



Independent Electricity System Operator

Application for approval of 2020 and 2021 revenue requirement, expenditures and fees

DECISION ON ISSUES LIST

August 12, 2021

Background

The Independent Electricity System Operator (IESO) filed an application with the Ontario Energy Board (OEB) on May 27, 2021 under section 25(1) of the *Electricity Act*, 1998, seeking approval for its 2020 and 2021 expenditures, revenue requirement and fees.

Procedural Order No. 1 provided for OEB staff and intervenors to comment on the IESO's draft issues list and for the IESO to respond to those comments.

Issues List Decision

Submission of OEB Staff

OEB staff's submission addressed matters covered by Sections 1.0, 2.0, 3.0 and 5.0 of the IESO's proposed issues list.

With respect to Sections 1.0 and 3.0, OEB staff questioned why the IESO had removed issues related to registration and application fee revenue forecasts and the appropriateness of the IESO's \$1,000 Application Fee for market participation as both had appeared on previous OEB-approved issues lists and, in OEB staff's view, remained important in the 2020-2021 proceeding. OEB staff's position was supported by the School Energy Coalition (SEC), Association of Major Power Consumers in Ontario (AMPCO), Canadian Manufacturers and Exporters (CME) and Vulnerable Energy Consumers Coalition (VECC).

The IESO stated in its reply submission that it did not oppose including OEB staff's proposed issues within the issues list but suggested alternative wording to the issue related to registration and application fee revenue.

Regarding Section 2.0, OEB staff submitted that an additional issue should be added that provides parties an opportunity to explore the appropriateness of the IESO's request that it be allowed 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 of its application is received. OEB staff stated that the appropriateness of the IESO's request is dependent on the amounts market participants will be charged, and specifically if these amounts have the potential to create financial strain. OEB staff's position was supported by SEC, AMPCO, CME and VECC. In its reply submission, the IESO indicated that it did not oppose including OEB staff's proposed issue.

OEB staff also proposed the addition of a new issue related to the IESO's request that the OEB approve certain changes to the current OEB-approved scorecard related to energy efficiency and planning/reliability and indicated that similar issues had appeared on previous years' issues lists. The purpose of the addition would be to allow parties an opportunity to comment on the proposed changes to the scorecard that had been developed in consultation with intervenors. OEB staff's position was supported by SEC, AMPCO, CME and VECC. In its reply submission, the IESO also supported the proposed new issue.

Findings on OEB staff's Submission

The OEB finds that the revisions to the IESO's proposed issues list as amended by OEB staff effectively covered the key issues as a starting point for the development of the final issues list. OEB staff's position was supported by intervenors and the IESO with one exception. The IESO in its July 29, 2021 reply submission proposed that OEB staff's addition to Issue 1.0 be amended to read:

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

The OEB accepts OEB Staff's revised issues list with the IESO's proposed change.

Submission of Ontario Sustainable Energy Association (OSEA)

OSEA¹ requested that the OEB confirm that questions about investments for enabling energy storage and incorporating greenhouse gas (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 did not capture such questions, a new issue under Section 4.0 of the draft issues list be added. OSEA's submission was based on its observation that the IESO's business plan did not include any capital investments for enabling energy storage participation in wholesale markets, or implementing the Energy Storage Advisory Group's recommendations and storage design project. OSEA stated that it was concerned that a delay in the design and implementation of energy storage market changes will hamper adoption of renewable generation once the MRP is implemented.

The IESO opposed OSEA's confirmation request and request to add an additional issue on the basis that its application is founded 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 Operational, Maintenance and Administrative (OM&A) and capital expenditures. Further, the IESO stated that the revenue requirement proceeding is not an opportunity to consider MRP-related market design or policy issues and that parties are provided with opportunities to provide input on such matters through MRP stakeholder engagement. The IESO further submitted that its proposed issues related to the MRP will allow for full exploration of MRP matters relevant to this proceeding.

OSEA also requested that a new issue related to the IESO's stakeholder engagement process, and the way collected feedback is considered, be added. OSEA argued that an effective stakeholder engagement process is critical for informing system expansion decisions, and for ensuring that municipal planning decisions appropriately account for energy storage and the reduction of greenhouse gas emissions. Accordingly, OSEA submitted that an examination of the effectiveness of the stakeholder engagement process was appropriate. SEC supported this request.

The IESO opposed OSEA's request on the basis that the information on stakeholder engagement included in the pre-filed evidence was provided for context of its activities and budgets. Further, the IESO stated that its practices related to incorporating stakeholder feedback in its decision-making can be assessed during those individual engagements. The IESO also reaffirmed its position that the proceeding's focus should be on its proposed OM&A and capital expenditures and that allowing the requested

¹ OSEA's filing indicated that counsel for OSEA and counsel for the Association of Power Producers of Ontario coordinated their submission to avoid duplication.

issue would invite intervenors to micro-manage business operations with respect to stakeholder engagement.

Findings on OSEA's Submission

The OEB finds that questions about investments for enabling energy storage and incorporating GHG policy are captured in Issues 4.3 and 4.4.

The OEB finds that the IESO's expenditures on stakeholder engagement, and whether the IESO has appropriately incorporated stakeholder feedback into its decision-making, are subsumed within issues 1.1 and 1.2, and there is no need to include an additional issue to examine the effectiveness of the IESO's Stakeholder Engagement Framework.

Submission of the Electricity Distributors Association (EDA)

The EDA suggested revised wording for issues 1.7 and 4.1 related to the appropriateness of the IESO's capital expenditure financial controls and MRP-related cost accounting and cost allocation, respectively. The EDA also proposed that the OEB augment the IESO's proposed issues list by adding four new issues related to cybersecurity, the COVID-19 pandemic, the demarcation point between the IESO and local distribution companies, and cross-subsidization.

