

OEB STAFF INTERROGATORY 30

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

5-Staff-30

INTERROGATORY

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).

RESPONSE

- a) Since the OEB direction provided in the 2019 revenue requirement decision, the IESO has made a number of concessions to help work toward compensation that is at the market median.

For the management cadre, the IESO used the direction from the OEB to guide their annual salary increase (merit) recommendations. As such the IESO provided conservative and modest increases to the management salaries and pay bands in both 2019 and 2020 (2021 to be determined in Q1 2022).

In 2019, the average merit increase provided in the Energy sector was 2.9%. With the OEB decision in mind, the IESO recommended to the Board of Directors a modest merit envelope of 2%. In 2019, the IESO also recommended to the Board a nominal increase to the salary range of 1.7% which again was below the Energy sector benchmark for 2019 salary range increases.

In 2020, the average merit increase provided in the Energy sector was 2.2%. Again, with the OEB decision in mind, the IESO recommended to the Board of Directors a modest merit envelope of 2% again below the average merit increases in the Energy sector. In 2020, the IESO also recommended a 1.8% increase to its salary bands which was below the average increase to the ranges in the Government/Public sector average of 2% and in line with the Energy Sector average.

With regards to efforts put in place as it relates to the non-management cadre, in 2020, through bargaining, the IESO negotiated a 1% salary increase with the Power Workers Union (PWU). As well, effective January 1 2020, the PWU pension contributions increased to 9% up to the Year's Maximum Pensionable Earnings (YMPE) covered by CPP and 11% above the YMPE. This increases the employee contributions and results in a reduction in the employer contributions. The IESO continues to be responsive to the 2019 OEB direction by ensuring that further Pension and Benefit cost containment amendments have been part of the IESO 2020 and 2021 bargaining mandates for both PWU and The Society of United Professions (The Society).

The efforts noted above as well as the ongoing and planned efforts noted in Table 2 of Exhibit D-1-3 are guided by the OEB direction of continually working towards compensation that is at the market median.

- 1 b) The IESO expects that the caps and provisions under Bill 124 as well as the initiatives
2 noted above will continue to help the IESO reach its target of the 50th percentile.
3 Although the IESO cannot specify the amount of time that will likely be required to reach
4 the 50th percentile, it is committed to continuing to implement and propose/negotiate
5 cost saving initiatives through bargaining and within its management compensation
6 initiatives while also ensuring a motivated and skilled workforce to execute the IESO's
7 mandate and priority initiatives.
- 8 c) All of the initiatives under the Target Area of Compensation have already commenced.
9 Within the Target Area of Pension, it is noted in the description of each initiative if it has
10 already commenced or if it will be commenced at a future date (i.e. already negotiated
11 plan changes). In the Target Area for Benefits, the recently negotiated benefit changes
12 as well as the noted preventative measures have all been implemented. All of the
13 Culture and Values initiatives have commenced and are currently in place. The IESO
14 does not ascertain the financial impacts by each initiative.
- 15 d) Please see response to (a) above. Since December 5, 2019, the IESO has negotiated a
16 nominal salary increase of 1% with the PWU. It has also ensured that the increases to
17 the Management salaries (merit) were below the average increases in the Energy sector
18 and the Broader Public Sector. Along with the ongoing focus on the strict compensation
19 practices noted in the Compensation Guidelines, the direction from the OEB directly
20 influenced the salary increases as well as the bargaining mandates over the last two
21 years.
- 22 e) The IESO has included pension cost saving bargaining items in each of the mandates for
23 both PWU and Society bargaining. The IESO bargained with PWU in 2020 (one year
24 deal) and is currently in bargaining with them. Bargaining with Society is expected to
25 begin in November 2021.

OEB STAFF INTERROGATORY 31

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

5-Staff-31

INTERROGATORY

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.

RESPONSE

- a) Although the guidelines and principles were created prior to the 2019 OEB instructions, the guidelines are reviewed annually to ensure that the principles are fair, equitable and in line with the mandate of bringing the IESO toward the 50th percentile.
- b) The guidelines are reviewed annually to ensure that the principles are fair, equitable and in line with the mandate of bringing the IESO toward the 50th percentile.

