Ontario Energy Board | Commission de l'énergie de l'Ontario

BY EMAIL

August 19, 2021

Ms. Christine E. Long
Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4
Registrar@oeb.ca

Dear Ms. Long:

Re: Ontario Energy Board (OEB) Staff Interrogatories
Independent Electricity System Operator (IESO)
Application for Revenue Requirement, Expenditures and Usage Fees for 2020 and 2021
OEB File Number: EB-2020-0230

Please find attached OEB staff's interrogatories in the above referenced proceeding, pursuant to Procedural Order No. 2.

Please note, the IESO is responsible for ensuring that all documents that it files with the OEB, including responses to OEB staff questions and any other supporting documentation, do not include personal information (as that phrase is defined in the *Freedom of Information and Protection of Privacy Act*), unless filed in accordance with rule 9A of the OEB's *Rules of Practice and Procedure*.

Yours truly,

Andrew Bishop
Project Advisor, Generation & Transmission

Encl.

cc: All parties in EB-2020-0230

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

Revenue Requirement, Expenditures and Usage Fees for 2020 and 2021

EB-2020-0230

OEB STAFF INTERROGATORIES

August 19, 2021

ISSUE 1: Revenue Requirement, Operating Costs and Capital Spending

Issue 1.1: Is the IESO's Fiscal Year 2020 revenue requirement of $188.6 million appropriate?

1-Staff-1

a. Exhibit A / Tab 1 / Schedule 2 / p. 1
b. Exhibit B / Tab 1 / Schedule 3 / p. 2

Preamble:

At reference a. above, the IESO states that it "received a letter from the Minister approving the 2020-2022 Business Plan and the budget for 2020." Reference b. is the Minister's letter. In it, he states "[t]his letter constitutes my approval of the **Consolidated Business Plan and the budgets** for each of the 2020 and 2021 in accordance with my authority under subsection 24(2) of the *Electricity Act, 1998* and as provided under the current MOU between the IESO and the Ministry dated May 15, 2017." [Emphasis added]

Question(s):

a) The Ministerial approval provided appears different from prior year revenue requirement, expenditures and usage fees applications. Specifically, whereas previous Minister letters stated that the IESO's Business Plan[1] was approved, the above referenced letter states that the Minister is providing his approval of both the Business Plan and budgets for 2020 and 2021.

[1] EB-2019-0002, EB-2018-0143

In the IESO's view, does the language used by the Minister this year have any significance? If so, please describe how the IESO interprets the Minister's approval to be different from previous years.

1-Staff-2

a. Exhibit C / Tab 2 / Schedule 1 / p. 1
b. Exhibit B / Tab 2 / Schedule 2 / p. 9

Preamble:

The IESO proposes a 2020 revenue requirement of $188.6 million. The IESO states that the 2020 revenue requirement is based on 2020 actual operating expenditures of $186.3 million and, given the deficit in the IESO's operating reserve, retaining an operating surplus of $2.3 million.

The table below is an excerpt from Exhibit B-2-2, p. 9 of the application.

IESO Core Operations	2020 Actual ($ thousands)
System Fees	188,602
Other Revenue	3,651
Interest and investment income	2,989
Core Operating Revenues	**195,242**
Core Operating Expenses	(189,714)
Core Operating Surplus	**5,528**

Questions:

a) The excerpt above shows 2020 core operating expenses of $189.7 million, whereas the application states the 2020 revenue requirement is based on 2020 operating expenditures of $186.3 million. Please describe the reason(s) for the variance.
b) The excerpt above shows a 2020 core operating surplus of $5.5 million, whereas the application states the 2020 operating surplus was $2.3 million. Please describe the reason(s) for the variance.
c) Please recreate the table above using the exact figures used by the IESO to determine actual core 2020 operating expenses of $186.3 million and an operating surplus of $2.3 million. Please also identify the source of all figures used. If required for purposes of clarity, please add additional rows to the table to demonstrate all inputs that informed the IESO's calculations.

1-Staff-3

a. Exhibit D / Tab 1 / Schedule 2 / p. 7

Preamble:

At the above reference, the IESO states: "[t]he $4.2 million variance in 2019 results vs OEB approved budget is related to higher than expected pension/OPEB liability evaluation and other one-time benefit adjustments; partially offset by [a] higher **cost allocation rate** than anticipated." [Emphasis added]

OEB staff notes that the term "OPEB" refers to other-post employment benefits.

Questions:

a) Please describe/define the "cost allocation rate" referenced above, including how the IESO determined an update to the rate (or rates) was required and how the rate was calculated.
b) Please describe if and how the updated cost allocation rate impacted the IESO's 2020 and 2021 revenue requirement requests.
c) In the OEB-approved Settlement for the IESO's 2018 Revenue Requirement Submission[2], the IESO agreed to implement the recommendations of the BDR report related to cost allocation and apply the same recommendations to the Market Assessment and Compliance Division. Please identify if the cost allocation rate(s) referenced in the quote above are related to the work undertaken by BDR, and if so, how. If not, please explain the differences.

1-Staff-4

a. Exhibit D / Tab 1 / Schedule 1 / p. 2

Preamble:

At the above reference, the IESO states that its Operations, Maintenance and Administrative (OM&A) costs in 2020 were $13.1 million lower compared to 2019 in part due to higher cost allocation.

Question:

a) Please discuss how the IESO determined that a higher cost allocation to areas such as the Smart Metering Entity (SME) and Market Assessment and Compliance Division (MACD) was appropriate. When responding, please indicate if the change was the result of errors in the previous cost allocation study

[2] EB-2018-0143

completed by BDR, a change in the activities undertaken by IESO divisions in 2020 (such as MACD and the SME), or other.

1-Staff-5

a. Exhibit A / Tab 1 / Schedule 4 / p. 1

Preamble:

At the above reference, the IESO states: “[t]he revised Business Plan was submitted to the Minister of Energy, Northern Development and Mines (Minister) on December 9, 2020 for approval. As per legislation, the IESO requires Ministerial approval of its Business Plan before it can file a revenue requirement submission with the OEB. The Minister approved the Business Plan on April 28, 2021.”

The IESO is requesting approval of its 2020 expenditure and revenue requirements and the fees charged in 2020.

Questions:

a) Was the IESO’s decision making process related to the expenditures and capital investments made in 2020 affected by the absence of a Minister approved business plan. If so, how?
b) What would be the implications if, for some reason, the OEB determined that certain expenditures or capital investments made by the IESO in 2020 were not prudent?

