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April 8, 2019

Reply To: Thomas Brett
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Our File No. 191104

VIA RESS, EMAIL AND COURIER

Ontario Energy Board
2300 Yonge Street
27th Floor
Toronto, Ontario
M4P 1E4

Attention: Kirsten Walli,
Board Secretary

Dear Ms. Walli:

Re: EB-2019-0002: IESO, 2019 Expenditure, Revenue Requirement, and Fees Submission

Please find enclosed herewith BOMA's Interrogatories.

Yours truly,

FOGLER, RUBINOFF LLP

A handwritten signature in blue ink, appearing to read "Tom Brett per [initials]".

Thomas Brett

TB/dd

Encls.

cc: All Parties (*via email*)

ONTARIO ENERGY BOARD

Independent Electricity System Operator

**Application for approval of 2019 revenue requirement,
expenditures and fees**

Interrogatories of
Building Owners and Managers Association of Greater Toronto ("BOMA")

April 8, 2019

Tom Brett
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Counsel for BOMA

Interrogatories of BOMA

1. ***Ref: Application Letter***

The IESO filed its Business Plan with the Ministry of Energy Northern Development and Mines (the "Ministry") on September 4, 2018. The Minister approved the twenty-two page Business Plan (the "Plan") on December 11, 2018, by way of a brief perfunctory letter. The IESO filed its revenue requirement with the OEB on January 29, 2019, nearly a month after the commencement of the fiscal year to which the revenue requirement pertains.

- (a) What efforts has the IESO made to have the Minister approve the Plan earlier in 2018, so as to allow the IESO to file its revenue requirement submission with the OEB sixty days prior to the commencement of the relevant year, per section 25(1) of the Electricity Act?
- (b) Given the various Ontario government's perfunctory approvals of the IESO's Plans in the last few years, why could not the IESO, with the Ministry's consent, file a draft Plan with the OEB shortly after it files the Plan with the Minister? Has the IESO discussed alternatives with the Minister or the Deputy Minister? If so, what is the Minister/Ministry's response been? If not, will the IESO undertake to have those discussions prior to the submission of its 2020-2022 Plan?

2. ***Ref: Plan, p1***

- (a) Please discuss the extent to which the Brattle Report proposed savings of more than \$3 billion, as a high level estimate of potential savings that might be realized

by the implementation of the MRP is a guaranteed result of the initiatives. Please provide any other internal or third party studies which the IESO has conducted since the release of the Brattle Report, which support those high level estimates.

- (b) Please provide your best estimate of the ratepayer energy savings in 2023, resulting from the implementation of the MRP (from your evidence, 2023 appears to be the first year after completion of the MRP). Does the IESO expect any ratepayer energy savings in either 2020, 2021, or 2022, resulting from the partial implementation of the MRP initiatives?
- (c) Please provide the incremental ratepayer energy savings that IESO expects to result from the implementation of the MRP in the years subsequent to 2023.

3. **Ref: Plan, Executive Summary, p4**

- (a) On page 4, you state that the MRP:

"is designed to create more than \$3 billion in savings for customers over a five year period with the potential to reach as high as \$5.2 billion (over a ten year period)".

Please confirm that the five year period you are discussing is the period 2023 through 2027, or provide what five year period you are talking about.

- (b) At p6 of the Plan, you state:

"advancing the MRP to deliver a competitive and efficient market which, over a ten year period, is expected to achieve an average of \$3.4 billion in savings".

Please explain what an average of \$3.4 billion in savings means. What is the \$3.4 billion the average of? Please clarify the phrase, which is used several times in the Plan.

4. **Ref: Plan, p7**

- (a) The Plan states that one of the IESO's five areas of focus is to be a "sector leader". Please provide a description of the respective roles of the Ministry and the IESO in the development of energy policy, including the government's policy to reduce ratepayer energy savings through, in particular, the creation of an "innovation roadmap" and associated work plan. How does the IESO propose to coordinate its efforts with the Ministry and the Premier's Office?
- (b) Does the IESO intend to do further analysis of the expected energy ratepayer savings, which will result from the implementation of those MRP initiatives for which high level designs are now complete, which will support the business case for the MRP, which the IESO proposes to publish in late 2019? If not, why not?
- (c) Has the IESO made any quantitative assessment of the expected ratepayer energy savings that will result from the integration of existing and proposed energy storage assets into the Ontario energy system? If not, when does it propose to undertake such a study, which will provide a business plan for further energy storage initiatives?