VECC INTERROGATORY 8

5.0 Other Commitments from Previous OEB Decisions

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

5.1-VECC-8

INTERROGATORY

Reference: Exhibit B-2-1-, page 34 Of 41

"The current comparator group was amended in 2018 from a hybrid of public and private sector employers to Canadian public sector organizations. This change was required under the regulations in effect at that time under the Broader Public Sector Executive Compensation Act, 2014 (2016 Executive Compensation Framework Regulation)."

a) Which of the list of firms shown at page 34 are considered "private" companies?

b) Why are Ontario government employees not considered a comparator?

c) In the last 5 years (2016-2020 years) what percentage of the total full time employees were recruited from the Ontario civil service or an agency of the Ontario Government?

RESPONSE

a) Except for Hydro One Inc., all of the firms listed on page 34 are considered public sector employers. Hydro One Inc. was deemed as a private/public entity after the 19 Canadian Public Sector comparator group was selected and is no longer part of the comparator group.

b) Although the Ontario Public Services (OPS) was not included in the comparator group, there are a number of Crown and government agencies that are included.

c) The IESO does not track the percentage of the total full-time employees who were recruited from the OPS or an agency of the Ontario government.

OEB STAFF INTERROGATORY 32

Issue 5.2 Are the IESO's proposed changes to the regulatory scorecard appropriate?

5-Staff-32

INTERROGATORY

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?

RESPONSE

- a) The performance measures and targets have been developed in collaboration with the IESO's Executive Leadership Team, input from business units, and considered feedback from the August 2020 Stakeholder Advisory Committee meeting.

The performance measures were derived under a structured process in parallel with the strategic planning cycle in 2020. Since 2018, the IESO has used a corporate performance management framework which follows a five-step approach to:

- Collecting relevant inputs;
- Identification, categorization, prioritization of measures;
- Developing measures and targets;
- Aligning support; and
- Routine reporting.

The framework guides the IESO's efforts to ensure that measurements and targets are developed that are relevant to the business context and aligned with its strategic objectives.

The process engages relevant divisional executives and subject matter experts across the organization to develop a balanced view of the measures and targets. Through a governance and oversight function, the IESO Board reviews and ultimately approves the measures and targets. Periodic performance reporting and governance helps ensure progress to target and facilitates course correction discussions for those measures that deviate. Once approved and implemented, these strategic level measures and targets should be used to guide cascading divisional and operational level measures and targets throughout the entire organization.

- b) The framework will provide evidence of year-over-year incremental performance around achieving our strategic objectives. The framework will support decision making by showing, on a balance score card approach, how the IESO performed against a consistent set of objectives to meet its mandate. This will be beneficial to the OEB, Ministry and our broader group of stakeholders to demonstrate the IESO's long-term performance when considering future revenue requirement proceedings or business plan approvals.
- c) The regulatory scorecard focuses on metrics consistent with measuring the IESO's cost effectiveness to be used by the OEB and intervenors in assessing the IESO's expenditure and revenue requirement. The strategic measures are directly tied to the strategic objectives of the IESO and are intended to provide information on the progress the organization is making towards achieving its desired five-year targets. The IESO views both the scorecard and the measures working as a set as they provide insights into performance from different perspectives.
- d) The IESO's Executive Leadership Team collectively assesses the IESO's performance to target and provides a recommendation of its assessment to the Human Resources and Governance Committee and IESO Board for approvals. The internal audit function provides a review of the results to confirm relevant evidence of measure achievement. Annual results will be communicated on the IESO's website.

OEB STAFF INTERROGATORY 33

Issue 5.2 Are the IESO's proposed changes to the regulatory scorecard appropriate?

5-Staff-33

INTERROGATORY

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.