1-Staff-6

a. Exhibit B / Tab 1 / Schedule 2 / p. 4
b. Exhibit B / Tab 1 / Schedule 3 / p. 2

Preamble:

The IESO’s application suggests that future fees applications may cover three-year periods and seek OEB approval of the same. The Minister has indicated he is supportive of this proposal, however, has also stated that the IESO must work with Ministry and OEB staff to determine how it can be successfully implemented.

Question:

a) Please discuss the status of the IESO’s three-year application and how it expects to engage OEB staff during its development.

1-Staff-7

a. Exhibit G / Tab 1 / Schedule 2 / pp. 1-3

Preamble:

At the above reference, the IESO discusses its adjustment account, and the balances in it as of December 31, 2020. The IESO also states that MACD conducts the bulk of the activities that led to the payments deposited into the adjustment account.

The Table below is an excerpt from the above referenced section of the application.

IESO Adjustment Account Inflows and Outflows (in thousands)

Transaction Description	**Balance at December 31, 2018**	**2019 Net Cash Flow**	**Balance at December 31, 2019**	**2020 Net Cash Flow**	**Balance at December 31, 2020**
Received from Market Participants as a result of penalties, fines, damages, and payment adjustments	$188,252	$32,240	$220,493	$2,766	$223,259
Transferred to IESO	($23,438)	($8,585)	($32,023)	($10,673)	($42,696)
Returned to Market & all Market Participants	($136,248)	($10,282)	($146,530)	($7,504)	($154,034)
IESO Board Mandated Reserve	($20,000)		($20,000)		($20,000)
Available for future distribution (IESO or Market)	$8,566	$13,373	$21,940	($15,411)	$6,529

Questions:

a) OEB staff interprets that the values shown in the column entitled "Balance at December 31, 2020" represent the total amounts of money collected through market enforcement activities ($223.3 million), transfers to the IESO ($42.7 million), or returned to the market ($154 million) to date. Please confirm OEB staff's interpretation. If applicable, please identify over what period of time this money was collected/transferred/returned.

b) Please confirm if the $32.2 million and $2.8 million shown in the columns entitled "2019 Net Cash Flow" and "2020 Net Cash Flow", respectively, represents the total amount of money collected by the IESO in 2019 and 2020, respectively, through market enforcement activities. If not, please identify how much money was received in 2020.

c) The IESO's 2019 audited financial statements (Exhibit B-2-1, p. 23) indicate that in 2019 the IESO collected $9.1 million in market sanctions and payment adjustments and generated an accumulated surplus of $383 thousand. At the table above, the IESO indicates that in 2019 it collected $32.2 million through penalties, fines, damages, and payment adjustments and, after disbursements, held a surplus of $4.8 million ($13.4 million - $8.6 million). Please explain the relationship between these values and why variances between them exist.

d) The IESO's 2020 audited financial statements (Exhibit B-2-2, p. 18) indicate that in 2020 the IESO collected $10.1 million in market sanctions and payment adjustments and generated an accumulated surplus of $0. At the table above, the IESO indicates that in 2020 it collected $2.8 million through penalties, fines, damages and payment adjustments and, after disbursements, generated a surplus of -$15.4 million. Please explain the relationship between these values and why variances between them exist.
e) OEB Staff's interpretation is that the table above indicates that through the adjustment account, $10.7 million was transferred to the IESO in 2020. With respect to this transfer, please:
    i. Describe how the IESO determined that a transfer of $10.7 million was appropriate and the parties responsible for making the determination.
    ii. Provide a detailed budget that demonstrates how the $10.7 million was spent by the IESO in 2020. The budget should identify all activities the $10.7 million funded (e.g., staffing, education) and be provided in a manner that clearly identifies how all monies were spent.
    iii. Describe how the transfer impacted the IESO's revenue requirement request for 2020. When responding, please indicate if and how the transfer acted as an offset to required revenue that would otherwise have been collected through usage fees.
    iv. Describe how the IESO has factored adjustment account transfer projections into its 2021 revenue requirement request. When responding, please indicate if and how the transfer acts as an offset to required revenue that would otherwise be collected through usage fees.
    v. Describe how the IESO would have funded the activities paid for through the $10.7 million transfer if these monies were not available in the adjustment account.
f) Please confirm that $7.5 million was returned to the market and market participants in 2020 and the mechanism used to provide the return.
g) Given the IESO has a $10 million reserve, please discuss how the IESO determined that a $20 million reserve was appropriate to retain in the adjustment account. When responding, please indicate the role of the reserve account as well as how often, and for what purposes, the IESO has been required to leverage these funds.
h) Given the adjustment account has a $20 million reserve, please describe why it is appropriate for the IESO to retain an additional $6.5 million for future distribution and not return these funds to the market and market participants.
i) The table above indicates that the IESO collected approximately $30 million less through penalties, fines, damages, and payment adjustments in 2020 compared to 2019. Please explain the reasons for the year-over-year change.

1-Staff-8

a. Exhibit A / Tab 2 / Schedule 2 / p. 2
b. Exhibit C / Tab 2 / Schedule 1 / p. 2
c. Exhibit D / Tab 1 / Schedule 1 / p. 3
d. Exhibit D / Tab 1 / Schedule 1 / p. 4

Preamble:

At the above noted first reference, the IESO stated that in response to the COVID-19 pandemic it deferred a number of lower priority capital projects.

At the above noted second reference, the IESO stated that in 2020, the IESO managed COVID-19 pandemic-related impacts, including $1.0 million of one time expenses as COVID-19 pandemic plans were executed to ensure the safety of staff working on-site to support grid operations and the reliability of the electricity system.

At the above noted third reference, the IESO indicated that had incurred COVID-19 pandemic related costs of $1.2 million for 2020 which was then removed in 2021 at the above noted fourth reference, representing a $1.2 million decrease for 2021. The IESO explained (at the above noted second reference) that COVID-19 pandemic costs are included in the 2020 revenue requirement actual spend, but excluded from the 2021 revenue requirement, as the majority of the spend is expected to have enduring benefits against any future waves.