5. **Ref: Plan, p13**

- (a) Please explain why energy efficiency and demand response resources should not participate today (rather than "one day") in incremental capacity auctions.
- (b) Please provide the current numbers (organizations and individuals, of the Energy Transformation Network of Ontario), their objectives, functions, and level of activity.

6. **Ref: Plan, p15**

Please advise how many of the average headcount of 125 for the MRP for 2019 will be full-time employees of the IESO, full-time contracted employees, part-time employees, and the budget for each. Is the \$11.7 million in expenses on p16 of the Plan the cost of the 125 head count, or is any of the compensation of the 125 persons capitalized and included in the proposed \$38 million 2019 MRP capital budget? If so, what amount of the compensation costs is capitalized, covering how much of the head count?

7. **Ref: Plan, p17**

- (a) Please explain the extent to which additional resources needed to fund the IESO's planning, corporate, information technology services, and cybersecurity initiatives are allocated to Market Rules enforcement, market education, and energy efficiency programs. Please indicate the required resources that are allocated to these three programs. Please provide the IESO's authority to use those three programs as funding sources for its capital and OM&A budgets.

- (b) Please justify this rather extraordinary budgeting method which appears to understate the actual resources devoted to the IESO initiative in the computation of the IESO's revenue requirement. The understatement appears to affect the credibility and integrity of the projected revenue requirement dollars, both capital and operating budgets.

8. **Ref: Plan, p19**

- (a) Please provide the accounting principles that justify the entirety of the detailed design stage of the MRP being capitalized. Please provide the external legal costs incurred by the MRP in 2018 versus forecast, and the forecast external legal costs for 2019. Please provide the current percentage completion of the MRP business case and your estimate of in which month of 2019 it will be complete and published.
- (b) Please explain further the comment that "resourcing for the program (MRP) continues to be a challenge". Please discuss how the IESO is striving to meet that challenge. Please provide details.

9. **Ref: Plan, pp18 and 24**

Please reconcile the different numbers for the 2019 MRP capital budget between those shown on the diagram on p18 (\$38 million) and the table on capital spending on p24 (\$4 million).

10. **Ref: *Minister's Letter Approving Plan***

Please provide a copy of the Memorandum of Understanding between the IESO and the Ministry.

11. **Ref: *Tab 1, Sch 1, p2***

- (a) Please report on the status of the IESO's investigation of a multiyear revenue requirement proposal, to assist complying with section 25(1) of the Electricity Act.
- (b) Please provide the proposed IESO 2019 expenditures for the wind-up of the Green Ontario Fund.
- (c) Please provide the legal status of the MACD Enforcement activities and account. Is the MACD Enforcement a crown agency, a part of the IESO, a part of the Ontario government, or some other entity? How is it funded?
- (d) The IESO substantially underspent its 2018 capital budget for both core operations and the MRP. Please discuss the reasons for the underspend in both core operations and the MRP, and whether the IESO is likely to underspend its proposed capital budgets for core operations and the MRP in 2019. What contingency amounts are included in the 2019 budgets?

12. **Ref: Tab 1, Sch 1, p7**

Please discuss alternatives to the proposed increase in operating reserve, such as increasing the loan from the Province. Please explain in more detail, the rationale for the proposed increase from \$6 million to \$10 million.

13. **Ref: Tab 2, Schedule 1, p3**

Please explain the relationship between "operating reserve" and "operating deficit".

14. **Ref: Tab 2, Schedule 1, p5**

Please define "temporary head count" versus "head count". Please discuss how they relate to FTEs and their contract status, average duration of employment, and their typical functions.

15. **Ref: Tab 3, Schedule 1, Attachment 4**

The number of budgeted FTEs has increased substantially in 2019 over 2018; 842 FTEs in 2019 versus 715 actual FTEs in 2018, and 731 budgeted FTEs in 2018. Please provide a detailed explanation for the increase which shows what the 127 additional employees will do. Please provide a detailed breakdown.

16. **Ref: Tab 3, Schedule 1, Appendix 2-JC**

Please provide details on the corporate adjustment line in the IESO budget for 2019 (\$15.3 million versus 2018 actual \$20.4 million and 2018 budget \$16.3 million). Please provide the details of each component of the corporate adjustment for each of 2019 and 2018.

17. **Ref: General**

Please provide the IESO operating and capital expenditures that are not funded through its revenue requirement. Please itemize each expense or capital project. In each case, please provide the source of the funding for the operating or capital item.

18. **Ref: IESO Scorecard Evidence**

- (a) Please provide an estimate based on performance to date as to whether the IESO is likely to meet its 2015-2020 cumulative target for energy efficiency and conservation savings.
- (b) How much of the total proposed savings have been, or will be, meter-measured?