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August 19, 2021

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

Attention: Christine Long, Board Registrar

Dear Ms. Long:

**Re: Ontario Sustainable Energy Association's ("OSEA") Interrogatories
Board File No. EB- 2020-0230
IESO 2020-2021 Expenditure and Revenue Requirement Submission**

Please find enclosed OSEA's written interrogatories in the above-noted matter, which have been filed on the RESS.

In Procedural Order No. 1, the Board required OSEA and the Association of Power Producers of Ontario ("APPrO") to coordinate their participation in this proceeding to avoid duplication. OSEA and APPrO exchanged draft interrogatories prior to this filing to avoid duplication.

Yours truly,



Raeya Jackiw

cc: Dan Goldberger, OSEA
Travis Lusney, Power Advisory LLC

Document #: 2004249

ONTARIO ENERGY BOARD

IN THE MATTER OF the Electricity *Act*, 1998, s. 25(1)
as amended;

AND IN THE MATTER OF a Submission by the
Independent Electricity System Operator (“IESO”) to the
Ontario Energy Board (“OEB”) for the review of its proposed
expenditure and revenue requirements for the fiscal year 2020
and the fees it proposes to charge during the fiscal year 2020

INTERROGATORIES OF ONTARIO SUSTAINABLE ENERGY ASSOCIATION (“OSEA”)

August 19, 2021

REVENUE REQUIREMENT, OPERATING COSTS AND CAPITAL SPENDING

OSEA IR 1, ISSUE 1.2

Reference: Exhibit A-2-2, Attachment 1, Page 5 of 6

Preamble: The 5-year strategic objective for reliability targets below 9.2% performance for the thermal resource fleet from 2021 to 2025 for the IESO. The IESO explains that the 9.2% represents two standard deviations from the 5-year historical baseline average. Gas-fired generation performance is a key component of Ontario’s electricity system reliability.

Questions:

- a) Please confirm that the 5-year historical baseline average referred to by the IESO is for transmission connected gas-fired generation in Ontario with installed capacity greater than 250 MW.
- b) Please provide documentation supporting the calculation of the 5-year historical baseline average that yielded the 9.2% target, including generation unit, outage date, outage duration, and cause for outage if available.
- c) Has the IESO compared the historic baseline of Ontario gas-fired generation units to other jurisdictions? If so, please provide the information and documentation supporting the IESO’s comparison and the IESO’s research about other jurisdictions.

OSEA IR 2, ISSUE 1.2

Reference: Exhibit A-2-2, Attachment 1, Page 6 of 6

Preamble: The IESO's transparency index for 2021 to 2025 is based on a portion of revenues received by suppliers (or payments from consumers) for electricity in wholesale markets, compared to the total of costs of supplying the electricity. The target starts at 19.2% in 2021 and rises to 20% by 2025.

Questions:

- a) Please provide the transparency index for 2019 and 2020 with breakdown by any sub-categories the IESO uses. OSEA assumes a large component of payments are made through Global Adjustment (GA).
- b) Please provide a summary of Forgone Energy Payments to contracted resources by resource type for 2019 and 2020. Forgone Energy Payments are payments made by the IESO to contracted resources for curtailed energy due to system conditions (e.g., Surplus Baseload Generation).
- c) Please provide the analysis used to determine the transparency index target for 2021 to 2025.
- d) Has the IESO compared the 2021 to 2025 transparency index to other jurisdictions (e.g., NYISO, ISO-NE)? If so, please provide the information and documents supporting the comparison.

OSEA IR 3, ISSUE 1.2

Reference: Exhibit E-2-1

Preamble: The IESO through the capacity auction capital project intends to continue to enhance the capacity auction to help meet Ontario's resource adequacy needs. Through 2020 and into 2021 the IESO ran an Energy Efficiency Auction Pilot, successfully selecting 7.4 MW of peak demand reduction for the winter of 2022/2023. OSEA is interested in understanding how energy efficiency pilot results will be incorporated within the Capacity Auction Capital Project.

Questions:

- a) Does the IESO intend to include energy efficiency in future Capacity Auctions for this revenue requirement request? If yes, please provide details on the capital cost and O&M costs of incorporating energy efficiency into future Capacity Auctions. If no, please provide any business cases or analysis that supported the IESO's decision to not include energy efficiency in future Capacity Auctions.
- b) Has the IESO conducted an analysis on the cost effectiveness of the results of the Energy Efficiency Auction Pilot completed by the IESO? If yes, please provide the analysis.

