

1 OEB STAFF INTERROGATORY 11

2 **5.0 Commitments from Previous OEB Decisions**

3 **5.1** *Are the targets developed by the IESO for each performance measure included in the*  
4 *2018 Regulatory Scorecard reasonable?*

5 **Staff IR #11**

6 INTERROGATORY

7 Reference: Exhibit C, Tab 1, Schedule 1, Pg. 2

8 Preamble:

9 The Application states: "As specified in the EB-2017-0150 Decision, the IESO has made an effort  
10 to set 2018 targets that are realistic and attainable. As the IESO gains a history on these  
11 measures, the IESO will continue to refine the targets in future years."

12 Questions:

- 13 a) Please describe the extent to which the IESO leveraged the following when  
14 developing/establishing each target:
- 15 i. Consultations with internal and external IESO stakeholders.
  - 16 ii. The methods and metrics developed by other jurisdictions to demonstrate  
17 organizational performance.
- 18 b) Do the targets established represent a stretch for the IESO? That is, will the IESO need to  
19 modify/update its processes to achieve the targets?

20 RESPONSE

- 21 a)
- 22 i. For 2018, the IESO has adopted the Regulatory Scorecard approved by the OEB in its  
23 December 14, 2017 Decision and Order in EB-2017-0150. In that decision, the OEB stated:  
24 *"The OEB has also determined that the IESO's proposed Regulatory Scorecard is acceptable*  
25 *and recognizes that the scorecard measures and targets will evolve with time as interested*  
26 *parties gain further experience with it."*

27 As described in EB-2017-0150, Exhibit C-1-1, the IESO engaged Elenchus Research  
28 Associates Inc. ("Elenchus") to assist in the development of the Regulatory Scorecard  
29 based on consultations with interested parties. This work included discussions on both

1 measures to be included in the Regulatory Scorecard and targets.

2 The draft Regulatory Scorecard included in Exhibit C-1-1, Attachment 2 in EB-2017-0150  
3 did not include targets unless they existed in the IESO Corporate Performance Measures  
4 or there was a pre-existing requirement related to the measure(s). The IESO noted that:

5 *“For other measures, the IESO believes that it would be more effective to have a history on the*  
6 *measure before setting a target to ensure that it is a realistic and attainable target. In*  
7 *addition, the IESO believes it would be more effective to set targets for those metrics that the*  
8 *Board determines will assist it to evaluate the IESO’s proposed expenditure and revenue*  
9 *requirement.”*

10 In its December 14, 2017 Decision and Order in EB-2017-0150, the OEB made the  
11 following specific recommendations to the IESO with regards to the Regulatory  
12 Scorecard targets:

13 *“As suggested by several intervenors, the IESO needs to establish appropriate targets for each*  
14 *of the measures as soon as possible and ensure these are included with its 2018 expenditures,*  
15 *revenue requirement and fees application.”; and*

16 *“For the scorecard measure, “Conservation – Achievement of 2020 energy savings target*  
17 *milestones (TWh),” the IESO should include a target that is aligned with the OEB’s*  
18 *scorecard for electricity distributors. The IESO, by Directive from the Minister of Energy, is*  
19 *required to coordinate, support and fund the delivery of CDM programs through distributors*  
20 *to achieve its 2020 conservation target. It is therefore reasonable for the IESO scorecard*  
21 *measure on conservation to be the same as the distributors”.*

22 Based on the OEB’s ruling quoted above, the IESO has set 2018 targets that are realistic  
23 and attainable based on discussions with internal stakeholders. Where possible, the  
24 IESO has used targets included in the IESO’s Corporate Performance Measures, as it had  
25 done in the draft scorecard. The IESO will continue to gain experience through collecting  
26 history on actual performance on these measures over time and expects to refine the  
27 targets in future years.

28 ii. As noted in the response to a) i) above, the IESO engaged Elenchus Research Associates  
29 Inc. (“Elenchus”) to assist in the development of the Regulatory Scorecard based on  
30 consultations with interested parties. This work included reviewing metrics used by  
31 comparable entities. The OEB approved the Regulatory Scorecard in EB-2017-0150,  
32 noting that it was “acceptable”. Targets for each of the metrics included in the  
33 Regulatory Scorecard are generally informed by historical performance of the metric.  
34 The IESO has set 2018 targets on this basis.