Questions:

a) As per the above noted second reference, the IESO stated that $1.0 million of COVID-19 pandemic expenses were incurred in 2020, however at the above noted third reference, the IESO indicated that $1.2 million of COVID-19 pandemic expenses were incurred in 2020. Please clarify which is the correct number.
b) Please confirm that in the 2020 Actual revenue requirement, versus 2019, the IESO is requesting an increase of $1.2 million of OM&A related to the COVID-19 pandemic, but no change in capital additions/expenditures related to the COVID-19 pandemic. If this is not the case, please explain. Please also describe and quantify the significant components.
c) Please confirm that in the 2021 Budget revenue requirement, versus 2020 actual, the IESO is requesting a decrease of $1.2 million of OM&A related to the COVID-19 pandemic, but no change in capital additions/ expenditures related to the

COVID-19 pandemic. If this is not the case, please explain. Please also describe and quantify the significant components.

d) Please confirm that the impacts of the capital projects that were deferred, or are being deferred, in response to the COVID-19 pandemic, on the 2020 Actual and 2021 Budget revenue requirements are immaterial. If this is not the case, please explain, including why these savings from deferred capital projects are not being reflected in such revenue requirements.
e) Please confirm that any savings related to the COVID-19 pandemic have been identified and that all reasonable avenues of cost reduction have been explored and prudently acted upon and reflected in the 2020 Actual and 2021 Budget revenue requirements. If this is not the case, please explain.

1-Staff-9

a. Exhibit B / Tab 2 / Schedule 2 / p. 18 / 2020 Annual Report (p. 16)
b. Exhibit D / Tab 1 / Schedule 2 / p. 7

Preamble:

At the above noted first reference, the IESO stated that effective January 1, 2011, the IESO adopted Canadian public sector accounting standards (PSAS) with a transition date of January 1, 2010. The adoption of PSAS was accounted for by retroactive application with restatement of prior periods. The corresponding change to pension and OPEBs resulted in previously unrecognized actuarial losses and past service costs of $98,832 thousand at the date of transition being charged to the PSAS Transition Item's accumulated deficit.

The IESO further noted that each year, the IESO recovers a portion of the PSAS Transition Item's deficit through the IESO's annual system fees revenue. OEB staff notes that this is recovered as part of "Corporate Adjustments" which are included in the IESO's revenue requirement OM&A.

At the above noted second reference, the IESO indicated its actual and budgeted Corporate Adjustments included in OM&A, as shown in OEB Staff Table 1 below.

OEB Staff Table 1 – Overview of Corporate Adjustments

IESO Business Unit ($ millions)	2019 OEB Approved	2019 Actual	2020 Actual	2021 Budget
Corporate Adjustment	2.8	7.0	3.7	1.6

Questions:

a) Please provide a breakdown for each year (e.g., 2019 OEB-approved, 2019 Actual, 2020 Actual, 2021 Budget) of the Corporate Adjustments shown in OEB Staff Table 1, listing the PSAS Recovery Amount and other. Please explain any significant changes in the PSAS Recovery Amount, year-over-year.
b) Please describe and quantify how any Corporate Adjustments, in particular the recovery of PSAS transition items, are reflected in the IESO's amortization/depreciation, capital additions and capital expenditures.

1-Staff-10

a. Exhibit D / Tab 1 / Schedule 2 / p. 7

Preamble:

At the above noted first reference, the IESO provided an overview of "Corporate Adjustments" which are included in its OM&A. The IESO stated that Corporate Adjustments are mainly comprised of the annual amortization of the accumulated deficit resulting from the PSAS transition item, corresponding to change[s] in pension and OPEBs, partially offset by the overhead cost recovery from other funding sources.

The IESO also stated the following regarding the Corporate Adjustments:

- The 2019 actual versus 2019 OEB-approved increase of $4.2 million relates to [a] higher than expected pension/OPEB liability evaluation and other one-time benefit adjustments, partially offset by [a] higher cost allocation rate than anticipated.
- The 2020 actual versus 2019 actual decrease of $3.3 million relates to [a] PSAS amortization rate change and non-repeatable 2019 one-time health/dental benefit costs.
- The 2021 budget versus 2020 actual decrease of $2.1 million relates to the reclassification of [a] pension/OPEBs adjustment to each work program individual budget and higher cost allocation due to [a] higher overhead rate.

Questions:

a) It is OEB staff's understanding that the Corporate Adjustments are primarily related to the annual amortization of the accumulated deficit resulting from the PSAS transition item (i.e., a <u>historical</u> transition item) versus a change to the

2019, 2020, and 2021 pension and OPEBs amounts themselves. OEB staff is unclear whether the IESO is inferring that the historical PSAS transition item changes from year to year. Please explain.

b) Also incorporating the IESO's answer to question a) and 1-Staff-3, please explain why the Corporate Adjustments 2019 actual versus 2019 OEB-approved increase of $4.2 million partly relates to a higher than expected pension/OPEB liability evaluation and other one-time benefit adjustments and partially offset by higher cost allocation.
c) Also incorporating the IESO's answer to question a), please explain why the Corporate Adjustments 2020 actual versus 2019 actual decrease of $3.3 million relates to a PSAS amortization rate change and non-repeatable 2019 one-time health/dental benefit costs.
d) Also incorporating the IESO's answer to question a) and 1-Staff-3, please explain why the Corporate Adjustments 2021 budget versus 2020 actual decrease of $2.1 million relates to the reclassification of [a] pension/OPEBs adjustment to each work program individual budget and higher cost allocation.

1-Staff-11

a. Exhibit B / Tab 2 / Schedule 2 / p. 17-18, 2020 Annual Report (pp. 15-16)
b. EB-2019-0002 / Response to OEB Staff Interrogatory #18, April 30, 2019

Preamble:

At the above noted first reference, the IESO indicated that the annual recovery of a portion of the PSAS Transition Item's deficit (through the IESO's annual system fees revenue) is transferred from the Regulatory Deferral Account – Accumulated Surplus/(Deficit) to the PSAS Transition Item accumulated deficit each year.

At the above noted second reference, the IESO provided the following Forecast Variance Deferral Account (FVDA) table, which is shown in OEB Staff Table 2 below.

