IESO Responses to Intervenor Settlement Conference Questions

Number	Issue/IR Reference	Question	Response
1	Ref: OEB STAFF INTERROGATORY 9	Preamble: At the above reference, the IESO stated: The collection of the PSAS recovery balance was recalculated in 2020 using the 2020 Estimated Average Remaining Service Life (EARSL) of employees (approximately 17 years) which resulted in an annual recovery of $3.3 million, $0.6 million lower than 2019. Questions: a) How did the calculation of the $3.9 million of the PSAS recovery balance in 2019 differ from the $3.3 million calculation in 2020? In other words, was there simply a change in the EARSL? If so, what was the change? Please explain. b) Please confirm that there was no change to the underlying “PSAS Transition Item – Accumulated Deficit” itself. If this is not the case, please explain.	a. The calculation for PSAS recovery in 2020 ($3.3 million) compared to 2019 ($3.9 million) was different for two reasons: 1. The PSAS Transition Item increased by $17.9 million due to prior year adjustments to the discount rate. 2. The PSAS Transition Item recovery was recalculated over a revised EARSL. b. Not confirmed, the $17.9 million noted above was an increase to the PSAS Transition Item in 2018.
2	Ref: (1) OEB STAFF INTERROGATORY 12 (2) EB-2019-0002 / Reply Submission, November 6, 2019 / p. 10	At reference #1, the IESO stated that: The IESO is addressing the recovery of the PSAS Transition Item by including approximately $3.3 million in its revenue requirement annually. The collection of the PSAS recovery balance was calculated using the outstanding PSAS Transition	The IESO’s approach to recovering the PSAS Transition Item is to recover $3.3 million annually through the revenue requirement usage fee. As of 2020, the IESO is recovering the remaining balance in equal amounts over the estimated average remaining service life of employees. The IESO strategy cited by OEB staff from 2019 was in reference to the IESO’s Operating Reserve (not the PSAS Transition Item, which is addressed above). The IESO did review its plans for recovering its Operating Reserve in 2020 and 2021.

IESO Responses to Intervenor Settlement Conference Questions

Number	Issue/IR Reference	Question	Response
		balance over the 2020 Estimated Average Remaining Service Life (EARSL) of employees (approximately 17 years)… …The operating reserve balance is currently at $1.3 million. The IESO's current strategy is to defer including additional revenue requirement in its budget to restore the $10 million operating reserve in order to mitigate the impact of cost increases on market participants. The IESO is able to manage this risk, and any operating deficits in the near term, through its credit facility, and will look to restore its balance over time through retention of any operating surpluses and further consideration of additional revenue requirement in the IESO fee in future revenue requirement submissions. At reference #2, 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). Question: a) Please explain why there has been no change in the IESO's proposed strategy (versus the prior 2019 revenue requirement proceeding) to address the funding gap for both the PSAS Transition Item accumulated deficit and any future deficits that may be reflected in the FVDA, given that the IESO had committed to reviewing its strategy.	The IESO initially had planned to include funds to replenish the deficit in the FVDA but decided to defer additional funding toward the Operating Reserve recovery in order to focus funds towards priority initiatives. Please see 1.1 SEC 2 Attachment 1 and Attachment 3 for the IESO's initial plan and the IESO Board resolution to defer recovery. Instead, the IESO has proposed to retain its 2020 operating surplus as an initial first step.

IESO Responses to Intervenor Settlement Conference Questions

<table>
<tr><th>Number</th><th>Issue/IR Reference</th><th>Question</th><th>Response</th></tr>
<tr>
<td>3</td>
<td>Ref: (1) OEB STAFF INTERROGATORY 12
(2) Exhibit B, Tab 2, Schedule 2, page 18 (2020 Annual Report, page 16)</td>
<td>At the reference #1, the IESO stated that:

The IESO is addressing the recovery of the PSAS Transition Item by including approximately $3.3 million in its revenue requirement annually. The collection of the PSAS recovery balance was calculated using the outstanding PSAS Transition balance over the 2020 Estimated Average Remaining Service Life (EARSL) of employees (approximately 17 years).

At reference #2, the IESO's 2020 Annual Report shows a December 31, 2020 PSAS Transition Item – Accumulated Deficit of $46.3 million.

OEB staff is seeking further clarification regarding the December 31, 2020 PSAS Transition Item – Accumulated Deficit of $46.3 million recorded in the IESO's audited financial statements, versus its proposal to recover $3.3 million in its revenue requirement annually.