35 b) As noted in the response to a) i) above, the IESO has made an effort to set 2018 targets that  
36 are realistic and attainable. This is consistent with the OEB’s approach in setting  
37 performance targets in the scorecards for electricity distributors. As noted in the OEB’s

- 1 Frequency Asked Questions on the Scorecard for Ontario's Electricity Distributors<sup>1</sup>:
- 2 *"the scorecard performance targets take into consideration the level of service customers can*
- 3 *expect to receive from their distributor at levels the OEB has determined are reasonable".*

---

<sup>1</sup> [https://www.oeb.ca/oeb/ Documents/scorecard/FAQ Scorecard for Electricity Distributors.pdf](https://www.oeb.ca/oeb/Documents/scorecard/FAQ_Scorecard_for_Electricity_Distributors.pdf)

Page Intentionally Blank

1

ED INTERROGATORY 1

2 Issue 5.1: Are the targets developed by the IESO for each performance measure included in the  
3 2018 Regulatory Scorecard reasonable?

4 Interrogatory No. 5.1-ED-1

5 INTERROGATORY

6 Reference: Exhibit C-1-1, Attachment 1

7 Please explain the rationale behind the IESO's proposed target of 0.04\$/kWh for the annual  
8 reporting of portfolio cost (\$/kWh) for electricity conservation programs.

9 RESPONSE

10 The 0.04\$/kWh annual target was set at the beginning of the Conservation First Framework  
11 ("CFF") as a benchmark to monitor performance of the portfolio. The threshold is based on the  
12 average achievement of the previous 2011-2014 conservation framework and aligns with the  
13 cost-effectiveness requirement of the CFF.

Page Intentionally Blank

1 ED INTERROGATORY 2

2 Issue 5.1: Are the targets developed by the IESO for each performance measure included in the  
3 2018 Regulatory Scorecard reasonable?

4 Interrogatory No. 5.1-ED-2

5 INTERROGATORY

6 Reference: Exhibit C-1-1, Attachment 1

7 Preamble: The IESO is proposing a target of 0.04\$/kWh for the annual reporting of portfolio cost  
8 (\$/kWh) for electricity conservation programs.

9 Interrogatory:

10 a) Is the IESO using or proposing to use 0.04\$/kWh as a figure to screen out potential  
11 conservation programs?

12 b) Please confirm that a conservation measure may be cost effective and less expensive than  
13 new generation even if the measure costs more than 0.04\$/kWh.

14 RESPONSE

15 a) When planning, designing and evaluating conservation programs, the IESO uses the Total  
16 Resources Cost ("TRC") test and the Program Administrator Cost ("PAC") test, as outlined  
17 in the IESO's Conservation and Demand Management Energy Efficiency Cost Effectiveness  
18 Guide.<sup>1</sup> As required by the Conservation First Framework, all programs must have a TRC  
19 and PAC score greater than 1.0, with the exception of programs targeting low-income,  
20 indigenous communities and educational purposes.

21 b) Confirmed. The \$0.04/kWh threshold is a portfolio level target. Individual programs and  
22 measures may be above or below this threshold, so long as the program and overall  
23 portfolio remains below the \$0.04/kWh threshold and PAC and TRC test are above 1.0.

---

<sup>1</sup> IESO Conservation Delivery and Tools, LDC Toolkit: [Conservation and Demand Management Energy Efficiency Cost Effectiveness Guide](#)

Page Intentionally Blank



1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31

ED INTERROGATORY 3

Issue 5.1: Are the targets developed by the IESO for each performance measure included in the 2018 Regulatory Scorecard reasonable?

Interrogatory No. 5.1-ED-3

INTERROGATORY

Reference: Exhibit C-1-1, Attachment 1

Preamble: The IESO explains its conservation target as follows:

*“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.”*

Please provide:

- a) The price (\$/kWh) at which conservation is more cost-effective than new generation in each of the years covered by the scorecard (2016 actual, 2017 actual, and 2018 forecast);
- b) The marginal cost of electricity in Ontario for each of the years covered by the scorecard (2016 actual, 2017 actual, and 2018 forecast); and
- c) The avoided costs (\$) per kWh of electricity conservation for each of the years covered by the scorecard (2016 actual, 2017 actual, and 2018 forecast) and the calculations underlying the avoided costs.

