



August 17, 2017

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
P.O. Box 2319, 27th Floor  
2300 Yonge Street  
Toronto, ON M4P 1E4

Re: Independent Electricity System Operator (IESO) 2017 Fess Application  
Board File No. EB-2017-0150

Dear Ms. Walli:

Attached please find AMPCO's interrogatories in the above proceeding.

Please do not hesitate to contact me if you have any questions or require further information.

Sincerely yours,

*(ORIGINAL SIGNED BY)*

Colin Anderson  
President  
Association of Major Power Consumers in Ontario

Copy to: IESO

**Independent Electricity System Operator (IESO)  
2017 Expenditures, Revenue Requirement & Fess Application  
AMPCO Interrogatories**

**1.0 Revenue Requirement, Operating Costs and Capital Spending**

**1.1 Is the IESO's Fiscal Year 2017 net revenue requirement of \$190.8 million appropriate?**

**1.1-AMPCO-1**

Ref: A2-2-2 Page 21

Preamble: The IESO's Corporate Performance Measure #1 is to execute its strategic plan.

- a) Please indicate when the IESO expects to do its annual review of its strategy and the process involved.
- b) Please indicate when the IESO expects to update its strategy.

**1.1-AMPCO-2**

Ref: A2-2-2 Page 21

Preamble: The IESO's Corporate Performance Measure #4 is "Operations are well co-ordinated with LDC partners."

- a) Please summarize the objective and outcome of this measure and provide the status of the IESO's 2017 target that one major LDC is actively engaged in two-way communication by the end of 2017.

**1.1-AMPCO-3**

Ref: A2-2-2 Page 21

Preamble: Two of the IESO's 2017 target for its Corporate Performance Measure #10: are 80% of priority change initiatives progressing to their approved business case; and 100% of the Operations Readiness Initiatives progressing according to their approved business case.

- a) Please provide the business case for the priority change initiative and Operations Readiness Initiative.
- b) Please provide the status of the above two initiatives with respect to achievement of the 2017 targets.

**1.1-AMPCO-4**

Ref: B-1-1 Page 11

- a) When will the IESO begin supporting the OCCSDC?
- b) Please discuss if the IESO's support of the OCCSDC by providing staff to perform work on behalf of the OCCSDC puts the IESO at risk of resource constraints. If not, why not.

**Independent Electricity System Operator (IESO)  
2017 Expenditures, Revenue Requirement & Fess Application  
AMPCO Interrogatories**

**1.1-AMPCO-5**

Ref: Ex A-2-2 Page 19

Preamble: The evidence indicates the IESO's Internal Audit Group provides independent, objective insight and assurance on governance, risk management, and controls to management and the Board of Directors.

- a) Please provide a list of the Internal Audits undertaken in 2015, 2016 and 2017 (actual and planned).
- b) Please provide a copy of all 2016 and 2017 audit reports.

**1.2 Is the IESO's Registration & Application Fees revenue forecast of \$0.6 million for Fiscal Year 2017 appropriate?**

**1.2-AMPCO-6**

- a) Please provide the number of FIT applications in 2015 and 2016 and forecast for 2017.

**1.3 Is the IESO's Operating Costs budget of \$191.4 million for Fiscal Year 2017 appropriate?**

**1.3-AMPCO-7**

Ref: B-3-1 Page 1

- a) Please provide Table 1 for 2015.

**1.4 Are the IESO's projected staffing levels and compensation (including salaries, benefits, pensions and other post-employment benefits) appropriate and reasonable?**

**1.4-AMPCO- 8**

Ref: Ex A2-2-2 Page 6

- a) Please provide the planned incremental FTEs in 2017, 2018 and 2019 to address the following areas: Technology, Industry Change and Electrification; Climate Change objectives; and Cyber Security.

**1.4-AMPCO-9**

Ref: Ex C T2 S1 Attachment #3 Appendix 2-JC

- a) Please provide the number of FTEs in each operating program for the years 2015, 2016 and 2017.
- b) Please provide the total compensation and benefit amounts allocated to each Operating Program in Appendix 2-JC for the years 2015 to 2017.

**1.5 Is the IESO's Capital Expenditure budget for Fiscal Year 2017 appropriate?**

**1.5-AMPCO- 10**

**Independent Electricity System Operator (IESO)  
2017 Expenditures, Revenue Requirement & Fess Application  
AMPCO Interrogatories**

Ref: Exhibit A-2-2, Page 28 Appendix 4

- a) As a result of the significant Market Renewal costs in 2017 to 2019, are there any capital priorities or projects in 2017 to 2019 that could be deferred? If not, why not?
- b) Please rank the priority of each project in Appendix 4.
- c) Please provide a list of the capital projects in 2017, 2018 and 2019 that are considered discretionary.