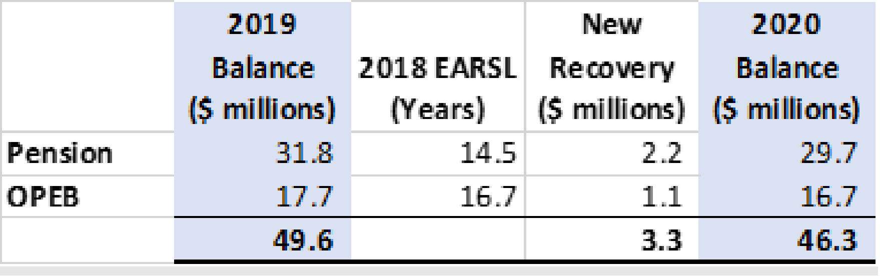
Question:

a) Please explain the difference of $9.8 million between the following:
i. $3.3 million annual recovery multiplied by 17 years which is approximately $56.1 million
ii. The December 31, 2020 accumulated deficit amount in the audited financial statements which is $46.3 million</td>
<td>There are different EARSL's for pension and OPEB. The pension EARSL is 14.5 years and the OPEB EARSL is 16.7 years. For the purposes of the IESO's response, the largest EARSL was referenced and rounded to the nearest whole number (approximately 17 years).

The IESO is currently collecting $2.2M per year to recover amounts related to pension, and $1.1M per year to recover amounts related to OPEB. In 14.5 years the IESO will have recovered the amounts related to pension and the recovered amount will reduce to $1.1M for the remainder of the collection period.

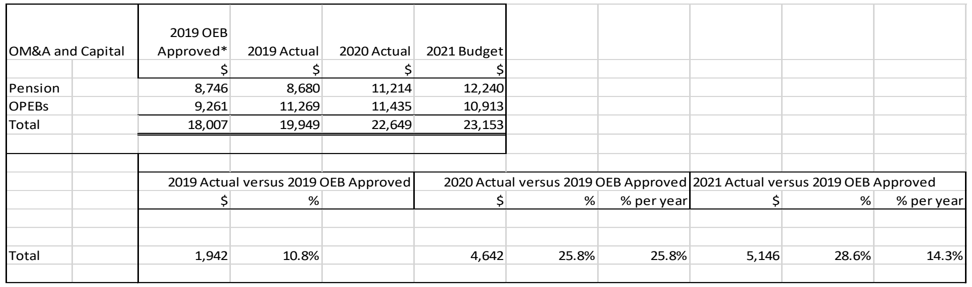
The IESO will only recover the accumulated deficit amount of $46.3 million.

For reference, the calculation of the new annual $3.3M recovery of the PSAS transition recovery details are provided in the table below:


<table>
<tr><th></th><th>2019 Balance ($ millions)</th><th>2018 EARSL (Years)</th><th>New Recovery ($ millions)</th><th>2020 Balance ($ millions)</th></tr>
<tr><td>Pension</td><td>31.8</td><td>14.5</td><td>2.2</td><td>29.7</td></tr>
<tr><td>OPEB</td><td>17.7</td><td>16.7</td><td>1.1</td><td>16.7</td></tr>
<tr><td></td><td>49.6</td><td></td><td>3.3</td><td>46.3</td></tr>
</table>
.</td>
</tr>
</table>

IESO Responses to Intervenor Settlement Conference Questions

<table>
<tr><th>Number</th><th>Issue/IR Reference</th><th>Question</th><th>Response</th></tr>
<tr>
<td>4</td>
<td>Ref: OEB STAFF INTERROGATORY 18</td>
<td>
From data at the above noted reference, OEB staff has prepared the following table regarding pension and OPEB amounts:



<table>
<tr><th>OM&A and Capital</th><th>2019 OEB Approved*</th><th>2019 Actual</th><th>2020 Actual</th><th>2021 Budget</th></tr>
<tr><td></td><td>$</td><td>$</td><td>$</td><td>$</td></tr>
<tr><td>Pension</td><td>8,746</td><td>8,680</td><td>11,214</td><td>12,240</td></tr>
<tr><td>OPEBs</td><td>9,261</td><td>11,269</td><td>11,435</td><td>10,913</td></tr>
<tr><td>Total</td><td>18,007</td><td>19,949</td><td>22,649</td><td>23,153</td></tr>
</table>

<table>
<tr><th></th><th colspan="2">2019 Actual versus 2019 OEB Approved</th><th colspan="3">2020 Actual versus 2019 OEB Approved</th><th colspan="3">2021 Actual versus 2019 OEB Approved</th></tr>
<tr><td></td><td>$</td><td>%</td><td>$</td><td>%</td><td>% per year</td><td>$</td><td>%</td><td>% per year</td></tr>
<tr><td>Total</td><td>1,942</td><td>10.8%</td><td>4,642</td><td>25.8%</td><td>25.8%</td><td>5,146</td><td>28.6%</td><td>14.3%</td></tr>
</table>

Questions:

a) Does IESO agree with the values shown in the above OEB Staff Table? If the IESO disagrees, please update the OEB Staff Table.

b) Please confirm that the above OEB Staff Table shows both capital and OM&A amounts for pension and OPEB that are reflected in the 2019 OEB-approved, 2019 Actual, 2020 Actual, and 2021 Budget. If this is not the case, please explain.

c) Please explain the large increases in pension and OPEB amounts, year-over-year, as per the above table, and whether they are reasonable.