OEB Staff Table 2 – Breakdown of the FVDA

FVDA (in $ millions)	**2015**	**2016**	**2017**	**2018**
Beginning Balance	7.6	10.0	10.0	6.0
In year surplus/(deficit)	12.0	12.6	1.4	1.3
OEB decision and order - reduce operating reserve	-	-	(4.0)	-
Rebates to Market Participants	(9.6)	(12.6)	-	-
Impact of accounting policy change (discount rate)	-	-	-	(13.4)
2017 surplus allocated to 2018 operating reserve deficit	-	-	(1.4)	1.4
Ending balance	10.0	10.0	6.0	(4.7)

Questions:

a) Please confirm that the terms “Regulatory Deferral Account – Accumulated Surplus/(Deficit)” (used in the Annual Report) and “Forecast Variance Deferral Account” (used in the revenue requirement application) can be used interchangeably. If this is not the case, please explain.
b) Please confirm that the annual amount recovered via the Corporate Adjustments reflected in the revenue requirements is first reflected in the FVDA as part of the “in year surplus/(deficit)” line in OEB Staff Table 2 and then transferred to the PSAS Transition Item accumulated deficit on an annual basis. If this is not the case, please explain.
c) Please explain which line item in the OEB Staff Table 2 reflects the annual transfer to the PSAS Transition Item accumulated deficit and tie these amounts to the Regulatory Deferral Account – Accumulated Surplus/(Deficit) presented in the notes to the IESO’s financial statements.
d) Please provide an updated OEB Staff Table 2 continuity schedule, also showing 2019 Actual, 2020 Actual, and 2021 Budget, in addition to the 2015 through 2018 values that are already reflected in OEB Staff Table 2.
e) Please provide an explanation for any significant changes in any components of the year-over-year balances, specifically, 2019 Actual compared to 2018 Actual, 2020 Actual compared to 2019 Actual, and 2021 Budget compared to 2020 Actual.

1-Staff-12

a. EB-2019-0002 / Reply Submission, November 6, 2019 / p. 10
b. Exhibit B / Tab 1 / Schedule 1 / p. 1
c. Exhibit F / Tab 1 / Schedule 1 / p. 2

Preamble:

At the above noted first reference, the IESO submitted, as part of its 2019 revenue requirement application reply submission, that it would bring forward a plan for recovery of its deficit through its fees, in its next fees case (i.e., the 2020 and 2021 revenue requirement applications).

At the above noted second reference, in the IESO's December 9, 2020 cover letter to the Minister of Energy, Northern Development and Mines regarding its 2020-2022 Business Plan, the IESO stated that it is deferring the recovery of the IESO's depleted operating reserves, as part of this Business Plan.

At the above noted third reference, the IESO again stated that it is deferring the planned recovery of the depleted operating reserve, with the current balance of the FVDA being $8.7 million lower than the OEB approved funding level. The IESO has proposed a 2020 revenue requirement that would retain the 2020 operating surplus of $2.3 million in the FVDA as an incremental first step towards the recovery of the IESO's depleted operating reserve. The IESO further stated that an operating reserve recovery approach will be evaluated as part of the next business plan filing and subsequent revenue requirement submission.

The IESO further indicated that its balance in the FVDA as of December 31, 2020 is $1.3 million.

Questions:

a) Please provide an update on the IESO's progress in developing an appropriate strategy to address the funding gap for both the PSAS Transition Item accumulated deficit and any future deficits that may be reflected in the FVDA.
b) Please describe the manner that the IESO intends to recover this shortfall, over what time period, and its impact on ratepayers.
c) The covering letter to the 2020-2022 Business Plan (reference b.) states "[a]s part of this plan, I am deferring the recovery of the IESO's depleted operating reserves." OEB staff interpret this quote to mean that through its 2021 budget, the IESO does not intend to replenish the account to its approved level of $10 million. Accordingly, please identify how the IESO will treat any operating surplus, if any, in 2021. Specifically, is the IESO's intent to retain any operating surplus in the FVDA, return the surplus to consumers, or other?

d) Please describe the implications to the IESO of only having a $1.3 million balance in the FVDA as of December 31, 2020, versus its approved operating reserve of $10 million.

1-Staff-13

a. EB-2019-0002 / OEB Staff Submission / October 25, 2019 / pp. 21-22

Preamble:

As per its submission in the IESO 2019 revenue requirement proceeding, OEB staff is seeking further information on the IESO's proposed cost recovery strategy and its addressing of the funding gap, also noted in interrogatory 1-Staff-12.

At the above reference, OEB staff noted that with respect to the impacts of certain IESO retroactive accounting policy changes, the total adjustment in 2017 for pension and OPEB was $31.3 million. OEB staff stated that of this amount, $13.4 million has been recorded in the FVDA while $17.9 million has been recorded in the PSAS Transition Item – Accumulated Deficit account.

OEB staff submitted that "the OEB and all parties in the 2020 application must be able to assess how much of the 2019 operating surplus, if any, has been applied to offset the historical pension and OPEB costs in the FVDA, as well as whether or not that form of cost recovery is appropriate." OEB staff further submitted that "any adjustments to the amortization of the PSAB [sic] Transition Item account should be appropriately disclosed with respect to how the $17.9 million increase in that account has been addressed in the IESO's recovery proposal."

Questions:

a) Please describe how much of the 2019 and 2020 components of the December 31, 2020 balance of $1.3 million in the FVDA has been applied to offset the historical pension and OPEB costs recorded in the FVDA. Please also describe the IESO's proposed form of cost recovery on this matter and provide reasons as to whether or not its form of cost recovery is appropriate.
b) Please provide more detail regarding any adjustments to the amortization of the PSAS Transition Item – Accumulated Deficit account with respect to the $17.9 million increase in that account. Please also describe the IESO's proposed form of cost recovery on this matter, including the $17.9 million increase, and provide reasons as to whether or not its form of cost recovery is appropriate.

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

1-Staff-14

a. Exhibit A / Tab 1 / Schedule 4 / p. 3
b. Exhibit D / Tab 1 / Schedule 1 / p. 4 / Table 4

Preamble:

At reference a., the IESO states that 2021 budgeted OM&A expenses are increasing by $3.9 million compared to 2020 actual expense levels. The IESO further states that to manage 2021 OM&A costs, management will be shifting more work in-house. At reference b., the IESO provides its detailed OM&A budget for 2021.

Questions:

a) Please describe the work the IESO intends to move in house as well as the party or parties who would have completed the work if it was not shifted.
b) Will/has the IESO hire(d) additional staff to manage the work being shifted in house? If yes:
    i. How many additional staff will be hired?
    ii. Describe how the IESO determined that cost savings were achievable by shifting work in house versus the alternative. Please ensure the response considers the total compensation that will be provided to the additional staff over the lifetime of their employment (e.g., pension, benefits, and salary).
c) Please create a table in the same format as reference b. showing actual 2021 OM&A expenditures to date.

1-Staff-15

a. Exhibit C / Tab 3 / Schedule 1 / p. 1

Preamble:

At the above reference, the IESO states that "[a]s part of its mandate, the IESO performs work that is funded from other sources and not included in the revenue requirement: The Smart Metering Entity (SME), market rule enforcement and education, conservation programs, and programs that the IESO delivers in partnership with organizations within the energy sector."

Question:

a) Please describe how the IESO would manage the costs and staffing resources of the above noted activities if their funding sources were for some reason eliminated. E.g., would the IESO fund these activities through its revenue requirement, discontinue delivery of the services, other?

