

Christine Long
Registrar
Ontario Energy Board
2300 Yonge Street, Suite 2700, P.O. Box 2319
Toronto, Ontario M4P 1E4

August 19, 2021

Dear Ms. Long,

**RE: Interrogatories regarding EB-2020-0230 – IESO 2020-2021 Expenditure and Revenue
Requirement Application Submission**

Attached are the joint interrogatories of the Canadian Renewable Energy Association (CanREA), Energy Storage Canada (ESC), and the Ontario Waterpower Association (OWA) (referred to as “REASCWA”) regarding the Issues List relating to EB-2020-0230 – IESO 2020-2021 Expenditure and Revenue Requirement Application proceeding.

REASCWA has collaborated with the Association of Power Producers (APPrO) and the Ontario Sustainable Energy Association (OSEA) in preparation of the attached interrogatories.

Power Advisory has submitted these interrogatories on behalf of REASCWA.

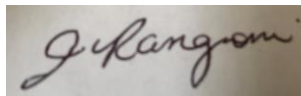
Sincerely,



Jason Chee-Aloy
Managing Director
Power Advisory



Brandy Giannetta
Vice President,
Policy, Regulatory, and Government Affairs
CanREA



Justin Rangooni
Executive Director
ESC



Paul Norris
President
OWA

cc:

Andrew Bishop, OEB
Miriam Heinz, IESO

REASCWA Interrogatories
IESO 2020-2021 Expenditure and Revenue Requirement Application
EB-2020-0230
August 19, 2021

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?

1.1-REASCWA-1

Reference: Exhibit A, Tab 1, Schedule 4, Page 1, Lines 14-18

- a) Regarding the fiscal year 2020 revenue requirement, other than revisions relating to the COVID-19 pandemic and the impacts on Ontario's electricity demand, did the IESO make any other revisions to, or deviations from, the 2020-22 Business Plan, particularly as they relate to priority initiatives such as the Market Renewal Program (MRP), the Resource Adequacy Framework initiative and resource procurement initiatives and mechanisms, power system planning initiatives, and/or initiatives relating to integrating energy storage, 'hybrid' resources (e.g., renewable generators coupled with energy storage), and Distributed Energy Resources (DERs)?
- b) Please provide a description of any changes to, or deviations from, the 2020-22 Business Plan during fiscal year 2020 due to issues unrelated to the COVID-19 pandemic and a copy of draft Business Plans that document those changes.

1.2 Is the IESO's Fiscal Year 2021 revenue requirement of \$191.8 million appropriate?

1.2-REASCWA-2

Reference: Exhibit A, Tab 1, Schedule 4, Page 1, Lines 14-18

- a) Regarding the fiscal year 2021 revenue requirement, other than revisions relating to the COVID-19 pandemic and the impacts on Ontario's electricity demand, did the IESO make any other revisions to, or deviations from, the 2020-22 Business Plan, particularly as they relate to priority initiatives such as the MRP, the Resource Adequacy Framework initiative and resource procurement initiatives and mechanisms, power system planning initiatives, and/or initiatives relating to integrating energy storage, 'hybrid' resources, and DERs?
- b) Please provide a description of any changes to, or deviations from, the 2020-22 Business Plan during fiscal year 2021 due to issues unrelated to the COVID-19 pandemic and a copy of draft Business Plans that document those changes.

1.2-REASCWA-3

Reference: Exhibit E, Tab 2, Schedule 1, Page 3

Preamble: IESO has established a Resource Adequacy Framework to procure resources (e.g., generation, energy storage, etc.) to meet Ontario's supply needs. Within the Resource Adequacy Framework are procurement initiatives and mechanisms (e.g., Capacity Auction, Request for Proposals (RFPs)/contracts, etc.) that will be used by the IESO to meet these needs. Market participants and stakeholders continue to work with IESO through IESO stakeholder engagement initiatives towards better understanding the details of procurement initiatives and mechanisms towards making investment decisions to help meet Ontario's supply needs. Such details are essentially needed towards making investment decisions regarding operating resources and potential new projects.

- a) Please define the Change Initiative/Project identified as "New Capacity/Resource Acquisition Initiatives" per Table 3: Summary of IESO Capital Projects.
- b) Does "New Capacity/Resource Acquisition Initiatives" include capital budget allocation regarding the following IESO initiatives that have been discussed with stakeholders: i) Capacity Auction design and associated amendments to the Market Rules and Market Manuals; ii) assessment of and potential procurement of resources categorized as Unsolicited Proposals; iii) development of RFPs and associated contracts relating to procurement initiatives to meet mid-term and long-term supply needs; and/or iv) Reliability Must-Run (RMR) contracts that have been or will be sole sourced negotiated with select counterparties to meet specific supply needs?
- c) Please provide details and documents related to the allocated \$1 million capital budget for "New Capacity/Resource Acquisition Initiatives".

