

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Accounting and Financial Reporting for) **Docket No. RM04-12-000**
Public Utilities Including RTOs)

**COMMENTS OF
THE (ONTARIO) INDEPENDENT ELECTRICITY SYSTEM OPERATOR
ON
NOTICE OF PROPOSED RULEMAKING**

The Independent Electricity System Operator of Ontario (“IESO”) hereby submits comments in response to the Notice of Proposed Rulemaking (“NOPR”) issued in this proceeding on June 2, 2005.¹ The IESO is a member of the ISO/RTO Council (“IRC”) and a signatory to comments submitted by the IRC to this proceeding.² The present comments give an Ontario perspective on certain aspects of the NOPR, supplementing the IRC submission.

I. Description of the Ontario Independent Electricity System Operator

On January 1, 2005 the IESO replaced and assumed the operating authorities and responsibilities of the Ontario Independent Market Operator (“IMO”), which was created in 1999 as part of Ontario’s restructuring of its electricity sector, as a not-for-profit corporation without share capital established pursuant to the Ontario *Electricity Act, 1998*.

¹ *Accounting and Financial Reporting for Public Utilities Including RTOs*, Docket No. RM04-12-000, Notice of Proposed Rulemaking, 111 FERC ¶ 61,352 (June 2, 2005).

² The nine functioning Independent System Operators (“ISOs”) and Regional Transmission Organizations (“RTOs”) in North America formed the IRC in April 2003. The IRC’s mission is to work collaboratively to develop effective processes, tools and standard methods for improving competitive electricity markets across North America. In fulfilling this mission, it is the IRC’s goal to provide a perspective that balances reliability standards with market practices so that each complements the other, thereby resulting in efficient, robust markets that provide competitive and reliable service to customers.

The IESO is the NERC Reliability Coordinator and Control Area operator in Ontario, and directs the operation and maintains the reliability of the IESO-controlled electric power grid.

The IESO is the organization in Ontario responsible for establishing and administering wholesale markets and directing the operation of the integrated power system. Its responsibilities include a broad range of integrated operations, from operations planning, security assessment and scheduling, to real time coordination of the power system. The IESO-controlled electric power grid is interconnected with grids in two provinces and three states.

The IESO is subject to regulation by the Ontario Energy Board (OEB), i.e., it is not subject to Commission jurisdiction. Nevertheless, it is a member of the ISO/RTO Council ("IRC") and a signatory to comments submitted by the IRC to this proceeding, reflecting the fact that electricity markets must operate effectively across international borders and regulatory jurisdictions.

II. Comments

The NOPR proposes to amend and update the Commission's regulations concerning accounting requirements for public utilities subject to Commission jurisdiction under the Federal Power Act. In particular, the NOPR proposes to establish uniform accounts that will allow for a better identification and comparison of costs amongst entities providing transmission service. The IESO supports this goal of the Commission and we note that the Ontario regulator, the Ontario Energy Board (OEB) has recognized that the IESO's participation in such initiative would facilitate cost comparisons of the IESO with other ISOs/RTOs.³

³ See, for example, the OEB in its Decision in EB-2004-0477, In The Matter Of An Application By The Independent Electricity System Operator, at p. 23: "The Board is persuaded by the arguments of the applicant that the current cost comparison exercise unfolding under the aegis of the FERC is the best way to make meaningful benchmarking comparisons with other system

(continued...)

The IESO has brief comments respecting regulatory and billing aspects of the NOPR. The IESO uses a system of accounts that differs from the Uniform System of Accounts given in the NOPR; however, the two sets of accounts can be mapped to each other. The IESO will submit to its regulator, the OEB, a breakdown of its proposed budget on the basis given in the NOPR and any comparable breakdowns made available by ISOs/RTOs, as part of the IESO's submission for its annual rate review. The IESO's view is that such an annual public review of its costs, on a basis comparable with those of similar organizations in other jurisdictions, will lead to meaningful cost comparisons.

The IESO, however, does not see the need or desirability, in Ontario at least, of reflecting the new cost breakdowns into its billing system. The annual public review provides an effective, cost effective, and sufficient means for the review of the cost comparisons. Billing system changes are potentially costly, and would not be undertaken without stakeholder and regulatory review of the costs and benefits. We note finally that additional information provided on a bill has the potential to confuse as well as to edify.

operators. Therefore the Board directs the IESO to file the information compiled in accordance with the FERC process when that process is complete." The Decision is at http://www.oeb.gov.on.ca/documents/press_release_ieso_decision_240505.pdf.

Respectfully submitted,

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