

RP-2000-0134

IN THE MATTER OF the *Ontario Energy Board Act*,
1998;

AND IN THE MATTER OF a Submission by the
Independent Electricity Market Operator for an order or
orders approving its proposed expenditures and revenue
requirement and fixing the fees which it may charge for the
year 2001.

BEFORE: Paul Vlahos
Vice Chair and Presiding Member

Brock Smith
Member

DECISION WITH REASONS

January 10, 2001

Introduction

The Independent Electricity Market Operator (the “IMO”), has filed a Submission with the Ontario Energy Board (“the Board”) dated October 26, 2000 (“the Application”), for an order or orders approving its proposed expenditure and revenue requirements and fixing the fees which it may charge for the year 2001. The Board has assigned file number RP-2000-0134 to this Application.

On November 7, 2000, the Board issued a Notice followed by Procedural Order No.1 dated November 27, 2000. A conference involving Board Staff, Intervenors and the IMO, to review the IMO’s prefiled evidence, and to engage in discussions regarding the prefiled evidence was held on December 4 and 5, 2000 (“Conference”).

A comprehensive agreement on all issues was reached by the parties to the Conference. The parties were the IMO, the Association of Major Power Consumers of Ontario, Guelph Hydro-Electric Systems Inc., Hydro One Networks Inc., the Municipal Electric Association, Ontario Federation of Agriculture, Ontario Power Generation Inc., and TransCanada Energy Ltd. While Board Staff participated in the Conference, it was not a party to the proposed Settlement Agreement. The proposed Settlement Agreement was filed with the Board on December 6, 2000 for the Board’s consideration and is included as Appendix A to this Decision. On Thursday, December 7, 2000, the Board heard submissions from the Applicant regarding the proposed Settlement Agreement.

As part of the Settlement Agreement, the IMO agreed to file additional information regarding the impact of a delay in the date that the IMO currently plans to operationalize the IMO administered market systems and tools and additional detail regarding an increase of \$14.4 million in Operating, Maintenance and Administration costs identified in the IMO’s Business Plan. This material was filed with the Board on December 14, 2000. By letter dated December 22, 2000, the Board invited parties to communicate any concerns regarding the filed material by January 4, 2001. The Board has not received any response from parties.

The Settlement Agreement results in a revenue requirement for the year 2001 of \$127.3 million, consisting of \$8.25 million per month from January to May, and \$11.8 million per month thereafter.

The IMO also undertook to inform the Board if the date to operationalize the systems changes from May 2001.

Parties to the Settlement Agreement also agreed with the IMO's proposal to continue to charge the \$1,000 application fee and to charge a usage fee of \$0.959/MWh.

In addition, as part of the Settlement Agreement, the IMO undertook to sponsor a benchmarking study, designed to explore comparisons of the costs for specific services and functions, to help establish targets and to measure the annual performance of the IMO against those targets.

The proposed Settlement Agreement also stated that the IMO will report to the IMO Board of Directors on the discussions that took place during the Conference and the concerns expressed by intervenors.

Board Findings

The Board has reviewed the Settlement Agreement and the supporting documentation. The Board is satisfied that the agreed upon revenue requirement of \$127.3 million for 2001 is, on the basis of the evidence, a reasonable amount. The Board therefore approves the 2001 revenue requirement and the monthly amounts contained in the Settlement Agreement. The Board also approves the \$1,000.00 application fee and a usage fee of \$0.959/MWh.

With respect to the agreed upon benchmarking study, the Board expects the IMO to file the associated cost estimate prior to the commencement of the study.

However, the Board has no basis upon which to assess the requirement that the IMO report to the IMO Board of Directors on the discussions that took place during the Settlement Conference and the concerns expressed by the intervenors. The IMO may, and should as a good business practice, report to the IMO Board of Directors but not as a direction by the Ontario Energy Board.

Parties eligible for a cost award are requested to file their cost statements within three weeks of the date of this Decision.

DATED AT Toronto, January 10, 2001.

Paul Vlahos
Vice Chair and Presiding Member

Brock Smith
Member