1.2-REASCWA-4

Reference: Exhibit E, Tab 2, Schedule 2, Page 3

- a) Please provide the status of "New Capacity/Resource Acquisition Initiatives", as the Status Notes section within Table 1 is blank?
- b) Please provide the status of "Enabling Resources to Deliver on Capacity/Participate in Markets", as the Status Notes section within Table 1 is blank?

1.4 Are the IESO's 2021 projected staffing levels and compensation (including salaries, benefits, pensions and other post-employment benefits) appropriate?

1.4-REASCWA-5

References: Exhibit D, Schedule 2, Page 2, Lines 19-27, and
Exhibit D-1-1, Attachment 3, Line 15

- a) Regarding the OMA Overview relating to the Markets & Procurement division within the IESO Planning, Acquisition and Operations business unit (Line 15 within Exhibit D-1-1, Attachment 3), what portion of the \$7.2 million OM&A expenditure for 2021 has been allocated for the procurement of resources (excluding procuring resources through Capacity Auctions) to meet IESO's forecast supply needs to maintain Ontario's resource adequacy and reliability?
- b) Does this OM&A expenditure include: i) assessment and potential procurement of resources categorized as Unsolicited Proposals; ii) development of RFPs and associated contracts relating to procurement initiatives to meet mid-term and long-term supply needs; and/or iii) RMR contracts that have been or will be sole sourced negotiated with select counterparties to meet specific supply needs?
- c) Please provide any documents that detail the spending and how it is being allocated.

1.4-REASCWA-6

References: Exhibit D-1-1, Attachment 2, Line 11, and
Exhibit D, Tab 1, Schedule 3, Page 1, Lines 3-6

Preamble: Based on forecast supply needs, IESO had planned to develop the Incremental Capacity Auction (ICA) as part of the MRP. The IESO subsequently cancelled the ICA and is now planning to use a combination of Capacity Auctions, RFPs and associated contracts, etc. to meet Ontario's supply needs.

- a) Line 11 within Exhibit D-1-1, Attachment 2 shows \$5.5 million in avoided expenditures resulting from the IESO cancelling the ICA in July 2019. Have any of the ICA related avoided expenditures been re-allocated to the procurement of resources (excluding re-allocation to Capacity Auction related initiatives) to meet IESO's forecast supply needs to maintain Ontario's resource adequacy and reliability?
- b) Please provide supporting documentation in the form of budgets and/or reporting.

1.4-REASCWA-7

References: Exhibit B-1-2, Page 3 and 6,
Exhibit D-1-1, Attachment 3, Lines 15 and 23,
Exhibit D, Tab 1, Schedule 2, Page 2, Lines 19-27, and
Exhibit D, Schedule 2, Page 3, Lines 1-15

Preamble: The IESO Business Plan 2020-22 listed enabling resources for broader participation within the IESO-Administered Markets (IAM) as a priority initiative, as being done by all other Canadian and U.S. wholesale electricity markets. To integrate and/or procure emerging and new technologies (e.g., energy storage, 'hybrid' renewable generators coupled with energy storage, DERs) IESO has been working with market participants and stakeholders to accomplish this through specific stakeholder engagement initiatives (e.g., Enabling Resources Program (ERP), Hybrid Integration Project (HIP), etc.). However, broader integration of these technologies is being planned for post MRP implementation (i.e., ERP and HIP are planned to be implemented post the November 30, 2023 go-live date for MRP, without a specific timeframe after MRP go-live for implementation). As being presently accomplished in other Canadian and U.S. wholesale electricity markets, these technologies are being integrated and/or procured to help meet supply needs cost-effectively at a faster rate than being planned for within the IAM – which should be of consideration within Ontario, considering forecast supply needs and planned procurement initiatives, as emerging and technologies could help meet Ontario's supply needs.

- a) What portion of OM&A expenditures for 2021 for the Markets & Procurement business unit and the Innovation, Research & Development business unit within the Policy, Innovation & Engagement division (Lines 15 and 23, respectively, within Exhibit D-1-1, Attachment 3) have been allocated to enable resource participation (e.g., energy storage, 'hybrids', DERs) within the IAM and/or to specifically help meet IESO's forecast supply needs to maintain Ontario's resource adequacy and reliability?

1.5 Is the IESO's 2020 capital expenditure envelope of \$52 million for capital projects for Fiscal Year 2020 appropriate?

1.5-REASCWA-8

References: Exhibit A, Tab 1, Schedule 4, Page 4, Lines 15-19,
Exhibit E, Tab 2, Schedule 1, Attachment 1, Page 1, Lines 23-28, and
Exhibit E, Tab 2, Schedule 1, Attachment 2, Page 1, Lines 24-27

Preamble: Transparency and details are needed to determine what portions of the 2020 capital budget, that have not been allocated to MRP capital, are essentially needed to implement MRP (e.g., settlement system, etc.).