RESPONSE

- a) For Objective 1, the baseline was established in 2020. The absolute survey value for the 2020 baseline was 76%. The IESO conducts pulse surveys for employee engagement in Q3 each year.
- b) The 2020 performance result was 81% and the 2021 results will be available at the end of Q4 2021. This objective is measured annually via the stakeholder satisfaction survey and will continue over the five-year period. The survey seeks feedback on the experience of stakeholders during its engagements.
- c) For Objective 5: The IESO considered past performance to develop this measure as a broad indicator of overall system cost effectiveness. Since load forecasting provides the

1 basis for resource commitment, this metric impacts the incurrence of resource costs.
2 The more accurate the IESO is in forecasting load, the greater the likelihood that it can
3 commit sufficient resources in a cost-effective manner that avoids over-commitment of
4 resources, inefficient commitment of short lead-time resources or under-utilization of
5 available resources. This metric measures the percentage difference between actual load
6 and forecasted load.

7 For Objectives 6 and 7: These relate to composite measurements of energy curtailments
8 and energy/operating reserve shortages respectively. These two measurements indicate
9 how energy, ancillary services, and capacity needs are over or undersupplied. Chronic
10 occurrences of curtailed energy can indicate oversupply or inflexibility of the resource
11 mix. Frequent energy and operating reserve shortages indicate how tight the system is
12 in meeting energy and ancillary service needs. These are new measurements and the
13 baseline year will be 2020. The final baseline numbers have yet to be calculated and the
14 numbers provided in the Exhibit are illustrative.

- 15 d) Assigning benchmark targets consistent with performance of top-tier electricity system
16 operators is difficult to balance with the unique jurisdictional operating characteristics,
17 resource mix, policy mandates and ownership structures relative to the IESO. Across
18 North America, there is a high degree of performance measure variability given these
19 characteristics. In developing the target levels of performance, the IESO considered past
20 performance, current and future business environment, commonality with recommended
21 NERC performance measures for reliability and desired strategic outcomes.

OEB STAFF INTERROGATORY 34

Issue 5.2 Are the IESO's proposed changes to the regulatory scorecard appropriate?

5-Staff-34

INTERROGATORY

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.

RESPONSE

- a) Key initiatives currently refers to the implementation of initiatives specified in directions the IESO previously received from the provincial government regarding changes and additions to planning processes, namely the Regional Planning Process Review recommendations, and the implementation of the Bulk Planning Process. Both initiatives are also specified in Exhibit G-2-3, Attachment 1, "Mngmt Discussion and Analysis" sheet within the workbook, rows 133-162.
- b) Performance is measured against any requirements included in the direction or, absent a direction (or the cancellation of a direction), the publicly communicated timelines for project milestones identified for each initiative within the IESO's business planning cycle (e.g. final reports or key engagements to seek feedback on draft recommendations/processes).
- c) Measure should be revised to: Key initiatives relating to improvement and development of planning processes are proceeding according to established and/or directed timelines.

CME INTERROGATORY 2

Issue 5.2 Are the IESO's proposed changes to the regulatory scorecard appropriate?

CME # 2

INTERROGATORY

Ref: Exhibit A, Tab 2, Schedule 2, Attachment 1, pages 2 and 4 of 6 – Issue 5.2

At page 4 the IESO indicated that it targets improvement to affordability, reliability and sustainability with a 10% outcome improvement to "right size" the system.

- a) Please define what outcome improvements are in this context, how they are measured, and what initiatives the IESO is undertaking to achieve that 10% improvement.

At page 2 the IESO indicated that it targets improvement to its operational efficiency such that it will increase the number of strategic initiatives that are completed on time from 80% to 90% by 2024.

- b) What initiatives are the IESO currently undertaking or plan to undertake during the time covered by this application that the IESO believes will increase its operational efficiency. Please provide details, and include the anticipated impact on efficiency of each measure.

- c) Please provide the IESO's view on whether any of the internal performance management measures and targets should be incorporated into the regulatory scorecard. Why or why not?

