2016 YEAR-END FINANCIALS, SURPLUS & STAFFING

Actual 2016 Financial Results

The following table outlines the IESO's 2016 actual results and variances against the 2016 budget.

	2016		
($ millions)	Actual	Budget	Variance
Revenues	194.1	182.1	12.0
Costs			
Operating Costs	160.7	163.9	(3.2)
Amortization	19.6	17.5	2.1
Interest	1.3	0.7	0.6
Total Costs	181.6	182.1	(0.5)
Operating Surplus/(Deficit)	12.5	-	12.5
Accumulated Operating Surplus (opening balance)	10.0	10.0	10.0
Proposed Rebates to Market Participants	(12.5)	-	(12.5)
Accumulated Operating Surplus (closing balance)	10.0	10.0	10.0

Surplus to be rebated to Usage Fee Payers

The accumulated surplus proposed to be rebated to usage fee payers is $12.5 million.

The $12.5 million accumulated surplus is due to actual revenue being $12.0 million higher than planned and total costs being $0.5 million lower than planned.

The positive revenue variance was mainly the result of higher than planned fee revenue with additional revenue due to higher than planned investment income.

In 2016, the IESO operated with two approved rates based on the two predecessor organizations. The actual 2016 rates in the 2016 revenue requirement were approved on an interim basis effective January 1, 2017. The difference between the fees and actual and budgeted demand resulted in increased fee revenue collected from domestic and export demand which was offset by lower fee revenue collected from embedded demand as described below:

1. . Domestic demand – the domestic demand variance made up the majority of the fee revenue variance. Domestic demand was lower than forecast, resulting in less fee revenue. The variance in fee revenue is due to domestic demand being charged the combined predecessor rates, which was significantly higher than the rate submitted in the 2016 fee application .
2. Export demand – export demand was higher than forecast, resulting in additional fee revenue. This was partially offset by a lower predecessor fee than budgeted.
3. Embedded demand – Actual embedded demand was as forecasted, the predecessor fee was lower than planned resulting in lower fees collected.

Staffing

As of December 31, 2016, there were 675 staff including 639 regular staff and 36 temporary staff which is 13 staff lower than budget. The lower staff levels in 2016 were primarily due to government direction to conclude renewable procurement initiatives and hiring lags.

The government direction to conclude renewable procurement initiatives such as Large Renewable Procurement in 2016 resulted in staff vacancies. These vacancies were maintained within 2016 in anticipation of needing additional staff in support of the Market Renewal program.

At any given time the IESO operates with ongoing hiring lags due to staff movements within the organization resulting in some staff variances.

Staff	Actual	Budget	Variance
Regular	639	663	(24)
Temp	36	25	11
Total	675	688	(13)