- a) What portion of the \$27 million capital, that is not budgeted within the MRP \$25 million capital, is required to support the MRP implementation?
- b) Please provide supporting documentation.

1.6 Is the IESO's 2021 capital expenditure envelope of \$68.6 million for capital projects for Fiscal Year 2021 appropriate?

1.6-REASCWA-9

References: Exhibit A, Tab 1, Schedule 4, Page 4, Lines 23-26,
Exhibit E, Tab 2, Schedule 1, Attachment 1, Page 1, Lines 23-28, and
Exhibit E, Tab 2, Schedule 1, Attachment 2, Page 1, Lines 24-27

Preamble: Transparency and details are needed to determine what portions of the 2021 capital budget, that have not been allocated to MRP capital, are essentially needed to implement MRP (e.g., settlement system).

- a) What portion of the \$32.6 million capital, that is not budgeted within the MRP \$36 million capital, is required to support the MRP implementation?
- b) Please provide any supporting documentation.

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?

3.1-REASCWA-10

Reference: Exhibit C, Tab 3, Schedule 1, Page 1, Lines 2-18

Preamble: To REASCWA's knowledge, the IESO has to date not engaged stakeholders through any public IESO-led stakeholder engagement initiatives regarding plans to charge a registration fee up to \$50,000 per proposal for electricity supply and capacity procurements, including ancillary services, within any IESO administered procurement initiative. Higher registration fees could act as a barrier to competition within IESO administered procurement initiatives and could ultimately result in less resource options and less supply procurement to help meet Ontario's supply needs.

- a) Has the IESO consulted with any stakeholders, particularly potential participants within procurement initiatives for electricity supply and capacity procurements, including ancillary services, regarding plans to charge a registration fee up to \$50,000 per proposal, including within the on-going Resource Adequacy stakeholder engagement initiative?
- b) Please provide any materials relating to a) above.

3.1-REASCWA-11

Reference: Exhibit C, Tab 3, Schedule 1, Lines 2-18

- a) Has the IESO conducted any research or performed any analysis regarding Canadian and U.S. comparable registration fees for electricity supply and capacity procurements, including ancillary services, prior to declaring plans to charge a registration fee up to \$50,000 per proposal?

- b) Can the IESO provide research and analysis relating to a) above?

3.1-REASCWA-12

Reference: Exhibit C, Tab 3, Schedule 1, Lines 2-18

- a) Can the IESO provide internal or external analysis and reasons why it has identified that the current \$10,000 registration fee will be inadequate to recover costs for IESO work entailed for future procurement initiatives?

3.1-REASCWA-13

Reference: Exhibit C, Tab 3, Schedule 1, Lines 2-18

Preamble: Lines 10-12 of Exhibit C, Tab 3, Schedule 1 states that "IESO expects that in the near-term these fees will be charged in late 2021 and early 2022 primarily in relation to the mid- and long-term procurements contemplated under the IESO's Resource Adequacy framework".

- a) Does this mean that the up to \$50,000 registration fee per proposal will not be applicable to participants within IESO administered Capacity Auctions, as Capacity Auctions have been identified as the main procurement initiative to meet short-term supply needs within the Resource Adequacy Framework?
- b) Aside from planned procurements associated with late 2021 and early 2022, will the proposed registration fee of up to \$50,000 per proposal be applied to any other procurements for electricity supply and capacity procurements, including ancillary services?

3.1-REASCWA-14

Reference: Exhibit C, Tab 3, Schedule 1, Lines 2-18

Preamble: Lines 15-17 of Exhibit C, Tab 3, Schedule 1 states that "the fees are meant to cover costs the IESO incurs to process procurement applications and administer Requests for Proposals including costs related to external advisors such as fairness, legal, technical and financial".

- a) Please provide budgets required to administer the RFPs to address supply needs in the mid-term and long-term, as indicated by IESO.
- b) Please provide analysis and further information showing how planned registration fees of up to \$50,000 per proposal will be needed to recover the costs to administer these planned RFPs?

3.1-REASCWA-15

Reference: Exhibit C, Tab 3, Schedule 1, Lines 2-18

- a) In response to procurement initiatives (e.g., RFPs), does the IESO have an internal forecast for how many potentially resource proposals it expects to pay the up to \$50,000 registration fee per proposal?

- b) Please provide a forecast and any associated materials relating to a) above.

3.1-REASCWA-16

References: Exhibit C, Tab 3, Schedule 1, Lines 2-18, and
Exhibit D, Tab 1, Schedule 3, Page 1, Lines 3-6

- a) Do the planned RFPs (to be initialized in late 2021 and late 2022, respectively, to meet supply needs in the mid- and long-term timeframes) represent needed procurement initiatives resulting from cancellation of the ICA in July 2019?