RESPONSE

a) and c) Various conservation measures have their own characteristics similar to operation profiles and service lives; the same is true for different types of generations. Therefore, there is no one single price that all types of conservation can compare against. Instead, Ontario uses avoided supply-side resource costs to determine the cost effectiveness of conservation. The avoided costs, including both capacity values and energy values, are the costs of electricity that would otherwise be incurred in the absence of conservation savings. The

1 IESO updates the avoided costs with the evolving supply and demand situations. The  
2 avoided costs currently used for the Conservation First Framework can be found on page 59  
3 of the Conservation & Demand Management Energy Efficiency Cost Effectiveness Guide<sup>1</sup>.  
4 The Avoided Supply Costs table extracted from the guide is also provided as Attachment 1  
5 to this exhibit.

6 b) The marginal cost of electricity in Ontario for each of the requested years is as follows:

Average Annual HOEP	Cents/kWh
2016	1.62
2017	1.55
2018 (year-to-date, Jan-Jul)	2.28

7

---

<sup>1</sup> IESO Conservation & Demand Management Energy Efficiency Cost Effectiveness Guide, March 2015, IESO website:  
<http://www.ieso.ca/-/media/files/ieso/document-library/conservation/lcd-toolkit/cdm-ee-cost-effectiveness-test-guide-v2-20150326.pdf?la=en>

### Avoided Supply Costs

The following avoided supply costs are an output based on the resource mix defined in Ontario's Long-Term Energy Plan<sup>21</sup>

Year	Avoided Cost of Energy Production 2014 \$/MWh by TOU Period										Avoided Capacity Costs 2014 \$/kW-yr		
	Winter			Summer			Shoulder		At System Peak				
	On-Peak	Mid-Peak	Off-Peak	On-Peak	Mid-Peak	Off-Peak	Mid-Peak	Off-Peak	Generation Capacity	Transmission	Distribution		
2015	\$46.53	\$43.38	\$37.76	\$33.65	\$38.83	\$31.87	\$47.55	\$40.77	-	\$3.83	\$4.73		
2016	\$36.08	\$31.88	\$31.81	\$31.39	\$36.65	\$29.55	\$42.24	\$35.94	-	\$3.83	\$4.73		
2017	\$40.97	\$34.96	\$28.72	\$27.98	\$38.38	\$30.74	\$38.39	\$33.51	\$162.15	\$3.83	\$4.73		
2018	\$41.97	\$35.82	\$32.69	\$25.14	\$36.66	\$29.75	\$31.77	\$26.98	\$162.15	\$3.83	\$4.73		
2019	\$40.71	\$38.57	\$34.37	\$37.43	\$43.06	\$34.67	\$36.72	\$32.90	\$162.15	\$3.83	\$4.73		
2020	\$39.88	\$36.86	\$34.93	\$36.75	\$41.06	\$33.80	\$33.89	\$31.23	\$162.15	\$3.83	\$4.73		
2021	\$47.28	\$45.16	\$44.50	\$43.91	\$48.41	\$44.82	\$40.19	\$38.99	\$162.15	\$3.83	\$4.73		
2022	\$48.33	\$47.47	\$45.76	\$42.48	\$46.39	\$43.93	\$40.97	\$39.27	\$162.15	\$3.83	\$4.73		
2023	\$42.94	\$42.84	\$42.41	\$41.86	\$46.18	\$42.58	\$35.85	\$33.64	\$162.15	\$3.83	\$4.73		
2024	\$43.28	\$42.02	\$40.73	\$41.90	\$46.17	\$41.61	\$34.45	\$32.84	\$162.15	\$3.83	\$4.73		
2025	\$44.37	\$43.42	\$42.15	\$40.28	\$43.89	\$39.21	\$36.29	\$36.05	\$162.15	\$3.83	\$4.73		
2026	\$41.26	\$40.08	\$39.69	\$39.77	\$44.01	\$38.82	\$34.52	\$32.62	\$162.15	\$3.83	\$4.73		
2027	\$44.01	\$41.72	\$41.89	\$39.32	\$42.89	\$38.96	\$41.17	\$39.10	\$162.15	\$3.83	\$4.73		
2028	\$43.82	\$42.88	\$40.20	\$41.56	\$45.57	\$40.75	\$36.94	\$33.86	\$162.15	\$3.83	\$4.73		
2029	\$45.32	\$43.69	\$41.06	\$40.96	\$44.43	\$40.30	\$39.97	\$39.19	\$162.15	\$3.83	\$4.73		
2030	\$44.18	\$43.17	\$41.25	\$42.10	\$45.83	\$39.88	\$36.33	\$34.50	\$162.15	\$3.83	\$4.73		
2031	\$43.53	\$42.40	\$40.04	\$40.95	\$43.95	\$38.57	\$38.45	\$37.29	\$162.15	\$3.83	\$4.73		
2032	\$41.96	\$40.90	\$39.24	\$40.56	\$43.38	\$38.15	\$36.42	\$33.61	\$162.15	\$3.83	\$4.73		
2033	\$41.96	\$40.90	\$39.24	\$40.56	\$43.38	\$38.15	\$36.42	\$33.61	\$162.15	\$3.83	\$4.73		
2034	\$41.96	\$40.90	\$39.24	\$40.56	\$43.38	\$38.15	\$36.42	\$33.61	\$162.15	\$3.83	\$4.73		

