

March 26, 2019

**VIA Email, Courier and RESS**



**Independent Electricity System Operator**

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Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
27<sup>th</sup> Floor 2300 Yonge Street  
Toronto, ON  
M4P 1E4

Dear Ms. Walli:

**Re: Independent Electricity System Operator  
2019 Expenditure and Revenue Requirement Submission  
Ontario Energy Board File No.: EB-2019-0002**

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The Independent Electricity System Operator (“IESO”) filed an application with the Ontario Energy Board (“OEB”) on January 28, 2019 under section 25(1) of the *Electricity Act, 1998*, seeking approval of the IESO’s 2019 expenditure and revenue requirements and fees. On March 12, 2019, the OEB issued Procedural Order No. 1 in which it asked intervenors and OEB staff to file written submissions by March 19, 2019 on the draft issues list that was prepared by the IESO and filed with its application. Submissions were received from seven parties: AMPCO, APPrO, BOMA, Energy Probe, OEB staff, SEC and VECC. The IESO was to file its response to the submissions of intervenors and OEB staff on the draft issues list no later than March 26, 2019. The IESO’s submission is below.

**OEB staff submissions**

OEB staff submitted that one issue should be removed from the issues list and two issues should be added to the draft Issues List. The IESO does not oppose the subtraction and additions suggested by OEB staff.

OEB staff proposed to remove:

- 2.1 Is the allocation of energy volumes and costs between domestic and export markets reasonable?

OEB staff submitted that the issue is duplicative of issue 2.2 and should be removed. The IESO does not oppose the removal of this issue.

OEB staff also proposed to add the following two issues:

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|-----------|--|
| Issue 6.2 | Are the IESO's forecast 2019 operational costs for the Market Renewal Program appropriate in the context of the scope and timing of the overall project? |
| Issue 6.3 | Are the IESO's forecast 2019 capital costs for the Market Renewal Program appropriate in the context of the scope and timing of the overall project?     |

OEB staff submitted that these two issues, along with the filed issue 6.1, will allow full exploration of the Market Renewal Program ("MRP"). The IESO does not oppose these additions.

#### **AMPCO submissions**

AMPCO submitted that three issues be added to the draft Issues List with respect to the MRP and one issue with respect to innovation. The IESO supports the addition of the MRP issues but has concerns with the suggested addition of the issue on innovation as drafted for the reasons described below.

AMPCO submitted the following additional issues related to the MRP:

- |            |   |
|------------|---|
| Issue 6.2: | Does the "Market Renewal Cost Report" provide sufficient information on the financial and operational performance of the Market Renewal Program for 2017, 2018 and 2019 forecast? |
| Issue 6.3: | Are the IESO's forecast 2019 operational costs for the Market Renewal Program appropriate in the context of the scope and timing of the overall project?                          |
| Issue 6.4: | Are the IESO's forecast 2019 capital costs for the Market Renewal Program appropriate in the context of the scope and timing of the overall project?                              |

The IESO supports the addition of AMPCO's issue 6.2, 6.3 and 6.4 to capture the issues under category 6.0 MRP. However, if the OEB decides to add AMPCO's issue 6.2, 6.3 and 6.4, then the IESO submits that issue 6.1 should be removed as it is duplicative alongside AMPCO's three issues noted above.

The fourth suggested issue proposed by AMPCO deals with the IESO's innovation initiative. AMPCO has proposed the following issue be added to the Issues List:

## 7.0 Innovation

Issue 7.1      Are the costs associated with the activities related to the IESO's Innovation Program appropriate and accurately tracked?

AMPCO states that given that innovation is listed as a key program within the IESO's 2019-2021 Business Plan there should be a clear view on 2019 spending related to this initiative.

The IESO does not support the inclusion of this issue as drafted. The IESO is not opposed to examination of the IESO's innovation initiative, however, the IESO has concerns with it being portrayed as a program, such as Market Renewal, rather than a way to understand and evaluate emerging technologies and opportunities that are likely to have a significant impact on IESO's ability to carry out its mandate. The IESO's innovation initiative is designed to capture and communicate work that is focused on enabling or removing barriers, to the deployment of innovative solutions to improve affordability and/or reliability in Ontario's electricity markets.

