



Independent Electricity System Operator

Application for Approval of 2022 Expenditures, Revenue Requirement and Fees

DECISION ON CONFIDENTIALITY AND ISSUES LIST May 6, 2022

The Independent Electricity System Operator (IESO) filed an application with the Ontario Energy Board (OEB) on March 4, 2022 under section 25(1) of the *Electricity Act, 1998*, seeking approval for its 2022 expenditures, revenue requirement and fees.

Part 1: IESO Confidentiality Request

In its application cover letter, the IESO requested confidential treatment for certain information in Exhibit G-1-1 Attachment 2 – Project Charter for Dynamic Limits in Real Time and Exhibit G-1-1 Attachment 3 – Project Charter for Market Analysis and Simulation Toolset.

The IESO stated that Attachments 2 and 3 were developed as internal documents and contained information that is not the relevant business case information expected by the OEB's Decision and Order to EB-2019-0002. The IESO requested confidential treatment for the redacted portions in the attachments for the following reasons:

- Disclosing information that relates to the IESO's IT systems creates a cyber security risk which would allow for a threat actor to gain insights into IESO systems and status that could be used for malicious purposes. As well, disclosing the names of individuals and detailed document IDs, or other identifiers, provide specifics that would enhance attacks against the IESO, such as phishing and impersonation attacks, that could allow a threat actor to obtain sensitive information. Individual names also constitute personal information and are not relevant to the proceeding.
- Disclosing information that relates to yet to be launched procurements could interfere significantly with negotiations being carried out by the IESO.
- Information consists of technical material of a third party.

Procedural Order No. 1 indicated that, in accordance with section 11.1.3 of the *Practice Direction on Confidential Filings*, the OEB would review the confidential, un-redacted versions of Attachments 2 and 3 to confirm that the redacted information is not relevant and that following this review the OEB would provide further directions concerning any information that is relevant but for which the IESO has sought confidential treatment.

Decision on Confidentiality Request

The OEB approves the IESO's request for confidential treatment of the unredacted Exhibits G-1-1 Attachment 2 – Project Charter (DLRT), and G-1-1 Attachment 3 – Project Charter (MAST). In approving the IESO's request for confidential treatment of these Exhibits, the OEB notes that in the traditional approach of requests for confidentiality, under section 2(3) of the *Freedom of Information and Protection of Privacy Act*, names, titles, and contact information of persons acting in a business, professional, or official capacity is not personal information. Nevertheless, the OEB accepts that, in this instance, the necessity for confidentiality arises from the IESO's explanation that the redacted portions should be protected because disclosure of said portions relate to cyber security risk. Further, the OEB accepts that disclosing information that relates to the IESO's information technology systems creates a cyber security risk which could allow for a threat actor to gain insights into the IESO's systems and status that could be used for malicious purposes. As well, disclosing the names of individuals and detailed document IDs, or other identifiers, provide specifics that could enhance attacks against the IESO, such as phishing and impersonation attacks, that could allow a threat actor to obtain sensitive information.

The OEB's Decision respecting confidentiality in the IESO Application for Approval of 2020 and 2021 Expenditures, Revenue Requirement and Fees dealt with similar cyber security matters.¹ That Decision ordered the IESO to provide unredacted copies to individuals that executed the OEB's form of Declaration and Undertaking, subject to the IESO's right to object to the Declaration and Undertaking from any individual. In this instance, the OEB accepts the IESO's submissions respecting the danger posed by the potential effects of a breach of cyber security, and so need not seek submissions from parties on the confidential designation of the information. Parties that may wish to examine unredacted portions of the IESO's Exhibit E-2-1 Attachment 2 – Project Charter for: Dynamic Limits in Real Time (DLRT) and Exhibit E-2-1 Attachment 3 – Project Charter for: Market Analysis and Simulation Toolset (MAST) may do so by providing the OEB's form of Declaration and Undertaking.

¹ Decision and Order (EB-2020-0230), November 18, 2021, p. 6-7.

The OEB notes that, redactions from evidentiary filings for the reason of relevance are primarily directed to the exclusion of information concerning operations or activities carried out by the applicant that are not subject to regulatory oversight by the OEB. Where evidence pertains to operations and activities regulated by the OEB, information that provides context for those operations or activities will not ordinarily be redacted solely on the premise that accounting computations or revenue requirement might still be derived without that information.

The OEB does not accept the proposed redaction on page 19 of E-2-1, Attachment 3 (MAST). The OEB finds all of the information on this page to be relevant information within the context of overall savings to ratepayers from IESO programs and initiatives. The OEB does not find it necessary to deal with the issue of relevance for the remaining proposed redactions as the proposed redactions have already been found to be confidential on the basis of cyber security (with one exception described below).