**1.5-AMPCO-11**

- a) Please provide a table that shows the planned budget to the actual budget by project for the years 2015 and 2016.

**1.6 Are the IESO's forecast 2017 operational costs for the Market Renewal Program appropriate in the context of the scope and timing of the overall project?**

**1.6-AMPCO-12**

Ref: Ex A-2-2 Page 3

- a) Please describe further the known inefficiencies and gaming opportunities in the electricity market.
- b) Please describe how the planned market design changes under the Market Renewal Program address the known inefficiencies and gaming opportunities.

**1.6-AMPCO-13**

Ref: Ex A-2-2 Page 5

Preamble: The evidence indicates the changes in market structures are well proven in other electricity markets and Ontario will benefit from the best practices that have emerged in those markets over the past two decades.

- a) Please describe the best practices that have emerged in other markets.
- b) Please identify the proven changes in market structures in other markets that are proposed to be implemented in Ontario.
- c) Please explain how changes in other markets will be adapted to meet the unique needs in Ontario.

**1.6-AMPCO-14**

Ref: Ex A-2-2 Page 13

Preamble: The IESO forecasts incremental FTEs of 25, 75 and 75 in the years 2017, 2018 and 2019, respectively due to temporary resourcing required in support of Market Renewal.

**Independent Electricity System Operator (IESO)  
2017 Expenditures, Revenue Requirement & Fess Application  
AMPCO Interrogatories**

- a) Please provide a breakdown of the incremental FTES in 2017, 2018 and 2019 by position and indicate if the position is permanent or temporary.
- b) Please explain the nature of the work to be undertaken by these incremental FTEs in each year.
- c) Please indicate the number of positions hired to date in 2017.
- d) Please provide the fully burdened costs of these FTEs for each year 2017 to 2019.

**1.6-AMPCO-15**

Ref: Ex A-2-2 Page 14

Preamble: The evidence states “The Market Renewal project will utilize a variety of resourcing approaches to most effectively manage project delivery timelines, cost, and to mitigate risk. Resourcing approaches will include competitive contracting with suppliers, as well as seconding key internal IESO resources for different durations based on the specific skills needed as the project moves through the various phases (e.g. design, implementation, testing, etc.) until the project is complete. The incremental FTEs will be required to deliver the IESO’s core business and Market Renewal.”

- a) Please provide the total number of FTEs allocated to Market Renewal in 2017, 2018, 2019.
- b) Please provide the nature of the contract work, the types of suppliers, the costs and the corresponding incremental increase in FTEs in 2017 to 2019.
- c) Please summarize and describe the planned secondments in 2017, 2018 and 2019 and provide the total number of secondments planned in each year and the corresponding costs by year.
- d) Please describe the IESO’s plans related to the vacant positions created from staff secondments to Market Renewal.
- e) Please quantify the underspend in 2015 and 2016 due to unfilled vacancies and the forecast for 2017.

**1.6-AMPCO-16**

Ref: Ex A-2-2 Page 19

Preamble: The IESO’s Corporate Performance Measure #6 is “The electricity market is efficiently delivered.”

- a) Please indicate the status of the detailed Market Renewal project plan to be developed by the end of Q3 and provide the latest draft.
- b) Please provide the specific market design changes for implementation over the next five years.
- c) Please identify target timelines for completing the design and implementation work.

**Independent Electricity System Operator (IESO)  
2017 Expenditures, Revenue Requirement & Fess Application  
AMPCO Interrogatories**

- d) Please indicate the status of the Market Renewal project level risk assessment and key performance indicators that are to be completed by the end of Q3.
- e) Please provide the latest draft of the project level risk assessment and key performance indicators.

**1.6-AMPCO-17**

Ref: B-1-1 Page 6

Preamble: The evidence indicates the benefits of Market Renewal would pay back its implementation cost in just over a year.

- a) Please provide this calculation.

**1.6-AMPCO-18**

Ref: B-1-1 Page 6 Brattle Group Report

Preamble: AMPCO believes that the stated IESO implementation costs associated with the Market Renewal project are too low. Brattle's suggested contingency of 20% on a \$200M base, at this stage in the project, is insufficient, given the lack of project definition. Brattle's later increase to \$300M is likely closer, but also serves to illustrate the point that lack of definition prohibits a robust cost estimate at this time.

- a) Does the IESO have an updated implementation cost estimate?
- b) Does the IESO have an estimate of total project costs for market participants?