<sup>21</sup> Achieving Balance - Ontario's Long-Term Energy Plan – December 2013 (<http://www.energy.gov.on.ca/en/ltrep>)

Page Intentionally Blank

1

ED INTERROGATORY 4

2 Issue 5.1: Are the targets developed by the IESO for each performance measure included in the  
3 2018 Regulatory Scorecard reasonable?

4 Interrogatory No. 5.1-ED-4

5 INTERROGATORY

6 Reference: Exhibit C-1-1, Attachment 1

7 Preamble: In its 2017 Decision and Order for the IESO's 2017 rates case, the Board made the  
8 following order:

9 *"For the scorecard measure, 'Conservation – Achievement of 2020 energy savings target*  
10 *milestones (TWh),' the IESO should include a target that is aligned with the OEB's*  
11 *scorecard for electricity distributors."*

12 Interrogatory: Please explain the rationale behind the IESO's proposed target of 5.7 TWh (66%)

13 RESPONSE

14 The Conservation First Framework and Industrial Accelerator Program (the Program) began in  
15 2015 and runs to December 31, 2020, running for 6 years. The LDC's have a target based on the  
16 fact that at the end of 2018, the Program will be 4/6, or 66%, complete. The IESO has also set 66%  
17 as an indicator that the Program is tracking to the target in the IESO's Corporate Performance  
18 Measures (CPM's). As the IESO already had a target related to conservation in its CPM, this  
19 target was adopted as the target for its regulatory scorecard as well.

Page Intentionally Blank

1 ED INTERROGATORY 5

2 Issue 5.1: Are the targets developed by the IESO for each performance measure included in the  
3 2018 Regulatory Scorecard reasonable?

4 Interrogatory No. 5.1-ED-5

5 INTERROGATORY

6 Reference: Exhibit C-1-1, Attachment 1

7 Preamble: In its explanation of its conservation targets, the IESO states as follows:

8 *"The 2013 Long Term Energy Plan includes a conservation target of 30 terawatt-hours*  
9 *(TWh) in reduced electricity consumption by 2032. To stay on track for this long term*  
10 *target, 8.7 TWh of savings has been committed to be achieved between 2015 and 2020*  
11 *through programs enabled by the Conservation First Framework beginning in 2015. Of*  
12 *the total target, 7 TWh will be delivered through collaborations with LDCs across the*  
13 *province. The remaining 1.7 TWh will come from the group of large transmission*  
14 *connected consumers through the IESO's Industrial Accelerator Program."*

15 The IESO's regulatory scorecard consultant for its 2017 rates case, John Todd, concluded with  
16 respect to the TWh conservation targets that:

17 *"Appropriate annual milestones consistent with these long-term targets should be*  
18 *identified for reporting in the Scorecard."*

19 In its 2017 Decision and Order for the IESO's 2017 rates case, the Board made the following  
20 order:

21 *"For the scorecard measure, 'Conservation – Achievement of 2020 energy savings target*  
22 *milestones (TWh),' the IESO should include a target that is aligned with the OEB's*  
23 *scorecard for electricity distributors."*

24 Interrogatory:

- 25 a) Please provide the IESO's plan to achieve 8.7 TWh in conservation savings by 2020,  
26 including a table containing planned conservation savings targets (TWh) for each year;
- 27 b) Please provide the IESO's plan to achieve 30 TWh in conservation savings by 2030,  
28 including a table containing planned conservation saving targets (TWh) for each year;
- 29 c) Please provide a table with the actual and forecast incremental electricity conservation  
30 savings (TWh) from 2015 to 2020; and





ED INTERROGATORY 6

Issue 5.1: Are the targets developed by the IESO for each performance measure included in the 2018 Regulatory Scorecard reasonable?

