

ONTARIO ENERGY BOARD

IN THE MATTER OF subsection 25(1) of the *Electricity Act, 1998*

AND IN THE MATTER OF a Submission by the Independent Electricity System Operator to the Ontario Energy Board for the review of its proposed expenditure and revenue requirements for the fiscal year 2018 and the fees it proposes to charge during the fiscal year 2018

INTERROGATORIES OF ONTARIO SUSTAINABLE ENERGY ASSOCIATION (“OSEA”)

August 10, 2018

1.0 OSEA 1

Preamble: The Minister of Energy, Northern Development and Mines issued a Ministerial Directive (Order in Council No. 1003/2018 dated July 5, 2018), which states “[t]he IESO's system planning analysis indicates that the adequacy and reliability of supply can be maintained while winding down certain FIT and LRP contracts and that it would be in the best economic interests of Ontario's electricity ratepayers, in respect of the FIT program, to wind down contracts where the IESO has not issued Notice to Proceed and, in respect of the LRP program, to wind down contracts where the IESO has not notified the contract counterparty that all Key Development Milestones have been met.”

On July 13, 2018, the Minister of Energy, Northern Development and Mines issued a news release indicating that 758 renewable energy contracts will be cancelled.

- a) Please describe what impact will the cancellation of the renewable energy contracts have on the IESO's revenue requirement, operating costs and capital spending.
- b) Please advise what steps IESO is taking to cancel the renewable energy contracts.
- c) Please advise what additional costs, if any, will result from the cancellation of these contracts.

- d) Please advise if IESO has budgeted for potential litigation that may arise from the cancellation of the renewable energy contracts, including legal fees and damages.

1.0 OSEA 2

Reference: Exhibit A, Tab 2, Schedule 2, Page 21 of 28

Preamble: “The mid-term review (MTR) of the Conservation First Framework and Industrial Accelerator Program is completed no later than June 1, 2018, with the IESO implementing any outcomes of the MTR starting in Q3.”

- a) Please provide the report(s) prepared for the mid-term review of the Conservation First Framework and Industrial Accelerator Program.
- b) Please describe the recommendations from the mid-term review and what steps IESO will be implementing in 2018 resulting from those recommendations.

3.0 OSEA 3

- a) Please advise if IESO will be refunding any registration/application fees to the proponents of the cancelled renewable energy contracts.

5.1 OSEA 4

Reference: Exhibit C, Tab 1, Schedule 1, Attachment 1

Preamble: “IESO is committed to Ontario’s vision to invest in conservation first, before new generation, where cost-effective. The IESO evaluates the success of its conservation programs by looking at the performance of the entire portfolio. The levelized unit energy costs (LUEC) is a standard cost effectiveness test that normalizes the cost incurred by the program administrator (customer incentives and program administrative costs) per unit of energy savings. LUEC provides a basis for not only comparing Conservation and Demand Management (CDM) measures, program or portfolios with each other, but also for comparing CDM to the cost of supply-side resources. Final annual cost effectiveness results are published on the IESO website in Q3 of the following year.”

- a) IESO reported that the actual conservation portfolio costs for 2016 and 2017 were below the \$0.04/kWh target. Please advise if increasing IESO’s conservation portfolio costs for

2018 closer to the \$0.04/kWh target will result in achieving the 2020 target of 8.7 TWh sooner?

- b) Does IESO anticipate that as it gets closer to the 2020 target that it will be more difficult or costly to achieve energy savings? What plans or contingency has IESO put in place to address this concern?

5.1 OSEA 5

Reference: Exhibit A, Tab 3, Schedule 1, page 6 of 40

Preamble: “Ontario continues to make steady progress towards its 2020 conservation target of 8.7 terawatt-hours (TWh) of energy savings through the Conservation First Framework (CFF) programs and the Industrial Accelerator Program (IAP). The CFF is on target and under budget at the halfway mark, having achieved 3.85 TWh (55% of the CFF target) of energy savings in the first half of the framework...Conservation remains the most cost-effective supply resource available, at just over two cents per kWh.”

- a) Please advise how much under budget is IESO currently to-date for the Conservation First Framework programs.
- b) Please advise if IESO is projecting to spend the total budget for Conservation First Framework programs for 2018? 2020?
- c) If IESO spent the additional funds in the existing budget, could ISEO achieve greater energy savings than the current 2020 conservation target? Could IESO achieve the 2020 target sooner?
- d) Please advise if IESO is procuring new generation in 2018 with a cost above \$0.04/kWh. If so, please explain why additional conservation was not considered as the more cost-effective supply resource.

7.1 OSEA 6

Reference: Exhibit A, Tab 2, Schedule 21, pages 9-10 of 28

Preamble: “The following are the nine directed initiatives that the IESO will be responsible to deliver:

...

- The IESO will develop a program for innovative renewable distributed generation projects to demonstrate enhanced system integration and deployment potential, including projects demonstrating virtual net metering models that would inform potential future net metering policy updates.
 - In coordination with the OEB, the IESO will review market rules, industry codes and regulations to identify potential obstacles to fair competition for energy storage with other technologies in the delivery of services, and where appropriate, propose mitigation strategies.
 - The IESO will identify options for pilot projects that evaluate the electricity system benefits, costs and GHG emission reductions of using electricity to create hydrogen.”
- a) Please explain if the IESO Implementation Plan for initiatives in the 2017 Long-Term Energy Plan is affected by the Ontario government’s decisions to cancel the Green Ontario Fund, the Cap and Trade Program, and the renewable energy contracts. If so, explain the impact for each initiative.
- b) Please explain what are the cost implications (e.g. savings or added expenses) for the IESO Implementation Plan as a result of the Ontario government’s recent decisions.