OSEA IR 4, ISSUES 1.1 AND 1.2

Reference: Exhibit-A-1 - Stakeholder Engagement Framework

Preamble: Many communities and businesses are adopting sustainability goals including changes to how they source and consume electricity. OSEA is interested in understanding what investments the IESO is planning to make to support these sustainability goals.

Questions:

- a) Please provide a summary of investments the IESO plans to make to support consumer choice for sustainability goals. Please specify if the investments are capital or O&M and the magnitude of anticipated investment (i.e., dollar amount).
- b) Has the IESO through the Stakeholder Engagement Framework or other initiatives compiled sustainability goals for municipalities and large businesses in Ontario? If so, please provide a summary of the information compiled by the IESO.

REGISTRATION AND APPLICATION FEES

OSEA IR 5, ISSUE 3.1

Reference: Exhibit C-3-1 – Other Funding and Fees

Preamble: The IESO proposes to increase the fee per proposal for electricity supply and capacity procurements including ancillary services from \$10,000 per proposal to \$50,000 per proposal. OSEA is concerned that this increase will negatively impact projects from local communities and smaller renewable generation projects from offering services in IESO competitive procurements.

Questions:

- a) Please provide a detailed description of the “work entailed for future procurements”¹ that will be funded by the registration fee. Please provide a breakdown of the work entailed for future procurements, for example, by labour, communications, IT systems, capital expenditures, professional services, legal support etc.
- b) Please describe in detail the list of future procurements the IESO expects to operate that will be funded by the registration fee. Please include the timelines (i.e., years of procurement), scope of procurement, number of proposals expected to be received, potential revenue to be generated by the IESO per proposal, and IESO’s reasoning for any assumptions or estimates.

¹ See Exhibit C-3-1, Page 1 of 2, Lines 8-9.

- c) Please explain how the IESO concluded that the current registration fee will be “inadequate to recover costs for IESO work entailed for future procurements,” and provide the IESO’s business case, analysis or rationale for increasing the fee to \$50,000 per proposal.
- d) The IESO has announced the intent to execute two bi-lateral agreements in the Annual Acquisition Report (AAR)².
 - a. Please provide an estimate of funds spent or that will be spent by IESO to negotiate each bilateral agreement.
 - b. Does the IESO intend to recover a proposal fee or negotiation fee associated with each bilateral contract? If so, please provide an estimate of the fee amount.
- e) Aggregation of small resources can provide substantial capacity and services to the IESO. Please explain the treatment of small resource aggregation schemes under the proposed proposal fee increase.
- f) Please provide any analysis the IESO has completed with respect to competitiveness from higher and lower proposal fees. In particular, please describe the impact that IESO expects the proposed higher proposal fee will have on what entities compete for procurement and the number of proposals received.
- g) Please provide a summary of proposal fees in neighbouring jurisdictions. If the IESO does not have this information, please explain why benchmarks to other jurisdictions for work entailed in procurement services were not developed when determining the proposed registration fee increase.

MARKET RENEWAL PROGRAM

OSEA IR 6, ISSUE 4.3

Reference: Exhibit E-1-2 Attachment 1 – Appendix 2-AA Capital Projects; Table 2 of Exhibit G-2-1, Page 5 of 10; Exhibit G-2-1, Attachment 1

Preamble: Over 50% of the projected spending for MRP in 2021 is expected to be capital costs. Table 2 in Exhibit G-2-1 provides a breakdown of MRP by administrative cost components but does not provide a breakdown by MRP workstream categories (e.g., Day-Ahead Market, Single Schedule Market, Enhanced Real-Time Unit Commitment, etc.). Further information on the breakdown of MRP capital spending is needed to understand the priorities and potential risks of delay or overages.

² IESO Annual Acquisition Report dated July 2021(<https://www.ieso.ca/-/media/Files/IESO/Document-Library/planning-forecasts/aar/Annual-Acquisition-Report-2021.ashx>).

Questions:

- a) The IESO MRP Business Case estimates IT costs to be \$53M.³ Please provide a breakdown of the MRP capital spending by phase or component from 2021 to the 2023 implementation date for the implementation phase of MRP. Please provide sub-categories of capital spending if available, e.g., IT, training, testing, creation of internal protocols and manuals, capital infrastructure, and plant and equipment investments.
- b) Please provide the IESO's contingency and reserve funding estimates related to MRP cost overruns or delays.
- c) The implementation costs of the Interim Market Rules and Manuals for Energy Storage under the MRP are unclear. Please provide capital and O&M forecasts for incorporating the Interim Market Rules and Manuals for Energy Storage under MRP capital and O&M programs. Please provide any supporting documentation supporting the forecasted estimates.

