



April 9, 2019

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) 2019 Fees Application
AMPCO Interrogatories
Board File No. EB-2019-0002

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

EB-2019-0002

Independent Electricity System Operator

Application for approval of 2019 revenue requirement,

expenditures and fees

AMPCO Interrogatories April 9, 2019

1.0 Revenue Requirement, Operating Costs and Capital Spending

1.1 Is the IESO's Fiscal Year 2019 net revenue requirement of \$190.8 million appropriate?

AMPCO-1

Ref: Exhibit A-2-2 Page 16

Please add 2017 and 2018 actuals to the Detailed Financials Table.

AMPCO-2

Ref: A-2-2 Page 21 Appendix 1

Preamble: At Appendix 1, the IESO provides its Corporate Performance Management: 2019 Measures and Targets.

With respect to Corporate Agility and Effectiveness, please provide the priorities and corresponding budgets that are to be evaluated under the Annual Corporate Target: 2019 priorities are achieved within +/- 5% of the IESO's approved budget.

AMPCO-3

Ref: A-2-2 Page 22 Appendix 1

Preamble: Page 22: Under Cost Efficiency the IESO indicates it will develop an enterprise-level data integration strategy by the end of 2019.

- a) Please explain the need and objective of this strategy including more details on the current state of data integration and the expected outcomes.
- b) Please provide the 2019 budget and milestones for the enterprise-level data integration strategy.

AMPCO-4

Ref: Exhibit A-2-2 Page 23

Preamble: The IESO indicates a change in provincial energy policy that impacts IESO initiatives and programs, government directives and sector structure is a key risk in 2019.

Please identify and explain how changes in provincial energy policy in 2018 and to date in 2019 have impacted IESO initiatives, programs and budgets in 2019, 2020 and 2021.

AMPCO-5

Ref: Exhibit A-2-3 Page 1

Please provide the Memorandum of Understanding referred to in the December 11, 2018 letter.

AMPCO-6

Ref: Exhibit B-1-1 Page 5

Please explain how the IESO will be supporting the close of the Green Ontario Fund and provide a breakdown of costs including labour.

AMPCO-7

Ref: A-2-2, Page 11

Preamble: The IESO indicates that to help drive the evolution and cost-effectiveness of the province's electricity sector, the IESO is also working on an innovation roadmap and associated work plan, which are expected to be finalized in 2019.

- a) Please provide a detailed description of the innovation roadmap work and provide the key innovation milestones for 2019.
- b) Please provide the approved business case for this work. If a business case does not exist, please explain.
- c) Please indicate when this initiative was approved by the IESO's Board of Directors.
- d) Please provide the materials provided to the IESO's Board of Directors regarding this initiative.
- e) Please provide the IESO's capital and operating investment levels in 2019, 2020 and 2021 related to innovation.
- f) Please provide a detailed breakdown of the budget and schedule related to innovation work in 2019.
- g) Please discuss if the IESO's innovation work has been formalized as a project or program.
- h) Does the IESO have a separate cost centre for innovation?
- i) Please provide the number of existing FTEs and new FTEs in 2019 allocated to innovation and the corresponding costs.

AMPCO-8

Ref: A-2-2 Page 11

Preamble: The IESO indicates it is expanding opportunities for newer technologies to compete is central to the IESO's innovation and efficiency agenda.

a) Please describe the IESO's innovation agenda.

AMPCO-9

Ref: A-2-2 Page 6

Preamble: The IESO indicates creating an innovation roadmap to enhance system reliability and drive down costs for an ever-changing sector in collaboration with industry partners.

Please explain further how innovation is expected to drive down costs.

AMPCO-10

Ref: A-2-2 Page 11

Preamble: The evidence states "With the energy sector continuing to transform, the IESO's investment in innovation will contribute to the assessment of potential future scenarios for the electricity and broader energy sector in the province, and help identify potential roles for other organizations."

Please explain what the IESO means by "identify potential roles for other organizations."

AMPCO-11

Innovation in the electricity sector is a popular topic, with multiple entities engaged in innovation related work.

Please indicate exactly what steps the IESO has taken to avoid duplication of effort and expense as part of its Innovation Roadmap.

AMPCO-12

Ref: B-3-2 Attachment #2

Please add 2017 actuals and 2018 actuals to Appendix 2-JB.

AMPCO-13

Ref: B-3-2 Attachment #3

Please add 2017 actuals and 2018 actuals to Appendix 2-JC.

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

AMPCO-14

Ref: Exhibit A-2-2 Page 15

Preamble: In 2019, the IESO anticipates an average headcount of 726.

Please define average headcount.

AMPCO-15

Ref: Exhibit A-2-2 Page 17

- a) Please add 2017 actuals and 2018 actuals (Average FTEs and December 31st Headcount) to the Staffing Table.
- b) Please define total average FTEs.

AMPCO-16

Ref: B-3-2 Attachment #4

- a) Please add 2017 budget, 2017 actual and 2018 actuals to Appendix 2-K.
- b) Please provide an excel version of the revised Appendix 2-K.

AMPCO-17

Ref: EB-2018-0143 Exhibit I Tab 1.1 Schedule 2.05 AMPCO 5

Please update AMPCO 5 to show the Organizational Chart for 2019 compared to 2018 Actual and the corresponding number of FTEs.

1.4 Is the IESO's Capital Expenditure budget for Fiscal Year 2019 appropriate?

AMPCO-18

Ref: Exhibit A-2-2, Page 24 Appendix #3

- a) Please recast the table to include 2017 plan and actuals and 2018 plan and actuals.
- b) Please provide a capital variance analysis for 2018 capital projects (budget versus actual).
- c) Please identify any projects from 2018 that have been cancelled, completed or deferred.

