ENERGY PROBE INTERROGATORY 7

2.1 Is the IESO's proposal to approve its 2020 Interim Usage Fees effective January 1, 2020 as final 2020 Usage Fees appropriate?

2.1-EP-7

INTERROGATORY

Reference: Exhibit A, Tab 1, Schedule 2, Page 1

Preamble: "The IESO proposes that the interim usage fees be made final fees for the period January 1, 2020 to December 31."

a) Why is the IESO not applying for 2020 fees based on actual 2020 costs?

b) When will the IESO file its application for 2022 fees?

RESPONSE

a) In light of the timing of the IESO's 2020 and 2021 Expenditure and Revenue Requirement Submissions the IESO is requesting the current OEB-approved 2020 interim usage fees be approved as final usage fees as an efficient means to dispose of 2020 fees. As well, surplus (and deficit) variances are collected in the IESO's operating reserve and recorded in the Forecast Variance and Deferral Account. The IESO's operating reserve was in a deficit position at the beginning of 2020, and the surplus from the revenue collected in 2020 acts as an incremental first step towards the recovery of the IESO's depleted operating reserve.

b) The IESO will file its 2022 Revenue Requirement Submission following Minister approval of its 2022 Business Plan.

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OEB STAFF INTERROGATORY 25

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

INTERROGATORY

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.

RESPONSE

a) Modifications to the Elenchus model since 2016 are described below:

2017 Model

The "Market Renewal Division" was added as an additional account. Market Renewal is allocated by volumes (TWh).

2018 Model

The IESO underwent an organizational realignment in late 2017 which took effect in the 2018 model. There were changes to business units but the departments were mostly unchanged. The Elenchus model allocates costs at the department level (or account level)

so the realignment of departments within business units did not materially impact the allocation of costs.

The IESO also recommended changes to two allocators:

- The "Operations Change Initiatives" allocator was changed from volumes (TWh), to the Operations & Administration composite allocator (O&A). The department was also renamed "Enterprise Change"
- The "Corporate Controller" allocator was changed from TWh to O&A

The IESO assessed that the department functions are similar to the functions included within Corporate Services, which is allocated by O&A. Elenchus agreed and implemented the changes. TWh volumes are a significant driver of the O&A composite allocator so the allocation between Domestic and Export is similar for the two allocators and the resulting impact of the changes was minimal.

2019 Model

A new account "Information Security" was added to the IT Services business unit. Information Security is allocated by O&A, which is the allocator applied to all departments within IT Services.

2021 Model

"Capacity Market Design" was added as a new department within the Planning, Acquisition and Operations unit. Capacity Market Design is allocated to Domestic (DOM) since the capacity market is designed to serve the domestic market.

There was a minor restructure of the departments within IT Services business unit, but all departments continue to be allocated with the O&A allocator.

The IESO moved the NERC membership from the CEO Office to the Policy, Engagement & Innovation unit. Typically, the costs of the departments within a business unit influence the composite allocator which is used to allocate each business unit's VP Office expenses. However, the NERC Membership costs do not influence the costs incurred by, and services provided by, the Policy, Engagement & Innovation VP. Elenchus considered this to be an accounting change rather than an operational change so the allocation of the NERC Membership is excluded from the derivation of the Policy, Engagement & Innovation allocator.

b) The Elenchus model allocates costs at the department level. There has been organizational realignment since the 2016 revenue requirement proceeding but this has typically been at the higher business unit level and not the departmental level. In Elenchus' view, the use of the Cost Allocation and Usage Fees model remains appropriate because the functions of the IESO's departments have remained sufficiently consistent.

Changes to the conservation framework have impacts on the operations of the Energy Efficiency department but they have not materially impacted the IESO's organizational

structure as a whole. The Elenchus model is structured in the same way as the OEB's cost allocation model for LDCs, in which the costs allocated to classes change appropriately as the costs incurred to serve that function change. The conservation framework has changed but the costs attributable to conservation continue to be allocated in the same manner.

New departments, such as the Market Renewal Division, are assessed by Elenchus and the IESO on a case-by-case basis. When required, an allocator is assigned based on the same cost causality principles applied in Elenchus' 2016 Report (EB-2015-0275, Exhibit B-1-1, Attachment 1). The Market Renewal Division was a noteworthy addition to the Elenchus model in 2017 so the proposed methodology was described in that revenue requirement submission (EB-2017-0150, Exhibit B-1-1, page 8).

