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August 19, 2021

Christine Long
Board Secretary
Ontario Energy Board
2300 Yonge Street, Suite 2700
Toronto, ON M4P 1E4

Dear Ms. Long:

**Re: EB-2020-0230: Independent Electricity System Operator 2020-2021 Application
Submission of APPrO on the Draft Issues List**

Please find enclosed the interrogatories of the Association of Power Producers of Ontario (APPrO) in the EB-2020-0230 Independent Electricity System Operator 2020-2021 Fees Application proceeding.

Yours truly,

McCarthy Tétrault LLP

Per:

A handwritten signature in blue ink, appearing to read 'Reena Goyal', with a stylized flourish at the end.

Reena Goyal
Counsel

RG/jk

cc. Mr. David Butters, President & CEO, APPrO
Ms. Miriam Heinz, Senior Regulatory Advisor, IESO
Mr. Fred Cass, Counsel for IESO

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 to the Ontario Energy Board 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 THE ASSOCIATION OF POWER PRODUCERS OF ONTARIO (APPrO)

REVENUE REQUIREMENT, OPERATING COSTS AND CAPITAL SPENDING

1.1-APPrO-1

References: Executive Summary, Exhibit A, Tab 1, Schedule 2, page 1 of 3; Executive Summary, Exhibit B-1-1, Page 1 of 2; Executive Summary, Exhibit B-1-2, pages 8 and 9 of 19; and Exhibit C, Tab 2, Schedule 1, Page 1 of 2

Preamble: The evidence requests a 2020 revenue requirement of \$188.6 million whereas the December 9, 2020 letter from Terry Young to the Minister Rickford and Associate Minister with enclosed 2020-2022 Business Plan forecasts a 2020 revenue requirement of \$189.6 million.

What is the source of this discrepancy?

1.1-APPrO-2

Reference: 2020 Annual Report, Exhibit B-2-2, Page 27 of 36 at note 16; and Exhibit D, Tab 1, Schedule 1, Plus Attachment(s), Page 4 of 4; and Exhibit D-1-1, Attachment 2, Page 1 of 1

Preamble: The evidence provides that the IESO may be liable under additional terminated renewable energy contracts to a maximum of \$3,580 thousand, but that the likelihood or amount of any liability under these contracts cannot be reasonably determined and therefore no liability has been accrued in the financial statements.

How was the \$3,580 thousand figure calculated? Which renewable energy contracts were included in that calculation?

1.1/1.20-APPrO-3

Reference: Exhibit D, Tab 1, Schedule 2, Page 6 of 8

Preamble: The evidence provides that about one third of the spending of the Corporate Services (CS) group is related to the IESO's office lease agreements, maintenance, insurance and property taxes.

Which insurance is included in this calculation and how does that cost compare to the cost of the IESO's errors & omissions liability insurance for each of 2020 and 2021? Where in the application is the cost of the IESO's error & omissions liability insurance included?

1.2-APPrO-4

Reference: Executive Summary, Exhibit A, Tab 1, Schedule 4, Page 3 of 6, lines 20-21

Preamble: The evidence provides that IESO management will be limiting operating cost impacts by shifting more work in-house, absorbing incremental work with existing staff, and reprioritizing and adjusting the timeline of discretionary projects that can be deferred with minimal risk.

Which "discretionary projects" are being "reprioritized" and what are their adjusted timelines? Please provide a copy of the IESO's risk assessment that led to its determination of which discretionary projects can be deferred with minimal risk.

1.2-APPrO-5

Reference: Executive Summary, Exhibit A, Tab 1, Schedule 4, Page 5 of 6, Lines 7-13; Exhibit F, Tab 1, Schedule 1, Page 2 of 2

Preamble: The evidence provides that there is an FVDA 2020 opening balance of a \$1.0 million deficit and an FVDA 2021 opening balance of a \$1.3 million surplus due to an interim core operations surplus of \$2.3 million.

What is the source(s) of the \$2.3 million core operations surplus?

1.2-APPrO-6

Reference: Executive Summary, Exhibit A, Tab 1, Schedule 4, Page 5 of 6, Lines 7-13; Exhibit F, Tab 1, Schedule 1, Page 2 of 2

Preamble: The evidence provides that the IESO is proposing a 2020 revenue requirement that would retain an operating surplus of \$2.3 million in the FVDA.

Why does IESO require the FVDA to be replenished to \$2.3 million in 2021? How did the IESO conclude that a \$1 million dollar incremental surplus is the appropriate amount?

