

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 2009 in connection with the IESO-controlled grid and IESO-administered market.

SUBMISSION FOR REVIEW

1. On September 5, 2008, the Board of Directors of the Independent Electricity System Operator (respectively the "IESO Board" and the "IESO") approved the 2009 - 2011 Business Plan for the IESO (the "Business Plan"). In the Business Plan, the IESO established its revenue requirement for 2009 at \$130.3 million and proposed to charge a usage fee of \$0.822/MWh.
2. The proposed usage fee represents a small increase of approximately 3 percent from the current level of usage fee charged by the IESO of \$0.799/MWh. The proposed increase in the usage fee, which is volume-based, reflects a lower demand forecast of approximately 8 percent as a result of anticipated increases in conservation and distributed generation, curtailment of coal-fired generation and economic conditions. The IESO is also projecting an estimated rebate to market participants of \$0.3 million from the accumulated surplus in the deferral account as of the end of fiscal year 2008.
3. 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.

4. The Business Plan sets out the strategic business objectives and priorities for the IESO, and identifies the opportunities and plan of action over the planning period. In summary, the IESO's strategic business objectives and priorities include:

- Delivering reliable electricity service and supply;
- Delivering competitively-priced electricity service through continued advancements to the current hybrid market structure;
- Delivering sustainable electricity service through balancing the economic, environmental and social impacts of IESO operations;
- Providing value in the IESO's services and products;
- Responding to the needs and concerns of stakeholders; and
- Earning the trust of all stakeholders as a just administrator and capable advisor.

5. As highlighted in the Business Plan, the IESO was successful in meeting its strategic business priorities in 2008. Among other things:

- The IESO oversaw the continued reliable operation of Ontario's integrated power system. NERC's September 2008 audit found the IESO fully compliant with 38 key electricity reliability standards and 168 reliability requirements;
- The IESO continued to provide its wide range of products and services and did so at a reduced cost and with a stable headcount;

- Following extensive consultation with stakeholders, including a detailed cost-benefit analysis and review of alternatives, the IESO Board approved an enhanced day-ahead commitment ("EDAC") process. With the IESO Board decision, the IESO will now proceed with stakeholders to finalize the design details and work towards implementation;
 - Following on Ontario's Smart Metering Initiative, the IESO launched the Smart Grid Forum, bringing together eleven prominent members of Ontario's electricity sector to stimulate broad-based industry dialogue aimed at developing a vision for a provincial smart grid. The goal of a smart grid is to use advanced information-based technologies to increase grid efficiency, reliability and flexibility;
 - In July, the IESO launched a day-ahead price forecast which provides a forecast of the next day's hourly electricity prices to assist consumers and generators to strategically plan their operations and effectively respond to price changes; and
 - In the Bruce to Milton transmission hearing before the Ontario Energy Board ("Board"), the IESO provided input during all aspects of the proceeding including the development of written evidence and interrogatory responses and in the oral hearing. Ultimately the Board approved the application for leave to construct the 500 kV transmission line.
6. The Business Plan identifies the opportunities that lie ahead and the initiatives the IESO has planned to meet these opportunities and further its strategic objectives. As is detailed in the evidence submitted in support of this application, stakeholders

have been actively involved in consultation with the IESO regarding the development and approval, by the IESO Board, of the Business Plan.

7. In accordance with section 19.1 (1) of the *Electricity Act, 1998* (the "Act"), by letter dated September 30, 2008, the IESO submitted its proposed Business Plan for fiscal year 2009 to the Minister of Energy and Infrastructure for approval, and pursuant to section 19.1(2) of the *Act*, by letter dated October 22, 2008, the Minister approved the IESO's proposed Business Plan.

8. The IESO hereby submits its proposed expenditure and revenue requirements and proposed fees for 2009 to the Board for review and approval pursuant to section 19(1) of the Act.

9. Under section 19(2) of the Act, the IESO is seeking the following approvals from the Board:

- Approval of its proposed 2009 revenue requirements of \$130.3 million;
- Approval of its proposed 2009 capital expenditure envelope of \$22.9 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, 2009. The IESO usage fee is paid by all market participants on energy withdrawn from the IESO controlled grid including all scheduled exports. If necessary, pending approval, the IESO proposes to continue to charge the 2008 usage fee (\$0.799/MWh) to market participants from January 1, 2009 until the end of the month in which Board approval is received for the 2009 usage fee, and seeks authorization to charge market participants

the difference between the 2008 and 2009 usage fee based on their allocated quantity of energy withdrawn for that period, directing such charges to market participants in the next billing cycle following the month in which that approval is received.

10. In conjunction with these approvals, and pursuant to past treatment of accumulated operating surpluses approved by the Board in previous IESO fees submission proceedings, the IESO is also seeking authorization to rebate, in 2009, the amount of the accumulated surplus in its deferral account in excess of \$5.0 million. The accumulated surplus is forecast to be \$0.3 million (total accumulated surplus is forecast at \$5.3 million) as of the end of the fiscal year 2008 and it will be rebated to market participants based on each market participant's allocated quantity of energy withdrawn in 2008. The IESO is seeking approval to refund the final amount based on the IESO's audited financial statements as approved by the IESO Board for the fiscal year 2008, and to direct the rebate to market participants in the next billing cycle following the month in which the 2008 financial statements are approved.

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

- i) The 2009 - 2011 Business Plan;
- ii) The IESO's letter to the Minister of Energy and Infrastructure, dated September 30, 2008, and the letter from the Minister of Energy and Infrastructure, dated October 22, 2008 approving the IESO's 2009 - 2011 Business Plan;
- iii) An overview of the stakeholding of the Business Plan and related documents; and
- iv) Status reports and related documents on three matters addressed by the Board in the IESO 2008 Fee Submission proceeding, namely, the Day-

Ahead Market, Asset Backed Commercial Paper and Separation of SME Costs.

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 2009 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.

12. The IESO proposes the following title for this proceeding: *Independent Electricity System Operator Fiscal Year 2009 Fees Submission for Review*.

13. 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 fee Submission, 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 at the "Regulatory Affairs" pages;
- (ii) Posting an announcement, in English and French, on the "Participant News" page, which will be automatically 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 2007 and 2008 Fees Submission for Review.

14. 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 27th day of October, 2008.

INDEPENDENT ELECTRICITY SYSTEM
OPERATOR.


By its counsel in this proceeding
Glenn Zacher