4.0 The Deferral and Variance Account

4.1 Is the IESO's proposal to retain an Operating Reserve of \$10 million in the Forecast Variance Deferral Account appropriate?

AMPCO-19

Ref: B-1-1 Page 7

Preamble: The IESO indicates in response to potential volatility in spending driven by changes in the volume of activities and the external environment, the IESO is seeking approval to retain an operating reserve of \$10 million in 2019.

Please explain further the potential volatility in spending and how it is driven by changes in the volume of activities and the external environment.

6.0 Market Renewal Program (MRP)

6.1 Is the reporting on financial and operational performance of the Market Renewal Program for 2017, 2018, 2019, and proposed future reporting, appropriate?

AMPCO-20

Ref: C-2-1 Attachment #1

Preamble: The IESO filed baseline MRP schedules and a budget with the OEB on January 2, 2019.

- a) Please explain why the IESO is not providing an overall CPI and SPI for the total MRP (calculated as a cumulative total of the various program components) in addition to the individual CPI and SPI calculations for each work component.
- b) Please provide the 2019 SPI and CPI results to date for January, February and March.
- c) Please provide the CPI and SPI results for 2018.

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?

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?

AMPCO-21

Ref: EB-2018-0143, Schedule 8.21 Sec 21 Updated October 2, 2018

Ref 2: C-2-1 Page 12

Preamble: In 2018, at reference #1, the IESO estimated the total MRP budget at \$217.6 million. At reference #2, the IESO estimates the current total MRP budget at \$246.9 million.

- a) Please indicate if the 2019 budget estimate of \$246.9 million includes the Operability workstream.
- b) Please provide a cost variance analysis between the 2018 and 2019 MRP total budget estimates.
- c) Please discuss any significant changes in scope between the two estimates.

AMPCO-22

Ref: EB-2018-0143, Schedule 8.22 Sec 22

Please update the table in SEC 22 to reflect the latest MRP milestones.

AMPCO-23

Ref: Exhibit A-2-2, Page 19

Preamble: The Business Plan indicates resourcing for the market renewal program continues to be a challenge and has resulted in later completion of high-level design for the capacity work stream.

Please explain further the nature of the challenges to resource the market renewal program.

AMPCO-24

Ref: A-2-2, Page 23

Preamble: Under Key 2019 Risks, the IESO indicates the Market Renewal Program is adversely affected by system dependencies, and/or a lack of resources with market design and implementation expertise.

- a) Please explain further the issue of system dependencies and how this risk can be mitigated.
- b) Please explain how the IESO plans to address the lack of resources with market design and implementation expertise.

AMPCO-25

Ref: C-2-1 Page 3

Preamble: The IESO indicates a draft version of the Incremental Capacity Auction High Level Design (HLD) is targeted for publication prior to the end of Q2.

Please provide the latest target date and confirm it will be met.

AMPCO-26

Ref: C-2-1 Page 4

Preamble: The IESO indicates in 2019 a number of MRP milestones are expected to be achieved.

Please provide a table that sets out the key 2019 MRP milestones.

AMPCO-27

Ref: C-2-1 Page 4

Preamble: The IESO indicates the business case will be provided to the IESO Board of Directors for approval in Q3 2019 and to stakeholders thereafter.

- a) Please provide the current status of completion of the business case compared to plan.
- b) Will stakeholders be provided with a draft business case for review and comment prior to IESO Board approval? If not, why not?

AMPCO-28

Ref: C-2-1 Page 5

Preamble: The IESO indicates the Market Renewal Working Group (MRWG) will be replaced with a new Market Development Advisory Group (MDAG) whose scope will be broader than the MRP.

Please provide the Terms of Reference for the MGAD.

AMPCO-29

Ref: C-2-1 Page 6

Preamble: The IESO provides the MRP's 2018 actual results and variances against the 2018 budget. At the program level, MRP was underspent by \$0.4 million or 3% in 2018. Operating results were \$2.3 million above budget, while capital results were \$2.7 million under budget. This variance corresponds to the delayed completion of the HLDs.

Please provide the schedule variance and explain the reason for the delayed completion of the HLDs.

AMPCO-30

Ref: C-2-1 Page 13

- a) Table 10: Please provide the basis for the 2018 Staffing information: FTEs versus headcount.
- b) Table 11: Please provide the basis for the 2019 Staffing information: FTEs versus headcount; average budget versus Dec 31, 2019 budget.
- c) Please provide a Q1 update to the MRP staffing figures.

AMPCO-31

Ref: C-2-1 Page 10 Table 6

- a) Please provide the contingency amount included in the 2019 MRP budget and explain how it was derived.
- b) Please explain how the cancellation of Cap and Trade affects the IESO's MRP projected savings.

AMPCO-32

Ref: C-2-1 Page 10 Table 6

- c) Please provide a breakdown of both 2018 actual and 2019 planned Operating and Capital Professional & Consulting Market Renewal costs.

AMPCO-33

Ref: A-2-2 Appendix 3

Please provide a breakdown and description of MRP capital projects for 2019 to 2021.

AMPCO-34

Ref: A-2-2 Page 10

Preamble: The IESO indicates the MRP, is expected to deliver an average of \$3.4 billion in efficiency savings over a 10-year period, most of which will flow to Ontario's consumers. In EB-2018-0143 (A2-2 Page 7), the IESO indicates the proposed Market Renewal initiatives could result in an estimated benefit of up to \$5.2 billion over 10 years, the majority of which will be realized by consumers.

On what basis has the IESO reduced the MRP efficiency savings from \$5.2 billion to \$3.4 billion?