

1 OEB STAFF INTERROGATORY 17

2 **6.0 Market Renewal Program**

3 **6.2** *Are the IESO's forecast 2018 capital costs for the Market Renewal Program appropriate*  
4 *in the context of the scope and timing of the overall project?*

5 **Staff IR #17**

6 INTERROGATORY

7 Reference: Exhibit A-2-2, Page 18

8 Preamble:

9 Graph entitled Projected Market Renewal Costing

10 Questions:

11 a) Please describe each capital project the IESO anticipates completing in 2018 and their  
12 respective contribution to the \$4 million capital cost budget.

13 i. Is the IESO on-track to complete all projects described in response to part a) of this  
14 question?

15 b) In 2019, MRP capital costs are forecast to increase from \$4 million to \$34 million. What are  
16 the major capital projects anticipated by the IESO that will drive this budget increase?

17 i. Does the IESO believe that the necessary groundwork will be completed in 2018 for  
18 these projects to proceed in 2019?

19 RESPONSE

20 a) The IESO anticipated work on three capital initiatives in 2018:

21 1. Start of the detailed design phase for the energy work stream,

22 2. Start of the detailed design phase for the capacity work stream, and

23 3. Costs associated with relocating the MRP program team to dedicated office space for the  
24 duration of the program.

25 The detailed design phases for each of the energy and capacity work streams were planned  
26 to start in 2018 but not conclude until later years. The office relocation was anticipated to be  
27 completed in 2018.

28 The table below shows the actual capital contribution as of the end of June 2018, the budget  
29 contribution and forecast contribution for each of the three capital initiatives in 2018.

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| Capital Initiative       | Actual Contribution (\$M) | Budget Contribution (\$M) | Forecast Contribution (\$M) | Project Status |
|--------------------------|---------------------------|---------------------------|-----------------------------|----------------|
| Energy detailed design   | \$0.0                     | \$1.8                     | \$0.5                       | Behind         |
| Capacity detailed design | \$0.0                     | \$1.5                     | \$0.0                       | Behind         |
| MRP office relocation    | \$0.5                     | \$0.7                     | \$0.7                       | Completed      |

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i. For 1) and 2), the capital work was planned to start in 2018 but not conclude until later years. For 1), the capital work is anticipated to begin in Q4 2018. For 2), the capital work is now anticipated to begin in Q2 2019. Both of these start dates are later than originally anticipated. For 3), the capital work has been completed in 2018.

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b) In 2019, the IESO will work on the detailed design activities for each of the energy and capacity work streams of the MRP. Detailed design costs will be allocated between operating and capital as appropriate, with a significant amount allocated to capital.

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i. Yes, the IESO believes that work completed in 2018 will provide the foundation for subsequent work planned for 2019.

1 CME INTERROGATORY 7

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

4 CME # 7

5 INTERROGATORY

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

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

9 (a) What is the 2018 project spend to date on market renewal? Please break down spending into  
10 compensation and benefits, professional and consulting, and operating and administration  
11 for both operating and capital budget, as per table 3, of Exhibit C, Tab 2, Schedule 1, page 9  
12 of 14.

13 (b) Does the IESO expect spending on the Market Renewal Project to come in under budget, at  
14 budget or over budget?

15 (c) If the answer to (b) above is under or over budget, please list and describe the drivers for  
16 those variances.

17 RESPONSE

18 (a) Please see the response to OEB Staff Interrogatory16(b) at Exhibit I, Tab 6.2,  
19 Schedule 1.16.

20 (b) Please see the response to OEB Staff Interrogatory16(c).

21 (c) Please see the response to OEB Staff Interrogatory16(d).

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1 ENERGY PROBE INTERROGATORY 5

2 6.3 *Are the IESO's forecast 2018 capital costs for the Market Renewal Program appropriate in the*  
3 *context of the scope and timing of the overall project?*

4 **EP IR #5**

5 INTERROGATORY

6 **Reference:** Exhibit A-2-2, page 23

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

9 RESPONSE

10 (a) There was no capital budgeted for Market Renewal in 2017. In 2017, the Market Renewal  
11 team moved to dedicated office space for the duration of the program and there was an  
12 associated \$0.2 million in capital spending in 2017, with an additional \$0.7 million in 2018.