RESPONSE

- a) The measurements indicate how energy, ancillary services, and capacity needs are over or undersupplied. Chronic occurrences of curtailed energy can indicate oversupply or inflexibility of the resource mix. Frequent energy and operating reserve shortages indicate how tight the system is in meeting energy and ancillary service needs. For example, if there were 100 occurrences of shortages in a year, a 10% improvement is 90 occurrences. These are new measurements and the baseline year will be 2020. The final baseline numbers have yet to be calculated and the numbers provided in the Exhibit are illustrative. The initiatives to achieve improvements include addressing various Market Surveillance Panel (MSP) recommendations and the implementation for MRP.

- b) The IESO has adopted a new Portfolio and Project Management Lifecycle (PPMLC) that is aligned with the Project Management Institutes (PMI) delivery framework. The IESO is continuing to evolve and improve the associated PPMLC processes and procedures to streamline how we deliver our projects and ensure sufficient scalability across our

- 1 portfolio of projects. The IESO expects that these continuous improvement efforts will
- 2 support improvements in our efficient delivery of our strategic initiatives.
- 3 c) Please see the response to Schedule 1 – 5.2 OEB Staff 32c).

ED INTERROGATORY 24

Issue 5.2 Are the IESO's proposed changes to the regulatory scorecard appropriate?

Interrogatory # 5.2-ED-24

INTERROGATORY

Reference: Exhibit G, Tab 2, Schedule 3

Preamble: The IESO commissioned a study on the IESO Regulatory Scorecard by John Todd of Elenchus and filed it in EB-2017-0150, Exhibit C-1-1, Attachment 1. It stated at page 36:

"[S]ince system losses are important to Ontario's electricity users it is reasonable to suggest that a comprehensive metric would be a useful indicator of the performance of the industry with respect to optimizing the various types of investment and grid management opportunities that impact on transmission system losses. ...

It may be reasonable to give further consideration to including a measure of the cost efficiency of transmission losses in the IESO scorecard in the future. Factors to consider include the degree of control that the IESO has over transmission losses and the division of responsibilities between the IESO and transmission owner/operators. In addition, further work would be needed to develop an acceptable methodology for calculating transmission loss metrics that factors in cost optimization."

Questions:

(a) Does the IESO agree with John Todd that "system losses are important to Ontario's electricity users."?

(b) Does the IESO agree with John Todd that "a comprehensive metric would be a useful indicator of the performance of the industry with respect to optimizing the various types of investment and grid management opportunities that impact on transmission system losses."?

(c) Has the IESO given further consideration to including a measure of the cost efficiency of transmission losses in the IESO scorecard and if not, when does it believe it would be the appropriate time to do so?

(d) Please provide a table with the following data for the most recent five years that this data is available:

- i. Annual transmission losses (MWh);
- ii. Annual transmission losses as a percent of annual demand;
- iii. The ratio of the figure in (ii) to the peak demand (peak hour); and

iv. Transmission losses at the time of system peak demand as a percentage of system peak demand (peak hour).

RESPONSE

(a) This question does not appear to be relevant to the proceeding nor does it align with the OEB's direction in Procedural Order 1, that the review of the IESO's application be focused on the IESO's OM&A and capital expenditures. However, as noted in the IESO's transmission losses stakeholder engagement, transmission losses are one of many technical and economic considerations the IESO undertakes within the system planning process.

(b) As per the IESO's submission in EB-2017-0150, a metric in the regulatory scorecard should be an indicator of the cost effectiveness of IESO activities¹. A measure that relates to overall attributes (such as distance from major generation sources to major load centres) and characteristics (such as the inherent conductor and transformer losses) of the electricity system in Ontario are aspects of system performance for which the IESO has limited control. Since the IESO would not be responsible or accountable for the additional metrics related to the System View, and these measures would be reported through a mechanism other than the Scorecard.

(c) Given the answer to b) above, the IESO has not further considered including a metric where the IESO would have limited control and that does not fall within the scope of its Revenue Requirement Submissions.

