



News Release

For Immediate Release

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Lack of Action by IESO Costs Ratepayers Millions: Auditor General

(TORONTO) The Independent Electricity System Operator (IESO) has not implemented some important recommendations made by the Ontario Energy Board's Market Surveillance Panel over the last 15 years that could have saved Ontarians millions of dollars on their power bills, Auditor General Bonnie Lysyk says in her *2017 Annual Report*, tabled today in the Legislative Assembly.

"Some of the issues could have been, and still can be, fixed relatively quickly to save Ontario ratepayers additional costs," Lysyk said after her Report was tabled.

The IESO operates the wholesale electricity market, consisting of 560 market participants that include generators, electricity exporters and local distribution companies. Payments totalling \$17.5 billion were paid to market participants in 2016.

In Ontario, oversight of the electricity market is shared between the Ontario Energy Board (OEB) and the IESO.

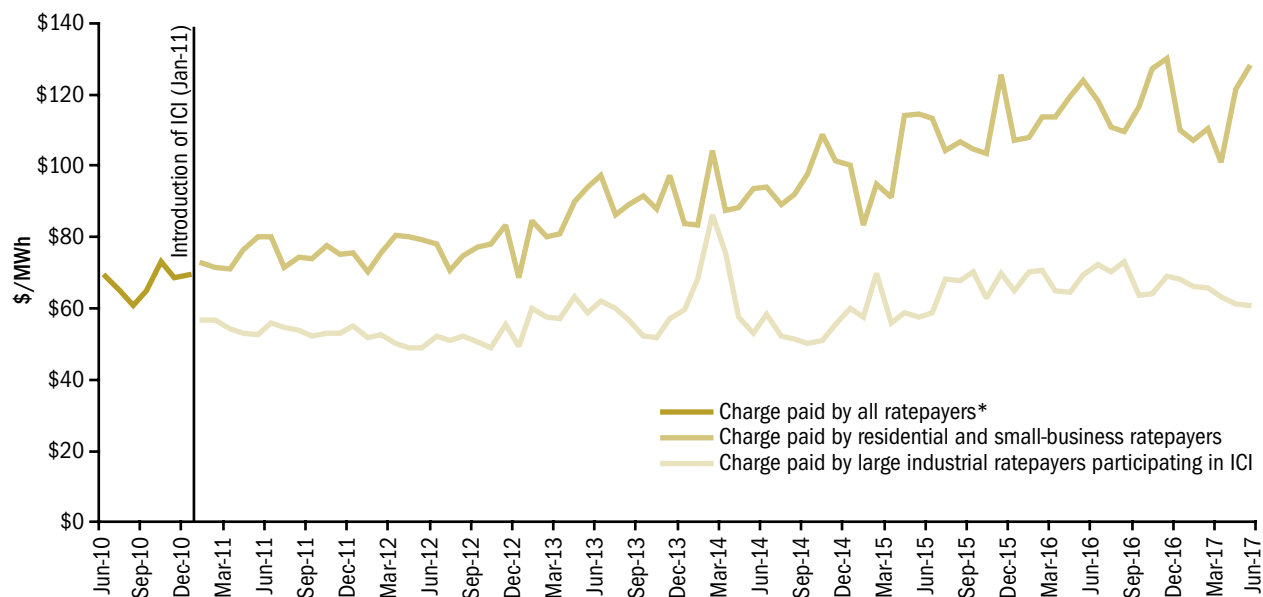
An OEB panel that does market surveillance has reported over the last 15 years that two ongoing IESO programs that compensate market participants have flaws and weaknesses.

Among the findings of the audit:

- The OEB panel estimated that one of the two IESO programs continues to pay gas generators about \$30 million more per year than necessary, and recommended in five separate reports that changes be made to end the excess payments.
- The IESO's own oversight division has confirmed the existence of flaws and weaknesses in the same program. For example, nine gas and coal generators claimed about \$600 million in compensation under this program between 2006 and 2015, but audits found almost \$260 million—about 40% of the claims—were for costs that were ineligible. Only about \$168 million was recovered.
- The OEB panel said the other program is vulnerable to misuse and has recommended changes to it in almost every one of its 30 reports in the last 15 years. Investigations found, for example, that one generator received about \$20.4 million over eight months, claiming lost profits due to IESO interventions in the market. The generator was found to have misused the program, and had to return half the overpayment (\$10.6 million).
- There is little representation of ratepayers' interests in the IESO's Market Renewal Initiative working group that is helping to determine the future design of the electricity market. Some members of this group, nominated by the IESO, work for companies that have been, or are being, investigating for benefiting financially from existing market design problems.
- The Industrial Conservation Initiative (ICI) is shifting increasing amounts of the global adjustment charge from large industrial ratepayers to residential and small-business ratepayers. Before the ICI launched in January 2011, all ratepayers were paying about seven cents per kilowatt/hour (cents/kWh). After six-and-a-half years (as of June 2017), residential and small-business customers were paying 12 cents/kWh and large industrial customers six cents/kWh, as the figure on page 2 illustrates.
- The IESO's cybersecurity system complies with power grid reliability standards, but the audit noted a number of improvements needed to better address the risks of cyberbreaches and cyberattacks.

Electricity Charge Before and After the Introduction of the Industrial Conservation Initiative

Source of data: Independent Electricity System Operator (IESO)



* The Industrial Conservation Initiative (ICI) split the charge paid by all ratepayers into two charges: one for large industrial ratepayers participating in ICI, and a second one paid by all other (residential and small-business) ratepayers.

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