

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

Energy Probe Research Foundation

August 10, 2018

EP IR #1

Preamble: Energy Probe Research Foundation (“Energy Probe”) is interested in documenting any savings that have been achieved as a result of the 2015 merger between Ontario Power Authority (OPA) and IESO. In 2014, the year prior to the merger, the two agencies had a combined revenue requirement of \$190.2 million.¹ In its 2016 fees application, IESO expected the merger to produce “savings of more than \$10 million by 2018.”² IESO stated at the time that the merger would also result in a reduced workforce and amalgamation of office space. Yet, in its current application to the Ontario Energy Board, IESO is proposing a revenue requirement of \$190.8 million, or \$600K more than in 2014, the last year the two agencies operated separately. IESO’s FTEs in 2018 are also higher than when the two agencies merged. In 2014 the combined headcount of the two agencies was 727.³ IESO is proposing in this application to increase its FTEs in 2018 to 731.⁴

- a) Identify any direct, annual savings that have been realized as a result of the merger? Energy Probe is particularly interested in any evidence or explanation on how the forecasted \$10 million in annual savings was achieved, or if it wasn’t, why not.
- b) Provide an updated, detailed calculation of any merger-related costs that have been incurred in 2016, 2017 and 2018.

EP IR #2

Please confirm that the proposed fee increase for domestic customers is 2,4% from 2017 and explain, in detail, the reason for that increase, given that the revenue requirement is the same as 2017.

EP IR #3

Reference: Exhibit A-2-2, page 18

Please provide an update on market renewal spending for 2018 and whether IESO on track to meet its forecasted budgets.

EP IR #4

Reference: Exhibit A-2-2, page 19

- a) Please update the 2018 budget for the Green Ontario Fund.

¹ EB-2015-0275, Exhibit B, Tab 3, Schedule 1, Page 1

² EB-2015-0275, Exhibit B, Tab 3, Schedule 1, Page 2

³ See EB-2013-0326, Exhibit C, Tab 2, Schedule 1, Page 2 and IESO Response Interrogatories EB-2013-0381, Page 34

⁴ EB-2018-0143, Exhibit A-2-2, page 9-10

- b) Given that the province has closed the Green Ontario Fund website, will IESO be reimbursed from the province for any funds spent on the project?
- c) What is the current state of the call centre and other operations related to the Green Ontario Fund and will IESO fee payers be on the hook for any of these costs?

EP IR #5

Reference: Exhibit A-2-2, page 23

For any capital projects that began in 2017, provide any variances to budgets or schedules that are now included in the 2018 application.

EP IR #6

Reference: Exhibit A-3-1, page 11

Please explain the variance between budget and actuals in the Market Sanctions and Payments section.

EP IR #7

Reference: Exhibit A-3-1, page 29

Please explain the net receivable of \$4.1 million from the MOECC.

EP IR #8

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

Preamble: IESO lists a number of risks to its forecasts, which include the “potential impacts of fulfilling new directives from the Minister and managing the work associated with new contracts, whether for new supply, conservation or the import and export of power.”

- a) Has IESO received any directives from the Minister? If so, are there any costs associated with those directives?
- b) Has IESO undertaken the management of any new contracts related to conservation or new supply? If so, what are the costs of that work?
- c) Has IESO created a budget for the nine items in the LTEP that it was directed to undertake? If so, please provide that budget or any estimates related to LTEP directives.

EP IR #9

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

Preamble: IESO has underspent its capital budget in 2016 and (more significantly) in 2017.

Please provide a detailed explanation for the underspend in IESO's capital budget for 2017.

EP IR #9

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

Please explain the \$1.2 million overspend (actual versus budget) in the CEO Office.

EP IR #10

Reference: Exhibit B, Tab 3, Schedule 1, Attachment 4 Form 2K lines 2 and 8

Please provide a breakout of the increase in Management FTEs and increased \$3.8 million payroll costs 2016-2018. Specifically identify the increases related to MRP and discuss if these Managers and costs are short term/temporary and will end with the project

EP IR #11

Reference: Exhibit C, Tab 2, Schedule 1, page 5

Preamble: IESO states that: "Prior to the start of detailed design for each of the initiatives, and commencing any significant capital spending, the IESO will develop a business case for the MRP, which will be provided to the IESO Board of Directors for approval, and to stakeholders thereafter."

Have any business cases been completed? If so, please provide them.

EP IR #12

Exhibit C, Tab 2, Schedule 1, page 12, Table 7

Please provide a six-month update (actual versus budget) to the MRP Incremental Staffing figures.

EP IR #13

Reference: Exhibit C, Tab 3, Schedule 1 Plus Attachments and BDR Report Page 4

Preamble: BDR believes that senior decision-makers represent a cost, and provide value to all business activities, and that therefore some component of such costs are appropriately included in the fully allocated costs of those activities. Such an allocation, if adopted by the IESO, could reasonably be applied to Market Renewal and the SME.

- a) What specifically has IESO done with this recommendation?
- b) What Executive/management Time Allocation approach does IESO now use?
- c) How will his change in future?

EP IR #14

Reference: Exhibit C, Tab 3, Schedule 1 Plus Attachments and BDR Report Page 5

Preamble: As with any rate regulated service provider, the regulator has a mandate to ensure that the regulated fees and charges recover only the costs of providing those services. Therefore, if a regulated entity such as the IESO uses its staff, systems, assets or other resources to provide other services, the fairly determined cost of providing the other services must be deducted from the revenue requirement used in determining the charges for the regulated services.

Please provide an estimate of the amount and types of costs that would be tracked and allocated relative to 2018 O&M budgets.

Specifically for SME and MRP how are the costs presently allocated, including non-core functions and management/governance costs?