(d) This question does not appear to be relevant to the proceeding nor does it align with the OEB's direction in Procedural Order 1, that the review of the IESO's application should be focused on the IESO's OM&A and capital expenditures. Nevertheless, to be responsive, the IESO has assembled the following information. The table below provides the most recent five years of data covering: i) annual transmission losses, ii) annual transmission losses as a percent of annual demand, iii) the ratio of annual transmission losses as a percent of annual demand compared to the peak demand (peak hour), and iv) transmission losses at the time of system peak demand as a percentage of system peak demand (peak hour):

¹ EB-2017-0150, Updated: June 30, 2017, Exhibit C-1-1, pp. 3 and 4.

1 **Table 1: 5-year Annual Transmission Losses Data (2016-2020)**

	2016	2017	2018	2019	2020
Actual annual transmission losses (MWh)	2,868,641	2,696,327	2,801,979	2,864,311	2,601,979
Actual annual transmission losses as a percent of annual demand (%)	1.84	1.81	1.82	1.88	1.73
Actual transmission losses at the time of system peak demand as a percentage of system peak demand (%)	2.04 On August 10, 2016 in hour ending 18	2.15 On September 25, 2017 in hour ending 17	1.54 On September 5, 2018 in hour ending 17	2.56 On July 5, 2019 in hour ending 17	2.39 On July 9, 2020 in hour ending 17
Ratio of actual annual transmission losses as a percent of annual demand (%) to Actual transmission losses at the time of system peak demand as a percentage of system peak demand (%)	0.90	0.84	1.18	0.73	0.72

2

ENERGY PROBE INTERROGATORY 16

5.2 Are the IESO's proposed changes to the regulatory scorecard appropriate?

5.2-EP-16

INTERROGATORY

Reference: Exhibit A-2-2, Attachment 1, Affordability, Reliability, Sustainability Measures 5-8

- a) Please provide details of the selection and generation of the External Measures 5-8.
- b) Please provide historic levels 2015-2020 for each measure.
- c) Discuss the use of the measures -internal (such as Performance/Compensation) and external (Stakeholder Engagement).
- d) What are the consequences of achieving/not meeting each of the measures?

RESPONSE

a) The IESO notes that the external measures are measures 8–10. External measure 10 is a metric that indicates how much of system costs flow through the IESO administered markets. It is a measure based on a ratio of revenues received by suppliers for electricity in the wholesale market to the total costs of supply electricity. The index increases if suppliers receive a larger share of revenues from the competitive market. This indicates that market signals are strong to guide efficient production and consumption decisions.

Measure 9 indicates the performance of bulk transmission system performance based on forced outages and extension to outages over 4 hours in duration to significant transmission elements. The approach is based on reviewing number of forced outages and forced extensions to outages for significant transmission elements. The baseline and targets were based on the historic (Sept 2015 – Aug 2020) average total outages for reactive devices, autotransformers and circuits.

External measure 8 measures the performance of the thermal resource fleet by calculating the probability that a generating unit will not be available when required due to forced outages and forced de-ratings. The approach is based on the IESO using standard IEEE 762 based methodology to calculate forced outage rate of thermal units Equivalent Forced Outage Rate on Demand (EFORd) is the probability that a generating unit will not be available (completely or in part) during hours the unit is called upon to generate (i.e., during on-demand hours) due to forced outages and forced de-ratings. This is an industry accepted approach to track generator performance of thermal facilities greater than 250 MW. Unit-specific EFORd is weighted by the unit capacity to determine the weighted-average EFORd.

- 1 b) The measures and targets framework was new for the organization in 2020. Baseline levels
2 of performance were established based on actuals for 2020 only. The IESO does not have a
3 back-tested set of comparable measures for the interval 2015-2020.
- 4 c) The performance measures have been developed to drive organizational focus. These
5 measures are aligned with the IESO's five-year strategic objectives. The strategic objectives
6 and measures should work as a set; collectively, they incent behavior that will contribute
7 towards achievement of the strategic objectives and ultimately the IESO's vision.
- 8 The IESO sees the tie-in of external measures to its strategy as an important
9 communication tool to help its employees, stakeholders and the sector understand how
10 reliability, market efficiency and sustainability are influenced by factors beyond the control
11 of management yet have meaningful impact on performance. For example, outages of
12 generation and transmission assets drive choices that can increase costs. The transparency
13 index helps identify where the competitive market may not be meeting the need.
- 14 d) If the IESO deviates from target, course correction takes place as part of wider Executive
15 Leadership Team discussions on how best to manage performance and priorities going
16 forward. The strategic measures are also factored into executive compensation decisions.