Interrogatory No. 5.1-ED-6

INTERROGATORY

Reference: Exhibit C-1-1, Attachment 1

Preamble: In its explanation of its conservation targets, the IESO states as follows:

*"[The] IESO is committed to Ontario's vision to invest in conservation first, before new generation, where cost-effective."*

Interrogatory:

Please provide a table comparing the conservation savings figures (TWh) in the IESO's proposed scorecard (2016 actual, 2017 actual, and 2018 forecast) and the conservation potential set out in the 2016 Achievable Potential Study (2016, 2017, and 2018). Please include all the scenarios discussed in the study (e.g. budget constrained, unconstrained, market potential, etc.).

RESPONSE

The conservation savings figures in the IESO's scorecard for 2016 actual, 2017 actual and 2018 forecast represent the annual incremental achievement of the combined 2015-2020 energy savings target of 8.7 TWh for the Conservation First Framework and Industrial Accelerator Program, which includes behind the meter generation projects, and are not directly comparable to the scenarios described below from the 2016 Achievable Potential Study.

Savings (TWh)				
Scenario		2016 Actual	2017 Actual	2018 Forecast
Savings Results <i>(contains Energy Efficiency &amp; Behind-the-Meter Generation)</i>	Dx + Tx	1.6	1.9	1.6
Budget Constrained Scenario - EE only	Dx	1.5	1	1.1
Budget Unconstrained Scenario - EE only	Dx	1.6	1.1	1.1
Market Potential Scenario - EE only	Dx + Tx	The market potential analysis only reported results for 2020 / 2025/ 2030 / 2035		

Page Intentionally Blank

1 ED INTERROGATORY 7

2 Issue 5.1: Are the targets developed by the IESO for each performance measure included in the  
3 2018 Regulatory Scorecard reasonable?

4 Interrogatory No. 5.1-ED-7

5 INTERROGATORY

6 Reference: Exhibit C-1-1, Attachment 1

7 Preamble: In its explanation of its conservation targets, the IESO states as follows:

8 *"[The] IESO is committed to Ontario's vision to invest in conservation first, before new*  
9 *generation, where cost-effective."*

10 Interrogatory:

11 Please provide a table comparing the conservation savings figures (TWh) in the IESO's  
12 proposed scorecard (2016 actual, 2017 actual, and 2018 forecast) and the conservation potential  
13 set out in the 2018 Market Achievable Potential Study (2016, 2017, and 2018). Please include all  
14 the scenarios discussed in the study (e.g. budget constrained, unconstrained, market potential,  
15 etc.).

16 RESPONSE

17 The IESO and the Ontario Energy Board are currently undertaking an integrated electricity and  
18 natural gas conservation achievable potential study (APS) to be completed by June 2019. As the  
19 2018 APS kicked off in July 2018 with the consultant (Navigant Consulting), there are no results  
20 available to date. The main objective of the APS is to identify and quantify energy savings  
21 (electricity and natural gas), GHG emission reductions and associated costs from demand side  
22 resources for the period from 2019-2038. Additional details on the APS including background,  
23 objectives, outputs and governance can be found in the Project Charter and Engagement Plan  
24 on the IESO website: <http://www.ieso.ca/2019-conservation-achievable-potential-study>.

Page Intentionally Blank

1 OSEA INTERROGATORY 4

2 5.1 OSEA 4

3 INTERROGATORY

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

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

- 14 a) IESO reported that the actual conservation portfolio costs for 2016 and 2017 were below the  
15 \$0.04/kWh target. Please advise if increasing IESO's conservation portfolio costs for 2018  
16 closer to the \$0.04/kWh target will result in achieving the 2020 target of 8.7 TWh sooner?
- 17 b) Does IESO anticipate that as it gets closer to the 2020 target that it will be more difficult or  
18 costly to achieve energy savings? What plans or contingency has IESO put in place to  
19 address this concern?