Issue 1.3: Are the IESO's 2020 staffing levels and compensation (including salaries, benefits, pensions and other post-employment benefits) appropriate?

And

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

1-Staff-16

a. Exhibit D / Tab 1 / Schedule 3 / p. 1
b. Exhibit G / Tab 2 / Schedule 1 / p. 9, Table 10

Preamble:

The table below is an extract from reference a.

Staffing and Operating Compensation Expenses

	2019 OEB Approved	**2019 Actual**	**2020 Actual**	**2021 Budget**
Average Number of Employees (Capital and Operating expenses FTEs)				
Executive	7	7	7	7
Management	132	129	134	127
Non-Management Regular	633	545	557	596
Non-Management Temporary	71	88	74	64
Total	**842**	**769**	**772**	**794**
Operating expenses figures below are in $ millions				
Total Compensation (Salary, Wages & Benefits				
Executive and Board	4.3	4.3	4.4	4.5
Management	23.2	26.3	27.2	25.6
Non-Management Regular	85.6	83.4	86.7	89.8
Non-Management Temporary	5.9	9.2	7.5	5.4
Total	**118.9**	**123.2**	**125.8**	**125.3**

Questions:

a) The OEB approved compensation budget for 2019 of $118.9 million was to support a staffing complement of 842. Based on this, the average IESO total compensation in 2019 was expected to be ~$141,000 ($118.9 million / 842). In 2019, the IESO spent $123.2 million to support 769 staff, which equates to an actual average total compensation of ~$160,000 ($123.2 million / 769). The IESO states that the overspend against budget in 2019 was primarily the result of an increase of $3.6 million in employee benefits. On average, an increase of $3.6 million would result in each staff member receiving an additional $4,700 in compensation, bringing the expected average IESO total compensation in 2019 from ~$141,000 to ~$146,000. The actual per employee average IESO total compensation is therefore ~$14,000 higher than actuals ($146,000 expected vs. $160,000 actual). Please explain why 2019 average per employee total compensation is higher than expected.
b) The OEB approved compensation budget for management in 2019 of $23.2 million was to support 132 management level staff. Based on this, the average IESO management compensation in 2019 was expected to be ~$176,000. In 2019, the IESO spent $26.3 million to support 129 staff, which equates to an average total compensation of ~$204,000. Please explain why 2019 average per management employee total compensation is ~$28,000 higher than expected.
c) The OEB approved compensation budget for non-management regular staff in 2019 of $85.6 million was to support 633 non-management level staff. Based on this, the average IESO non-management compensation in 2019 was expected to be ~$135,000. In 2019, the IESO spent $83.4 million to support 545 staff, which equates to an average total compensation of ~$153,000. Please explain why 2019 average per non-management employee total compensation is ~$18,000 higher than expected.
d) The IESO spent $125.8 million in 2020 to support 772 FTEs. The IESO's proposed 2021 total compensation budget is $125.3 million and is meant to support 794 FTEs. Please explain how the IESO can support the proposed 2021 FTE count that is 22 FTE's higher than 2020 levels with less budget than it spent in 2020.
    i. If related to labour capitalization, as applicable, please explain what non-capitalized 2020 labour is being capitalized in 2021, as well as the reason(s) why that labour was not capitalized in 2020.
e) At reference b., the IESO shows that MRP staffing levels will increase by 21 in 2021 compared to 2020. Please indicate if the additional FTEs are temporary or fulltime resources (or a combination thereof), the amount of total compensation these FTEs will receive in 2021, and the degree to which the total compensation costs of these FTEs will be capitalized in 2021.
f) Please indicate the number of FTEs whose total compensation will be capitalized in 2021, the projects these FTEs are assigned to, as well as the total cost of capitalized labour in 2021.
    i. On a project-by-project basis, please describe how the IESO intends to manage the costs of these employees post project close. As an example,

upon project close, will the total compensation costs of FTEs assigned to the MRP be included as an OM&A expense in future revenue requirements?

1-Staff-17

a. Exhibit D / Tab 1 / Schedule 1 / Attachment 3 - Appendix 2-JC - OMA Programs Table (Excel spreadsheet)
b. Exhibit D / Tab 2 / Schedule 1 / p. 1

Preamble:

At the above noted first reference, the IESO has provided the following Interest amounts that are embedded into OM&A which are shown below in OEB Staff Table 3.

OEB Staff Table 3 – Interest Amounts

	2019-OEB Approved	2019 Actual	2020 Actual	2021 Budget
Interest	(5.9)	(9.0)	(4.6)	(2.5)

OEB staff is seeking additional information that demonstrates that the interest on the cumulative difference between cash and accrued pension and OPEBs amounts is being appropriately allocated to the revenue requirements.

OEB staff also notes that at the above noted second reference, interest for 2021 Budget is a credit of $1.6 million, versus a credit of $2.5 million shown in OEB Staff Table 3.

Questions:

a) Please confirm which is the correct number for the 2021 Budget interest – whether it is a credit of $1.6 million or a credit of $2.5 million.
b) Please confirm that for each year (e.g., 2019 Actual, 2020 Actual, 2021 Budget) the interest income shown in OEB Staff Table 3 includes calculated interest on the cumulative difference between the amounts collected under the cash basis versus amounts collected under the accrual basis for pension and OPEBs costs. If this is not the case, please explain.
c) Please provide the supporting calculation for the amount referred to in part b).

1-Staff-18

Preamble:

OEB staff is seeking additional information regarding the IESO's pension and OPEB amounts.

Questions:

a) Please provide a breakdown of the pension and OPEBs amounts included in OM&A and capital for 2019 OEB-approved, 2019 Actual, 2020 Actual, and 2021 Budget. Please also explain any significant changes incurred year-over-year.
b) Please provide the most recent actuarial reports/valuations for pension and OPEBs.
c) Please demonstrate how the pension and OPEBs amounts in the 2019 Actual, 2020 Actual, and 2021 Budget tie to the most recent actuarial reports/valuations and the audited financial statements, as applicable.
d) If the balances in the actuarial reports/valuations and the audited financial statements are different from what is being sought in the 2020 Actual and 2021 Budget revenue requirements, then please provide an explanation supporting why the amount in the revenue requirements is more appropriate.
e) Please confirm that the IESO's pension and OPEBs costs are proposed to be continued to be recovered using the default accrual basis, rather than the cash basis. If the IESO is proposing to include pension and OPEBs amounts based on the cash method, please provide sufficient supporting rationale and evidence for adopting the cash method and quantify the impact of any transitions.