ENERGY PROBE INTERROGATORY 17

5.2 Are the IESO's proposed changes to the regulatory scorecard appropriate?

5.2-EP-17

INTERROGATORY

Reference: Exhibit G, Tab 2, Schedule 3, Plus Attachment(s)

Preamble: "The IESO is requesting the OEB approve the substitution of the existing Conservation First Framework (CFF) measure with a new Conservation and Demand Management (CDM) Framework Program Plan measure. The Minister of Energy, Northern Development and Mines directed the IESO to implement the CDM Framework Program Plan on September 30, 2020."

- a) Please provide a copy of the Direction from the Minister.
- b) Please provide a Summary Schedule showing the Targets for the Original CFF and the new CDM Program Framework.
- c) Who are IESO's Partners in the CDM Program Framework?
- d) How is IESO coordinating the CDM Program with the Federal Greener Homes Canada Program and CMHC Retrofit Loan Program (Announcement May 27, 2021). Please provide steps taken to date?

RESPONSE

- a) The Ministerial Directive to the IESO dated September 30, 2020 for the 2021-2024 CDM Framework is publicly posted on the IESO's website¹.
- b) The targets for the new CDM Program Framework are publicly posted on the IESO's website².

For clarity, the original CFF target was 8.7 TWh during the 2015-2020 delivery period of this framework. It is also important to note that there was not a demand reduction target as part of CFF. The 2021-2024 CDM Framework targets are 2.75 TWh and 400 MW.
- c) The IESO will work with a wide a range of partners to implement the requirements of the 2021-2024 CDM Framework. The IESO's Partners will be selected through competitive publicly-posted procurements and will include, but not limited to, program

¹ [2021-2024 Conservation and Demand Management Framework \(ieso.ca\)](https://ieso.ca/en/About-Us/Regulatory-Process/2021-2024-Conservation-and-Demand-Management-Framework)

² [Energy-Efficiency Resources and Reports \(ieso.ca\)](https://ieso.ca/en/About-Us/Regulatory-Process/Energy-Efficiency-Resources-and-Reports)

1 delivery agents, capability building partners, third party evaluators, fulfillment vendors,
2 technical reviewers, market research partners, and marketing vendors when necessary.

- 3 d) The IESO does not currently have an energy efficiency program with offers targeted at
4 the general residential segment and therefore it does not see any overlap with the
5 Federal Greener Homes Program or CMHC program at this time. However, front line
6 contact personnel have been provided with referral information to transfer any inquiries
7 received regarding the federal program.

ENERGY PROBE INTERROGATORY 18

5.2 Are the IESO's proposed changes to the regulatory scorecard appropriate?

5.2-EP-18

INTERROGATORY

Reference: Exhibit G, Tab 2, Schedule 3, Plus Attachment(s)

Preamble: "The IESO is requesting the OEB approve the modification of the existing measure related to Key initiatives from the 2017 Long-Term Energy Plan. This measure was previously titled, "Key initiatives from the 2017 Long-Term Energy Plan (LTEP) are progressing on time and budget". internal planning initiatives that were directed as a part of the LTEP, the 1 scope, timelines and budget associated with the LTEP are no longer in effect. The IESO is proposing to rename this measure to reflect that while the IESO is continuing internal planning initiatives that were directed as a part of the LTEP, the scope, timelines and budget associated with the LTEP are no longer in effect."

Please provide the new scope, timelines and budget related to the modified measure(s).