20 RESPONSE

- 21 a) The IESO and LDCs remain on track to meet or exceed the 8.7 TWh target by 2020. There is  
22 no evidence to suggest that increasing the \$/kWh of conservation program delivery will  
23 accelerate target achievement.
- 24 b) The IESO and LDCs remain on track to meet or exceed the 8.7 TWh target by 2020. There is  
25 no evidence to suggest that it will be more difficult or costly to achieve energy savings.  
26 Market demand for energy efficiency remains strong and there is significant conservation  
27 potential in the long term as outlined in the 2016 Achievable Potential Study.<sup>1</sup>

---

<sup>1</sup> The 2016 Achievable Potential Study is available on the IESO website at: [http://ieso.ca/sector-participants/conservation-delivery-and-tools/conservation-first-framework#\\_blank?\\_cldee=ZW1pbHkuc29tZXJ2aWxsZUBpZXNvLmNh&recipientid=contact-4d12af057d9fe6118bcf005056ac0057-4173257e74c449528096bb659e076224&esid=325a2c61-a7c7-e611-8bcf-005056ac0057](http://ieso.ca/sector-participants/conservation-delivery-and-tools/conservation-first-framework#_blank?_cldee=ZW1pbHkuc29tZXJ2aWxsZUBpZXNvLmNh&recipientid=contact-4d12af057d9fe6118bcf005056ac0057-4173257e74c449528096bb659e076224&esid=325a2c61-a7c7-e611-8bcf-005056ac0057)

Page Intentionally Blank

1 OSEA INTERROGATORY 5

2 5.1 OSEA 5

3 INTERROGATORY

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

5 Preamble: "Ontario continues to make steady progress towards its 2020 conservation target of  
6 8.7 terawatt-hours (TWh) of energy savings through the Conservation First Framework (CFF)  
7 programs and the Industrial Accelerator Program (IAP). The CFF is on target and under budget  
8 at the halfway mark, having achieved 3.85 TWh (55% of the CFF target) of energy savings in the  
9 first half of the framework...Conservation remains the most cost-effective supply resource  
10 available, at just over two cents per kWh."

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

21 RESPONSE

- 22 a) To date, roughly 35% (\$945M) of the total allocated CFF budget of \$2.7 billion has been  
23 expended.
- 24 b) and c) The IESO is projecting to achieve the CFF target within the allocated budget.
- 25 d) The IESO is not planning to procure new generation in 2018 to meet capacity or energy  
26 needs. The province is in a strong supply situation and does not require additional  
27 resources at this time.

Page Intentionally Blank



1 VECC INTERROGATORY 2

2 VECC-2 – ISSUE 5.1

3 INTERROGATORY

4 Reference: Exhibit A-2-2 page 20 / Exhibit C/Tab 1/Schedule 1

- 5 a) Please explain the interaction between the Corporate Performance Measure and the OEB  
6 required Scorecard.
- 7 b) Please provide the year-end results of the 2017 Corporate Performance Measure  
8 performance.

9 RESPONSE

- 10 a) The IESO's Corporate Performance Measures ("CPMs") and the Regulatory Scorecard serve  
11 different fundamental purposes.

12 From the IESO's 2017 revenue requirement proceeding (EB-2017-0150), in response to OEB  
13 Staff Interrogatory 11, at Exhibit I, Tab 5.1, Schedule 1.11, and in the response to SEC  
14 Interrogatory 6, at Exhibit I, Tab 1.1, Schedule 7.06, the IESO's CPMs are developed, with  
15 input from the IESO's Stakeholder Advisory Committee (SAC), as part of its business plan  
16 and are reported to its Board and management to track progress against the organization's  
17 strategic priorities.

18 As described in the response to OEB Staff Interrogatory 11, and in EB-2017-0150,  
19 Exhibit C-1-1 Attachment 1, page 8 (i.e., the Elenchus report):

20 *...The purpose of IESO's Scorecard Development project is to develop a scorecard that is*  
21 *appropriate for purposes of the IESO's Fees Applications to the OEB. This purpose is related*  
22 *to, but distinct from, the purpose of the IESO existing internal scorecard. The specific OEB-*  
23 *related purpose of this IESO regulatory scorecard is important both to the process that is*  
24 *most appropriate to use in developing it and to the actual performance measures that it will*  
25 *contain.*

26 *Unlike an internal scorecard that is primarily a management tool, a regulatory scorecard*  
27 *must be considered appropriate by the OEB and ideally is endorsed by stakeholders....*

28 While the purpose of the IESO's CPMs and the Regulatory Scorecard are fundamentally  
29 different, to the extent that the metric(s) can help achieve the purpose of the CPMs and the  
30 Regulatory Scorecard simultaneously, a subset of the metrics may be common to each.