d) Please explain whether the largest drivers of these increases may be attributable to both actuarial assumption experience and actual experience, rather than driven by collective bargaining, plan design changes (e.g., employee contribution levels), or substantial membership changes.
</td>
<td>
a. Yes, agree.
b. Yes, confirmed that the above OEB Staff Table shows both capital and OM&A amounts for pension and OPEB that are reflected in the 2019 OEB-approved, 2019 Actual, 2020 Actual, and 2021 Budget
c. The increases in cost reflects the IESO’s actuarial provider assumptions for increased benefit claims costs, updated mortality tables which assumes employees will draw on the pension plan longer, and higher pension expenses due to expected lower performance on pension plan assets due to current market conditions.
d. Yes, the largest drivers of these increases are attributable to both actuarial assumptions and actual asset performance, rather than driven by collective bargaining, plan design changes, or substantial membership changes.
</td>
</tr>
</table>

IESO Responses to Intervenor Settlement Conference Questions

Number	Issue/IR Reference	Question	Response
5	Ref: (1) PWU INTERROGATORY 2 a) (2) OEB STAFF INTERROGATORY 23 (3) ENERGY PROBE INTERROGATORY 4 (4) OEB STAFF INTERROGATORY 18 (5) OEB STAFF INTERROGATORY 22	At reference #1, the IESO stated that: The fluctuations in costs of employee benefits are driven by pension and OPEB actuarial updates – in this case resulting in steady decrease of annual cost increases. The IESO filed updated pension assumptions with the Ontario pension regulator in September 2019 (as required at least every three years per the actuarial valuation process). The largest impact from these updated assumptions was from revised life expectancy based upon the actuary's assessment of IESO's actual and expected experience. These updated assumptions were utilized to update the 2020 accounting assumptions which led to the increase in pension expense. This was echoed by the IESO at reference #2, as the IESO indicated some of the increase in cost from 2019 to 2020 reflects the IESO's higher pension expenses, for the following reasons: There were assumption updates regarding active members' demographics and plan members' longevity life expectancy based upon the actuary's assessment of actual and expected experience. These updated assumptions were utilized to update the accounting assumptions which partially led to the increase in 2020 pension expense. This was echoed by the IESO at reference #3, as the IESO stated: Employee benefits, as an expense category, represents the components of compensation and benefits related to health and dental benefit coverage,	Both have impacts to the liability update and the pension expense. The liability update filed with the Ontario pension regulator in September 2019, was largely impacted by the change in updated assumptions from revised life expectancy based upon the actuary's assessment of IESO's actual and expected experience, this has an impact to pension/OPEB expense. The change in discount rate and performance of assets also has an impact, but these are drivers for the 2019 and 2021 variances.

IESO Responses to Intervenor Settlement Conference Questions

Number	Issue/IR Reference	Question	Response
		pension plan expenses, and other (non-pension) post-employment and post-retirement benefit expenses (OPEB). The increases in cost reflects the IESO's actuarial provider assumptions for increased benefit claims costs, updated mortality tables which assumes employees will draw on the pension plan longer, and higher pension expenses due to expected lower performance on pension plan assets due to current market conditions. At reference #4, the IESO stated that regarding pension and OPEB amounts in the "Capital and Operating in Revenue Requirement Submission": • The $1.9 million increase in 2019 Actual versus 2019 OEB-approved was driven primarily by lower OPEB discount rates. • The $2.7 million variance in 2020 Actual versus 2019 Actual is mainly driven by lower return on assets caused by market conditions. • 2021 budget projects a slight increase of $0.5 million related to return on assets expectations, partially offset by an increase in OPEB discount rates. At reference #5, the IESO stated that regarding total benefits (i.e., not just pension and OPEB amounts): • The $3.0 million higher spending of 2019 Actual versus 2019 OEB-approved was driven primarily by reductions in the discount rates and higher health and dental benefit usage. • The $1.0 million higher spending of 2020 Actual versus 2019 Actual was driven primarily by lower return on assets caused by the market conditions and to a lesser degree by reductions in the discount rates between 2019 and 2020.	

IESO Responses to Intervenor Settlement Conference Questions			
Number	**Issue/IR Reference**	**Question**	**Response**
		• The $0.5 million higher spending of 2021 Budget versus 2020 Actual was primarily driven by lower return on assets caused by the market conditions between 2020 and 2021. Question: a) Please explain the IESO's statement that "the largest impact from these updated assumptions was from revised life expectancy based upon the actuary's assessment of IESO's actual and expected experience" at reference #1 (and also implied at reference #2 and reference #3), whereas in other IR responses (e.g., reference #3, #4, and reference #5) the IESO indicated that the increased cost of pension and OPEBs are primarily due to changes in discount rates and returns on assets?	
6	Ref:(1) OEB STAFF INTERROGATORY 11 (2) EB-2019-0002, Decision and Order, December 5, 2019	At reference #1, the IESO has shown an "In year surplus/(deficit)" for 2019 of $3.7 million. At reference #2, the OEB approved the IESO's proposed 2019 revenue requirement of $190.8 million. Question: a) Please confirm that since the IESO's proposed 2019 revenue requirement of $190.8 million was approved and the 2019 surplus was $3.7 million, this means that the 2019 Actual was $187.1 million. Please explain.	The 2019 actual revenue collected was $191.0M and the actual expenses were $187.3M, resulting in a surplus of $3.7M. The surplus is mainly driven by higher interest income $3.1M, lower OM&A expenses $1.1M, and higher volumes $0.2M; partially offset by higher amortization $0.7M.