OSEA IR 7, ISSUES 4.2 AND 4.3

Reference: Exhibit E-1-2 Attachment 1 – Appendix 2-AA Capital Projects & Exhibit G-2-3 Attachment 1

Preamble: The IESO, through the Energy Storage Advisory Group (ESAG) and Energy Storage Design Project, explored options to remove barriers to energy storage in the IESO-Administered Markets.⁴⁵ These initiatives followed activities underway in other US electricity markets to meet the requirements of Federal Energy Regulatory Commission (FERC) Order 841 (Energy Storage Participation in Markets Operated by Regional Transmission Organizations and Independent System Operators). The processes concluded that barriers existed to energy storage resources and that removing barriers would be beneficial for the Ontario electricity market. The IESO has decided to not include the long-term design changes for energy storage under the MRP. For clarity, the IESO states in the Long-Term Design Vision Document that energy storage incorporation in the IESO-Administered Market will occur after MRP. OSEA is interested in understanding the IESO's estimate of costs for incorporating energy storage in MRP and the analysis IESO completed to conclude that including energy storage in MRP was not prudent at this time.

³ Figure 4-9: MRP Energy Stream IT – Exhibit G-2-1, Attachment 1, Page 57 of 82.

⁴ Removing Obstacles for Storage Resources in Ontario (https://www.ieso.ca/-/media/Files/IESO/Document-Library/engage/esag/Removing-Obstacles-for-Storage-Resources-in-Ontario_20181219.ashx)

⁵ Energy Storage Design Project (<https://www.ieso.ca/-/media/Files/IESO/Document-Library/engage/esag/esag-20200915-long-term-design-vision.ashx>)

Questions:

- a) Please provide the business case supporting the decision to not include enabling energy storage resources in MRP.
- d) Please provide any implementation cost estimates for incorporating energy storage resources into MRP, i.e., implementation cost estimates for IT (additional costs of including energy storage resources in the IT hardware and software spending for MRP system upgrades), training, testing, creation of internal protocols and manuals, capital infrastructure, and plant and equipment investments.
- b) Has the IESO completed an analysis on the value of energy storage benefits to the IESO-Administered Markets if incorporated under MRP? For clarity, value is dollar amount savings or reduced costs to electricity rate-payers from removing barriers to energy storage resources. If yes, please provide the analysis.

REGULATORY SCORECARD

OSEA IR 8, ISSUE 5.2, AND 1.1 AND 1.2

Reference: G-2-3 Attachment 1 – IESO Regulatory Scorecard & Exhibit-A-1 - Stakeholder Engagement Framework

Preamble: The IESO intends to enhance its planning process to include a formalized bulk system planning process. In addition, the IESO is pursuing sector evolution activities through its new Stakeholder Engagement Framework. Recently, the OEB issued a decision and order related to Integrated Resource Planning (IRP) for the Enbridge Natural Gas Pipeline network.⁶ OSEA is interested in understanding the extent that IESO is coordinating with natural gas pipeline expansions to minimize greenhouse gas emissions.

⁶ <https://www.rds.oeb.ca/CMWebDrawer/Record/720232/File/document>

Questions:

- a) Please provide a summary of the IESO's activities and associated costs, either capital or O&M, for coordinating with Enbridge for planning purposes, i.e., does the IESO have any specific spending expectations for coordinating with, monitoring, analyzing, participating, providing input, or feedback to Enbridge as part of the new IRP or IESO's internal planning process?
- b) Does the IESO intend to only participate through public engagements or will the IESO work with Enbridge outside of public stakeholder engagement processes?

OSEA IR 9, ISSUE 5.2

Reference: Exhibit-G-2-3 Attachment 1

Preamble: The IESO regulatory scorecard includes Public Policy Responsiveness (i.e., Energy Efficiency and Planning & Reliability). The scorecard does not include any local community sustainability goals and emission reductions objectives.

Questions:

- a) Please explain why local community sustainability goals and emission reductions are not included in the IESO Regulatory Scorecard.
- b) Please indicate how inclusion of local community sustainability goals and emissions reduction will impact IESO spending requirements if they are not incorporated in the IESO Regulatory Scorecard, including impacts to the resource adequacy framework engagement.