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June 30, 2016

BY EMAIL & BY COURIER

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge St, Suite 2701
Toronto ON M4P 1E4

Dear Ms. Walli:

Board File No. EB-2015-0275
Independent Electricity System Operator --- Fiscal 2016 Fees Submission for Review
Energy Probe – Interrogatories to Applicant

Pursuant to Procedural Order No. 3, issued June 17, 2016, please find attached the Interrogatories of Energy Probe Research Foundation (Energy Probe) to the Independent Electricity System Operator in the EB-2015-0275 proceeding.

Should you require additional information, please do not hesitate to contact me.

Yours truly,

David S. MacIntosh
Case Manager

- cc. Adrian Pye, Independent Electricity System Operator (By email)
Nancy Marconi, Independent Electricity System Operator (By email)
Fred Cass, Aird & Berlis t LLP (By email)
Brady Yauch, Consultant to Energy Probe (By email)
Roger Higgin, Consultant to Energy Probe (By email)
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EB-2015-0275

Ontario Energy Board

IN THE MATTER OF the *Electricity Act, 1998*, section 25(1);

AND IN THE MATTER OF an Application to the Ontario Energy Board by The Independent Electricity System Operator (IESO), seeking approval for the IESO's 2016 expenditures, revenue requirement and fees.

Interrogatories of Energy Probe Research Foundation

June 30, 2016

**The Independent Electricity System Operator
2016 expenditures, revenue requirement and fees**

Energy Probe Interrogatories

Revenue Requirement and Budget

Energy Probe IR #1

Reference: Exhibit B, Tab 3, Schedule 2, Page 1, Line 13 (Table)

- a) Please provide columns with historic data in the same format.
- b) Please add a column with the forecast for 2016.

Energy Probe IR #2

Reference: Exhibit A-2-2, Business Plan Page 13

Preamble: IESO expects full-time staff to decline to decline from 694 in 2015 to 680 in 2018.

- a) Please provide the FTEs for OPA and IESO from 2010-2015.
- b) Please list the number of part-time or contract employees it will employ between 2015 and 2018.

Energy Probe IR #3

Reference: Exhibit A-2-2, Business Plan Pages 12/13

Preamble: In 2017 and 2018, the IESO is planning to deliver further reductions in operating expenditures and resources as a result of various projects initiated in 2016. Operating expenditures compared to 2016 are decreased by two percent by the end of the planning cycle.

- a) In the same format as the 2016 Financial Table, please extend the table to show the historic (2011-2014) costs prior to merger.
- b) Discuss for each component how the 2015-2018 costs change relative to history.
- c) Specifically, address the drivers for changes in compensation and benefits and relate this to the changes in FTE in 2016-2018.

Compensation Costs and Staffing Levels

Energy Probe IR #4

Reference: Exhibit A-3-2, Pages 36-38

Preamble: Energy Probe wishes to understand IESO Total Compensation before and after Merger and also how this compares to similar organizations. Benchmarking of total compensation for the total organization(s) and as a percentage of OM&A is requested.

The framework for information sought includes Total Compensation as required by the Filing Requirements for Transmitters and Distributors, including Form 2K.

- a) Using Form 2K from the Filing Requirements as a starting point, please provide for the historical (2011-2014), bridge (2015) and test years(2016) a breakdown of total Full Time Employees (FTE); total Part-Time Employees, Total Salaries & Wages and Benefits, and Salaries & Wages and Benefits charged to O&M:
 - By employee type (i.e. executive, management, analyst, non-unionized, and unionized),**
 - Total compensation by group and average level per group,**
 - Incentive program, and**
 - Status of pension funding and all assumptions used in the analysis.**(Employee benefit programs, including pensions, and costs charged to O&M should be detailed)**
- b) Please provide a Table that benchmarks for 2011-2016(forecast)
 - i. Total Compensation to Total OM&A and**
 - ii. OM&A per TWH.****
- c) Please provide data that Benchmarks the IESO Revenue Requirement and Total OM&A per TWH to other North American ISOs.**

Energy Probe IR #5

Reference: Exhibit A-3-4, Page 59/60

Preamble: Prior to the amalgamation of the IESO with the OPA, the Ministry of Energy had retained the Hay Group, a global management consulting firm, to evaluate and market price the CEO position for the new organization.

Please provide a copy of the Hay Group Study that benchmarked the CEO Total Compensation Post Merger to that of a peer group sample.

Energy Probe IR #6

Reference: Exhibit A-3-4, Page 59/60

Preamble: Following Mr. Campbell's appointment to the CEO position on January 1, 2015, the decision was made to adopt a similar approach to evaluate and market price all other executive roles using the Hay point system.

As part of this process, the comparator group was redefined and is now comprised of 13 public sector and 11 private sector organizations, with the comparator data weighted on a 50/50 public/private sector basis.