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OEB STAFF INTERROGATORY 26

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-26

INTERROGATORY

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.

RESPONSE

a) Please see the relevant forecast data in Exhibit C-1-1, Attachment 1. The IESO's domestic and export usage fees were calculated on May 12, 2021. The demand models were modified to include drivers that capture the impacts on electricity demand as a result of policy actions (closures, lockdowns) in response to the pandemic.

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APPrO INTERROGATORY 22

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?

2.2-APPrO -22

INTERROGATORY

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

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

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

RESPONSE

The Annual Planning Outlook demand forecast was not used for the 2021 Revenue Requirement Submission. The 2022 demand forecast used is the normal weather forecast from the IESO's 2021 Q1 Reliability Outlook. The release of the Reliability Outlook is required under Market Rules, and it is published each quarter, reflecting the most up to date demand forecast appropriate for the 2021 Revenue Requirement Submission.

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APPrO INTERROGATORY 20

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?

2.2-APPrO & HQEM -20

INTERROGATORY

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

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

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

RESPONSE

The increase of the proposed 2021 export usage fee relative to the 2019 usage fee is mainly the result of a decline in export volumes. Total forecast volumes in 2021 are 3.4% lower and 2021 forecast export volumes are 9% lower than the 2019 forecast volumes which underpinned the 2019 usage fees. Though the total revenue requirement increased by 0.5%, the export class revenue requirement declined by 1.6% because some costs are allocated by volumes.

Usage fees are calculated as the class revenue requirement divided by the MWh billing determinant. The 1.6% decline in class revenue requirement is outweighed by the 9% decline in the MWh billing determinant, resulting in the 8.1% export fee increase.

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APPrO INTERROGATORY 21

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?

2.2-APPrO & HQEM -21

INTERROGATORY

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

Preamble: The proposed IESO $1.271/MWh for the domestic usage fee for 2021 represents an increase of 3.6% (or 1.78% on an annualized basis) over the OEB approved domestic usage fee of $1.227/MWh for 2019 while the proposed IESO $1.0943/MWh for export fee for 2021 represents an increase of 8.08% (or 3.96% on an annualized basis) over the OEB approved export fee of $1.0125/MWh for 2019.

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

RESPONSE

See response to Schedule 3 – 2.2 APPrO 20 for an explanation of the 8.08% increase to the export fee.

The disproportionate usage fee increases are caused by relative differences in the forecast domestic and export volumes between the 2019 revenue requirement proceeding and this proceeding. Forecast domestic volumes declined by 2.7% and forecast export volumes declined by 9% over this period. The changes in forecast volumes impacts the allocation of costs.

Though the majority of costs are allocated by either volumes or composite allocators underpinned by volumes, the NERC Membership fee for example, is allocated 50% to Domestic and 50% to exports. Lower export volumes reduce the allocation of most costs to the export class but the NERC Membership allocation does not change. As export volumes are lower, the export class's share of the NERC Membership is recovered from fewer billing determinant units, resulting in a proportionately higher usage fee.

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EDA INTERROGATORY 5

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?

EDA Interrogatory 5

INTERROGATORY

Evidence Reference: C/1/1/p2

EDA Interrogatory 5

a) Please identify and discuss the analytical methods that the IESO uses to ensure that there is no undue cross subsidization between and among the IESO's fees and charges.

b) Please state the assumptions used by each method and any assumptions that the IESO has made.

c) Please describe how the IESO tests these methods and their results.

RESPONSE

a) For a description of the "analytical methods that the IESO uses to ensure that there is no undue cross subsidization between and among the IESO's fees and charges" please see the Elenchus evidence that presents the cost allocation methodology and results (EB-2015-0275, Exhibit B-1-1, Attachment 1). The primary consideration of Elenchus in developing the methodology was adhering to the cost allocation principle of assigning cost on the basis of cost causality. Adherence to this principle is the most effective way to avoid cross subsidization of the fully allocated costs of the IESO.

b) See the response to part (a). The evidence includes the assumptions used. The IESO has made no additional assumptions in annually updating the calculations.

c) When doing cost allocation, adherence to the principle of cost causality is the approach used under generally accepted regulatory practices to avoid cross subsidization. No additional "tests" are required or appropriate. Market registration and procurement fees are determined separately and designed to apply to those that trigger the costs, recovering IESO costs and to encourage quality proposals from proponents who can demonstrate financial wherewithal.