As stated in the IESO's Business Plan, the IESO is creating an innovation roadmap and associated work plan to assess potential future scenarios for the electricity sector in the province and help identify potential roles for other organizations. Policy Innovation's 2019 budget is stated in Exhibit B-3-1 Appendix 2-JC and listed as \$4.7 million. While the Business Plan does note that innovation is one of the IESO's priority initiatives, its priority in the Business Plan is not meant to put it on the scale or size of budget as that of a program like the MRP. Given the scale and size of budget of Policy Innovation in the 2019 Revenue Requirement Submission, the IESO submits that a separate issue and the examination of cost tracking may invite opportunity to micro-manage business operations with respect to innovation.

Given the circumstances, if the OEB decides innovation is a separate issue to be examined, the IESO submits that the issue be revised as follows:

Issue 7.1      Are the costs associated with the activities related to the IESO's Innovation ~~Program~~ roadmap appropriate and accurately tracked?

### **APPrO submissions**

APPrO submitted that the three issues from the IESO's 2018 Revenue Requirement Submission examining the MRP should be added to the Issues List in this proceeding. The IESO supports adding the three issues previously identified through AMPCO's proposal with respect to the MRP.

APPrO also submitted the inclusion of a new issue with respect to the MRP:

Issue 6.5 Does the “Market Renewal Program Cost Report” or other IESO evidence including its Business Plan for 2019-2021 prove that the benefits of the Market Renewal Program will outweigh the costs of the Market Renewal Program?

The IESO does not support the inclusion of this issue to the Issues List. The IESO submits that other IESO evidence is available and has been filed in prior proceedings that demonstrates the benefits of the MRP outweigh the costs. The evidence filed outlining the future benefits of the MRP is available to intervenors through the Benefits Case<sup>1</sup>. The Benefits Case for the MRP, which provides a projection of costs and benefits based on an assumed timeline, was prepared by The Brattle Group, an outside consultant with substantial stakeholder input in April 2017. In addition, as stated in the 2018 Revenue Requirement Submission proceeding EB-2018-0143, with the development of the MRP Business Case, the IESO will be able to provide further definition to the MRP’s actual and projected cost savings, annually and cumulatively. The Business Case is expected to be completed Q4 2019.

The IESO submits that the costs of the MRP can be adequately examined through AMPCO’s proposed issue 6.2, 6.3 and 6.4. As well, the examination of future years’ budgets and cost savings of the MRP will take place through those future years’ rate filings with the OEB.

### **BOMA submissions**

BOMA submitted that it agreed with AMPCO’s three previously identified MRP issues 6.2, 6.3, and 6.4 and suggested an additional issue:

Issue 6.5 Is the proposed increase in the total MRP program budget to \$247 million appropriate?

The IESO does not support the inclusion of this proposed issue. The IESO submits that a separate issue examining the total budget of the MRP absent any relation to the current 2019 MRP budget is not within the scope of the IESO’s 2019 expenditure and revenue requirement. Moreover, the IESO is of the view that the AMPCO’s suggested issues 6.2, 6.3 and 6.4 examine the current year costs of the MRP in the context of the overall project appropriately.

### **Energy Probe submissions**

Energy Probe submitted that issue 5.2 be amended to the draft Issues List. Energy Probe’s suggested change to the draft Issues List is:

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<sup>1</sup> <http://www.ieso.ca/-/media/Files/IESO/Document-Library/engage/me/Benefits-Case-Assessment-Market-Renewal-Project-Clean-20170420.pdf?la=en>

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Issue 5.2      Are the IESO's projected staffing levels and Total Compensation for represented and non-represented staff appropriate?

The IESO opposes this suggested addition to the draft Issues List as it seems to be duplicative in nature to that of issue 1.3 and it does not represent the original intent of issue 5.2 which was to examine the Total Compensation Study conducted by the Mercer Group.

**VECC submissions**

VECC submitted that the scope of issue 5.1 should be broadened. VECC submitted that issue 5.1 should be broadened from "Is the IESO's 2019 Regulatory Scorecard appropriate?" to:

"Is the IESO 2019 Regulatory Scorecard appropriate and does the proposed fees budget adequately address its results?"

VECC submitted that the issue should be broadened because the purpose of any scorecard is as feedback to the regulated entity. It is unclear to the IESO how this amendment improves upon the issue to allow greater feedback to the regulated entity. As such the IESO is of the view that the original wording of the issue allows for the proper examination of the 2019 Regulatory Scorecard.

Yours truly,



Devon Huber  
Senior Manager, Regulatory Affairs

cc:     Mr. Fred Cass (email)  
         Intervenors to EB-2019-0002 (email)