- a) Please provide a copy of the Hay Report.**
- b) Please indicate how the comparator group was redefined and the reasons for, and results from, this redefinition.**
- c) If not covered in the Report (References), please provide a clear description of how the CEO Compensation package analysis was used to determine the market price of the other Executive Positions.**
- d) Please provide a side by side analysis/comparison of the Positions of VP Planning (OPA) and • VP Market & Resource Development IESO, using the defined job functions and the Hay Points system.**
- e) Please indicate how the resulting compensation for the IESO VP Market & Resource Development is reasonable.**

Energy Probe IR #7

Reference: Exhibit A-3-4, Page 62

- a) Please provide an updated version of the 2015 Summary Compensation Table showing all Executives. (Note: VP Information and Technology Services and CIO and VP Planning, Law & Aboriginal Relations were not included)**
- b) Please provide a similar projection for 2016 stating all significant assumptions. Reconcile to Total Compensation.**
- c) Please provide a Table showing all Executive Other Benefits and Other Post Retirement Benefits for 2015 and a projection for 2016.**
- d) Please provide a consolidated Total Executive Compensation Table for the Historic (2011-2014), post-merger (2015) and projection for the 2016 Fee Year. Reconcile to the answers on Enterprise Total Compensation and other answers regarding Executive Compensation**

Usage Fee

Energy Probe IR #8

Reference: Exhibit B, Tab 1, Schedule 1, Page 6, Table 2

- a) IESO is proposing to charge a Single fee of \$1.13. Can IESO provide a breakdown of what the fee would be if the OPA portion of costs was still billed on a net rather than a gross basis?**
- b) Please provide in a single table, the historic forecast and actual (2011-2015) and 2016 forecast TWH for the three user classes.**
- c) Based on historic experience provide a sensitivity analysis for 2016 for the three components and discuss the result.**
- d) How will IESO “true up” its 2016 Fees if one or more of the TWH forecasts is in error?**

Energy Probe IR #9

Reference: Business Plan Exhibit A-2-2, Business Plan Page 10

- a) Does IESO have any evidence that breaks down the cost to the Agency’s Operations by class of generators and the Supply Mix (gas, solar, wind, nuclear and hydro)?**
- b) Does IESO have any studies that delineate operating costs based on more (or less) embedded generation? If so, please provide these.**

Energy Probe IR #10

**Reference: Exhibit B, Tab 1, Schedule 1, Page 5 and
Exhibit B, Tab 1, Schedule 2, Page 3**

Preamble: To parse the work of the IESO or to attempt to separate the costs or benefits of the IESO’s operations is difficult now and will be increasingly difficult and decreasingly practical in the future.

- a) What in IESO’s view is the purpose of a Cost Allocation Study, such as the Elenchus Report? Please provide in detail the objectives and comment on each of these.**
- b) Did Elenchus perform Time Studies to allocate specific costs to Domestic and Export Functions? If not, why not?**

- c) **Is IESO rejecting the Elenchus Cost allocation study? If so, please expand on why/how the principle functions performed by the IESO are independent of IESO's Capital and Operating costs and accordingly, why "One Size Fits All".**
- d) **Specifically indicate why the Regional and Grid Planning Functions benefit both domestic and Export customers.**
- e) **Please explain in detail why embedded generation creates costs for IESO at a different level than managing Bulk Generation and Exports.**
- f) **Has IESO done a Jurisdictional Review of other System Operators in support of its position regarding Cost Allocation and a single fee? If so, please provide a copy of this.**
- g) **In any event, based on IESOs knowledge of other ISOs, please provide its best information on the allocation of costs and fee structures by these entities.**

Deferral and Variance Accounts

Energy Probe IR #11

Reference: Exhibit B, Tab 2, Schedule 1, Page 3

If the IESO gets approval of a single fee, then please discuss how a true up on FDVA balances should be done to reflect fairly both costs and revenues for each of the Classes of customers.

Merger Costs and Savings

Energy Probe IR #12

Reference: Exhibit A-2-2, Page 3

Preamble: The merger has driven savings, including a workforce reduced by 35 employees, real estate savings and the elimination of one Board of Directors. These and other efficiencies have resulted in a decrease in annual costs of more than \$5 million. The IESO's 2016-2018 business planning efforts build on these efficiencies and achieve annual savings of more than \$10 million by 2018.

- a) **Please provide a breakdown of the major categories of Cost Saving in 2016 and beyond.**
- b) **Please reconcile this to the 2016 Budget and Fees.**

Energy Probe IR #13

Reference: Exhibit B, Tab 3, Schedule 1, Page 2

Preamble: The majority of the (merger) costs were associated with compensation and benefits costs due to staff reductions of 35 people (\$7.8 million).

- a) For each of OPA and IESO please provide a more detailed breakdown of Merger Costs.**
- b) Please provide a breakdown of the \$7.8 million related to staff reductions.**
- c) Specifically show the amount of severances paid by OPA/IESO as a result of the downsizing. Please show Executive, Management and Other amounts separately.**
- d) Clarify if the amounts of severance include Bridging to Pension, and if so the amount of this.**

Energy Probe IR #14

Reference: Updated Exhibit B, Tab 3, Schedule 2, Page 1

Please provide details/specifics of the refund of the RFDA and FDVA 2015 balances to customer classes.

Commitments from Previous OEB Decisions

Corporate Performance Measures

Energy Probe IR #15

Reference: Exhibit A-2-2, Page 15

Preamble: The IESO identified eight targets focused on reliability, market effectiveness, operational capabilities, reputation and relationships. The targets have been shared with stakeholders and intervenors, and the IESO has incorporated any relevant feedback.

- a) Please indicate when and which intervenors and stakeholders were consulted on the CPMs.**
- b) Please indicate which Divisions/Executives Contribute to each Target and an approximate level of Accountability/responsibility for each.**
- c) For each Target/CPM, please provide the detailed measurement(s) used.**

- d) Please provide how the CPMs relate to the Corporate and Individual Executive Measures and Variable Pay compensation. (see Exhibit A-3-4, Page 61)
- e) Please provide details (such as the Report) of the Corporate and Individual Performance Management System at IESO.
- f) Please Indicate if the CPM Program been approved by
- The Minister
 - IESO Board
 - IESO Stakeholder Committee
 - The OEB
- Please provide any material to support the response(s).