The OEB accepts the IESO's proposed redactions for reasons of confidentiality to protect the technical material of a third party (E-2-1, Attachment 2 (DLRT), page 1). Interested parties may obtain an unredacted version of that attachment if they file the requisite Declaration and Undertaking. The OEB also accepts the redaction for confidential reasons of three pages of E-2-1, Attachment 3 (pages 13, 14/15 and 18). This is because of the potential harm that could result from the disclosure of this information including significant interference with negotiations to be carried out by the IESO. Interested parties may obtain access to these redacted pages by filing a Declaration and Undertaking. The OEB also accepts the IESO's request for the proposed redaction solely on the basis of relevance (E-2-1 page, 23).

Part 2: Issues List

As part of its application, the IESO filed a draft issues list. Procedural Order No. 1 provided for OEB staff and intervenors to comment on the IESO's draft issues list and for the IESO to respond to those comments. Procedural Order No. 1 also indicated that the OEB Panel would determine the final issues list prior to the filing of interrogatories.

Decision on Issues List

Submission of OEB Staff

OEB staff requested that Issue 3.0 be renamed to “*Application and Reliable Integration Fee*” and that a new issue, entitled “*Is the \$1,000 Application Fee for market participation appropriate?*” be included as Issue 3.2. OEB staff’s request was supported by the Vulnerable Energy Consumers Coalition (VECC). The IESO did not oppose the renaming of Issue 3.0 or OEB staff’s proposed Issue 3.2.

OEB staff further submitted that the IESO’s proposed Issue 5.1 be revised to “*Has the IESO responded appropriately to all OEB directions from previous proceedings?*” School Energy Coalition and VECC supported OEB staff’s request. In its submission, OEB staff indicated that the revision was necessary given the IESO’s proposed wording narrowly focused the scope of Issue 5.0 on only one of the 18 commitments the IESO made during previous revenue requirement proceedings. OEB staff stated that the revision would expand the scope of Issue 5.0 to allow for discovery on the actions taken by the IESO in response to all 18 commitments as well as all OEB directions from other proceedings that may be relevant.

The IESO opposed OEB staff’s proposed revision on the basis that it would provide unlimited scope and allow parties to review “any and all” OEB directions from previous proceedings. The IESO further stated if the OEB accepts OEB staff’s proposed revision of Issue 5.1, the OEB should limit the scope to include commitments made by the IESO in the EB-2020-0230 proceeding. The IESO submitted that it would be reasonable to focus the Issue on those commitments and therefore proposed to replace Issue 5.1 with, “*Has the IESO responded appropriately to OEB directions included in the OEB-approved Settlement Agreement for EB-2020-0230?*”

Findings on OEB Staff’s Submission

The OEB finds it appropriate to rename issue 3.0 to Application and Reliable Integration Fee and to add a new issue as 3.2, “Application Fee for Market Participation”.

With respect to the proposed amendment to Issue 5.1, the OEB understands the IESO's objection that amending this issue per the wording suggested by Board staff could provide unlimited scope and allow parties to review “any and all” OEB directions from previous proceedings. Nevertheless, the OEB does not accept the IESO’s rationale and notes that applicants have an obligation to show progress towards achieving directives from previous decisions. However, this obligation is limited to those directives that continue to remain in place. Accordingly, the OEB will amend Issue 5.1

to read, “*Has the IESO responded appropriately to outstanding OEB directions from previous proceedings?*”.

Submission of the Association of Major Power Consumers of Ontario (AMPCO)

AMPCO submitted that the IESO’s proposed Issue 1.2: “*Are the IESO’s 2022 projected staffing levels and compensation (including salaries, benefits, pensions and other post-employment benefits) appropriate?*” should be revised to remove the reference to 2022 on the basis that staffing levels and compensation should be reviewed in the context of the 2022 to 2024 business plan. VECC supported AMPCO’s request.

The IESO opposed AMPCO’s proposal to remove the year 2022 from Issue 1.2. The IESO stated that the current proceeding should be focused on the OM&A and capital expenditures for the year for which the IESO is seeking approval, which in this case is 2022. The IESO further clarified that it is not seeking OEB approval for expenditures in future years.

AMPCO further submitted that an additional Issue entitled “*Is the IESO’s 2022 Regulatory Scorecard appropriate?*” should be added to the Issues List. VECC supported AMPCO’s request. AMPCO noted that a similar issue appeared on the Issues List in the IESO’s 2019 Revenue Requirement proceeding² and that the scorecard assists the OEB in its decision-making process when reviewing the IESO’s proposed expenditure and revenue requirements.