1.2-APPrO-7

Reference: Executive Summary, Exhibit A, Tab 1, Schedule 4, Page 5 of 6, Lines 7-13; Exhibit F, Tab 1, Schedule 1, Page 2 of 2

Preamble: The evidence provides that an operating reserve recovery strategy will be further evaluated as part of the IESO's next business plan filing and subsequent revenue requirement submission.

What is the IESO's "operating reserve recovery strategy"? Why does the FVDA need to be replenished before the IESO's operating reserve recovery strategy is completed and approved?

1.2-APPrO-8

Reference: Executive Summary, Exhibit B-1-1, Page 1 of 2

Preamble: The evidence includes a letter from Terry Young to Minister Rickford and Associate Minister Walker dated December 9, 2020 enclosing the IESO's 2020-2022 Business Plan. That letter states in part that "I am deferring the recovery of the IESO's depleted operating reserves"

How is the IESO's proposed replenishment of the FVDA consistent with this language?

1.5-APPrO-9

Reference, Exhibit G, Tab 1, Schedule 2, Page 2 of 3

Preamble: The evidence provides that \$8,585 thousand and \$10,673 thousand were transferred from the Adjustment Account to the IESO in 2019 and 2020, respectively.

How were these amounts allocated at the IESO? What is the projected amount to be transferred from the Adjustment Account to the IESO in 2021?

1.6-APPrO-10

Reference: Executive Summary Exhibit A, Tab 1, Schedule 4, Page 4 of 6, lines 10-22; and Capital Expenditure Summary, Exhibit E-1-2, Attachment 2, Page 1 of 1

Preamble: The 2021 proposed capital budget (\$32.6 million for core capital and \$36 million for MRP) is significantly higher than previous years (capital spending in 2019 was \$20.5 million for core capital and \$10.3 million for MRP; capital spending in 2020 was \$27 million for core capital and \$25 million for MRP). The proposed 2021 budget is therefore an over 27% increase for core capital and 50% increase for MRP as compared to the average of 2019 and 2020 actuals.

What is the reason(s) for these significant increases in the proposed 2021 budget?

1.6-APPrO-11

Reference: Exhibit B-1-2, Page 16 of 19; and Exhibit E-1-2, Attachment 1

Preamble: There appears to be a discrepancy between the 2021 capital project budget filed at Appendix 2-AA (\$36 million) and that included in Appendix 3 to the IESO's 2022-2022 Revised Business Plan (\$44.6 million).

Which figure is correct? What is the source of the discrepancy?

1.6-APPrO-12

Reference: Executive Summary Exhibit A, Tab 2, Schedule 2, Page 2 of 3, lines 24-25

Preamble: The evidence provides that the IESO deferred a number of lower priority projects in response to the COVID-19 pandemic.

Which projects comprise those lower priority projects? Please provide a copy of the IESO's assessment used to determine which projects were lower priority.

When does the IESO intend to resume these deferred projects?

1.6-APPrO-13

Reference: Executive Summary Exhibit A, Tab 2, Schedule 2, Page 3 of 3, lines 6-9

Preamble: The evidence provides that the IESO's approach to prioritize investments resulted in certain impacts, including the slower deliver of discretionary initiatives (with potential reputational and stakeholder risks from not moving forward on these initiatives as quickly as stakeholders would like).

Which discretionary initiatives are referred to here? When will those initiatives be completed?

1.5/1.6-APPrO-14

Reference: Executive Summary, Exhibit B-1-2, Pages 16 to 19 of 19

Preamble: There are a number of change initiatives/projects listed in Appendix 3 to the IESO's Revised 2020-2022 Business Plan.

Please provide an explanation as to why each of those initiatives/projects are required to proceed in 2020 and/or 2021?

1.5/1.6-APPrO-15

Reference: Executive Summary, Appendix 3 to Business Plan, Exhibit B-1-2, Page 16 of 19; Exhibit E, Tab 2, Schedule 1, Page 3 of 7; and Exhibit E-1-2, Attachment 1, Page 1 of 1, Capital Projects, Appendix 2-AA

Preamble: The evidence includes a capital budget of \$1.8 million and \$1.6 million in years 2021 and 2022, respectively, for "Addressing Market Surveillance Panel (MSP) Recommendations".

Which MSP recommendations are these line items referring to and what work does this entail?

1.5/1.6-APPrO-16

Reference: Executive Summary, Appendix 3 to Business Plan, Exhibit B-1-2, Page 16 of 19

Preamble: The evidence includes a significant capital budget of \$8.4 million and \$8.8 million in years 2020 and 2021, respectively, for "Replacement of the Settlement Systems".

What does this capital project entail?

