



August 13, 2018

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) 2018 Fees Application
AMPCO Interrogatories
Board File No. EB-2018-0143

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
Application for approval of 2018 revenue requirement,
expenditures and fees
EB-2018-0143

1.0 Revenue Requirement, Operating Costs and Capital Spending

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

1.1-AMPCO-1

Ref: Exhibit A-2-2 Page 4

Preamble: In its 2018-2020 Business Plan, the IESO indicates it will re-engineer business processes where needed to address inefficiencies, consolidate and enhance project management capabilities and re-examine its approach to risk.

- a) Please explain the inefficiencies that currently exist regarding project management capabilities and the resulting impacts and risks.

1.1-AMPCO-2

Please provide a summary of the internal audits currently underway and planned for the 2018 to 2020 period.

1.1-AMPCO-3

Ref: Exhibit B Tab 3 Schedule 1 Attachment 2 Appendix 2-JB.

Please add 2016 Plan and 2016 Actuals to the table.

1.1-AMPCO-4

Ref: Exhibit B Tab 3 Schedule 1 Attachment 3 Appendix 2-JC.

Please add 2016 Plan and 2016 Actuals to the table and provide an excel version of Attachment #3.

1.1-AMPCO-5

Ref#1: Exhibit A-3-1 Page 6

Organizational Alignment

Policy and innovation can open up new opportunities for consumers and stakeholders, drive down costs and lead to a more efficient and effective electricity grid. Together with its stakeholders, the IESO informs and implements policy while creating an environment where innovation can thrive.

To support its efforts in this area, the IESO underwent an organizational realignment in the fourth quarter of 2017. The new Policy, Engagement and Innovation group aligns the various IESO resources to more effectively develop policy that reflects the broader objectives of the IESO and Ontario's electricity sector, including the need to foster innovation. This group is also responsible for leading the IESO's engagement efforts with customers and stakeholders, the energy regulator, the government and others to ensure their input is actively sought and considered as new initiatives are advanced.

The new Planning, Acquisition and Operations group brings together functions that are responsible for a reliable and efficient province-wide power system both today and in the future. This includes planning, Market Renewal, resource and transmission procurement, and real-time operations and engineering.

Other changes to the IESO's structure include a new standalone business unit and senior executive leading the Human Resources function and a group called Legal Resources and Corporate Governance that includes contract management. The new vice-president of Information & Technology Services will also serve as Chief Information Officer and lead the company's efforts in the area of cybersecurity. As part of its efforts to increase efficiency, provide better service to internal and external customers, and deliver greater value to ratepayers, the IESO is adopting an enterprise-wide view of its operations. Consistent with that shift, a centralized team responsible for the prioritization, governance and delivery of enterprise change at the IESO has been created and reports through the Vice-President of Corporate Services and Chief Financial Officer. This new organizational structure sets a clear corporate direction that will enable the IESO to deliver on its mandate while managing the changes that are reshaping Ontario's energy sector.

Preamble: The IESO's 2017 Annual Report states "The IESO underwent an organizational realignment in the fourth quarter of 2017."

- a) Please explain the need and outcome of this organizational realignment.
- b) Please provide a summary of all new groups resulting from the organizational realignment in 2017.
- c) Please provide organizational charts to compare before and after this organizational realignment and show the number of FTEs for each.

1.1-AMPCO-6

Ref: Exhibit A-2-2 Page 21

Preamble: The IESO's 2018 Corporate Performance Target with respect to Corporate Support is: "By the end of 2018, IESO's organizational realignment is progressing on track and key milestones identified for 2018 are met, including the establishment of the new enterprise change mandate by end of Q1 to centralize and enhance IESO project delivery capability."

- a) Please provide the key milestones for the 2018 organizational realignment and the status.
- b) Please provide organizational charts to compare before and after this organizational realignment and show the number of FTEs for each.
- c) Please explain further the new enterprise change mandate to centralize and enhance IESO project delivery capability and provide the status.

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

1.3-AMPCO-7

Ref: Exhibit B Tab 3 Schedule 1 Attachment 4 Appendix 2-K

Please add 2016 Plan to the table and provide an excel version of Attachment #4.

1.4 Is the IESO's Capital Expenditure budget for Fiscal Year 2018 appropriate?

1.4-AMPCO-8

Ref: Exhibit B-2-1 Page 2

Preamble: The IESO indicates a summary of capital spending and associated project descriptions is included in Appendix 4.

- a) Please provide the project descriptions as per Appendix 4.

1.4-AMPCO-9

Ref: Exhibit B Tab 3 Schedule 1 Attachment 1 Appendix 2-AA.

Please add 2016 Plan, 2016 Actuals and 2017 Plan to the table and provide an excel version of Attachment #1.

1.4-AMPCO-10

Ref: Exhibit B Tab 3 Schedule 1 Page 2

Preamble: the IESO indicates the \$1.2 million lower than planned Operating Costs were partially offset by increased compensation expenses resulting from slower than anticipated start of capital projects as and as a result there were lower capital costs in the year.

- a) Please explain the reasons for slower than anticipated start of capital projects.
- b) Please discuss the IESO's project management process including how the IESO reports internally on cost, schedule and work completed for initiatives/projects.
- c) When it is apparent that an investment will have a material change to scope, schedule or cost from the approved plan, please explain how variances are managed.

1.4-AMPCO-11

Ref: Exhibit B Tab 1 Schedule 1 Page 7

Preamble: The evidence indicates 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) For 2017, please provide a breakdown of the capital underspend and explain any key variances.
- b) Please provide the number of projects not undertaken as planned and the total value of the projects.

6.0 Market Renewal Program

6.1 Does the “Market Renewal Program Cost Report” provide sufficient information on the financial and operational performance of the Market Renewal Program for 2017, 2018 year to date and 2018 forecast?

6.1-AMPCO-12

Preamble: The IESO states that the \$4.1 million underspend in 2017 was the result of unused contingency and slower ramp-up of resources.

- a) What is the contingency amount and how much was unused? Please explain.
- b) Please explain the reasons for the slower ramp-up of resources.

6.1-AMPCO-13

Ref: Exhibit C ab 2 Schedule 1 Page 5

Preamble: The evidence indicates 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.

- a) When will the business case be completed?
- b) Please provide the current status of the business case compared to plan.

6.1-AMPCO-14

Ref: Exhibit B Tab 2 Schedule 1 Page 3

Preamble: “The IESO will be in a position to start tracking performance measures such as Schedule Performance Index (“SPI”) and Cost Performance Index (“CPI”) on a going-forward basis starting January 1, 2019.

Please explain if any of the work currently underway for the Market Renewal Program includes a baseline for schedule and cost. If not, why not.