energy and Infrastructure for approval pursuant to section 19.1 of the *Electricity Act, 1998* (the "Act") and on October 23, 2010, the Business Plan for the fiscal year 2010 was deemed approved pursuant to section 19.1(3) of the Act.
3. The IESO hereby submits its proposed expenditure and revenue requirements and proposed fees for 2010 to the Board for review and approval pursuant to section 19(1) of the Act.
4. Under section 19(2) of the Act, the IESO is seeking the following approvals from the Board:
 - Approval of its proposed 2010 revenue requirement of \$122.8 million;

- Approval of its proposed 2010 capital expenditure envelope of \$21.6 million for capital plans;
- Approval for the continuation of the \$1,000.00 application fee; and
- Approval of a usage fee of \$0.822/MWh to be paid commencing January 1, 2010. The IESO usage fee is paid by all market participants on energy withdrawn from the IESO controlled grid (including scheduled exports). If necessary, pending approval, the IESO proposes to continue to charge the 2009 usage fee (\$0.822/MWh) to market participants from January 1, 2010 until the end of the month in which Board approval is received for the 2010 usage fee, and seeks authorization to charge (or rebate to) market participants the difference between the 2009 and 2010 usage fee, if any, based on their proportionate quantity of energy withdrawn (including scheduled exports) for that period, directing such charges (or rebates) to market participants in the next billing cycle following the month in which that approval is received.

5. In conjunction with these approvals, the IESO is also seeking authorization to rebate, in 2010, the amount of any accumulated surplus from the 2009 fiscal year remaining in its deferral account in excess of \$5.0 million (the IESO is forecasting a small deficit for 2009 of \$0.3 million and so no rebate in respect of the 2009 year is anticipated). The IESO is also seeking authorization to rebate, in 2011, the amount of any accumulated surplus from the fiscal 2010 year remaining in its deferral account in excess of \$5.0 million. The foregoing surpluses, if any, will be rebated to market participants based on each market participant's proportionate quantity of energy withdrawn from the IESO controlled grid (including scheduled exports) for 2009 and

2010 respectively. The IESO is seeking approval to refund the final amounts based on the IESO's audited financial statements as approved by the IESO Board for the fiscal years 2009 and 2010, and to direct the rebate to market participants in the next billing cycle following the months in which the 2009 and 2010 financial statements are approved.

6. Smart Metering Entity ("SME") costs, including both IESO internal and contracted expenses, will be recovered through a separate regulatory mechanism from the IESO usage fee that is charged to wholesale market participants. The IESO is therefore not seeking to recover any costs relating to performing its role as the SME in this proceeding.

7. The IESO is not proposing an increase in its volume-based usage fee from 2009 levels, despite lower revenues due to a forecast reduction in electricity demand and changes in workload resulting from the *Green Energy and Green Economy Act*. The IESO has also implemented a new organizational structure that will better and more efficiently position the IESO to deliver on its core responsibilities in the changing electricity sector.

8. The Business Plan sets out the strategic business objectives and priorities for the IESO over the planning period, including:

- Delivering safe and reliable electricity service and supply;
- Adapting and designing new tools, processes and capabilities to maintain reliability in response to fundamental changes to the power system, including the addition of distributed and intermittent energy sources, the

incorporation of smart grid technologies, the expansion of conservation and demand management initiatives and the continued reduction in the use of coal;

- Developing internal tools, processes and capabilities to facilitate the implementation of the *Green Energy and Green Economy Act*;
- Re-prioritizing and re-organizing internal staff levels and processes, as may be necessary, to efficiently meet the IESO's evolving objectives; and
- Promoting more effective relationships with customers and stakeholders.

9. The Business Plan identifies the opportunities and challenges that lie ahead and the initiatives the IESO has planned to meet these opportunities and challenges and further its strategic objectives.

10. Supporting this Submission is the IESO's pre-filed evidence which includes:

- i) The Business Plan;
- ii) The IESO's letter to the Minister of Energy and Infrastructure, dated October 30, 2009,;
- iii) Supplemental financial information on projected 2009 financial results and the financial outlook for 2010-2012;
- iv) Methodology for calculating the 2010 usage fee and process for rebating revenue surpluses; and
- v) Status reports on the Enhanced Day-Ahead Commitment project and the IESO's Asset Backed Commercial Paper investments.

The IESO may amend its pre-filed evidence from time to time, prior to and during the course of the Board's proceeding. In particular, should the IESO identify a material change to its 2010 fees Submission the IESO will update its pre-filed evidence and may also amend its Submission to update the requested usage fee. Furthermore, the IESO may seek to have additional meetings with Board Staff and intervenors in order to identify and address any further issues arising from this Submission, with a view to an early settlement and disposition of this proceeding.

11. The IESO proposes the following title for this proceeding: *Independent Electricity System Operator Fiscal Year 2010 Fees Submission for Review*.

12. The persons affected by this Submission are all market participants as defined in Chapter 2, section 2.1.1 of the *Market Rules for the Ontario Electricity Market*, who participate in the electricity markets administered by the IESO. The IESO communicates regularly with its participants by way of the IESO's website and e-mail. Consistent with the means of notification requested and approved by the Board for the 2008 and 2009 fee Submissions, the IESO proposes that notice of this application be given by the following means:

- i) Posting this application, including the pre-filed evidence on the IESO's website on the "Regulatory Affairs" pages;
- ii) Posting an announcement, in English and French, on the "Participant News" page, which will be e-mailed to all market participants and interested parties who are registered to receive IESO news and other communiqués; and
- iii) Delivering a copy of this Submission, including the pre-filed evidence to all registered observers and intervenors in the IESO's 2008 and 2009 Fees Submission for Review.

13. The IESO requests that a copy of all documents filed with the Board by each party to this proceeding be served on the IESO and the IESO's counsel in this proceeding, as follows:

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DATED at Toronto, Ontario, this 2nd day of November, 2009.

INDEPENDENT ELECTRICITY SYSTEM
OPERATOR.



By its counsel in this proceeding
Glenn Zacher