1.5/1.6-APPrO-17

Reference: Executive Summary, Appendix 3 to Business Plan, Exhibit B-1-2, Page 16 of 19

Preamble: The evidence includes a capital budget of \$8.4 million and \$8.8 million in years 2020 and 2021, respectively, for “Other Initiatives/Projects (Less than \$1 million)”.

Which initiatives/projects does this line item include?

1.5/1/6-APPrO-18

Reference: Exhibit C-3-1, Attachment 1, Page 1 of 1

Preamble: The evidence includes a \$0.9 million and \$1.2 million spend in years 2020 and 2021, respectively, for “Other Programs” under overhead cost recovery.

What are these “Other Programs”?

1.6-APPrO-19

Reference: Exhibit D, Tab 1, Schedule 1, Page 4 of 4, Table 4: 2021 OM&A Expenses

Preamble: The evidence includes a \$2.2 million budget in 2021 for “Telecommunications and computer services/Hardware/Software for new projects”.

What specifically does this line item include?

USAGE FEES

2.2-APPrO & HQEM -1

References: Exhibit A Tab 1 Schedule 3; Exhibit C, Tab 2, Schedule 2, Page 1 Table 1 (IESO’s 2021 Revenue Requirement (\$ millions)); Exhibit C, Tab 2, Schedule 2, Page 3 Table 4 (IESO domestic and export usage fees as calculated by Elenchus)

Preamble: IESO’s 2021 proposed revenue requirement of \$191.8 million represents an increase of 0.5% (or 0.2% on an annualized basis) over the 2019 OEB approved revenue requirement of \$190.8 million. In contrast, the proposed usage fee for 2021 to be paid by export customers increases to \$1.0943/MWh from the 2019 OEB approved fee of \$1.0125/MWh, which represents an increase of 8.08% (or 3.96% on annualized basis).

Please provide the detailed rationale explaining why the proposed usage fee for exports increases by such a disproportionate magnitude with respect to the total revenue requirement.

2.2-APPrO & HQEM -2

References: Exhibit C, Tab 2, Schedule 2, Page 1 (Table 1: IESO’s 2021 Revenue Requirement (\$ millions)) Exhibit C, Tab 2, Schedule 2, Page 3 (Table 4: IESO domestic and export usage fees as calculated by Elenchus)

Preamble: The proposed IESO \$1.271/MWh for the domestic usage fee for 2021 represents an increase of 3.6% (or 1.78% on an annualized basis) over the OEB approved domestic usage fee

of \$1.227/MWh for 2019 while the proposed IESO \$1.0943/MWh for export fee for 2021 represents an increase of 8.08% (or 3.96% on an annualized basis) over the OEB approved export fee of \$1.0125/MWh for 2019.

Please provide the detailed rationale explaining why the proposed fee for exports represents an increase of 8.08% (or 3.96% on annualized basis) while the domestic fee represents an increase of only 3.6% (or 1.78% on an annualized basis). Why is there such a disproportionate magnitude between the proposed domestic usage fee and the proposed export fee?

2.2-APPrO-3

Reference: Exhibit C-1-1, Attachment 1, Page 1 of 1

Preamble: The IESO's 2020 Annual Planning Outlook forecasts future demand and supply needs based on two potential post COVID-19 pandemic recovery scenarios.

Is the 2022 demand forecast in Exhibit C-1-1 to this application based on recovery Scenario 1 or recovery Scenario 2 as described in the IESO's 2020 Annual Planning Outlook? Why?

REGISTRATION AND APPLICATION FEES

3.2-APPrO-1

Reference: Exhibit B-2-1, Pages 13 and 18 of 41

Preamble: The evidence provides that the IESO received application fees of \$23,000 in 2020.

Will the IESO continue to charge a \$1,000 application fee to market participants in 2021? If so, does the \$1,000 application fee include the IESO's cost of insuring any and all of the engineering work it conducts as part of market participation applications and related impact assessments?

MARKET RENEWAL PROGRAM (MRP)

4.2-APPrO-1

Reference: Executive Summary Exhibit A, Tab 1, Schedule 4, Page 3 of 6, Lines 13-16

Preamble: The evidence includes an increase of \$3.9 million in budgeted OM&A expenses for 2021 as compared to 2020 actual OM&A expenses.

How much of the \$3.9 million increase is attributable to "market rule and manual amendments"? And how much of this is attributable to *MRP*-related manual rule and manual amendments?

4.2-APPrO-2

Reference: Executive Summary, Exhibit A, Tab 1, Schedule 4, Page 5 of 6, lines 24-25

Preamble: The evidence provides that the implementation phase of MRP will include a significant complement of IT resources.

What is the total associated cost for these IT resources? What portion of this total cost is associated with MRP? What portion of that cost is associated with necessary system upgrades due to obsolescence?