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EDA INTERROGATORY 6

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?

EDA Interrogatory 6

INTERROGATORY

Evidence Reference: nil

EDA Interrogatory 6

a) Please identify whether the IESO proposes to provide services to LDCs or to customers situated within LDCs' service areas that LDCs are capable of providing.

b) Please discuss the appropriateness of assuming that the IESO will provide services under these conditions and quantify the level of revenues that the IESO assumes it will recover in 2021.

RESPONSE

a) The IESO's 2020 and 2021 Revenue Requirement Submissions are seeking OEB approval of fees based on the Minister approved 2020-2022 Business Plan, which lays out the IESO's core strategic priorities, and sets out the initiatives and investments that are integral to achieving them.

b) See response to a).

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EDA INTERROGATORY 7

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?

EDA Interrogatory 7

INTERROGATORY

Evidence Reference: C/1/1

EDA Interrogatory 7

a) Please identify and discuss alternative rate designs to the current IESO fee, including whether the IESO could use fully burdened ancillary services fees to recover its annual revenue requirement.

b) Please discuss how the costs that are proposed to be recovered through the proposed fees could be allocated to support quantifying fully burdened ancillary services fees.

RESPONSE

a) and b). The IESO has not considered alternatives to the rate design that has been used by the IESO and approved by the OEB since its inception. The changes in rate design that have been proposed by the IESO and approved by the OEB have sought to adhere to the principle of recovering costs on the basis of cost causality.

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ENERGY PROBE INTERROGATORY 8

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?

2.2-EP-8

INTERROGATORY

Reference: Exhibit A, Tab 1, Schedule 3, Page 1

Preamble: "The current IESO interim usage fees of $1.227/MWh for domestic customers and $1.0125/MWh for export customers were made effective January 1, 2020 by a December 17, 2019 OEB Decision on interim fees, and remain interim until final fees are approved by the OEB."

a) Please provide a schedule that shows the 2020 Actual Revenue Requirement compared to Forecast Board-approved.

b) Please provide a 2020 variance report for both OM&A and Capital.

Specifically provide 2020 Form 2K with forecast and actual Total Compensation.

c) Provide the 2020 Deficit/Surplus and indicate how this is to be disposed of.

d) Provide the 2020 forecast of Domestic and Export Charge determinants and the Forecast and actual allocation to the two classes.

e) Discuss the basis for drivers for changes from Forecast.

RESPONSE

a) There is no 2020 Forecast Board-approved; however, please see below comparison to 2020 Budget approved by the Minister of Energy

Table 1: 2020 Actual to Budget Comparison

Revenue Requirement ($ Millions)	
2020 Actual	2020 Budget
188.6	189.6

b) There is no 2020 Forecast Board-approved. See Schedule 14 - 1.1 SEC 9 for OM&A comparison to 2020 Budget approved by the Minister of Energy and Exhibit E-1-2, Attachment 1 for Capital comparison of the same.

c) Please see Schedule 3 - 1.2 APPrO 6 and Schedule 1 - 1.1 OEB 12 c) and d).

d) In light of the timing of the IESO's 2020 submission, the IESO is requesting to have the current OEB approved 2020 interim usage fees approved as final usage fees for 2020. The IESO has not proposed 2020 charge determinants. To assist with the response, the IESO has provided a table of the actual volumes from 2020 and volumes that were used to establish the interim fees from 2019.

Table 2: 2020 Actual Volumes vs Volumes for 2019 Interim Fees

Ontario Demand (TWh)		Exports (TWh)		Embedded Generation (TWh)		Total losses (TWh)		Total (TWh)	
Interim Fee	2020 Actual	Interim Fee	2020 Actual	Interim Fee	2020 Actual	Interim Fee	2020 Actual	Interim Fee	2020 Actual
134.8	132.2	19.1	20.38	7.8	6.81	3.0	2.3	158.7	157.10

e) Under the IESO's proposal outlined in the response to (d) the IESO requests approval of a 2020 revenue requirement of $188.6 million. The IESO's 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 in the IESO's Forecast Variance and Deferral Account (FVDA). With this approach there will be no variance between the revenue requirement and the revenue collected in 2020. The IESO is not proposing higher usage fees based on the 2020 Business Plan Budget.