IESO Responses to Intervenor Settlement Conference Questions

<table>
<tr><th>Number</th><th>Issue/IR Reference</th><th>Question</th><th>Response</th></tr>
<tr><td>7</td><td>Ref: SEC INTERROGATORY 1</td><td>SEC interrogatory 1 requested that the IESO provide a copy of all budget guidance documents that were issued regarding the budgets that underlie the application. In response to SEC's interrogatory, the IESO provided financial statements related to actual and forecast budgets for the period 2019-2022. Questions:

a) Please provide a detailed breakdown of actual 2020 revenues and expenses that sum to the IESO's 2020 revenue requirement request of $188.6 million. Please demonstrate all financial drivers of the revenue requirement, including, but not limited to, OM&A, depreciation, and interest and investment income.

b) Please provide a detailed breakdown of budgeted 2021 revenues and expenses that sum to the IESO's 2021 revenue requirement request of $191.8 million. Please demonstrate all financial drivers of the revenue requirement, including, but not limited to, OM&A, depreciation, and interest and investment income.</td><td>a) and b) Please see table below:

<table>
<tr><th>($ Millions)</th><th>2020 Actual</th><th>2021 Budget</th></tr>
<tr><td>Revenue</td><td></td><td></td></tr>
<tr><td>IESO Usage Fee</td><td>188.6</td><td>191.8</td></tr>
<tr><td>Total Revenue</td><td>188.6</td><td>191.8</td></tr>
<tr><td>Expenses</td><td></td><td></td></tr>
<tr><td>Compensation & Benefits</td><td>124.1</td><td>122.6</td></tr>
<tr><td>Professional & Consulting Fees</td><td>11.9</td><td>12.9</td></tr>
<tr><td>Operating & Administration</td><td>33.2</td><td>36.0</td></tr>
<tr><td>Operating Expenses</td><td>169.2</td><td>171.5</td></tr>
<tr><td>Amortization</td><td>19.6</td><td>19.2</td></tr>
<tr><td>Net Interest</td><td>(4.6)</td><td>(2.5)</td></tr>
<tr><td>Total Core Operations</td><td>184.3</td><td>188.2</td></tr>
<tr><td>Market Renewal Program</td><td>2.1</td><td>3.6</td></tr>
<tr><td>Total Expenses</td><td>186.4</td><td>191.8</td></tr>
</table></td></tr>
<tr><td>8</td><td>Ref:(1) OEB STAFF INTERROGATORY</td><td>At reference #1, OEB staff notes that employee contributions are $0 for the years 2019 and 2020 for both the Supplemental Employee Retirement Plan</td><td>a) Represented employee pension contributions are negotiated via the collective agreement and set as a percentage of salary. Non-represented/management employee pension contributions are set by the IESO with IESO Board approval. All</td></tr>
</table>

IESO Responses to Intervenor Settlement Conference Questions

Number	**Issue/IR Reference**	**Question**	**Response**
	18, Attachment 1, page 4 & 5 (2) Exhibit B, Tab 2, Schedule 2, Page 30 (2020 Annual Report, page 28) (3) OEB STAFF INTERROGATORY 18, Attachment 1, page 12 (4) EB-2019-0002 OEB STAFF INTERROGATORY 21	(SERP) and OPEB Plan. Employee contributions have been made towards the Registered Pension Plan (RPP). At reference #2, the 2020 Annual Report stated the following: The Plan provides a maximum benefit of 70% of highest paid, pre-retirement pensionable earnings. As the Canada Revenue Agency limits the amount of pension payable from a registered plan, the IESO has a secured supplemental employee retirement plan (SERP) to provide required pension income to meet the commitments of the Plan above that payable from the registered plan. At reference #3, the IESO's actuary stated the following: …The SERP also includes special pension arrangements provided to certain individuals. At reference #4, the IESO stated: Since 2008, the IESO has considered and conducted several due diligence efforts regarding moving pension investments to a larger pension plan investment entity to potentially better optimize IESO pension's investments management. In terms of the IESO pension plan's design and terms any changes would need to be dealt with through collective bargaining. The IESO continues to monitor its pension investment and plan design to seek better economic improvements.	employee contributions are directed to the RPP (I.e., employee contributions do not go to the SERP or OPEB). Please see Exhibit D, Tab 1, Schedule 3. With regard to SERP, the IESO consolidates employee contributions within the RPP. Employees are fully contributing their required percentage based on the pension plan contribution rates. The IESO contributes the required amounts to SERP to comply with relevant employee contracts and the Canada Revenue Agency limits. Employees do not contribute to OPEB as this is a health benefit provided by the company in retirement. b) The Income Tax Act (ITA) sets a maximum amount to be paid out as pension from the RPP. If by way of a member's earnings, the pension determined according to the plan formula exceeds that set amount, the difference is paid by SERP. The IESO views this structure as reasonable due to the need to attract and retain talent. c) The IESO performed an assessment with regard to moving the pension plan under the administration of a pension plan consolidator and determined that the costs of doing so would be greater than the costs of administering the current plan in-house. The IESO is not currently considering further assessment of moving the pension plan into a larger or different plan.