RESPONSE

The response at Schedule 1 – 5.2 OEB Staff 34 provides additional context on the revised measure. In terms of the specific scope and timelines within the 2020 and 2021 period, please refer to Exhibit G-2-3, Attachment 1, "Mngmt Discussion and Analysis" sheet within the workbook, rows 133-162.

This work now falls within the core budget, as such budget specific to the measures cannot be broken out.

OSEA INTERROGATORY 8

Issue 5.2 Are the IESO's proposed changes to the regulatory scorecard appropriate?

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

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

OSEA IR 8, ISSUE 5.2, AND 1.1 AND 1.2

INTERROGATORY

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

Preamble: The IESO intends to enhance its planning process to include a formalized bulk system planning process. In addition, the IESO is pursuing sector evolution activities through its new Stakeholder Engagement Framework. Recently, the OEB issued a decision and order related to Integrated Resource Planning (IRP) for the Enbridge Natural Gas Pipeline network.¹ OSEA is interested in understanding the extent that IESO is coordinating with natural gas pipeline expansions to minimize greenhouse gas emissions.

Questions:

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

RESPONSE

- a) Coordination with Enbridge currently occurs as part of the IESO's core activities, through existing stakeholder engagement processes and targeted outreach, and so associated costs are captured in the core budget. The IESO's future participation in Enbridge's new IRP process would also occur as part of core activities in the near-term as the scope of this process and the IESO involvement evolves.
- b) Consistent with established engagement processes, the IESO undertakes open and transparent engagement along with targeted outreach with Enbridge as required based

¹ <https://www.rds.oeb.ca/CMWebDrawer/Record/720232/File/document>

1 on the needs and ongoing/planned activities within a study area. The IESO will continue
2 to participate in/undertake targeted engagement and discussions/outreach with
3 Enbridge as needed to ensure appropriate input into IESO and Enbridge planning
4 activities.

OSEA INTERROGATORY 9

Issue 5.2 Are the IESO's proposed changes to the regulatory scorecard appropriate?

OSEA IR 9, ISSUE 5.2

INTERROGATORY

Reference: Exhibit-G-2-3 Attachment 1

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

Questions:

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

RESPONSE

- a) The IESO continues to be supportive of a Scorecard to assist the OEB in its decision-making process when reviewing the IESO's proposed expenditure and revenue requirements. The development of community sustainability goals and emission reduction metrics does not fall within the scope of the IESO's Revenue Requirement Submissions and therefore the IESO does not support the development or reporting of these metrics in the Scorecard.
- b) Please see response at Schedule 12 - 1.1 OSEA 4a).

1 **VECC INTERROGATORY 9**

2 Issue 5.2 Are the IESO's proposed changes to the regulatory scorecard appropriate?

3 5.2-VECC-9

4 **INTERROGATORY**

5 Reference: Exhibit G, Tab 2, Schedule 3, page 1

6 Please explain how (if) the new CDDM scorecard measures are related to executive or other
7 employee compensation.

8 **RESPONSE**

9 The new CDM scorecard measures are not related to executive or other employee
10 compensation.

VECC INTERROGATORY 10

Issue 5.2 Are the IESO's proposed changes to the regulatory scorecard appropriate?

5.2-VECC-10

INTERROGATORY

Reference: EB-2019-0002, SEC Interrogatory 7

In the prior Fees proceeding EB-2019-0002 the IESO provided the following response to an SEC interrogatory asking "*how the IESO has and plans to further its engagement with both low and medium volume customers and/or groups representing low and medium volume customers.*"

"In the IESO report on Governance and Decision Making, it was recommended that the IESO fund low-volume consumer participation and representation in IESO engagements. The IESO has committed to conduct research by the end of Q4 to understand different practices across other jurisdictions and at the OEB, to inform the potential adoption of funding for low volume consumer representation. The IESO report on Governance and Decision Making is provided as Attachment 1 to this response."

- a) Please provide the result of the noted research and explain if the IESO has changed how it supports low-income participation in its planning.