ENERGY PROBE INTERROGATORY 9

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?

2.2-EP-9

INTERROGATORY

Reference: Exhibit C, Tab 1, Schedule 1, Plus Attachment 1, 2021 Q1 Reliability Outlook

Preamble: "The second step in calculating the IESO's proposed usage fees is to determine the volume forecasts that will be used. The domestic usage fee is calculated using the most recent IESO forecast of withdrawals for use in Ontario, less estimated losses, plus generation embedded in local distribution networks. The export usage fee is calculated using the most recent forecast of exports. Line losses are split between export and domestic customers based on their proportion of the total forecast energy volumes. The domestic forecast for this calculation does not include generation from embedded generation as energy from embedded generation is not transmitted through the IESO controlled grid and, as such, does not yield transmission losses."

a) Please provide the Standard deviation for 2015-2020 for each of
   - Ontario Demand
   - Exports and
   - Total.

b) Please confirm the 2021 forecasts (Domestic 132 TWh and Export 17.0 TWh) and how these are derived from historic data.

RESPONSE

a) Please see the following table.

Table 1: Standard deviation of Ontario Demand, Exports and Total for the 2015-2020 timeframe

Year	Ontario Demand (TWh)	Exports (TWh)	Total (TWh)
2015	137.01	22.62	162.65
2016	136.99	21.86	162.15
2017	132.09	19.10	154.67
2018	137.44	18.59	159.35
2019	135.10	19.78	158.27
2020	132.23	20.38	157.10
Standard Deviation	2.24	1.44	2.78

b) The 2021 forecasts are 132.4 TWh for Ontario demand and 17.0 TWh for export demand.

The Ontario demand forecast is generated via a linear regression model that estimates the historical relationship between Ontario demand and a number of independent drivers. These drivers are weather, calendar, population, employment, conservation savings and embedded generation output. In 2020, additional drivers were added to capture the impacts on demand due to policy measures enacted during the COVID-19 pandemic.

Exports are forecast using a three-year moving average of monthly exports. For the 2021 Revenue Requirement Submission, adjustments were made to the export volumes forecast as the amount of nuclear capacity on outage will limit the available generation output for export.

OEB STAFF INTERROGATORY 27

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?

2-Staff-27

INTERROGATORY

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.

RESPONSE

a) At the end of July 31, 2021 total actual volume is 90.4TWh which is about 1% higher than Q1 Reliability Outlook forecast. Total actual domestic demand is 1.3% higher than forecast and total actual Exports are 2.9% below forecast (see Table 1 below).

Table 1: Electricity Withdrawals – Year to date July 2021 Actual vs Forecast

Year to Date July 2021 (TWh)	2021 – Domestic Actual	2021– Export Actual	2021 – Domestic Forecast*	2021 – Export Forecast*
Demand forecast	77.2	10.0	76.9	10.4
Embedded generation	4.2		4.1	
Domestic transmission losses	-0.9		-1.5	
Exports transmission losses		-0.1		-0.2
Energy Volumes	**80.5**	**9.9**	**79.5**	**10.2**
Total Energy Volumes	**90.4**		**89.7**	

*2021 Q1 Reliability Outlook

b) The latest operating expenditure forecast (see Table 2 below), which includes 6 months of Actual and 6 months' forecast, is aligned to budget with less than 1% variance. As of July (see Table 3 below), the variance to Budget is also less than 1%, with most of the expenses expected to happen in the second part of the year.

Table 2: 2021 Forecast (6 months Actual) and Budget

($ Millions)*	as of July 31, 2021			2021 Full Year		
	Actual	Budget	Fav./(Unf.) Variance	Forecast	Budget	Fav./(Unf.) Variance
Compensation & Benefits	73.2	71.9	(1.2)	123.3	122.7	(0.6)
Professional & Consulting	6.4	5.4	(1.0)	15.6	12.9	(2.8)
Operating & Administration	19.1	20.5	1.4	34.2	36.0	1.8
Operating Expenses	**98.6**	**97.8**	**(0.8)**	**173.1**	**171.5**	**(1.6)**
Amortization	10.5	11.3	0.8	18.7	19.2	0.5
Net Interest	(1.6)	(1.0)	0.6	(3.6)	(2.5)	1.1
Total Core Operations Expenses	**107.5**	**108.1**	**0.6**	**188.1**	**188.2**	**0.1**
Market Renewal Program - Energy	**1.6**	**2.0**	**0.4**	**3.7**	**3.6**	**(0.1)**
Total Core IESO Expenses	**109.1**	**110.1**	**1.0**	**191.9**	**191.8**	**(0.0)**
Surplus/(Deficit) for the period	**(0.4)**	**(1.4)**	**1.0**	**(0.0)**	**0.0**	**(0.0)**