IESO Responses to Intervenor Settlement Conference Questions

Number	Issue/IR Reference	Question	Response
		Questions: a) Please discuss the IESO's process for managing its pension and OPEB amounts, including, but not limited to: o Determining the appropriate level of employee contributions towards the RPP, SERP, and OPEB Plan o Why employee contributions for the SERP and OPEB Plan are $0 for the years 2019 and 2020 (and presumably on a go-forward basis) b) Please explain the reasonableness of the structure of the SERP Plan, in particular the special pension arrangements and amounts paid that exceed those based on 70% of the highest paid, pre-retirement pensionable earnings. c) Please describe whether the IESO is still considering to move the pension plan into a larger or different plan, as also noted at reference #4. If this is not the case, please explain why, given that the IESO is to move towards the 50th percentile for compensation.	
9	Ref: (1) Exhibit D, Tab 1, Schedule 3, Page 5 (2) Exhibit D, Tab 1, Schedule 3, Page 4	At reference #1, the IESO stated the following: The IESO is planning for the following potential future negotiation items for pension: • Society employee pension plan contributions equal to 9% up to the Year's Maximum Pensionable Earnings (YMPE) covered by CPP and 11% above the YMPE to align with PWU and non-represented/Management pension	a) Yes, SOC refers to Society b) Yes, at each collective bargaining negotiations, the IESO includes proposed changes to the pension and benefits provisions for both PWU and Society to further align with those in place for its non-represented/Management employees. a. Yes b. Yes

IESO Responses to Intervenor Settlement Conference Questions

Number	Issue/IR Reference	Question	Response
		contributions. This increase in “employee” pension contributions would in turn decrease the required employer contributions. • Integration of new CPP Bridge formula to reflect CPP enhancement that will fully come into effect as of Jan 1, 2025. • Decrease indexing to 75% on the pension plan for both PWU and Society to align with Management. • Increasing employee pension contributions and cost-saving pension plan proposals will be tabled by the IESO as part of future collective bargaining. The IESO is planning for the following potential future negotiation items for benefits: • Increase employee cost contribution (cost sharing) • Identify and implement lower caps on some benefits coverage At reference #2, the IESO stated that it had made certain amendments for non-represented/Management members. However, some of these amendments do not correspond to those planned for potential future negotiation items with represented PWU and Society staff, including: • For new hires, pension benefits will not be indexed in the deferral period for these members under certain conditions (e.g., those who terminate employment prior to pension commencement eligibility) for non-represented/Management members that were hired on or after January 1, 2007. • The unreduced retirement date point will increase to Rule 90 (age and service), for all non-represented/Management members:	I. Yes II. Yes

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Number	**Issue/IR Reference**	**Question**	**Response**
		O Effective January 1, 2007, for those that were hired on or after January 1, 2007 O Effective January 1, 2017, for benefits earned for service on and after January 1, 2017 Questions: a) At reference #2, the IESO stated that "effective March 31, 2025 the undiscounted early retirement rule for PWU and SOC will change to reflect the Rule of 85 (age & service) from the Rule of 82." Please confirm that the IESO is referring to the "Society" when it uses the term "SOC". b) As part of the planned future collective bargaining negotiations to amend pension and other benefits for both PWU and Society members, has the IESO considered proposing the alignment of certain aspects of the pensions and other benefits of represented members with those of its non-represented/Management members, including: a. For new hires, pension benefits may not be indexed in the deferral period for these members under certain conditions (e.g., those who terminate employment prior to pension commencement eligibility). These terms would be similar to those for non-represented/Management members that were hired on or after January 1, 2007. b. The unreduced retirement date point may increase to Rule 90 (age and service), similar to that for all non-represented/Management members: i. Effective January 1, 2007, for those that were hired on or after January 1, 2007	