3.1-REASCWA-17

References: Exhibit C, Tab 3, Schedule 1, Lines 2-18, and
Exhibit D, Tab 1, Schedule 3, Page 1, Lines 3-6

- a) Leading up the cancellation of the ICA in July 2019, did the IESO consider whether RFPs resulting in execution of procurement contracts would be needed to meet known future supply needs?
- b) Did stakeholders, particularly resource developers and owners, communicate to IESO that RFPs and procurement contracts will be needed to help meet Ontario's future supply needs?
- c) Please provide materials relating to b) above.

3.1-REASCWA-18

References: Exhibit C, Tab 3, Schedule 1, Lines 2-18,
Exhibit D, Tab 1, Schedule 2, Page 2, Lines 24-27, and
Exhibit D, Tab 1, Schedule 3, Page 1, Lines 3-6

Preamble: The IESO had planned to develop and implement the ICA to help meet Ontario's supply needs to ensure resource adequacy and reliability of Ontario's power system. OM&A and capital budgets were set by the IESO to develop and implement the ICA to address Ontario's supply needs, yet the IESO has stated the need to recover costs via up to \$50,000 registration fees per proposal to administer RFPs – to meet the same supply needs that were forecast at the time of beginning the development of the ICA.

- a) Did the IESO re-allocate any of the avoided expenditures relating to the cancellation of the ICA towards administration of the planned RFPs (to be initialized in late 2021 and late 2022, respectively, to meet supply needs in the mid- and long-term timeframes)?
- b) Please provide a detailed breakdown of any re-allocation of ICA OM&A and capital budgets related to expenditures to other projects regarding to procurement of resources relating to a) above.

4.0 Market Renewal Program (MRP)

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?

4.2-REASCWA-19

Reference: Exhibit A, Tab 1, Schedule 4, Page 5, Lines 16-18

Preamble: Lines 15 to 18 of Exhibit A, Tab 1, Schedule 4, Page 5 states "The MRP presents an opportunity to implement much needed reforms to the Ontario electricity market. The expected benefits will span the sector, enabling the IESO to realize significant operational improvements, reduce costs for market participants, address known inefficiencies, and establish a robust market to integrate emerging and new technologies." However, broader integration of emerging and new technologies (e.g., energy storage, 'hybrid' resources, DERs) is being planned for post MRP implementation (e.g., as specified within the planned timeframes to implement the ERP and HIP initiatives of the IESO). Therefore, clearer understanding is needed towards how MRP will unlock the benefits relating to how it will assist in integrating emerging and new technologies.

- a) Considering that an expected benefit of the MRP is to establish a market to integrate emerging and new technologies, what components within the IESO's 2020 and forecast 2021 operational costs for the MRP will result in realizing the expected benefits of integrating emerging and new technologies (e.g., energy storage, 'hybrid' renewable generators coupled with energy storage, DERs) after the MRP has been implemented?

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?

4.3-REASCWA-20

Reference: Exhibit A, Tab 1, Schedule 4, Page 5, Lines 16-18

- a) Considering that an expected benefit of the MRP is to establish a market to integrate emerging and new technologies, what components within the IESO's 2020 and forecast 2021 capital costs for the MRP will result in realizing the expected benefits of integrating emerging and new technologies (e.g., energy storage, 'hybrid' renewable generators coupled with energy storage, DERs) after the MRP has been implemented?

4.4 Is the IESO's MRP Baseline Schedule and Budget for each year of the MRP appropriate?

4.4-REASCWA-21

Reference: Exhibit G, Tab 2, Schedule 1, Page 3, Lines 20-23

- a) What risks and contingencies have the IESO planned for within the MRP project schedule and budget relating to readiness of IAM market participants and other stakeholders?
- b) What are the impacts to the MRP schedule and budget if some market participants are not ready for the planned November 2023 MRP go-live date?

- c) Please provide any analysis and documents relating to a) and b) above.

4.5 Is the IESO's MRP Business Case appropriate?

4.5-REASCWA-22

Reference: Exhibit G-2-1, Attachment 1, Page 14

- a) The MRP Business Case states implementation costs to be approximately \$170 million. Does this cost include costs that IAM market participants will need to incur to be ready for the IESO planned MRP go-live date of November 2023?
- b) If not, does the IESO have an estimate of costs that IAM market participants will need to incur to be ready for the planned go-live date?
- c) Please provide any analysis and documents related to b) above.

4.5-REASCWA-23

Reference: Exhibit G-2-1, Attachment 1, Page 14

- a) If the IAM market participant costs were to be factored into the MRP Business Case analysis, can the IESO provide any changes to the dollar benefits of implementing the MRP?
- b) Please provide any analysis and documents related to a) above.