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1 ENERGY PROBE INTERROGATORY 6

2 6.3 *Are the IESO's forecast 2018 capital costs for the Market Renewal Program appropriate in the*  
3 *context of the scope and timing of the overall project?*

4 **EP IR #6**

5 INTERROGATORY

6 **Reference:** Exhibit A-3-1, page 11

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

9 RESPONSE

10 Annually, the IESO sets a limit beyond which expenses related to market enforcement activities  
11 cannot be reimbursed without further approvals. This limit is identified under the "2017  
12 Budget" column. The actual expenses pertaining to this work came in under the limit due  
13 mainly to delays in filling vacancies in the MACD business unit and reduced contractor  
14 spending.

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ENERGY PROBE INTERROGATORY 7

2 6.3 *Are the IESO's forecast 2018 capital costs for the Market Renewal Program appropriate in the*  
3 *context of the scope and timing of the overall project?*

4 **EP IR #7**

5 INTERROGATORY

6 **Reference:** Exhibit A-3-1, page 29

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

8 RESPONSE

9 The GreenON work does not impact the IESO revenue requirement and is outside the scope of  
10 this application. All of the work that the IESO is doing for GreenON program is funded  
11 separately through a Transfer Payment Agreement with the province.

12 The net receivable of \$4.1 million from the MOECC represented unpaid invoices and accrual  
13 amounts related to services completed and work performed by the IESO in 2017 associated with  
14 the GreenON program. The net receivable consists of:

- 15 1. unpaid invoices and accruals totaled \$1.2 million in relation to the agreement to develop  
16 and maintain a GreenON website and provide call center support, and  
17 2. unpaid invoices and accruals totaled \$2.9 million in relation to the agreement to design  
18 and implement GreenON residential programs.

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ENERGY PROBE INTERROGATORY 12

2 6.3 *Are the IESO's forecast 2018 capital costs for the Market Renewal Program appropriate in the*  
3 *context of the scope and timing of the overall project?*

4 **EP IR #12**

5 INTERROGATORY

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

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

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

12 RESPONSE

13 Please see the response to AMPCO Interrogatory 13 at Exhibit I, Tab 6.3, Schedule 2.13.

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1 SEC INTERROGATORY 25

2 **6.3-SEC-25**

3 INTERROGATORY

4 [Exhibit C-2-1, p.10, Table 5] Please explain what type of capital work is being done for each  
5 initiative.

6 RESPONSE

7 Please see the response to OEB Staff Interrogatory 17(a) at Exhibit I, Tab 6.3, Schedule 1.17.

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SEC INTERROGATORY 26

2 **6.3-SEC-26**

3 INTERROGATORY

4 [Exhibit C-2-1, p.10, Table 5] Please explain why there is \$0.7M of Operating and Administrative  
5 costs allocated to capital.

6 RESPONSE

7 The \$0.7 million in capital relates to relocation of the MRP team to a new office facility. Please  
8 also see the response to OEB Staff Interrogatory 17(a) at Exhibit I, Tab 6.3, Schedule 1.17.

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1 VECC INTERROGATORY 8

2 VECC-8 – ISSUE 6.3

3 INTERROGATORY

4 Reference: Exhibit B/Appendix 2-AA

5 a) Please describe the capital investments expected in 2019 and 2020 for the Market Renewal  
6 Program. Please also explain the current precision of these estimates (for example by AACE  
7 class estimate)

8 RESPONSE

9 a) Please see the response to OEB Staff Interrogatory 17(b) at Exhibit I, Tab 6.3, Schedule 1.17.  
10 The detail design phase will occur in 2019 and 2020, and some implementation phase work  
11 will begin in 2020.

12 Using publicly available information regarding AACE class estimates, the Expected  
13 Accuracy Range (Typical variation in low and high ranges) for 2019 would correspond to  
14 “Class 3”, whereas 2020 would correspond to “Class 4”.

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