IESO Responses to Intervenor Settlement Conference Questions

Number	Issue/IR Reference	Question	Response
		ii. Effective January 1, 2017, for benefits earned for service on and after January 1, 2017	
10	Exhibit I, Tab 1.1, Schedule 1 – 1.1 OEB Staff 7, Page 5 of 5	What amount does the IESO forecast to be required to support the processing of the MACD enforcement actions and settlement disputes files that are currently under development? Of these files, how many pertain to supply side participants and how many pertain to load side participants?	The IESO is forecasting $12.5M for 2021 which includes enforcement activities and education. The profile of our investigations portfolio is confidential. MACD's mandate covers all market participants and the IESO.
11	Exhibit I, Tab 1.1, Schedule 3 – 1.1 APPrO 3, Page 1 of 1	What is the exact amount of the errors and omissions liability insurance for 2020 (actual) and 2021 (budgeted)? (These amounts are not specified in the OM&A Programs Table.)	The 2020 actual cost of E&O insurance was $276,000. The 2021 budgeted cost of E&O insurance is $315,000.
12	Exhibit I, Tab 1.1, Schedule 14 – 1.1 SEC 4, Page 2 of 3	Please provide more details, or copies of the actual risk assessments produced by the Internal Audit business unit, regarding the risk areas pertaining to "Contract Management", "Collaboration between business units" and "Simplify governance"	Internal audit has identified opportunities to improve the tools it uses to manage corporate contracts, e.g. consulting, IT, stationary, to reduce the risk of contracts expiring or exceeding total procurement value before the work is completed. Management has also added a new tool to the finance system to support contract management. This observation does not apply to the management of generation contracts. Internal audit has identified opportunities for IT and business units to collaborate earlier and more often to ensure that business needs are met in a way that

IESO Responses to Intervenor Settlement Conference Questions

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			respects IT budget and resources. IT has recently introduced a formal system of internal "account" representatives to address this challenge. Internal audit has identified an opportunity to simplify the governance of projects by evolving to an integrated project management tool set, rather than using multiple different tools as is currently the practice. Management agrees that this is an opportunity, but due to other competing priorities, the implementation of the recommendation will be delayed to 2023.
13	Exhibit I, Tab 1.1., Schedule 14 – 1.1 SEC 4, Page 3 of 3	Please provide a copy of the assessments and recommendations made by the Internal Audit business unit pertaining to "Employee expenses (2020)" and "Electricity Resource planning process (2020)	Internal Audit reports are confidential and are only shared with the client and the Audit Committee. Confidentiality is vital to the integrity of the audit process. When audit clients know the process is confidential, they are more likely to fully and openly participate in the process, increasing the value of the audit. If audit clients know that the reports will be shared, it is likely to make them more guarded. The employee expense process is considered a low-risk function at the IESO. Internal Audit performs a periodic audit as a matter of best practice. No significant challenges were identified in the audit, however opportunities were identified to improve training for tool users, improve controls on administrative users, and ensure an annual review of the SOC report of the tool provider. The observations related to administrative users and SOC review have already been actioned. Management is addressing the remaining opportunities. The electricity resource planning audit looked at the processes for planning energy and capacity for Ontario. The audit noted areas of both strengths and improvements. In particular, opportunities were identified to update the tools for demand forecasting and energy modeling. A formal project has been initiated to address energy modeling. In response to Internal Audit recommendations, the

<table>
<tr><th colspan="4">IESO Responses to Intervenor Settlement Conference Questions</th></tr>
<tr><th>Number</th><th>Issue/IR Reference</th><th>Question</th><th>Response</th></tr>
<tr><td></td><td></td><td></td><td>business unit is formalising governing documents for the planning process, including A High Level Design Document for the bulk system planning process.</td></tr>
<tr><td>14</td><td>Exhibit I, Tab 1.1, Schedule 3- 1.2 APPrO 4, Page 1 of 1</td><td>If and how are stakeholder costs and benefits taken into account as part of the IESO’s evaluation and determination of which capital projects to defer?</td><td>Although part of the consideration, there is no formal assessment of Stakeholder costs and benefits as part of IESO’s determination of which capital projects to defer.</td></tr>
<tr><td>15</td><td>Exhibit I, Tab 1.5, Schedule 3 – 1.5 APPrO 9, Page 1 of 1</td><td>Please provide a breakdown of the $8,585,000 and $10,673,000 for 2021 that were reimbursed to the IESO from the adjustment account in 2019 and 2020, respectively, as well as a breakdown of the $12.5 million forecasted to be incurred and reimbursed to the IESO in 2021</td><td>The IESO Board directs reimbursement of costs or expenses incurred determining or defending penalties, damages, fines and payment adjustments arising from resolved settlement disputes and to support special education projects or initiatives.
<table>
<tr><th></th><th>2019</th><th>2020</th><th>2021</th></tr>
<tr><td>Penalties, fines and settlement adjustment</td><td>$8.485 M</td><td>$10.673 M</td><td>$12.200 M</td></tr>
<tr><td>Special Initiatives and Education</td><td>$0.100 M</td><td></td><td>$0.300 M</td></tr>
<tr><td>Transferred to IESO</td><td>$8.585 M</td><td>$10.673 M</td><td>$12.500 M</td></tr>
</table>

The IESO does not seek fee recovery for expenses reimbursed via the Adjustment Account.</td></tr>
</table>