**1.6-AMPCO-19**

Ref: Exhibit B-1-1 Page 8

- a) Please provide any internal business case documents related to the Market Renewal Program.
- b) Please confirm the total timeline for the Market Renewal multi-year Program.
- c) Please provide the 2017 meeting schedule for the MRWG.

**1.6-AMPCO-20**

Ref: Exhibit B, Tab 1, Schedule 1, Page 8

- a) Please provide a breakdown of the positions included in the \$8.3 million in compensation and benefits. Please indicate if the position is Executive, Management, Non-Union, Union, Permanent or Temporary.
- b) Please provide a breakdown of the work to undertaken under the \$3.3 million Professional Consulting budget.

**Independent Electricity System Operator (IESO)  
2017 Expenditures, Revenue Requirement & Fess Application  
AMPCO Interrogatories**

- c) Please provide a breakdown of the \$0.4 million Operating & Administration budget.

**1.6-AMPCO-21**

Ref: B-1-1 Page 8

Preamble: Of the \$12 million in forecast 2017 costs, the IESO is proposing to allocate \$3.0 million from its budget for core business operations, from the IESO redeploying consulting support as well as impacts of hiring timing and staffing rates.

- a) Please explain how the \$3 million is allocated to the budget categories in Table 5.
- b) Please explain and quantify the impact of hiring timing.
- c) Please explain and quantify the impact of staffing rates.

**1.6-AMPCO-22**

Ref: Exhibit B, Tab 1, Schedule 1, Page 8

- a) Please explain the IESO's project management process to manage the Market Renewal Program.

**1.6-AMPCO-23**

Ref: Exhibit A-2-2, Page 13

- a) Please provide a breakdown of the Market Renewal capital budget in 2018 and 2019.

**4.2 Is the IESO's proposal to clear 2016 Year-End balance in the Forecast Variance Deferral Account that are in excess of the \$10 million operating reserve appropriate?**

**4.2-AMPCO-24**

Ref: B-2-1 Page 2

- a) For 2016, please provide the calculation of the year-end the variances tracked through the FVDA.

**4.4 Should the IESO establish a separate Market Renewal Program Deferral Account?**

**4.4-AMPCO-25**

- a) Please summarize how human and other costs for the Market Renewal Program will be accurately tracked and monitored?

**5.0 Commitments from Previous OEB Decisions**

**5.2 Are the four Standard Financial Reporting Forms appropriate?**

**Independent Electricity System Operator (IESO)  
2017 Expenditures, Revenue Requirement & Fess Application  
AMPCO Interrogatories**

Appendix 2-AA (Capital Projects)  
Appendix 2-JB (Operations and Administration Cost Drivers)  
Appendix 2-JC (Operations and Administration Programs)  
Appendix 2-K (Employee Costs)

**5.2-AMPCO-26**

- a) Please add 2015 Actuals to each of the above Appendices.

**5.2-AMPCO-27**

Ref: Appendix 2-K

- a) Please recast the Table to show a breakdown of Executive, Management, Non-Union, Union and Temporary FTEs and corresponding costs.

**5.3 Are the IESO's costs and savings to implement the Ontario Government Greenhouse Gas Cap-and-Trade Initiative and any new or changing requirements arising from Bill 135 appropriate?**

**5.3-AMPCO-28**

Ref: Ex C-3-1 Page 1

Preamble: The evidence states "The internal 2016 costs associated with the Ontario government's greenhouse gas cap-and-trade initiative is approximately \$500,000. These incremental costs were for external counsel and consultants that were retained to assist the IESO to review and negotiate amendments to supply contracts where appropriate.

- a) Please discuss the source of funding for the above costs.
- b) In 2016, the IESO did not estimate any specific costs as a result of the cap-and-trade initiative. Given costs occurred in 2016, on what basis does the IESO not foresee any costs in 2017?

**5.3-AMPCO-29**

Ref: Exhibit A-2-3, Page 1

Preamble: The March 21, 2017 letter from the Ministry of Energy states "In my recent letter of February 13, 2017, I requested the IESO to be prepared in supporting the establishment of a new entity, the Ontario Climate Change Solutions Deployment Corporation of the Ministry of the Environment and Climate Change (MOECC). I expect the IESO will seek to prioritize its core business plan activities while ensuring this joint initiative with the MOECC is well supported to realize the shared objective of ensuring low-carbon energy choices.

- a) Please provide the February 13, 2017 letter referenced above.
- b) Please discuss how the IESO plans to support the joint initiative with MOECC.
- c) Please provide the financial and human implications to support the joint initiative.