RESPONSE

Research was undertaken by the IESO to understand the role of funding in enabling low-volume (residential and small business) consumer representation in electricity sector engagements. Learnings from this research indicated that while funding is a consideration for enabling participation by this group, it only addresses one of many barriers, which include:

- General lack of understanding of the roles/responsibilities of energy sector entities and what they mean to low-volume consumers;
- Complexity of the IESO's role in the energy sector;
- Lack of energy literacy – information tends to be complex and technical;
- Lack of low-volume consumer associations or advocacy groups in Ontario (as opposed to many in the United States at all levels which receive funding to participate); and
- Participation in engagements requires a great deal of time, often during the day, and there are competing priorities.

At the same time, the traditional stakeholder base in Ontario's electricity sector is changing as the sector evolves to a more distributed system with increasing opportunities for new

1 participants, including consumers. Based on these learnings, it was determined that funding
2 alone is unlikely to achieve the desired results.

3 To help address these changes and issues, outreach, communication, and engagement efforts
4 were expanded to:

- 5 1. Broaden and enhance relationships with communities
- 6 2. Build education capacity in electricity matters
- 7 3. Establish an ongoing dialogue with municipalities and Indigenous communities,
8 individuals and business groups

9 The IESO established five regional networks with more than 2,500 members that includes
10 regular communication on IESO initiatives. These networks bring together individuals and
11 organizations with an enduring interest in local, regional and provincial electricity issues, who
12 wish to discuss future needs and be informed about the latest issues and innovations in
13 Ontario's electricity sector. Regular communications and updates are shared with members that
14 are relevant to their region of the province, as well as IESO initiatives and engagements.

15 The IESO also established [*IESO Connects*](#) – a new, interactive online engagement platform,
16 which opens a new channel for discussions, education and capacity building in electricity
17 matters with communities across the IESO's five regional networks, launched in November
18 2020.

19 The IESO's hosts an annual Regional Electricity Forum that brings a cross section of community
20 and business audiences as well as associations and electricity sector organizations to explore
21 opportunities for the future evolution of Ontario's electricity sector. In particular, the Forum
22 brought a dialogue about how electricity can be harnessed to support the growth, resiliency and
23 vibrancy among communities across Ontario. Almost 500 participants attended the province-
24 wide regional forum on January 20, 2021 – the event details including a summary report and
25 recorded presentations are available on the [Forum event page](#) on IESO Connects.

26 When the IESO launched its Stakeholder Engagement Framework in 2020, it also committed to
27 recording all engagement activities so that they can be viewed at the time best suited to the
28 participant. This helps to avoid the need for low volume consumers to take time away from
29 their jobs and activities to participate and/or provide input.

30 IESO has also developed specific Customer Education efforts to address changes impacting
31 large businesses who pay the market price for electricity but do not interact directly with the
32 IESO. Each initiative is tailored for this audience and the specific impact to these consumers as
33 a change arises. For example, this program supported the roll out of the Industrial Conservation
34 Initiative, promoting an understanding of how businesses can participate.

35 Moving forward, this program will address the changes taking Ontario's electricity system as it
36 opens to a broader range of consumers as a result of aggregation and other technological
37 changes. The conversation has moved beyond managing bills to a desire to be more actively

1 engaged in the broader range of electricity issues that impact cost with new technologies
2 provide consumers with more control and communities want a say in how their needs are met.
3 The renewed focus of the Customer Education program is to help this more interested and
4 engaged audience understand new opportunities to actively participate in the electricity sector.

5 As well, the IESO continues to leverage the insights of its Stakeholder Advisory Committee
6 (SAC) to ensure well rounded policy-level input is received on IESO initiatives from a diverse set
7 of senior stakeholder representatives. The IESO SAC currently includes representation from low
8 volume consumers. Additionally, the IESO's Technical Panel (TP), which discusses proposed
9 changes to the IESO market rules, has a member from the municipal sector to bring a low
10 volume and/or residential perspective to the deliberations held by the Panel. Both the SAC and
11 TP positions include funding for participating members.