1-Staff-19

a) Exhibit B/Tab 2/Schedule 1 / p. 26, 2019 Annual Report (p. 24)
b) Exhibit B/Tab 2/Schedule 2 / p. 21, 2020 Annual Report (p. 19)

Preamble:

At the above noted first and second reference, the IESO has included the following principal assumptions that are used to calculate benefit obligations at the end of the year, as shown below in OEB Staff Table 4.

OEB Staff Table 4 – Discount Rate at the End of the Period

		2020 Registered Pension Benefits	2019 Registered Pension Benefits	2018 Registered Pension Benefits		2020 Supplemental Pension Benefits	2019 Supplemental Pension Benefits	2018 Supplemental Pension Benefits		2020 Other Benefits	2019 Other Benefits	2018 Other Benefits
Discount rate at the end of the period		5.50%	5.50%	5.50%		2.60%	2.90%	4.00%		2.60%	2.90%	4.00%

Questions:

In calculating benefit obligations:

a) Does IESO agree with the values shown in OEB Staff Table 4? If the IESO disagrees, please update OEB Staff Table 4.
b) Please update OEB Staff Table 4 to also show 2019 OEB-approved and 2021 values.
c) Please explain why the discount rates at the end of the period for the "Supplemental Pension Benefits" and "Other Benefits" of 2020 [2.60%], 2019 [2.90%], and 2018 [4.00%] are much lower than the "Registered Pension Benefits" discount rate of 5.50% for 2020, 2019, and 2018.

1-Staff-20

a. Exhibit B, Tab 2, Schedule 1 / Page 27, 2019 Annual Report (p. 25)
b. Exhibit B, Tab 2, Schedule 2 / Page 22, 2020 Annual Report (p. 20)

Preamble:

At the above noted first reference and second reference, the IESO has included the following principal assumptions that are used to calculate benefit costs at the beginning of the period, as shown below in OEB Staff Table 5.

OEB Staff Table 5 – Discount Rate at the Beginning of the Period

		2020 Registered Pension Benefits	2019 Registered Pension Benefits	2018 Registered Pension Benefits		2020 Supplemental Pension Benefits	2019 Supplemental Pension Benefits	2018 Supplemental Pension Benefits		2020 Other Benefits	2019 Other Benefits	2018 Other Benefits
Discount rate at the beginning of the period		5.50%	5.50%	5.50%		2.90%	4.00%	4.00%		2.90%	4.00%	4.00%

Questions:

In calculating benefit costs:

a) Does IESO agree with the values shown in OEB Staff Table 5? If the IESO disagrees, please update OEB Staff Table 5.
b) Please update OEB Staff Table 5 to also show 2019 OEB-approved and 2021 values.
c) Please explain why the discount rates at the beginning of the period for the "Supplemental Pension Benefits" and "Other Benefits" of 2020 [2.90%], 2019 [4.00%], and 2018 [4.00%] are much lower than the "Registered Pension Benefits" discount rate of 5.50% for 2020, 2019, and 2018.

1-Staff-21

Preamble:

OEB staff is seeking additional information regarding the IESO's pension and OPEB amounts.

Questions:

a) Please confirm that there is an inverse relationship between the discount rate and the present value of any pension and OPEBs obligations, as well as versus those incorporated into the pension and OPEB amounts included in the IESO's 2019 Actual, 2020 Actual, and 2021 Budget, meaning that the lower the discount rate, the higher the present value. If this is not the case, please explain.
b) Also incorporating the IESO's answer to question a), please explain why the IESO made the decision to accept materially different discount rate assumptions between 1) the "Registered Pension Benefits" and 2) the "Supplemental Pension Benefits" and "Other Benefits".
c) Please confirm that all of the 2019, 2020, and 2021 assumptions used for accounting purposes are the same as those used in the actuarial valuations for funding purposes. If this is not the case, please quantify and explain any significant impacts, including any significant impacts on amounts incorporated into the pension and OPEB amounts included in the IESO's 2019 Actual, 2020 Actual, and 2021 Budget.

1-Staff-22

a. Exhibit D / Tab 1 / Schedule 1 / p. 1
b. Exhibit D / Tab 1 / Schedule 1 / p. 2
c. Exhibit D / Tab 1 / Schedule 1 / p. 3 & 4
d. Exhibit D/ Tab 1/ Schedule 3/ Attachment 1 / Appendix 2-K Employee Costs (Excel spreadsheet)

Preamble:

At the above noted first reference, regarding increased costs of employee benefits, the IESO indicated that 2019 actual versus 2019 OEB-approved was $3.6 million higher spending due to [an] actuarial pension liability update and higher medical/dental benefit usage.

At the above noted second reference, regarding increased costs of employee benefits, the IESO indicated that 2020 Actual versus 2019 Actual was $3.0 million higher spending due to revisions to actuarial pension liability assumptions due to the COVID-19 pandemic.

At the above noted third reference, regarding increased costs of employee benefits, the IESO indicated that 2021 Budget versus 2020 Actual was $0.6 million higher spending, but no description was included.

At the above noted fourth reference, the IESO has included the total benefits, as shown below in OEB Staff Table 6.

OEB Staff Table 6 – Total Benefits

	2019 OEB-Approved	2019 Actual	2020 Actual	2021 Budget
Total Benefits $	29.1	32.1	33.1	33.6
Year-over-Year Change $		3.0	1.0	0.5
Year-over-Year Change %		10.1%	3.2%	1.6%

Questions:

a) Does IESO agree with the values shown in OEB Staff Table 6? If the IESO disagrees, please update OEB Staff Table 6.
b) Regarding 2019 Actual versus 2019 OEB-approved OM&A:

    i. Please confirm that the $3.6 million higher spending of 2019 Actual versus 2019 OEB-approved was driven primarily by the above noted reductions in the discount rates between 2018 and 2019 or those between 2019 OEB-approved and 2019 Actual. If this is not the case, please explain. Please clarify whether it was both pension and OPEBs that were impacted and not just pension.
    ii. Please explain why OEB Staff Table 6 shows a year-over-year change of $3.0 million, versus a change of $3.6 million described at the above noted first reference.

c) Regarding 2020 Actual versus 2019 Actual OM&A:
    i. Please confirm that the $3.0 million higher spending of 2020 Actual versus 2019 Actual was driven primarily by the above noted reductions in the discount rates between 2019 and 2020. If this is not the case, please explain. Please clarify whether it was both pension and OPEBs that were impacted and not just pension.
    ii. Please explain why OEB Staff Table 6 shows a year-over-year change of $1.0 million, versus a change of $3.0 million described at the above noted second reference.

d) Regarding 2021 Actual versus 2020 Actual OM&A:
    i. Regarding increased costs of employee benefits from 2021 Budget versus 2020 Actual of $0.6 million, please describe the reasons for this change and whether it was driven primarily by a further reduction in the discount rates between 2020 and 2021. If this is not the case, please explain. Please clarify whether it was both pension and OPEBs that were impacted and not just pension.
    ii. Please explain why OEB Staff Table 6 shows a year-over-year change of $0.5 million, versus a change of $0.6 million described at the above noted third reference.

