

AMPCO Questions for Technical Conference January 29, 2010
IESO 2010 Fees Application
EB-2009-0377

1.0 Operating Costs

Issue 1.2 Are the IESO's projected staff costs and strategy for setting compensation levels appropriate and reasonable?

Question # 1

Reference: Exhibit B, Tab 3, Schedule 1, page 4

In 2009, staff costs are expected to be \$1.7 million lower than budgeted. "This is due to lower post employment benefits, excluding pension costs (\$0.4 million), and further reductions (\$1.3 million) from hiring lags and management's successful attainment of cost savings consistent with Ministry targets."

- a) Please explain the reason for the hiring lags.
- b) Please identify the business units and the projects affected by the hiring lags and describe the impact.
- c) Please explain what is meant by "management's successful attainment of cost savings consistent with Ministry targets." What are the Ministry targets? What is the value of the cost savings?
- d) What are the actual staff costs in 2008/09 and what is the variance compared to what was budgeted?

Question # 2

Reference: Exhibit B, Tab 3, Schedule 1, page 11, Staff Costs

The evidence states on page 11 that....."IESO budgeted staff costs will be reduced with resources reallocated to areas of increased focus reflecting changes in the electricity sector. The recent IESO organizational realignment paves the way for this new approach. Over the business planning period, 12 staff positions will be removed across the business in 2010, with a further 30 positions removed in 2011."

- a) How many total staff positions are budgeted for in 2010 and 2011?
- b) Please identify the specific staff positions that have been reallocated and the business units affected.
- c) Please describe the areas of increased focus and the specific changes to the electricity sector to which the increased focus is in response.
- d) Please provide an overview of the recent IESO organizational realignment and identify the significant changes that have been made.
- e) Please provide an organizational chart for before and after the organizational realignment.
- f) Please identify the 12 staff positions over the business planning period that will be removed, the business units affected and the impact.
- g) Please identify the further 30 staff positions to be removed in 2011, the business units affected and the impact.
- h) What is the rate of turnover?

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2.0 Capital Spending

Issue 2.2 Is the EDAC project on budget and schedule?

Question # 3

Reference: Exhibit B, Tab 3, Schedule 1, page 8

Reference: Exhibit B, Tab 5, Schedule 1, page 4

With reference to the Enhanced Day-Ahead Commitment (EDAC) project (Exhibit B, Tab 3, Schedule 1, page 8) the evidence states that "The spending variance of \$9.5 million is a result of the changes in the schedule for this project. The current project schedule shows market trials commencing early in 2011."

In the second reference, the evidence says "the current project schedule calls for market trials to commence in mid 2011."

- a) Please reconcile the two dates.
- b) Please provide the latest schedule for the EDAC project including dates for the issuance of the RFP, vendor selection, user acceptance testing and market trials.
- c) Please comment on the likelihood of meeting the schedule and spending the budget over the planning period given the delays experienced to date.

2.0 Capital Spending

Issue 2.3 Are the IESO's 2010 capital expenditures, other than EDAC, appropriate and reasonable?

Question # 4

Reference: Exhibit B, Tab 3, Schedule 1, page 8

The On-line Limit Derivation project will be undertaken in several stages over the business planning period for a total projected cost of \$6.3 million.

Please explain how this figure was derived.

Question # 5

Reference: Exhibit B, Tab 3, Schedule 1, page 9

The IESO submits that the 2009 projected variance for the Enrolment Automation Project reflects a shift in timing on project delivery to 2010.

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- a) What was the original project delivery date and what is the anticipated project delivery date in 2010?
- b) Please explain the reason for the shift in timing.

Question # 6

Reference: Exhibit B, Tab 3, Schedule 1, page 9

The Outage Management Replacement project identified in the 2009 capital plan has been reduced in scope.

- a) Please describe the original scope and explain why the project was reduced in scope.
- b) How were the resources for this work reallocated?

Question # 7

Reference: EB-2009-0340, Exhibit B, Tab 1, Schedule 1, pages 34-35

Reference: Exhibit B, Tab 3, Schedule 1, page 9

In the first reference, Rights Management was specifically identified as a new key capital initiative. The IESO projected costs of \$0.5 million in 2010 and \$0.8 million in 2011.

In the second reference, Rights Management is no longer listed as a key capital initiative and no spending is identified. Please provide an explanation for the change.

Question # 8

Reference: EB-2009-0340, Exhibit B, Tab 1, Schedule 1, pages 34-35

Reference: Exhibit B, Tab 3, Schedule 1, page 9

In the first reference, the project NERC – Critical Infrastructure Protection (CIP) is shown on the table on page 34. The IESO budgeted \$0.2 million in 2009 and projected \$0.2 million in 2010.

In the current application, NERC – CIP is no longer listed as a key capital initiative and although \$0.2 million was budgeted in 2009, no capital spending was required on this project. Please provide an explanation as to why no capital spending was required.

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Question # 9

Reference: Exhibit B, Tab 3, Schedule 1, page 17

Other Capital Initiatives is listed in the table on page 17 with projected costs of \$5.7 million in 2010, \$12.1 million in 2011 and \$16.8 million in 2012, for a total of \$ 34.6 million over the planning period.

- a) Please provide a breakdown of the costs by year over the planning period and project descriptions for the planned work under Other Capital Initiatives.
- b) In the 2009 Fees Case, EB-2008-0340, \$3.8 million and \$9.7 million was planned for Other Capital Initiatives in 2010 and 2011, respectively. Please explain the variance.

Question # 10

Reference: Exhibit B, Tab 3, Schedule 1, page 7

IESO submits that "Given the ongoing need for reprioritization of capital projects, the IESO does not use the business planning process as a mechanism for capital project approval."

- a) What circumstances trigger a reprioritization of capital projects?
- b) What process is used by the IESO to rank priorities and manage shifting priorities.

6.0 Capital Spending

Issue 6.1 Is the IESO proposal to address GEGEA initiatives appropriate and cost effective?

Question # 11

Reference: Exhibit B, Tab 3, Schedule 1, page 18

Under the capital project Enhanced Forecasting for Green Energy and Green Economy Act (GEGEA) Initiatives, the expected cost of is 1.7 million over the planning period for additional tools and services.

Please provide an explanation of the additional tools and services required to improve the forecasting of available energy from renewable intermittent sources.