IESO Responses to Intervenor Settlement Conference Questions

Number	Issue/IR Reference	Question	Response
16	Exhibit I, Tab 2.2, Schedule 3 – 2.2-APPrO & HQEM – 20, Page 1 of 1; Exhibit I, Tab 2.2, Schedule 8-2.2 Energy Probe 9, Page 2 of 2	What if the IESO's forecasted decline in export does not come to fruition (either due to delayed off-ramp of nuclear refurbishments or unanticipated load reduction due to continued waves of COVID-19 or otherwise)? If and how can/will exporters be compensated after the fact for any overpayments?	The OEB's approval is based on the usage fees as filed in the application. The IESO formulates its fees based on forecasts of domestic and export volumes and the IESO does not change its domestic or export usage fees based on actual demand after gaining OEB approval.
17	Exhibit I, Tab 2.2, Schedule 3 – 2.2-APPrO & HQEM – 21, Page 1 of 1	Is it possible for the IESO to apportion the NERC Membership differently as between the domestic class and exporters, i.e. other than 50/50%?	Elenchus' recommended allocation and the approved methodology is to allocate 50%/50%. The 50/50 allocator is used from the 2016 report which related that: "The costs related to NERC membership are caused in large part, but not exclusively, to maintain Ontario's export capability." While theoretically possible, the IESO has not found reasons to depart from the approved methodology.
18	Issue 3	The IESO is using its proposed increased registration fee in part to "encourage only serious proposals that proponents can deliver on". (Exhibit I, Tab 3.1, Schedule 1 – 3.1, OEB Staff 28, Page 2 of 3) Is this consistent with the technology agnostic approach the IESO purports to adhere to in its AAR? Is this approach consistent with enabling the implementation of new resources?	Yes, the proposed fee is consistent both with a technology agnostic approach and enabling the implementation of new resources. The IESO's resource acquisition framework is being developed to ensure Ontario's electricity system remains reliable. Providing electricity services requires not only an understanding of electricity principles and market dynamics, but may also require knowledge of infrastructure construction, project siting, permitting, and community and Indigenous engagement. Paying fees is a way to ensure that the proponents are serious and capable of undertaking the proposed project. It also

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			increases the confidence for the IESO that proposed projects will be successful to meet the outlined reliability needs. Furthermore, the proposed fee structure is aligned with the fee structure used for the Large Renewable Procurement (LRP 1) which was designed to acquire new-build renewable electricity resources. The LRP 1 had a fee that amounted to a maximum of $40,000 for the RFQ and an RFP registration fee of $10,000, for a total of up to $50,000. Stakeholders at that time encouraged the IESO to leverage higher fees to encourage serious proposals, and the IESO saw a high level of participation in LRP, from a broad spectrum of participants.
19	Issue 3	Does this approach provide certain market participant classes with an undue advantage and or unduly discriminating against other market participant classes, contrary to the *Electricity Act*?	No, the fee is applicable to all procurement participants.
20	Exhibit I, Tab 3.1, Schedule 12 - 3.1, OSEA 5, Page 2 of 3	What steps or processes does the IESO implement to mitigate against the costs of legal and technical advisors for the negotiation of a bi-lateral agreement, which is currently estimated to be $100k - $150k per agreement.	These negotiations are led by internal resources, with external legal and technical consultants used to supplement and support the negotiations with their expertise when required. Further, the consultants supporting these procurements were competitively procured.
21	Exhibit I, Tab 3.2, Schedule 3 – 3.2-APPrO 23, Page 1 of 1	Does the “administrative effort expended by the IESO to complete the process of registering and authorizing market and program participation” include engineering work? If so, what is the cost of insuring that engineering work including for related impact assessments?	No, the effort to complete the work referenced does not require any engineering work and is strictly administrative in nature.
22	Exhibit I, Tab 4.4, Schedule 14 – 4.4 SEC 22, Attachment 4, Page 4 of 18	Why does the IESO state that market participants can challenge new market rules “at little cost to the participant”?	Based on OEB precedent for cost award eligibility in connection with challenges to market rule amendments under section 33 of the *Electricity Act*, the OEB may grant cost awards to market participants bringing applications to review market rule amendments for the Market Renewal Project.

