

July 29, 2021

VIA Email and RESS



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Dear Ms. Long:

**Re: Independent Electricity System Operator
2020 and 2021 Expenditure and Revenue Requirement Submission
Ontario Energy Board File No.: EB-2020-0230**

On May 27, 2021, the Independent Electricity System Operator (IESO) filed its application with the Ontario Energy Board (OEB) under section 25(1) of the *Electricity Act, 1998* seeking approval of its 2020 and 2021 expenditure and revenue requirements and fees. On July 15, 2021, the OEB issued Procedural Order No. 1 which invited OEB Staff and intervenors to file written submissions by July 22, 2021 on the draft Issues List prepared by the IESO and filed with its application. Submissions on the Issues List were received from four parties: OEB Staff, the Ontario Sustainable Energy Association (OSEA), the Electricity Distributors Association (EDA), and Environmental Defence (ED). Four other intervenors (VECC, Energy Probe, CME and AMPCO) supported the submission of OEB Staff.

Procedural Order No. 1 provided that by July 29, 2021 the IESO may respond to the submissions of OEB Staff and intervenors. The IESO's written response to submissions is below.

OEB Staff submissions

OEB Staff requested confirmation that the following issues are subsumed within other issues but if they are not proposed to add the following issues to Issues 1.0 and 3.0, respectively:

- Is the IESO's Registration and Application Fees revenue forecast of \$0.0 million for Fiscal 2021 appropriate?
- Is the \$1,000 Application Fee for market participation appropriate?

The IESO does not oppose including the above proposed issues within the Issues List.

In an effort to focus the proceeding, and given that the forecasted revenues of registration fees are not material to the application, the IESO did not include it in the draft Issues List as in the 2019 revenue requirement proceeding. While the IESO does not oppose the addition of the revenue forecast for 2021 to Issue 1.0, the IESO suggests the following revision:

- Is the IESO's Registration and Application Fees revenue forecast of ~~\$0.0 million~~ for Fiscal 2021 appropriate?

As stated in the application, the IESO expects that revenues from registration and application fees will not materially affect the IESO's revenue requirement.

With respect to the \$1,000 application fee, as noted by OEB Staff, section 25(6) of the *Electricity Act, 1998* (Act) stipulates that the IESO must receive OEB approval before it establishes, eliminates or changes a fee. The \$1,000 application fee has been previously approved through settlement without the distinction that it was approved for that specific year and in the IESO's view the Act does not require approval of the appropriateness of the fee each year unless it is eliminated or changed. In an effort to focus the Issues List the IESO did not include it in its draft Issues List. However, the IESO does not oppose review of the appropriateness of the \$1,000 application fee.

OEB Staff also proposed that the draft Issues List be revised to include the following issue under Issue 2.0:

- Is the IESO's request to charge (or rebate) market participants the difference between the approved 2021 IESO usage fees and the interim fees they paid in the next billing cycle following the month in which OEB approval is received appropriate?

The IESO does not oppose including the above issue.

OEB Staff also proposed the following sub-issue under Issue 5.0:

- Are the IESO's proposed changes to the regulatory scorecard appropriate?

The IESO supports the additional issue and a review of the IESO's proposed changes to the regulatory scorecard.

OSEA submissions

OSEA requested confirmation that questions about investments for enabling energy storage, and incorporating GHG policy and sustainability initiatives into Market Renewal Program (MRP) investments, are captured by Issues 4.3 and 4.4 of the draft Issues List. OSEA also requested that if Issues 4.3 and 4.4 do not capture such questions, the following new issue under Section 4.0 of the draft Issues List should be included:

- Does the IESO's MRP capital costs and budget appropriately consider investments in energy storage and the incorporation of GHG policy and sustainability initiatives into market design investments?

The IESO opposes the OSEA's requested confirmation and the above proposed addition to the draft Issues List. The IESO submits that as noted in Procedural Order No. 1, the IESO's application is based on a business plan that has been reviewed and approved by the Minister of Energy and the review of the IESO's application should be focused on the IESO's OM&A and

Capital expenditures. The IESO's revenue requirement submission is not a proceeding to consider market design investments and incorporation of policy initiatives within MRP. The IESO invites parties to discuss these issues within the MRP stakeholder engagement¹. The IESO further submits that the existing issues under MRP in the draft Issues List allow for full examination and review of MRP within the appropriate scope of the 2020 and 2021 expenditure and revenue requirement submission.

OSEA also requested inclusion of an issue to examine the effectiveness of IESO's Stakeholder Engagement Framework and proposed the following additional issue for inclusion in the Issues List:

- Is IESO's Stakeholder Engagement Framework, and incorporation of stakeholder feedback into decision-making, appropriate?

