
OEB issues decision on application from the Independent Electricity System Operator for increases to its 2024 and 2025 revenue requirement and usage fees

DECISION

On August 1, 2024, the Ontario Energy Board (OEB) issued its [Decision and Order](#) approving an application from the Independent Electricity System Operator (IESO), in part on an interim basis, to increase its revenue requirements for 2024 and 2025 and to update its usage fees accordingly.¹

On January 11, 2024, the IESO requested funding in addition to its OEB-approved revenue requirements to support initiatives outlined in a July 10, 2023, letter from the Minister of Energy in furtherance of the Ministry's *Powering Ontario's Growth: Ontario's Plan for a Clean Energy Future*. This request aligns with the IESO's amended 2023-2025 Business Plan, which received Ministerial approval on November 28, 2023.

A settlement conference was held on February 27 and 29, 2024, with those parties participating unable to settle any aspects of the application. On March 22, 2024, the OEB made provision for a written hearing on the application.

The OEB approved the usage fees as outlined in Table 1 below, recognizing that the related expenditures advance the purposes set out in the *Electricity Act, 1998* and that the IESO is a non-profit entity with objectives to advance public interest goals and whose operations must respond to Ministerial directives.

The OEB approved the 2024 fees on a final basis effective with the first billing period following the issuance of the OEB's Decision and Order. However, the OEB approved the 2025 fees on an interim basis only, pending the filing of updated information by the IESO once the financial results for 2024 are available. In referring the 2025 fees back to the IESO for further consideration, the OEB recommended as a measure to ensure good regulatory practice that the IESO consider whether the 2025 fee increase can be avoided in whole or in part through the reprioritization of work.

While the OEB approved the IESO's application, it noted that the IESO took a questionable regulatory path to obtain approval given the terms of the August 29, 2023 OEB-approved settlement in the IESO's previous multi-year fees application and emphasized the need for greater transparency in the future.

¹ The OEB previously approved a settlement proposal for the IESO's 2023, 2024 and 2025 revenue requirement, expenditures and fees on August 29, 2023.

Table 1 – OEB Approved Usage Fees

USAGE FEES	2024 Effective in next billing cycle following the release of this Decision and Order	2025 Approved on an interim basis, effective January 1, 2025
Domestic customers	\$1.4516 MWh	\$1.4854 MWh
Export customers	\$1.2549 MWh	\$1.4333 MWh

INTERVENORS IN THE PROCEEDING

- Association of Major Power Consumers in Ontario
- Association of Power Producers of Ontario
- Canadian Manufacturers & Exporters
- Electricity Distributors Association
- Environmental Defence Canada
- Energy Probe Research Foundation
- School Energy Coalition
- Society of United Professionals
- Vulnerable Energy Consumers Coalition

Several intervenors expressed concerns regarding the IESO’s application in light of the terms of the OEB-approved settlement in the IESO’s previous multi-year fees application and argued that the OEB should refer the application back to the IESO for reconsideration with recommendations regarding budgeting and prioritization of work.

BACKGROUND

Previous Application: EB-2022-0318 – 2023-2025 Expenditures, Revenue Requirement, and Fees

The IESO filed its 2023, 2024 and 2025 revenue requirement, expenditures and fees application on March 29, 2023. The application represented the IESO’s first application with a multi-year forecast of expenditures and revenue requirements. IESO applications have typically covered single year adjustments.

The IESO and participating intervenors reached a comprehensive settlement on all the issues in the application and a [Decision and Order](#) approving the settlement proposal was issued on August 29, 2023. In approving the settlement proposal, the OEB approved the IESO’s proposed 2023, 2024 and 2025 revenue requirements² and proposed capital expenditure envelopes³, as well as the calculation of the usage fees for each of the three years.

The settlement proposal also set out a process for adjusting the OEB-approved three-year revenue requirement and fees in the event of a material unforeseen change (referred to as the Adjustment Mechanism).

The IESO did not rely on the Adjustment Mechanism in making its current application to the OEB to adjust its fees for 2024 and 2025.

² \$208.4 million, \$218.4 million and \$229.7 million for the three years respectively

³ \$86.0 million, \$75.9 million and \$58.2 million for the three years respectively

REGULATORY TERMS

The following is a list of some of the commonly used regulatory terms that appear in this backgrounder, along with a plain language description for each one.

Usage Fees – The IESO recovers its OEB-approved revenue requirement through usage fees. Usage fees are charged to market participants on a per MWh basis, based on their electricity withdrawals from the IESO-controlled grid.

Domestic usage fees are charged to market participants for electricity withdrawals within Ontario while export usage fees are charged to those who export electricity from Ontario to another jurisdiction.

Usage fees paid by electricity distributors are recovered from their customers through the Regulatory Charges line item on electricity bills.

Revenue requirement – The revenue requirement represents the IESO's forecast of the budget required to implement its Minister-approved Business Plan. Costs including information technology, staffing and office space are all captured by the revenue requirement.

Settlement conference – The purpose of a settlement conference is for the applicant and intervenors to try to reach an agreement on as many issues as possible, other than any issues that the OEB has indicated should not be settled and should proceed to hearing.

Settlement negotiations are confidential. Where the parties reach agreement, a settlement proposal is filed by the applicant for approval by the OEB.

About the OEB

The OEB is the independent regulator of Ontario's electricity and natural gas sectors. It protects the interests of consumers and supports the collective advancement of the people of Ontario. Its goal is to deliver public value through prudent regulation and independent adjudicative decision-making which contributes to Ontario's economic, social and environmental development.

Independence in the hearing and determination of matters is a key element of the OEB's mandate, established through legislative structures, the Memorandum of Understanding between the Minister of Energy and Electrification and the Chair of the OEB, and by-laws that set out clear lines of communication between government and the OEB. Commissioner panels hear and determine matters independently, with legislative protections and other instruments to ensure decisions are free from interference by the CEO, the Board of Directors and government. This also includes the Chief Commissioner when not assigned to the specific case.

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Ce document est aussi disponible en français.

This backgrounder was prepared by OEB staff to inform Ontario's energy consumers about the OEB's decision and is not for use in legal or regulatory proceedings. It is not part of the OEB's reasons for decision; those may be found in the Decision and Order issued August 1, 2024, which is the official OEB document.