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Our File # 339583-000253

By electronic filing

August 10, 2018

Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge Street, 27<sup>th</sup> floor  
Toronto, ON M4P 1E4

Dear Ms. Walli

**Re: Independent Electricity System Operator (“IESO”)  
2018 Revenue Requirement Submission  
Board File #: EB-2018-0143**

Please find attached the Interrogatories of Canadian Manufacturers & Exporters (“CME”) to the Applicant, Independent Electricity System Operator (“IESO”), in the above-noted proceeding.

Yours very truly

Borden Ladner Gervais LLP

A handwritten signature in black ink, appearing to read 'Scott Pollock', is written over a light blue horizontal line.

Scott Pollock

enclosure

- c. Miriam Heinz (IESO)
- Fred Cass (Aird & Berlis LLP)
- Intervenors in EB-2018-0143
- Alex Greco (CME)

OTT01: 9138391: v1

**ONTARIO ENERGY BOARD**

**Independent Electricity System Operator**

**Application for Approval of 2018 Expenditures,  
Revenue Requirement and Fees**

**INTERROGATORIES OF  
CANADIAN MANUFACTURERS & EXPORTERS (“CME”)  
TO INDEPENDENT ELECTRICITY SYSTEM OPERATOR (“IESO”)**

**Issue # 1.4 Is the IESO’s Capital Expenditure budget for Fiscal Year 2018 appropriate?**

**CME # 1**

**Ref: EB-2018-0143 Exhibit A, Tab 2, Schedule 1, pages 1 and 2 of 2**

At Exhibit A, Tab 2, Schedule 1, pages 1 and 2, the Applicant states “Capital projects in 2018 to facilitate the delivery of core business functions and priority initiatives are expected to be \$22.6 million, which includes \$4 million for the next stage of the Market Renewal Project.”

At Exhibit A, Tab 1, Schedule 1 page 2 of 4, the Applicant requests approval for its proposed 2018 capital expenditure envelope of \$26.6 million for capital projects.

- (a) Please confirm that the total capital expenditure envelope is \$26.6 million, broken out between \$22.6 million for capital projects related to core business functions, and \$4 million for the Market Renewal Project.

**Issue # 1.1 Is the IESO’s Fiscal Year 2018 net revenue requirement of \$190.8 million appropriate?**

**CME # 2**

**Ref: Exhibit A, Tab 2, Schedule 2 page 5 of 28**

At Exhibit A, Tab 2, Schedule 2, page 5 of 28, the Applicant provides a list of priority initiatives and resource requirements, and states “This means the organization will continue its efforts to find efficiencies and opportunities for expense reductions. Challenges are presented in managing the budget in 2018 and beyond as increases in compensation and benefits begin to outpace opportunities to reduce costs.”

- (a) CME would like to better understand the IESO’s previous efforts to find efficiencies and opportunities for expense reductions. Does the IESO have any formal productivity initiatives?
- (b) If the answer to (a) above is yes, please describe them and quantify their productivity, efficiency, or cost reduction results.

- (c) If the answer to (a) above is no, why not?
- (d) If the answer to (a) above is no, what sort of efforts is the IESO describing at Exhibit A, Tab 2, Schedule 2, page 5 of 28? Please provide a detailed description.
- (e) Please describe why opportunities to reduce costs might fall behind increases to compensation and benefits.

**Issue # 1.3 Are the IESO's projected staffing levels and compensation (including salaries, benefits, pensions and other post-employment benefits) appropriate and reasonable?**

**CME # 3**

**Ref: Exhibit A, Tab 2, Schedule 2 page 13 of 28 and Exhibit B, Tab 1, Schedule 1, page 5 of 7**

Exhibit A, Tab 2, Schedule 2 page 13 of 28 describes the work that the IESO does collaborating with the Ministry of Environment and Climate Change to support the Green Ontario Fund. Exhibit B states that "In the spring of 2018, a Green Ontario Fund website was launched" and the IESO will be performing a number of functions. Given the recent decisions regarding the Green Ontario Fund, CME wishes to know more about the IESO's activities with the Green Ontario Fund.

- (a) What is the status of the IESO's involvement in the Green Ontario Fund currently?
- (b) Will the FTE's that are currently working on Green Ontario Fund related items be folded back into the IESO to work on either core functions, market renewal, or other projects?
- (c) If the answer to (b) above is yes, please provide a breakdown of where those FTE's are being allocated, and updated FTE complements for those areas.

**Issue # 1.1 Is the IESO's Fiscal Year 2018 net revenue requirement of \$190.8 million appropriate?**

**CME # 4**

**Ref: Exhibit A, Tab 2, Schedule 2 page 22 of 28**

The Applicant lists "Resource Acquisition Policy, Business Innovation and Engagement" as a focus and lists "Stakeholder actions and a lack of attainable capabilities have an adverse effect on the Market Renewal Program" as a key risk.

- (a) What sort of actions by stakeholders are being described in this statement? How do they represent a key risk to the Market Renewal Program?

**Issue # 4.1 Is the IESO's proposal to retain an Operating Reserve of \$6 million in the Forecast Variance Deferral Account appropriate?****CME # 5****Ref: Exhibit B, Tab 1, Schedule 1, page 6 of 7**

The Applicant states: "[T]he IESO believes that \$6 million will be an adequate reserve against the uncertainties referred to below, but the IESO does not necessarily believe that this is an appropriate amount for the reserve going forward." The Applicant then goes on to list a number of risks on the following pages.

- (a) Does the IESO quantify the likelihood that the risks are realized, and the required withdrawal from the operating reserve that the occurrence of each risk would entail?
- (b) If the answer to (a) above is yes, please provide the estimated likelihood of occurrence of the listed risks, and the monetary impacts of those risks.
- (c) If the answer to (a) above is no, how does the IESO estimate whether or not their operating reserve is sufficient?
- (d) Please provide a breakdown, by year, of how much of the operating reserve the IESO has been required to use for the past 10 years.

**Issue # 1.4 Is the IESO's Capital Expenditure budget for Fiscal Year 2018 appropriate?****CME # 6****Ref: Exhibit B, Tab 2, Schedule 1 page 3 of 3**

The Applicant states: "2016 and 2017 capital spending levels were \$4.6 million and \$9.4 million lower than planned, respectively. The lower spending was primarily due to changes in timing of the initial stages of development which are treated as expense, and a number of minor projects that were not undertaken in year as planned."

- (a) What projects were not undertaken in the year as planned, and why?
- (b) Have those projects been scheduled? If so, when will they be completed?
- (c) Is the IESO on track to meet its listed 2018 capital envelope of \$26.6 million? If not, why not?

**Issue # 6.3 Are the IESO's forecast 2018 capital costs for the Market Renewal Program appropriate in the context of the scope and timing of the overall project?**

**CME # 7**

**Ref: Exhibit B, Tab 3, Schedule 1 page 4 of 6**

The Applicant states: "The [Market Renewal] program was \$4.1 million under budget due to unused contingency and slower internal ramp up of program resources."

- (a) What is the 2018 project spend to date on market renewal? Please break down spending into compensation and benefits, professional and consulting, and operating and administration for both operating and capital budget, as per table 3, of Exhibit C, Tab 2, Schedule 1, page 9 of 14.
- (b) Does the IESO expect spending on the Market Renewal Project to come in under budget, at budget or over budget?
- (c) If the answer to (b) above is under or over budget, please list and describe the drivers for those variances.