1-Staff-23

a. Exhibit D / Tab 1 / Schedule 3 / p. 2
b. Exhibit B / Tab 2 / Schedule 1 / p. 26, 2019 Annual Report (p.24)
c. Exhibit B / Tab 2 / Schedule 2 / p. 21, 2020 Annual Report (p. 19)

Preamble:

At the above noted first reference, the IESO indicated some of the increase in cost from 2019 to 2020 reflects the IESO's higher pension expenses. The IESO noted that this is due to expected lower performance on pension plan assets due to current market conditions.

At the above noted second reference and third reference, the IESO indicated that the one-year actual return on the registered pension plan's assets as at September 30, 2020 was 6.2% per annum (2019: 9.3% per annum; 2018: 8.3% per annum).

Questions:

a) What were the 2019 OEB-approved, 2019 Actual, and 2020 Actual actuarial assumptions for the expected return on plan assets?
b) Please explain whether most of the increase in pension expenses from 2019 to 2020 is due to differences between the expected returns on plan assets in question a) and the actual returns on plan assets noted in the preamble to this interrogatory, as well as the decrease in the actual returns themselves. If this is not the case, please explain.

Issue 1.8: Is the IESO's Registration and Application Fees revenue forecast for Fiscal Year 2021 appropriate?

1-Staff-24

a. Exhibit C / Tab 3 / Schedule 1 / p. 1

Preamble:

At the above reference, the IESO states that procurement revenues, meant to cover the costs the IESO incurs to process procurement applications, are not expected to materially affect the IESO's revenue requirement.

Questions:

a) Please clarify if the IESO's statement that registration fee revenue is not expected to materially affect the revenue requirement is based on a $10,000 or $50,000 registration fee.
b) Please provide the IESO's estimate for the costs it anticipates incurring to process procurement applications in 2021. When responding, please indicate if these costs are built into the IESO's 2021 revenue requirement request of $191.8 million.
c) Please provide the IESO's estimate of the revenue it anticipates generating through registration fees in 2021. When responding, please indicate if these

revenues are reflected in the IESO's 2021 revenue requirement request of $191.8 milion.

ISSUE 2: Usage Fees

Issue 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-Staff-25

a. Exhibit C / Tab 1/ Schedule 1 / p. 2

Preamble:

At the above reference, the IESO states that the Elenchus model, approved by the OEB through the 2016 revenue requirement proceeding, is used to establish the domestic and export fees, in part, by allocating costs between these two classes of customers. The application suggests that use of the Elenchus model is still appropriate since the organizational structure of the IESO has remained consistent since the adoption of the cost allocation methodology.

Questions:

a) Please describe any modifications that the Elenchus model has undergone since its initial approval through the 2016 revenue requirement proceeding.
b) In light of the several changes that have occurred at the IESO since 2016, including, but not limited to, the completion of previous and the introduction of new conservation frameworks, the creation of the market renewal division (whose work in part relates to interprovincial/international matters), please describe why the IESO believes its organizational structure has remained consistent since the adoption of the cost allocation methodology.

2-Staff-26

a. Exhibit C / Tab 2/ Schedule 2 / p. 1

Preamble:

At the above reference, the IESO discusses the forecasts used to calculate both domestic and export usage fees. Specifically, the IESO states that the domestic usage fee is calculated using the most recent forecast of withdrawals in 2021 for use in Ontario and the export usage fee is calculated using the most recent forecast of exports in 2021.

Question:

a) Please specify the forecasts used by the IESO to calculate both the domestic and export usage fees, the dates they were calculated, and how the forecasts account for the impacts of COVID-19. If available, please provide the forecasts.

<u>Issue 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?</u>

2-Staff-27

a. Exhibit A / Tab 1/ Schedule 3 / p. 2

Preamble:

The Application requests OEB approval to "charge (or rebate) market participants the difference between the 2021 IESO usage fees approved by the OEB and the interim usage fee they paid, if any, based on their proportionate quantity of energy withdrawn until the end of the month in which OEB approval is received for the 2021 usage fees. Any such charges (or rebates) will be provided in the next billing cycle following the month in which OEB approval is received."

Questions:

a) Please compare actual 2021 withdrawals versus forecast to date.
b) Please compare the IESO's actual expenditures to its 2021 budget.
c) Based on your response to parts a) and b), please indicate if the IESO projects market participants will be charged or rebated for their energy withdrawals in 2021.

d) Please describe the feasibility of truing up with market participants over more than a single billing cycle. When responding, please discuss any challenges or financial implications that the IESO would encounter in doing so.

ISSUE 3: Registration Fees

Issue 3.1: Is the fee of up to $50,000 per submission for electricity supply and capacity procurements, including ancillary services, appropriate?

3-Staff-28

a. Exhibit C / Tab 3 / Schedule 1 / p. 1

Preamble:

The IESO has requested that the OEB approve a fee of up to $50,000 per proposal for electricity supply and capacity procurements, including ancillary services. At the above reference, the IESO states that the current registration fee of $10,000 will be inadequate to recover costs for IESO work entailed for future procurements.

Questions:

a) Please describe the process used by the IESO to determine that a $50,000 registration fee is appropriate and would adequately recover the costs of future procurements.
b) Please confirm if through the current $10,000 registration fee, the IESO has recovered the costs of procurements undertaken in 2019 and 2020.
c) The IESO's request represents a 500% increase to the current registration fee. Please indicate if the IESO believes the significant increase will present a barrier for any qualified proponents to participate in IESO-led procurements. If not, why not?
d) Please identify the types of procurements that the IESO proposes to undertake in 2021 and 2022 and to which the $50,000 registration fee will apply. When responding, please identify how these procurements, and the proponents the IESO expects to participate in them, differ from those undertaken in previous years that were subject to the $10,000 fee.
e) Does the IESO foresee incurring the same level of costs for each procurement? Does the IESO see validity in adopting more than one registration fee that can be customized to match each procurement's cost in part to limit any potential barriers to participation?

