



**EB-2004-0477**

**IN THE MATTER OF** the *Ontario Energy Board Act, 1998*,  
S.O. 1998, c. 15, Schedule B;

**AND IN THE MATTER OF** an Application by the  
Independent Electricity System Operator for an order or  
orders approving its proposed expenditure and revenue  
requirements and the fees which it proposes to charge for  
the year 2005.

**BEFORE:** Gordon Kaiser  
Presiding Member

Paul Sommerville  
Member

Paul Vlahos  
Member

**DECISION**

## Background

In its May 24, 2005 Decision (EB-2004-0477) dealing with the Application by the Independent Electricity System Operator (“IESO”) for Fiscal 2005 Fees, the Ontario Energy Board directed the IESO to file its proposed stakeholding process and proposed funding of same with the Board for approval before implementation.

The IESO submitted its proposed stakeholding process to the Board on August 10, 2005. The IESO’s proposal adopts the proposals described in a report by the consulting firm Singer and Watts<sup>1</sup>. This Report and other documents referred to in the IESO’s submission to the Board are available on the IESO website under IESO Stakeholder Engagement Review. The IESO’s estimate of costs for 2005 for the stakeholding process is \$304,000.

On September 6, 2005, the Board made provisions for intervenors in EB-2004-0477, and other interested parties, to comment on IESO’s proposed stakeholding process as filed with the Board, in addition to any comments that were received by IESO earlier in the process. The Board received additional comment from only one party, Ontario Power Generation.

This Supplementary Decision disposes of the stakeholding process matter.

## IESO’s Proposal

In the 2005 Fees Proceeding, the IESO identified three primary reasons for the stakeholding review:

- Governance changes at the IESO resulting from Bill 100 which removed stakeholders from the IESO Board.
- The new section 13.2 of the *Electricity Act, 1998* which requires the IESO to establish one or more processes for stakeholder input.

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<sup>1</sup> ***Final Report to the IESO Board of Directors: IESO Stakeholder Engagement Review: Recommended Stakeholder Engagement Principles, Processes, and Mechanisms***

- A need to respond to concerns about IESO stakeholdering raised by stakeholders.

The IESO's proposed new process is outlined in the Singer and Watts Report.

The most significant recommendation is the formation of a Stakeholder Advisory Committee (SAC) to the Board and Executive. This committee will provide advice directly to the IESO Board and Executive and will be appointed by the IESO Board based on nominations made by stakeholder constituencies. The committee will have, at a minimum, two voting members from each of the following sectors: Generation, Marketer/Broker, Distribution, Large Industrial Customer; and one voting member from each of the following: Transmission, Commercial, Residential, Environmental. One member of the IESO executive will sit on the committee as a non-voting member. The committee will provide advice to the IESO Board and/or Executive on all market development and planning matters and anything else that is of interest to the committee.

Another key recommendation is the formation of a Stakeholder Engagement Unit within the IESO to manage and support all aspects of stakeholder relations.

The SAC will replace the Market Advisory Committee (MAC) and the Regulatory Affairs Standing Committee (RASC). The MAC was established as a body to gather information and concerns from stakeholders but did not have direct access to the IESO Board or Executive.

The structure of information flows under the new proposals are explained in the Singer and Watts Report. The SAC will have direct access to the IESO Board and Executive.

The Technical Panel, a stakeholder body which reviews and proposes market rule amendments to the IESO Board, is not affected by the Singer and Watts recommendations.

## Stakeholders' Comments

The Singer and Watts Report was posted for public comment on May 24, 2005. The IESO received comments from six groups: The Association of Power Producers of Ontario (APPo), Ontario Power Generation Inc. (OPG), the Power Workers' Union (PWU), the Electricity Distributors' Association (EDA), Union Gas, and the Building Owners and Managers Association of the Greater Toronto Area (BOMA).

The submissions were generally favourable to the Report. The following recommended changes for the most part dealt with representation on the SAC:

- Two generation representatives will not be able to reflect the diversity of generators in the province (APPo and OPG).
- There should not be representatives from the Gas (Union Gas and OPG) or financial sectors on the SAC (OPG).
- The existence of the SAC and the Technical Panel could create opportunities for "forum shopping" for the IESO. (OPG).
- Employees should be represented on the SAC. (PWU).
- If there are two representatives from large industrial loads there should also be two representatives from large retail consumers. (BOMA).

Additional comments were submitted by OPG to the Board in response to the Board's own solicitation of comments. OPG indicates broad support for the IESO proposals but registers concerns in the following areas:

- The IESO submission did not specify direct interaction between the SAC and the IESO Board of Directors.
- Linkages between the SAC and other stakeholder activities, such as working groups, are not clearly specified.

- The IESO non-voting member could give the appearance of IESO influence on SAC decisions.
- The intention by the IESO Board of Directors, at its next meeting, to adopt a draft Terms of Reference and Meeting Protocol for the SAC pre-empts the SAC's initiative in setting its own agenda.

## Board Findings

As noted above, the proposed stakeholding process was intended to respond to the removal of stakeholders from the IESO Board of Directors, the requirement in the new section 13.2 of the *Electricity Act, 1998* for the IESO to establish new processes, and to address concerns raised by stakeholders about IESO stakeholding.

On the first two points the Board is satisfied that the IESO's proposed new stakeholding process meets the concerns raised. The new stakeholding structures will have direct access to the IESO Board of Directors and Executive. The proposals, and the consultative process that has produced them certainly meet the requirements of section 13.2 of the *Electricity Act, 1998*.

On the third point – concerns about IESO stakeholding raised by stakeholders - the Board notes the broadly favourable reaction to the proposals in the comments from stakeholders. The Board also notes that the process of deriving these proposals has provided ample opportunity for stakeholder input.

The Board concludes that stakeholder concerns have been substantially met. The true test will, however, be in the experience stakeholders and the IESO with the new process. Stakeholders and the Board will have opportunities to review how well the proposals work over time as they are implemented.

The Board therefore approves the IESO proposals on stakeholding processes. It should be noted, however, that this approval relates to the processes that the IESO has proposed. It does not change the Board's obligation to review IESO programs that have implications for IESO fees, expenses, and revenue requirements even when these programs have been subjected to the IESO's stakeholding processes.

The Board accepts IESO's \$304,000 estimate of stakeholding costs for 2005.

ISSUED at Toronto, September 20, 2005

*Original Signed By*

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Gordon Kaiser  
Vice Chair and Presiding Member