

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 2006.

SUBMISSION FOR REVIEW

1. On September 23, 2005 the Board of Directors of the Independent Electricity System Operator (the "IESO") approved the 2006 - 2008 Business Plan for the IESO (the "Business Plan"). In the Business Plan the IESO established its revenue requirement for 2006 at \$147.8 million and proposed to charge a usage fee of \$0.909/MWh. This proposed usage fee is a reduction of five cents per MWh from the current level of usage fee charged by the IESO of \$0.959/MWh. The IESO is also projecting an estimated rebate to market participants of \$8.9 million from the accumulated surplus in the deferral account as at the end of fiscal year 2005.

2. The Business Plan also sets the IESO's key business objectives which centre on our responsibilities for the continued reliability of the Ontario power system. Over this past summer the IESO faced numerous challenges in maintaining power system reliability - including record demand, limited hydroelectric resources, environmental restrictions, transmission constraints and the repeated failures of the import transactions necessary to achieve the reliable service for Ontario. Clearly this is a situation that the IESO does not want repeated, and the Business Plan proposes to address the reliability issues that arose during 2005 in advance of the summer of 2006.

The costs to address these reliability issues are included in the planned OM&A expenses for 2006.

3. Pursuant to section 19.1 of the *Electricity Act, 1998* (the "Act"), by letter dated September 30, 2005, the IESO submitted its proposed Business Plan for fiscal year 2006 to the Minister of Energy for approval. By letter dated October 21, 2005, the Minister of Energy gave approval for the IESO to submit its proposed expenditure and revenue requirements for 2006 and the fees the IESO proposes to charge during 2006 to the Ontario Energy board (the "OEB") for review.

4. Pursuant to the Settlement Agreement for the IESO's 2005 Fees Submission for Review as accepted by the Board on March 18, 2005, the IESO will rebate in 2006 the amount in excess of \$5.0 million of the accumulated surplus in the deferral account, which is forecasted at \$8.9 million (total accumulated surplus is forecast at \$13.9 million) as at the end of the fiscal year 2005 to market participants based on the market participant allocated quantity of energy withdrawn in 2005. The IESO will refund the final amount based on the IESO's audited financial statements as approved by the IESO Board of Directors for the fiscal year 2005, directing the rebate to market participants in the next billing cycle following the month in which the 2005 financial statements are approved.

5. The IESO hereby submits to the OEB its proposed expenditure and revenue requirements and proposed fees for 2006 for review and approval pursuant to section 19(1) of the Act.

6. Pursuant to section 19(2) of the Act, the IESO is seeking the following approvals from the OEB:

- approval of its proposed 2006 revenue requirements of \$147.8 million;
- approval of proposed 2006 capital expenditures of \$25.0 million for capital plans which includes a capital investment of \$9.0 million for the Day-Ahead Market (the "DAM"). In light of the work needed to address the reliability issues before next summer, the capital investment anticipated in the Business Plan for the DAM will likely be delayed until the latter part of 2006 or 2007. As such any capital expenditure in 2006 for the implementation of a DAM would be subject to the IESO's stakeholding process and review and approval by the IESO's Board of Directors, and would be distinct from the reliability initiatives that the IESO plans to implement for the summer of 2006 which will be funded from the planned OM&A expenses in 2006.
- approval for the continuation of the \$1000.00 application fee;
- approval of a usage fee of \$0.909/MWh to be paid commencing January 1, 2006. The usage fee is paid by all wholesale customers or market participants on all energy withdrawn for use or sale in Ontario and on all exports scheduled out of Ontario. If necessary, pending approval, the IESO proposes to continue to charge the 2005 usage fee to market participants from January 1, 2006 until the end of the month in which OEB approval is received for the 2006 IESO fees, and seeks authorization to rebate to market participants the difference between the 2005 and 2006 usage fees based on their allocated quantity of energy withdrawn for that period directing such rebate to market participants in the next billing cycle following the month in which that approval is received.

7. The IESO held a stakeholder session on August 24, 2005 to present the IESO's proposed 2006-2008 Business Plan and afforded stakeholders an opportunity for written comment. A memorandum on the stakeholder feedback was provided to the IESO Board of Directors. All material has been posted on the IESO public website.

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

- i) the 2006 - 2008 Business Plan;
- ii) the IESO letter to the Minister of Energy, dated September 30, 2005;
- iii) the Response from Ministry of Energy, dated October 21, 2005;
- iv) Memorandum to the IESO Board of Directors on Stakeholder Feedback with respect to the IESO 2006-2008 Business Plan, dated September 6, 2005 including AMPCO's Comments to the IESO Board of Directors, dated September 16, 2005 and the IESO's Response to AMPCO's Comments, dated September 30, 2005;
- v) Status Report on the Obligations and Undertakings Arising out of the IESO's Fiscal 2005 Fee Submission for Review;
- vi) IESO Compensation Programs
- vii) the IESO letter to the Board for submission of proposed stakeholdering process and funding, dated August 10, 2005;
- viii) the Board's Supplementary Decision on the IESO's proposed stakeholdering process issued on September 20, 2005;
- ix) the List of Members of the IESO's Stakeholder Advisory Committee;
- x) the Federal Energy Regulatory Commission ("FERC") Notice of Proposed Rulemaking (NOPR) on Accounting and Financial Reporting for Public Utilities Including RTOs;
- xi) the Comments submitted by the IESO on FERC's NOPR on Accounting and Financial Reporting for Public Utilities Including RTOs;

- xii) the Joint Comments submitted by the ISO/RTO Council on FERC's NOPR on Accounting and Financial Reporting for Public Utilities Including RTOs;
- xiii) the Memorandum of Understanding on Principles to Govern Co-ordination of Activities between the IESO and the Ontario Power Authority;
- xiv) the Protocol between the IESO and the OEB Relating to the Market Surveillance Panel; and,
- xv) the Minutes of the Regulatory Affairs Standing Committee Meeting for June 29, 2005.

The IESO may amend its pre-filed evidence from time to time, prior to and during the course of the Board's proceeding. 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.

9. The IESO proposes the following title for this proceeding: *Independent Electricity System Operator Fiscal 2006 Fees Submission for Review*.

The persons affected by this Submission are all market participants and prospective 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 these participants by way of the IESO's Website and e-mail. The IESO therefore 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. An announcement will also be posted on the "Participant News" page and will be automatically e-mailed to all market participants and

interested parties who are registered to receive IESO news and other communiques; and,

- (ii) serve a copy of this application, including the pre-filed evidence on all registered intervenors for the IESO's 2005 Fees Submission for Review.

10. 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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Senior Analyst, Regulatory Affairs
Independent Electricity Market Operator

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(b) The IESO's counsel: Mr. David M. Brown
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Filed: October 27, 2005

EB-2005-0499

Exhibit A

TAB 1

Schedule 1

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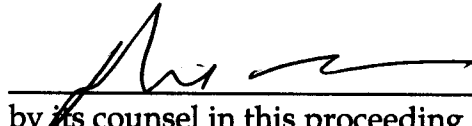
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DATED at Toronto, Ontario, this 27th day of October, 2005.

THE INDEPENDENT ELECTRICITY SYSTEM
OPERATOR.



by its counsel in this proceeding
David M. Brown