The IESO opposed AMPCO’s proposal to introduce a new Issue related to its scorecard. The IESO commented that AMPCO had not explained how the proposed addition would improve upon the draft Issues List and enhance the review of the IESO’s 2022 Revenue Requirement Submission more effectively than the currently drafted Issues. The IESO agreed with AMPCO’s statement that the scorecard assists the OEB in its decision-making process and commented that that is the reason it was included in its application.

Findings on AMPCO’s Submission

The OEB will not change the IESO’s proposed Issue 1.2 by removing “2022”. The OEB notes that the IESO’s current Fee application is limited to 2022 despite the IESO having submitted a three-year Business Plan. The OEB also notes that preparing and submitting multi-year business plans is a common business practice, intended to provide Boards of Directors, Shareholders and other governing bodies with forecast

² EB-2019-0002

information beyond the fiscal year for which approvals are being sought, and this is clearly the case here.

The OEB agrees with the IESO that there is no need to include a separate issue about the appropriateness of the IESO's 2022 Regulatory Scorecard. As the IESO has noted, its 2022 Regulatory Scorecard has been included in evidence (Exhibit G-2-3) and the OEB finds that the Scorecard can be appropriately examined by parties under Issue 1.0 Revenue Requirement, Operating Costs and Capital Spending. Finally, on this issue, the OEB notes that the IESO had proposed changes to its Regulatory Scorecard as part of its Application for Approval of 2020 and 2021 Expenditures, Revenue Requirement and Fees, and those changes were examined and agreed to by parties as part of the settlement in that proceeding.³ The IESO has not proposed any changes to the now agreed-to Regulatory Scorecard in this proceeding.

Submission of Ontario Sustainable Energy Association (OSEA)

OSEA proposed that the following additional sub-issue be included under Issue 1.0 in order to capture the IESO's operation and maintenance activities: *"Is the IESO's 2022 operating budget of \$186.5 million for OM&A for Fiscal year 2022 appropriate?"* OSEA submitted that the addition of the issue would facilitate consideration of the IESO's key OM&A initiatives, including Resource Adequacy and the Enabling Resources Program, and the funds allocated to each.

The IESO opposed OSEA's proposal on the basis that the existing Issue 1.1 covers the entirety of the IESO's proposed revenue requirement, which includes OM&A expenditures, among other items and that the addition of the new Issue is therefore unnecessary.

Findings on OSEA's Submission

The OEB finds that Issue 1.1 covers the entirety of the IESO's proposed revenue requirement, and OSEA's proposal to address the IESO's 2022 operating budget adds unnecessary specificity. Accordingly, the OEB will not change Issue 1.0 by adding the sub-issue proposed by OSEA.

Submission of the Canadian Renewable Energy Association, Energy Storage Canada and the Ontario Water Power Association (REASCWA)

³ EB-2020-0230, Exhibit S-1-1, Page 19.

REASCWA noted that its submission was filed in consideration of Ontario's forecast supply needs and supply resource procurements. It proposed that four new issues be added to Issues List, as follows.

REASCWA proposed that the following Issue be added as a sub-issue under Issue 4 Market Renewal Program (MRP): *“Are the scope, timing, costs, and net benefits of the overall MRP project still appropriate given the IESO’s forecast of significant increases in supply needs and the IESO’s proposed procurement plans to secure needed supply resources?”*

The IESO opposed the proposed sub-issue on the basis that the proceeding is not an opportunity for parties to consider the scope of market design under the MRP. The IESO highlighted that it conducts stakeholder engagement activities that provide parties with the opportunity to participate in the MRP implementation process. The IESO further stated that it's “2022 Revenue Requirement is based on a Business Plan that has been reviewed and approved by the Minister of Energy and the review of the IESO’s application should be focused on the IESO’s OM&A and capital expenditures.” Accordingly, the IESO submitted that to the extent parties wish to examine OM&A or capital expenditures related to MRP, such matters are covered by its proposed Issues 4.2 and 4.3.