Issue 3.2: Is the $1,000 Application Fee for market participation appropriate?

3-Staff-29

a. NA

Preamble:

The IESO intends to continue charging $1,000 for the IESO's market participation application fee.

Questions:

a) Please indicate when the current market participation application fee of $1,000 was first charged by the IESO.
b) Please describe the purpose of the market participation application fee. For instance, is the purpose to recover the costs incurred by the IESO to process the application? When responding, please indicate the degree to which the current fee achieves its intended purpose.

ISSUE 5: Other Commitments from Previous OEB Proceedings

Issue 5.1: Has the IESO adequately described the progress made towards reaching the 50th percentile for total compensation?

5-Staff-30

a. Exhibit D / Tab 1 / Schedule 3 / pp. 2-6

Preamble:

At the above reference, the IESO comments on its progress towards reaching the 50th percentile for total compensation, as required by the 2019 Decision. A summary of the current and potential initiatives and negotiated changes that the IESO states continue to help bring IESO total remuneration toward the 50th percentile is also provided.

Questions:

a) In light of the information provided in question 1-Staff-16, and specifically with respect to the differences between the expected and actual average total compensation of management and non-management staff in 2019, please describe how the IESO has responded to OEB direction provided in the 2019 revenue requirement decision that it work toward compensation that is at the market median.

b) OEB staff notes that the average 2020 and 2021 total compensation of both management and non-management employees remain generally consistent with 2019 actuals. The total compensation study undertaken by Mercer (Canada) Ltd. on behalf of the IESO identified that the IESO was above the 50th percentile for its peer groups based on 2018 total compensation levels. Given total per employee compensation in 2019, 2020 and 2021 were, or are projected to be, higher than 2018 levels, please comment on the additional challenges the IESO will now face to bring total compensation towards the 50th percentile. When responding, please also indicate how the amount of time that will likely be required to reach the 50th percentile has been impacted.

c) Table 2 found at the above reference is entitled "Summary of progress towards 50th percentile for total compensation". It is unclear if any of the initiatives listed in Table 2 have commenced or if they represent the actions the IESO intends to undertake in the future to reach the 50th percentile. Accordingly, please indicate the status of each initiative. For each initiative that has commenced, please indicate its financial impact and contribution towards reaching the 50th percentile.

d) The OEB's decision on the IESO's 2019 revenue requirement application that required the IESO to take steps to align total remuneration with the 50th percentile was issued on December 5, 2019. Please discuss the active steps the IESO has taken since the decision's issuance to respond to the OEB's direction.

e) Please provide an update on how the IESO is continuing its efforts to control costs in collective bargaining meetings regarding pension and OPEB amounts, including increasing employee pension contributions and cost-saving pension plan proposals (e.g., moving the pension plan into a larger or different plan).

5-Staff-31

a. EB-2019-0002 Decision and Order / pp. 8-9

Preamble:

At the above reference, the OEB states "…reporting on actions taken towards reaching the 50th percentile for total compensation is expected in every IESO revenue requirement proceeding, including the results of those actions"

And

Exhibit D / Tab 1 / Schedule 3 / p. 3

Preamble:

At the above reference, the IESO states "[n]egotiated salaries follow a predetermined set of guidelines and best practice principles. These guidelines restrict the amount of compensation that can be applied to the various requests for consideration (new hires, promotions). See attachment 2 – IESO Compensation Guides for additional information."

Questions:

a) Please confirm the compensation guidelines and best practice principles were designed following the OEB's instructions to bring the IESO toward the 50th percentile for total compensation.

b) Please indicate if the IESO has developed a methodology to assess the effectiveness of the guidelines in bringing compensation toward the 50th percentile.

<u>Issue 5.2: Are the IESO's proposed changes to the regulatory scorecard appropriate?</u>

<u>5-Staff-32</u>

a. Exhibit A / Tab 2 / Schedule 2 / p. 2

Preamble:

At the above reference, the IESO describes its new five-year strategic measures and targets monitoring framework and its role in monitoring ongoing performance toward its five-year strategic objectives.

Questions:

a) When developing the five-year strategic objectives and the associated measures and targets, did the IESO seek stakeholder input? If yes, please identify the internal and external stakeholders who provided input, the basis upon which stakeholders were selected to participate, and how their input was considered.
b) Please discuss the role the IESO foresees for the framework in future revenue requirement proceedings, including the role the framework will play in securing Ministerial approval of future business plans.
c) In the OEB-approved settlement in the IESO's 2016 expenditures, revenue requirement and fees application, the IESO agreed to develop a scorecard in consultation with intervenors. Through subsequent IESO revenue requirement proceedings, the scorecard has been updated to incorporate the recommendations of the OEB, OEB staff, and intervenors. Please describe the relationship between the scorecard and framework and the potential role of the framework in future revenue requirement proceedings.

d) Who will be responsible for assessing the IESO's annual performance against strategic measures and targets? How will the IESO communicate performance results?

5-Staff-33

a. Exhibit A / Tab 2 / Schedule 2 / Attachment 1

Preamble:

At the above reference, the IESO provides its five year performance measures and targets.

Questions:

a) Objective 1 relates to employee engagement and targets an annual 4% incremental achievement. The 4% achievement is to be assessed against a baseline determined through a previously completed survey. Please provide the results of the baseline survey, if available. If applicable, please indicate when the baseline survey will be completed.
b) Objective 4 relates to stakeholder satisfaction and targets achieving an 84% level of confidence in the engagement process by 2025. Please identify the current level of stakeholder confidence, as well as the process used to determine it. How will the level of confidence be monitored over the five year period?
c) Objectives 5, 6 and 7 relate to various aspects of cost effectiveness. Please describe how the baselines upon which performance will be measured were developed. Please provide the baseline study results, if available.
d) For each objective, please identify the degree to which the targeted level of performance is consistent with the performance of top-tier electricity system operators.

5-Staff-34

a. Exhibit G / Tab 2 / Schedule 3 / pp. 1-2

Preamble:

At the above reference, the IESO requests that the OEB approve a scorecard modification related to key initiatives from the 2017 Long-Term Energy Plan.

Questions:

a) The IESO requests that the existing measure be changed to "[k]ey initiatives relating to improvement and development of planning processes (4)". Please provide specifics with respect to the key initiatives that the IESO's revised wording refers to.

b) On what basis, or through what mechanism, does the IESO propose measuring performance against the revised measure?
c) If the IESO is agreeable to doing so, please develop revised wording for this measure that eliminates ambiguity by specifying the key initiatives upon which the IESO's performance will be measured.