

## 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 2007.

### SUBMISSION FOR REVIEW

1. On September 22, 2006 the Board of Directors of the Independent Electricity System Operator (the "IESO") approved the 2007 - 2009 Business Plan for the IESO (the "Business Plan"). In the Business Plan, the IESO established its revenue requirement for 2007 at \$140.0 million and proposed to charge a usage fee of \$0.815/MWh. This proposed usage fee is a reduction of over ten percent from the current level of usage fee charged by the IESO of \$0.909/MWh. The IESO is also projecting an estimated rebate to market participants of \$11.9 million from the accumulated surplus in the deferral account as at the end of fiscal year 2006.

2. The Business Plan also sets out the strategic business objectives and priorities for the IESO, and identifies the opportunities and challenges to the business over the planning period. The IESO's reliability responsibilities were again tested during the summer of 2006, particularly during the first week of August when a new peak demand record of 27,005 megawatts (MW) was set. In addition to satisfying the IESO's core responsibility of maintaining the reliability of the IESO-controlled grid, the IESO's Business Plan addresses a number of strategic business priorities discussed with stakeholders and approved by the IESO Board. In summary, the IESO's strategic business priorities include:

- Delivering a reliable supply of electricity on demand;
- Providing value in the IESO's services and products;
- Developing Ontario's electricity market through evolution of the IESO-administered markets;
- Responding to the needs and concerns of stakeholders; and
- Earning the trust of all stakeholders as a just administrator and capable advisor.

3. In developing the Business Plan, the IESO benefited from extensive stakeholdering through the Stakeholder Advisory Committee ("SAC") which is a key element of the Ontario Energy Board (the "Board") approved IESO stakeholdering process. This stakeholdering initiative began in March 2006 and continued through to a presentation to the SAC on the proposed Business Plan on September 5, 2006. In written submissions to the IESO Board of Directors (IESO Board) prior to their approval of the Business Plan on September 22, 2006, the SAC stated that the IESO presentation of the Business Plan "was well received by the Committee."

4. In accordance with section 19.1 of the *Electricity Act, 1998* (the "Act"), by letter dated September 29, 2006, the IESO submitted its proposed Business Plan for fiscal year 2007 to the Minister of Energy for approval. By letter dated October 17, 2006, the Minister of Energy gave approval for the IESO to submit its proposed expenditure and revenue requirements for 2007 and the fees the IESO proposes to charge during 2007 to the Board for review.

5. The IESO hereby submits its proposed expenditure and revenue requirements and proposed fees for 2007 to the Board for review and approval pursuant to section 19(1) of the Act.

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

- approval of its proposed 2007 revenue requirements of \$140.0 million;
- approval of its-proposed 2007 capital expenditure envelope of \$20.0 million for capital plans;
- approval for the continuation of the \$1000.00 application fee; and
- approval of a usage fee of \$0.815/MWh to be paid commencing January 1, 2007. 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 2006 usage fee (\$0.909/MWh) to market participants from January 1, 2007 until the end of the month in which OEB approval is received for the 2007 IESO fees, and seeks authorization to rebate to market participants the difference between the 2006 and 2007 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. In conjunction with these approvals, and pursuant to the Settlement Agreement for the IESO's 2006 Fees Submission for Review as accepted by the Board on February 14, 2006, the IESO is also seeking authorization to rebate in 2007 the amount of the accumulated surplus in the deferral account in excess of \$5.0 million. This is forecasted to be \$11.9 million (total accumulated surplus is forecast at \$16.9 million) as at the end

of the fiscal year 2006 and will be rebated to market participants based on each market participant's allocated quantity of energy withdrawn in 2006. 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 2006, and to direct the rebate to market participants in the next billing cycle following the month in which the 2006 financial statements are approved.

8. Supporting this Submission is the IESO's pre-filed evidence which includes:
- i) the 2007 - 2009 Business Plan;
  - ii) the IESO's letter to the Minister of Energy, dated September 29, 2006;
  - iii) the Response from Ministry of Energy, dated October 17, 2006;
  - iv) IESO Compensation Programs;
  - v) Letter from IESO's Human Resources and Governance Committee to the Ontario Energy Board, dated June 26, 2006 ;
  - vi) Status Report on the Obligations and Undertakings Arising out of the IESO's Fiscal 2006 Fee Submission for Review;
  - vii) Stakeholder Process for IESO's 2007 - 2009 Business Plan;
  - viii) Working Group to Improve Demand Forecast Performance, including Draft Stakeholder Engagement Plan and Draft Terms of Reference;
  - ix) IESO and Comparative ISO/RTO Costs;
  - x) Master Services Agreement between the IESO and the Ontario Power Authority, including Negotiated Schedules;
  - xi) Capital Projects List; and
  - xii) Draft Stakeholder Engagement Plan: Day-Ahead Market Evolution; and Stakeholder Engagement Plan: Locational Pricing Study

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 2007 Fees Submission for Review*.

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. 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, in English and French, 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) serving a copy of this application, including the pre-filed evidence on all registered intervenors for the IESO's 2006 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:

(a) The IESO: Mr. George Katsuras  
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(c) The IESO's counsel: Mr. Glenn Zacher  
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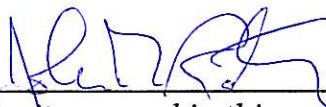
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DATED at Toronto, Ontario, this 30th day of October, 2006.

THE INDEPENDENT ELECTRICITY SYSTEM  
OPERATOR.

  
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by its counsel in this proceeding  
Glenn Zacher

*fn.*