The IESO did not agree with the EDA's proposed revisions to issues 1.7 and 4.1, arguing that the EDA had not explained how or provided reasons for why they improve the draft issues list. The IESO also opposed the EDA's four proposed new issues, again on the basis that no reasons for their inclusion had been provided, nor had their materiality been demonstrated. The IESO stated that given the lack of context or basis for inclusion, it was unclear how they would enhance the OEB's review of its application. The IESO further stated that, to the extent they are relevant to this proceeding, they can be reviewed within the context of draft Issues 1.1 and 1.2.

Findings on the EDA's Submission

The OEB finds that the EDA's proposed revisions add unnecessary specificity to the currently worded issues, and in any case, the EDA's issues are subsumed by and can be considered in the examination of issues 1.1, 1.2, 1.7, and 4.1.

With respect to the EDA's desire to add four additional issues, the OEB finds that issues 1.1 and 1.2 are sufficiently broad to permit the EDA to examine at least three of the four subject areas, with the exception being whether the IESO has appropriately

incorporated the ongoing lessons from the COVID-19 pandemic. The OEB reminds the EDA that the COVID-19 pandemic is ongoing and it would be premature for any party to be able to adequately address lessons and fully determine cost impacts from an event that is ongoing.

Submission of Environmental Defence (ED)

ED submitted that it wished to explore how the IESO has responded to the OEB's direction that it works with Hydro One to report on initiatives for economically reducing transmission losses and its commitment from the 2018 OEB-approved settlement that it works with stakeholders on the work and reports. Accordingly, ED requested that the following issue be added to Section 5: *"What is the status of the IESO's transmission losses study?"*

The IESO did not support ED's request and stated that the wording used by ED in its proposed issue is inconsistent with the IESO's current commitment with respect to transmission losses. The IESO stated that its current commitment is for it to engage stakeholders and Hydro One on transmission losses work and recommendations from specific reports. The IESO further stated that it has included an update on transmission loss engagement in the application and the status of stakeholder engagement is available on its website.

Findings on ED's Submission

The OEB does not find it necessary to add an issue that addresses the status of the IESO's transmission losses study. The OEB agrees with the IESO that the appropriate venue for a discussion of transmission losses is within the IESO's existing stakeholder engagement into this matter, and that the status of this engagement process is publicly available through the IESO's stakeholder engagement website.

The final Issues List is attached as Appendix A.

DATED at Toronto, August 12, 2021

ONTARIO ENERGY BOARD

Original Signed By

Christine E. Long
Registrar

SCHEDULE A
FINAL ISSUES LIST
DECISION ON ISSUES LIST
INDEPENDENT ELECTRICITY SYSTEM OPERATOR
EB-2020-0230
August 12, 2021

SCHEDULE A: FINAL ISSUES LIST

1.0 Revenue Requirement, Operating Costs and Capital Spending

- 1.1** Is the IESO's Fiscal Year 2020 revenue requirement of \$188.6 million appropriate?
- 1.2** Is the IESO's Fiscal Year 2021 revenue requirement of \$191.8 million appropriate?
- 1.3** Are the IESO's 2020 staffing levels and compensation (including salaries, benefits, pensions and other post-employment benefits) appropriate?
- 1.4** Are the IESO's 2021 projected staffing levels and compensation (including salaries, benefits, pensions and other post-employment benefits) appropriate?
- 1.5** Is the IESO's 2020 capital expenditure envelope of \$52 million for capital projects for Fiscal Year 2020 appropriate?
- 1.6** Is the IESO's 2021 capital expenditure envelope of \$68.6 million for capital projects for Fiscal Year 2021 appropriate?
- 1.7** Has the IESO adequately described its material capital projects?
- 1.8** Is the IESO's Registration and Application Fees revenue forecast for Fiscal Year 2021 appropriate?

2.0 Usage Fees

- 2.1** Is the IESO's proposal to approve its 2020 Interim Usage Fees effective January 1, 2020 as final 2020 Usage Fees appropriate?
- 2.2** Is the methodology used to derive the IESO's proposed 2021 Usage Fees of \$1.271/MWh for domestic customers (including embedded generation) and \$1.0943 MWh for export customers to be paid commencing January 1, 2021 appropriate?
- 2.3** 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?
- 2.3** Is the proposed January 1, 2021 effective date for the IESO's 2021 Usage Fees appropriate?

3.0 Registration and Application Fees

- 3.1** Is the fee of up to \$50,000 per submission for electricity supply and capacity procurements, including ancillary services, appropriate?
- 3.2** Is the \$1,000 Application Fee for market participation appropriate?

4.0 Market Renewal Program (MRP)

- 4.1** Is the reporting on financial and operational performance of the MRP appropriate?
- 4.2** Are the IESO's 2020 and forecast 2021 operational costs for the MRP appropriate in the context of the scope and timing of the overall project?

- 4.3** Are the IESO's 2020 and forecast 2021 capital costs for the MRP appropriate in the context of the scope and timing of the overall project?
- 4.4** Is the IESO's MRP Baseline Schedule and Budget for each year of the MRP appropriate?
- 4.5** Is the IESO's MRP Business Case appropriate?

5.0 Other Commitments from Previous OEB Decisions

- 5.1** Has the IESO adequately described the progress made towards reaching the 50th percentile for total compensation?
- 5.2** Are the IESO's proposed changes to the regulatory scorecard appropriate?