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23	Issue 4	Other than the expedited dispute resolution process using an independent evaluator for establishing reference levels and reference quantities, what other steps has the IESO taken to mitigate against this risk?	To clarify, the Independent Review Process (IRP) is not an expedited dispute resolution process. It is a third-party review of submitted reference levels and reference quantities, to provide potential redress for market participants. In addition to the IRP, the IESO is completing extensive stakeholder outreach, through the High-level Design, Detailed Design, Technical Sessions and including 1 on 1 consultations, to ensure stakeholders have a comprehensive understanding of what these values represent and how they are used within the Market Power Mitigation framework. In general, the primary risk mitigation measure is a robust, and transparent stakeholder engagement process, where stakeholders have an opportunity to provide advice, recommend changes, request rationale or clarification. The IESO responds to each comment, is accessible for discussions, and shows the responses and revisions as the Market Renewal documentation moves ahead.
24	Issue 4	The evidence indicates that in order to mitigate against the risk of market participants bringing market rule amendment review applications to the OEB, there are planned meetings between IESO and OEB Senior Management teams in development. Please provide copies of the agenda for these meetings, as well as lists of any action items coming out of those meetings.	The IESO’s mitigation is to address the impacts of a challenge of MRP rules at the OEB. Meetings are planned to be used to share information with the OEB with regards to the foundational changes for MRP, including Market Rule changes as those are developed. As these meetings are still being planned for the future, there are no agendas or action items.
25	Exhibit I, Tab 1.1, Schedule 14 – 1.1, SEC 6, Page 1 of 2	In regard to MRP only, how does the IESO determine which market manual content should be provided to stakeholders for review with draft market rules.	All changes to Market Manuals will be provided to stakeholders for review. There may be times where specific Market Manual language may not be drafted at the time that certain Market Rules are shared. In those cases, the IESO would share the intent and concepts that would be included in the Market Manuals that are associated with the Market Rule changes. All Market Manual language will eventually be made available for stakeholder review.
26	Issue 1.1, EDA interrogatory 1	The response provides the total operating costs of MRP in 2020 and 2021. I would like to know how the operating costs for MRP are being spent?	Please refer to Exhibit G, Tab 2, Schedule 1, Page 7, Table 6, and Page 8 Table 8. Operating costs include activities such as: Market Rule and Market Manual

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			development, development of process models and specifications, training, stakeholdering efforts and general staff expenses.
27	Issue 2.2, EDA interrogatory 5	There is a reference to an Elenchus report that presents a cost allocation methodology. While I'm not questioning the appropriateness of the methodology when it was initially developed, how do we know if it is working as intended, particularly since things may have changed between then and now? What tests has the IESO performed to validate that the methodology is working appropriately?	The usage fee model includes validity "checks" to ensure costs are appropriately allocated and usage fees are calculated correctly. This includes checks that are in the OEB cost allocation model used for LDCs (which the usage fees model is based on). A tab has been added to the standard OEB cost allocation model to calculate the costs allocated between Domestic and Export. The allocated costs are calculated manually and independently from the rest of the model, so cost allocation is calculated twice within the model. There is some redundancy and any errors would be caught if the class revenue requirements do not match. Any minor changes made to the model have to be made twice, in different ways, which again would make any model errors obvious if the resulting allocated costs do not match. Each year Elenchus analyses the change in fees from year to year and provides the reasons for any increase/decrease. The reasons are either i. changes in load or ii. major shifts in the budget between departments. Any fee changes that are the result of model errors would be caught at this stage. Please also see OEB Staff-25, which provides all the model changes since 2016. The methodology has not materially changed since 2016.
28	2.2, 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.	a) & b) All of the IESO's activities are within its mandate. The IESO has filed its Minister approved business plan and revenue requirement submission which lays out the investments necessary to carry out its mandate. The IESO is not in a position to assess the services LDCs are capable of providing.

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29	4.4 SEC 23	Does the Project Charter still govern MRP?	The project charter no longer governs MRP. As per the MRP Business Case, the program established a program governance framework that outlines where decisions should be made. Governance of the MRP is provided by the IESO Board who approve business objectives and an envelope on schedule and budget. An Executive Steering Committee (ESC), comprised of the IESO Executive Leadership Team, works within this envelope to provide strategic direction to the project team and approve scope and delivery strategy. The ESC and the project team are supported by an advisory group comprised of senior leaders throughout the organization who provide guidance and direction for the successful delivery of the program.
30	4.4 SEC 23	What is our rationale for not providing the MRP Integrated Project Plan?	The IESO has not provided the IPP because the current project status and project plan have been provided in the documents referenced below: • 2020-2022 Business Plan • MRP Cost Report • MRP Baseline Schedule • In response to 4.4 SEC 22: • Attachment 1, MRP Status Update; • Attachment 2, MRP Milestones; • Attachment 3, MRP KPIs; • Attachment 4, MRP Strategic Risks Update, and; • Attachment 5, MRP Update for Board of Directors.
31	1.2 OSEA 3	With respect to the Energy Efficiency Auction Pilot, please confirm the timing for when the IESO will evaluate the outcomes of the pilot to determine whether EE can be integrated into the Capacity Auction	IESO is planning to complete the final cost-effectiveness evaluation of the Energy Efficiency Auction Pilot in early-2024. No determination on Energy Efficiency participating in future capacity auctions would be made in advance of that evaluation.

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32	4.5 REASCWA 22	Confirm no other capital projects are needed to support the MRP. Specifically that the RSS is needed to support MRP, and therefore, should we be treating other capital being spent on these projects as MRP capital?	The RSS project will replace the IESO's settlement system and the IESO would pursue the RSS project independent of MRP. RSS will support MRP by facilitating the implementation of the new settlement design requirements required to deliver settlements for MRP. Specifically, there are a number of new charge types and equations being delivered as part of MRP that need to be introduced into the Settlement Systems and the RSS project has planned to support this work under a fixed priced contract with the vendor developing the settlement platform. The IESO has not identified any material incremental capital costs related to this work. There are no other capital projects needed to support the MRP.