c) The IESO is currently collecting revenue at the OEB approved 2021 interim usage fee and will recognize any variance in revenue between the approved 2021 usage fee and the interim usage fee collected when the final 2021 usage fee is approved by the OEB. Given that the interim usage fee is lower than the requested usage fee the IESO projects that market participants will be charged for their energy withdrawals in 2021.

Table 4: 2021 Interim and Proposed Usage Fee

	2021 Interim Usage Fee	2021 Usage Fee
Domestic	$1.227/MWh	$1.271/MWh
Export	$1.0125/MWh	$1.0943/MWh

d) As long as the IESO has specific direction with regards to the charge (or rebate) recovery over multiple months, there is nominal additional settlement work (multiple monthly manual line entries for settlement statements with impacts on the same number of invoices) and no additional financial implication for the IESO.

ENERGY PROBE INTERROGATORY 10

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?

2.3-EP-10

INTERROGATORY

Reference: Exhibit G, Tab 1, Schedule 2, Table 1, IESO Adjustment Account

Preamble: "The IESO Adjustment Account is established by the Market Rules to (i) receive and disburse payments related to penalties, damages, fines, and payment adjustments arising from resolved settlement disputes and (ii) reimburse the IESO for associated costs. The Market Rules provide that any balance remaining in the Adjustment Account may be retained within the account, applied to special education projects or initiatives or be distributed to market participants on a basis determined by the IESO Board of Directors (IESO Board)."

a) Please provide the MACD guidelines/criteria related to the Adjustment Account, including how much to retain, return to market participants and use for future initiatives.

b) What is the 2021 and 2022 forecast for receipts and disposition?

RESPONSE

a) The IESO Adjustment Account was established pursuant to the Market Rules and reimburses the IESO for any associated costs or expenses related to the outcomes that contribute to the account (e.g., penalties, fines, payment adjustments). Most of the costs and expenses reimbursed are for the Market Assessment and Compliance Division's (MACD) enforcement activity costs and expenses. MACD does not determine the allocation of the adjustment account balance. The Market Rules require the IESO Board to annually review and allocate any remaining adjustment account balance and determine what will be retained in the account, be applied to future initiatives or be distributed to market participants.

b) Enforcement work is variable depending upon market participant behaviour and the associated monies recovered varies each year as these matters are subject to unpredictable negotiated settlements and rule investigations which may or may not resolve with the imposition of financial penalties. The estimate for the associated expenses that will be incurred in 2021 is $12.5 million. The IESO does not forecast the amount that may be distributed to market participants.

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ENERGY PROBE INTERROGATORY 11

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?

2.3-EP-11

INTERROGATORY

Reference: Exhibit F, Tab 1, Schedule 1

Preamble: In the IESO's 2019 revenue requirement submission a $4.7 million deficit balance was recorded in the FVDA. In 2019 and 2020, the IESO's core operations were in a surplus position resulting in a $3.7 million and $2.3 million surplus, respectively. These operating surpluses accumulated in the FVDA which, as of January 1, 2021, has a balance of $1.3 million.

a) Provide a summary of the main drivers for the FDVA opening and closing balances in 2019 and 2020.

b) What are the primary risk factors that may increase/decrease the FDVA balances in 2021 and 2022?

RESPONSE

a) Please see Schedule 1 - 1.1 OEB Staff 11d) and e).

b) As of July 2021, there are no major risks identified that will impact the FVDA balance, and based on the IESO's latest forecast it is within a 1% variance to budget. Broadly, the IESO's established enterprise risk management program supports the identification, assessment and mitigation of risks that the organization faces in achieving its objectives. Please see Exhibit B-1-2 of the IESO's 2020-2022 Business Plan for further details.

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