The IESO opposes the proposed addition of the above issue and does not agree with OSEA's proposed review of the IESO's stakeholder engagement framework. The IESO's pre-filed evidence on stakeholder engagement is provided for context of the IESO's activities and budget. Review of the IESO's practice of incorporating stakeholder feedback in its decision-making can be addressed in those individual engagements. Further, review of the IESO's application is focused on Capital and OM&A expenditures. The IESO submits that review of the IESO's OM&A expenditures with respect to stakeholder engagement falls under Issues 1.1 and 1.2 of the draft Issues List. The IESO further submits that a separate issue on the IESO's decision-making would invite intervenors to micro-manage business operations with respect to stakeholder engagement.

EDA submissions

EDA proposed to revise the wording of Issues 1.7 and 4.1 by adding the following:

- Issue 1.7 What are the IESO's capital expenditure financial controls and are they appropriate?"
- Issue 4.1 Is the IESO's accounting of the costs of MRP appropriate for the purpose of setting fees for 2020 and 2021?
- Issue 4.1 Has the IESO appropriately allocated the costs of MRP?

The IESO does not agree with EDA's proposed additions within the draft issues. EDA has not explained how or provided reasons why the proposed additions improve upon the draft Issues List, which were previously approved as part of the IESO's 2019 revenue requirement proceeding. EDA has also not provided the OEB with evidence as to how the proposed issues would enhance the review of the IESO's revenue requirement submission more effectively than the currently drafted issues. Absent reasons, it's unclear the gaps these issues would address under Issues 1.0 and 4.0, or why they cannot, to the extent relevant, be included in the issues as presently drafted. The IESO submits that these issues do not improve upon the draft Issues List and to the extent the above issues are material and relevant to the matters in this proceeding, they can be reviewed within the context of the existing wording of Issues 1.7 and 4.1.

¹ <https://www.ieso.ca/en/Market-Renewal>

EDA also proposed to include the following new issues:

- How do the IESO's Cyber Security duties (e.g., in connection with Project Lighthouse) impact its proposed Fees? Is this impact appropriate?
- Has the IESO appropriately incorporated the ongoing lessons learned from the COVID pandemic and the associated cost impacts?
- Has the demarcation point between the IESO Administered Market and LDCs been appropriately reflected in the proposed revenue requirements for 2020 and 2021?
- How has the IESO ensured that no undue cross subsidization will occur between and among its fees, rates and charges?

The IESO opposes the proposed addition of the four above noted issues. EDA has not provided the OEB with reasons for their inclusion, and in particular, the materiality of the issues to warrant specific additions to the Issues List, and how they would enhance or focus the review of matters with respect to the IESO's submission. Given the lack of context or basis for inclusion, it is unclear as to how these issues would enhance the OEB's review of the IESO's OM&A and Capital expenditures. The IESO submits that these issues do not improve upon the current issues within the draft Issues List and to the extent the above issues are material and relevant to the matters in this proceeding, they can be reviewed within the context of Issues 1.1 and 1.2.

ED submissions

ED requested the OEB confirm that the draft Issues List allows ED to explore the appropriateness of the IESO's response to the OEB's direction regarding transmission losses and if not, to include the following new issue:

- What is the status of the IESO's transmission losses study?

The IESO does not support the proposed inclusion of the issue. The wording used by ED in its proposed issue is not reflective of the IESO's current commitment with respect to transmission losses. The current provision of settlement is for the IESO to engage stakeholders and Hydro One on transmission losses work and recommendations from specific reports². The IESO has included an update on the transmission losses engagement in its application³ and the status of the transmission losses stakeholder engagement is publically available through the IESO's stakeholder engagement website⁴.

In the stakeholder engagement, the IESO agreed to document its transmission losses practices and provide its guidelines document to stakeholders for review and comment. As a further update, on July 22, 2021, the IESO issued its transmission losses guidelines and has requested

² The 2018 Settlement Agreement (EB-2018-0143) states that the IESO will: "engage with stakeholders regarding the IESO's transmission losses work/report (similar to the 2017 engagement the IESO undertook on the development of its regulatory scorecard) including a discussion of the transmission losses processes used by National Grid UK, the recommendations of the Council of European Energy Regulators, and methodologies to assess the cost effectiveness of transmission loss reduction measures."

³ Exhibit G-1-1 Summary of Response to OEB Decisions and Policy Initiatives pg. 4

⁴ <https://www.ieso.ca/en/Sector-Participants/Engagement-Initiatives/Engagements/Transmission-Losses>

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feedback from all interested parties in the engagement. The IESO submits that the appropriate venue for discussion of transmission losses is within the existing stakeholder engagement.

Yours truly,

A handwritten signature in blue ink, appearing to read "Devon Huber", is positioned above the printed name and title.

Devon Huber
Acting Director, Regulatory Affairs & Market Rules

cc: Mr. Fred Cass (email)
Intervenors to EB-2020-0230 (email)