



RP-2003-0220

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 2004.

BEFORE:

Bob Betts
Presiding Member

Paul Vlahos
Member

DECISION WITH REASONS

December 19, 2003

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APPENDIX A
SETTLEMENT AGREEMENT

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The Settlement Agreement is not available electronically but can be obtained from the main file room at the Board's Offices.

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Introduction

Having received Ministerial approval under section 19(1.1) of the *Electricity Act*, S.O. 1998 (the "Electricity Act"), the Independent Electricity Market Operator ("the IMO") filed a submission dated November 14, 2003 ("the Application") with the Ontario Energy Board ("the Board") under Section 19(1) of the Electricity Act for an order or orders approving its proposed expenditure and revenue requirements and fixing the fees which it may charge for the year 2004. The Board has assigned file number RP-2003-0220 to this Application.

The IMO sought the following approvals for 2004 from the Board:

- A revenue requirement of \$156.2 million incorporating the effects of a proposed capital expenditure amount of \$45.0 million.
- Use of \$1.5 million forecast 2003 accumulated deferral account surplus to meet 2004 revenue requirement.
- Continuation of an application fee of \$1000 for those who wish to become market participants.
- Continuation of a usage fee of \$0.959/MWh to be paid by all wholesale customers or market participants on all energy withdrawn for use or sale in Ontario and on all exports scheduled out of Ontario.

On December 5, 2003, the Board issued a Notice of Application and Hearing. A technical/ settlement conference involving the IMO, Intervenors, and Board Staff was held on December 17, 2003.

The Electricity Distributors Association ("EDA") filed a letter of comment on December 15, 2003.

On December 18, 2003, the IMO filed with the Board a Settlement Agreement. Parties reached an agreement on all issues. There were no disputed issues.

The parties attending the technical/ settlement conference were the IMO, Hydro One Networks Inc. ("Hydro One"), Ontario Power Generation, Power Workers Union, Toronto Hydro-Electric System Ltd. ("Toronto Hydro"), and Vulnerable Energy Consumers Coalition ("VECC"). While Board Staff participated in the technical/ settlement conference, it was not a party to the proposed Settlement Agreement.

Intervenors accepted the IMO's proposals with the exception of VECC, who took no position on the issue of the 2004 Revenue Requirement, the 2004 Capital Expenditures, and the Use of

Accumulated Deferral Account Surplus. The Settlement Agreement is included as Appendix A to this Decision.

The oral hearing took place on December 19, 2003 at which time the Board considered the Settlement Agreement. Representatives from the IMO, Board Staff, Toronto Hydro, and Hydro One were in attendance.

Copies of the IMO's Application and other materials filed in this proceeding are available at the Board's offices. The Board has chosen to refer to such material as necessary to explain its findings.

Board Findings

In considering the IMO's revenue requirement and related proposals, the Board takes comfort that such proposals are first scrutinized by the IMO Board, which is a stakeholder board, as well as a broad range of stakeholders represented at the Regulatory Affairs Standing Committee. In considering the results of the Settlement Agreement, the Board also takes comfort that there were several parties to the proceeding representing various interests.

The Board has reviewed the pre-filed evidence, the Settlement Agreement, the supporting documentation, and the evidence provided at the oral hearing.

The Board notes VECC's concerns regarding the projected deficits in the IMO's operating budgets for 2004, 2005 and 2006; and in relation to this issue, the use of accumulated deferral account surplus to meet the operating budget for those years.

The Board accepts the IMO's proposed 2004 budget of \$156.2 million with a projected \$1.5 million operating deficit covered by a portion of the accumulated surplus. The Board is of the view that the IMO, in its next submission, should consider, in addition to the methodology approved in this Application, alternative disposition mechanisms for disposing of the accumulated balance. The Board also accepts the capital expenditures of \$45 million, the continuation of the \$1000 application fee, and the continuation of the IMO usage fee of \$0.959/MWh to wholesale customers and market participants on all energy withdrawn for use or sale in Ontario and on all exports scheduled out of Ontario.

The Board also notes the commitments made by the IMO in the Settlement Agreement and expects the IMO to follow-up on those commitments.

VECC requested that it be awarded costs. The IMO did not oppose the request of VECC. The Board awards VECC 100% of its eligible, reasonably incurred costs.

DATED at Toronto, December 19, 2003.

On Behalf of the Panel

Paul Vlahos
Member

