

OEB STAFF INTERROGATORY 28

Issue 3.1 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?

3-Staff-28

INTERROGATORY

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

Preamble:

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

Questions:

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

RESPONSE

- a) The IESO has not yet established registration or proposal fees for upcoming procurements. The request to increase the fee up to a maximum of \$50,000 allows the IESO to charge a fee, to an established maximum threshold, for participation in procurements. The fee is intended to encourage quality proposals from proponents who

1 can demonstrate financial wherewithal and to allow the IESO to defray some of the
2 costs of administering the procurement. The proposed increase to the fee is based on
3 IESO experience from running past procurements, fees charged in other jurisdictions for
4 similar procurements, and with consideration that near term procurements outlined in
5 the IESO's Annual Acquisition Report may solicit larger scale projects and will require a
6 means to encourage only serious proposals that proponents can deliver on.

7 With regard to the IESO's experience from running past procurements, the request for
8 charging a registration fee up to \$50,000 was based off the Large Renewable
9 Procurement (LRP 1) which was designed to acquire new-build renewable electricity
10 resources. The LRP 1 was run by the former Ontario Power Authority and had a fee that
11 amounted to a maximum of \$40,000 for the RFQ and an RFP Registration Fee of
12 \$10,000.

13 The IESO also examined similar procurements run by the Alberta Electricity System
14 Operator (AESO). The AESO's Renewable Electricity Program (REP) procurement
15 charged similar submission fees that are in all cases, not to be less than \$10,000 and
16 not more than \$50,000 plus, in all events, \$2,500 for each renewables project proposal
17 in excess of one.

- 18 b) The IESO did not conduct any procurements for electricity resources in 2019 and 2020
19 where the \$10,000 registration fee was charged.
- 20 c) The proposed threshold is a maximum amount. The IESO will present draft documents
21 for stakeholder comment, which will include any fees that are proposed to be charged
22 as part of every procurement. At the draft request for proposal (RFP) and draft contract
23 stage, proponents will have an opportunity to comment on the draft procurement
24 design, including the proposed fee. The IESO will aim to balance stakeholder feedback
25 with the desire to establish a threshold for participation that ensures quality proposals
26 are submitted by proponents with financial wherewithal.
- 27 d) As described in the IESO's Annual Acquisition Report (AAR), the IESO has proposed that
28 it will commence the Medium-Term RFP in 2021 and conclude in 2022. In addition, the
29 IESO will continue development work on the Long-Term RFP. Both procurements are
30 capacity procurements. The registration fees for these procurements have not yet been
31 established but would not be greater than \$50,000, which is the proposed maximum
32 fee. Stakeholders will have an opportunity to comment on the proposal fee/registration
33 fee during the draft RFP stage of each procurement. Future procurements that focus on
34 new-build facilities will require significant capital investment and therefore financial
35 wherewithal on the part of proponents. Higher fees may be warranted in these cases in
36 order to ensure that quality proposals are submitted.
- 37 e) The IESO does not foresee incurring the same level of costs for each procurement. Each
38 procurement will be unique and based on the reliability and system needs to be met at

1 the time. The IESO will establish fees that reflect the unique circumstances of each
2 procurement, including the expected participants, size of projects, the procurement
3 target and other factors. As stated in response to a), the proposed registration fee
4 would be a maximum. The actual registration fee used in a particular procurement could
5 be adjusted to account for the variables outlined above. As stated in response to c), the
6 IESO would stakeholder the proposed registration fee for each procurement.