REASCWA also proposed that a sixth Issue be added entitled *“Planned Supply Resource Procurements to meet Supply Needs”* and the following sub-issues be included in this category:

- a. *Is the IESO’s OMA budget for supply resource procurements sufficient to address the expanded supply needs that have been identified by the IESO since the Business Plan was filed with the Minister of Energy?*
- b. *Given the increasing supply gap and the ability of energy storage, hybrid energy resources, renewable energy resources, and distributed energy resources to help meet supply needs, is the budget allocated to applicable IESO initiatives sufficient to accelerate the implementation of these resources?*
- c. *Given the expected need for new supply resource project development and investment, is the IESO’s OMA allocation to support System Impact Assessments and other requirements for supply resources to connect to the grid sufficient?*

The IESO opposed the additional Issues. The IESO stated that proposed Issues a and c are too narrowly focused and that the existing Issue 1.1 allows for examination of the IESO's proposed revenue requirement of \$201.5 million for Fiscal Year 2022, which includes OM&A expenditures. The IESO argued that proposed Issues a and c do not improve upon the draft Issues List and to the extent the above noted activities are material and relevant to the matters in this proceeding, they can be reviewed within the context of the existing wording of Issue 1.1.

Regarding Issue b, the IESO stated that the "revenue requirement submission is not a proceeding to consider the implementation or procurement of particular supply resources" and that its 2022 Revenue Requirement Submission is "based on a Business Plan that has been reviewed and approved by the Minister of Energy and the review of the IESO's application should be focused on the IESO's OM&A and capital expenditures."

Findings on REASCWA's Submission

The OEB will not amend Issue 4.0 by adding the sub-issue proposed by REASCWA. The OEB agrees with the IESO that this proceeding is not an opportunity for parties to consider the scope of market design under the MRP, and that the IESO conducts stakeholder engagement activities that provide parties with the opportunity to participate in the MRP implementation process. Further, to the extent that parties wish to examine OM&A or capital expenditures related to MRP, such matters are covered by Issues 4.2 and 4.3.

The OEB finds it unnecessary to add the sixth issue as proposed by REASCWA. The OEB agrees with the IESO that REASCWA's proposed issues 6a and 6c can be reviewed within the context of the existing wording of Issue 1.1. Further, the OEB also agrees with the IESO that this revenue requirement submission is not a proceeding to consider the implementation or procurement of particular supply resources and that the review of the IESO's application should be focused on the IESO's OM&A and capital expenditures. The effect of any change required in the OM&A budget as a result additional supply needs identified by the IESO after approval of the business plan may be explored in the context of the approved Issues List.

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. The Issues List attached as Appendix A is approved.
2. The Independent Electricity System Operator will provide unredacted versions of the attachments for which confidential treatment has been granted to parties who sign the OEB's Form of Declaration and Undertaking.

DATED at Toronto, **May 6, 2022**

ONTARIO ENERGY BOARD

Nancy Marconi
Registrar

SCHEDULE A

FINAL ISSUES LIST

DECISION ON ISSUES LIST

INDEPENDENT ELECTRICITY SYSTEM OPERATOR
EB-2022-0002

May 6, 2022

Schedule A: Final Issues List

1.0 Revenue Requirement, Operating Costs and Capital Spending

- 1.1 Is the IESO's Fiscal Year 2022 revenue requirement of \$201.5 million appropriate?
- 1.2 Are the IESO's 2022 projected staffing levels and compensation (including salaries, benefits, pensions and other post-employment benefits) appropriate?
- 1.3 Is the IESO's 2022 capital expenditure envelope of \$71.2 million for capital projects for Fiscal Year 2022 appropriate?

2.0 Usage Fees

- 2.1 Is the methodology used to derive the IESO's proposed 2022 Usage Fees of \$1.3329/MWh for domestic customers (including embedded generation) and \$1.0126/MWh for export customers to be paid commencing January 1, 2022 appropriate?
- 2.2 Is the IESO's request to charge (or rebate) market participants the difference between the approved 2022 IESO Usage Fees and the interim fees they paid in the next billing cycle following the month in which OEB approval received appropriate?
- 2.3 Is the proposed January 1, 2022 effective date for the IESO's 2022 Usage Fees appropriate?

3.0 Application and Reliable Integration Fee

- 3.1 Is the IESO's proposal to charge proponents a Reliable Integration fee at an hourly rate of \$145/hour for activities the IESO undertakes to reliably integrate new or modified facilities to the IESO-Controlled Grid appropriate?
- 3.2 Application Fee for Market Participation.

4.0 Market Renewal Program (MRP)

- 4.1 Is the reporting on financial and operational performance of the MRP appropriate?
- 4.2 Are the IESO's forecast 2022 operational costs for the MRP appropriate in the context of the scope and timing of the overall project?

4.3 Are the IESO's forecast 2022 capital costs for the MRP appropriate in the context of the scope and timing of the overall project?

4.4 Is the IESO's MRP Baseline Schedule and Budget for each year of the MRP appropriate?

5.0 Commitments from Previous OEB Decisions

5.1 Has the IESO responded appropriately to outstanding OEB directions from previous proceedings?