- 31 b) Please see the response to SEC Interrogatory 3 at Exhibit I, Tab 1.1, Schedule 8.03,  
32 Attachment 2 for a copy of the IESO's 2017 Corporate Performance Results.

Page Intentionally Blank

1 VECC INTERROGATORY 11

2 VECC-11 – ISSUE 5.1

3 INTERROGATORY

4 Reference: Exhibit C/Tab 2/Schedule 1

- 5 a) Which senior executive/vice president is responsible for execution of the MRP?
- 6 b) What OEB Scorecard and Corporate Performance Measures are related to the MRP?
- 7 c) How are the outcomes identified in the response to (b) related to compensation of IESO
- 8 employees (including senior management/executives).
- 9 d) What are the measures of performance that have been developed for this program as
- 10 contemplated by the Board's EB-2017-0150 Decision?

11 RESPONSE

- 12 a) Leonard Kula, Vice President, Planning, Acquisition & Operations, and Chief Operating
- 13 Officer, is responsible for the execution of the MRP.
- 14 b) The measure in the IESO's 2018 Regulatory Scorecard related to the MRP is as follows:
- 15
- Market Renewal Initiative proceeding according to the schedule and budget

16 As described in Exhibit C-2-1, as part of this measure, in 2018, the IESO will report on the

17 status of the high-level design for each of the four MRP projects against the following

18 stakeholder review schedule:

- 19
- Single Schedule Market – end of Q3 2018
  - Day Ahead Market – end of Q4 2018
  - Enhanced Real-time Unit Commitment – end of Q4 2018
  - Incremental Capacity Auction – end of Q2 2019

23 In addition, for 2018, the IESO will report on actual operating and capital costs against

24 budget, by project, with a target variance of +/- 5%.

25 The measure in the IESO's Corporate Performance Measures specifically related to the MRP

26 is as follows:

- 27
- The electricity market evolves, enabling the province to have the appropriate sources of
- 28 electricity at a more competitive price

1 As part of this measure, the IESO will check that draft, high-level designs are complete for  
2 the MRP energy work streams by the end of 2018 and the capacity work stream by the end  
3 of Q2 2019.

4 c) The 10 metrics outlined in the Corporate Performance Scorecard are assessed by the Board  
5 of Directors at the end of each calendar year to determine if the IESO has met its objectives.  
6 This assessment feeds into the individual performance evaluation of each Executive to  
7 determine the distribution of the incentive pool that is part of the IESO's executive  
8 compensation program.

9 d) As described in Exhibits C-1-1 and C-2-1, the OEB's Decision and Order for the IESO's 2017  
10 Revenue Requirement Submission (EB-2017-0150) stated, with respect to Issue 5.1: Is the  
11 IESO's proposed Scorecard appropriate?:

12 *The OEB agrees with AMPCO that for assessing whether the MRP is proceeding*  
13 *according to schedule and budget, the specific quantitative project performance measures*  
14 *of Cost Project Index (CPI) and Schedule Performance Index (SPI) for each year should*  
15 *be included rather than simply a qualitative Yes/No report.*

16 In order to compute CPI and SPI performance measures, a project baseline must first be  
17 developed. The baseline represents the planned cost and schedule of the project and is used  
18 as a standard against which actual performance is measured.

19 In 2018, the MRP is further planning the detailed design and implementation phases of the  
20 program and will be establishing baselines for schedule and cost for the MRP. This work  
21 will form the foundation that will enable the MRP to begin tracking performance measures  
22 such as CPI and SPI on a go-forward basis, starting January 1, 2019. Therefore, the IESO will  
23 be able to report on annual CPI and SPI for the MRP work performed in 2019, in the 2020  
24 Revenue Requirement Submission.

25 As described in Exhibit C-1-1, while the IESO conducts the groundwork to enable reporting  
26 on CPI and SPI, for 2018 the IESO will report on the status of the high-level design for each  
27 of the four MRP initiatives, against schedule targets for timing of high-level design  
28 completion and publish for stakeholder review. In addition, for 2018 the IESO will report on  
29 actual operating and capital costs against budget, by initiative, against a target variance of  
30 +/- 5%.