

Ontario Energy Board

IN THE MATTER OF subsection 25 (1) of the Electricity Act, 1998;

AND IN THE MATTER OF a submission by the Independent Electricity System Operator to the Ontario Energy Board for the review of its proposed expenditure and revenue requirements for the fiscal year 2022 and the fees it proposes to charge during the fiscal year 2022.

Independent Electricity System Operator 2022 Expenditure and Revenue Requirement

Energy Probe Research Foundation Interrogatories

May 13, 2022

EB-2022-0002
Independent Electricity System Operator
2022 Expenditure and Revenue Requirement

ISSUE 1: Revenue Requirement, Operating Costs and Capital Spending

1.1 Is the IESO's Fiscal Year 2022 revenue requirement of \$201.5 million appropriate?

Energy Probe IR #1

Ref.: Exhibit A Tab 1 Schedule 3 Page 1 ; Exhibit C Tab1 Schedule 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 details of the 2021 Actual Revenue Requirement compared to Forecast Board-approved.
- b) Provide the 2021 Deficit/Surplus and indicate how this is to be disposed of.
- c) Do IESO's proposed expenditures for 2022 take into consideration the most recent inflationary pressures? If not, how will inflationary pressures affect the realization of 2022 projects?

Energy Probe IR #2

Ref.: Exhibit A, Tab 2 Schedule 2, Attachment 1, Affordability, Reliability, Sustainability Measures 5-8

- a) Please provide historic levels 2017-2021 for each measure.
- b) Discuss the use of the measures -internal (such as Performance/Compensation) and external (Stakeholder Engagement).
- c) What are the consequences of achieving/not meeting each of the measures? For example on Compensation/Incentives.

Energy Probe IR #3

Ref.: Exhibit F Tab 1 Schedule 1 Table 1

Preamble: As of January 1, 2021, the FVDA had a balance of \$1.3 million and in 2021, the IESO's core operations were in a surplus position of \$7.4 million mainly driven by \$3.2 million from higher than expected demand volume that resulted from a heat wave over the summer months, \$2.7 million increase in net interest related to better than expected long term investments performance associated with a strong equity market, \$0.6 million of underspend on the Market Renewal Program, and \$0.7 million lower amortization expense due to delays in capital projects completion, resulting in an \$8.7 million total balance as of January 1, 2022. The IESO is confident, however, that the FVDA balance of \$8.7 million will afford it the ability to manage operational challenges that may arise in the short term to minimize the impact on market participants until such time as the \$10 million operating reserve can be restored.

- a) What are the primary risk factors that may increase/decrease the FDVA balances in 2022? Please list these, such as inflation, and discuss/delineate those that are/are not under IESO control.

1.2 Are the IESO's 2022 projected staffing levels and compensation (including salaries, benefits, pensions and other post-employment benefits) appropriate?

Energy Probe IR #4

Ref.: Exhibit D, Tab 1, Schedule 3/p. 1: Exhibit D, Tab 1, Schedule 3/p. 1, Table 1

- a) Please provide a 2021 variance Report showing plan and actuals staffing levels.
- b) Please provide 2020, 2021 and 2022 Form 2K with forecast and actual Total Compensation

Energy Probe IR #5

Ref: Exhibit D Tab 1 Schedule 1 Table 3 Plus Attachment(s);

Preamble: The 2022 budgeted OM&A expenses of \$186.5 million, represent an increase of \$12.2 million from the 2021 actual results, mainly driven by \$7.2 million incremental expenses for initiatives critical to drive the transformation of Ontario's electricity sector, and to address various government initiatives including a pathway to decarbonization in the electricity sector; \$3.1 million in collective agreement escalations; \$2.2 million for various consulting and stakeholder engagement activities; an additional \$1.9 million in support of MRP work to enable a more competitive electricity marketplace and market rule and manual amendments; technology related expenses increasing by \$1.4 million mostly related to contract price escalations; and \$1.7 million of various other items including foreign exchange impact and overhead cost recovery.

- a) Please provide a detailed Breakdown of OM&A Expenses for "Pathways to Decarbonization". Include Internal and External (e.g. Consulting) costs and project total costs.
- b) Please provide names of consultants. nature and timing of deliverables.

- c) What was the cost of the 2021 Decarbonization study? Please provide. internal, external and total costs
- d) What are the assumptions for the 2022 \$3.1 million increase in collective agreements
- e) Please provide details of the 2020-2022 increases in consulting and stakeholder engagement activities.

Energy Probe IR #6

Exhibit D, Tab 1, Schedule 2. Table 1 Plus Attachment(s)

Preamble: Legal Resources and Corporate Governance have increased by \$3.9 million over 2021 Budget

- a) Please provide a detailed budget breakdown for 2021 budget and actual and 2022 budget.
- b) Provide further detail/explanation of material increases 2021-2022

Energy Probe IR #7

Exhibit D Tab 1 Schedule 3 Table 1 and Table 2 Plus Attachment(s)

- a) Please provide a schedule that shows the changes in FTEs from 2020 actual to 2022 and 2022 budget for non-management regular by department.
- b) Please provide details of the increases in Salaries for each group of employees 2020-2022. Specifically provide performance pay for each group.
- c) Please provide details of increases in benefits for each group of employees 2020-2022
- d) What is the IESO pension contribution ratio for each group, relative to the goal of 1:1 (Leech Report)? Please show historic and 2021 data.

Energy Probe IR #8

Ref.: Exhibit D, Tab1, Schedule 3 Attachment 3,

Preamble: On an overall organization basis, the IESO's total remuneration, including the value of all cash compensation, benefit and pension plans is positioned 9%, 11% and 24% above the market 50th percentile for the energy, public and private sector peer groups respectively

- a) Please provide a version of the Comparison Table showing for each group of Employees the Total Remuneration(TREM) for the three groups compared to the Energy, Public

Sector and Private sectors, showing the percentage median % differences by group and total.

- b) What is the Total annual incremental cost in 2021 compared to the Median for the Energy Industry.
- c) Discuss if IESO has progressed towards the median (50 percentile) total compensation indicated by the OEB?
- d) How will the IESO Compensation Guidelines in Attachment 2 address the main issue of above median base salaries since these protocols appear to only address promotion and merit increases. Specifically what hiring policies will be adopted to bring base salaries to within + 5% of Energy Industry norms?

1.3 Is the IESO's 2022 capital expenditure envelope of \$71.2 million for capital projects for Fiscal Year 2022 appropriate?

Energy Probe IR #9

Ref.: Exhibit E Tab 2 Schedule 1 Table 3 & Attachments 1-5

- a) Please provide a schedule with the list of current major Capital Projects, including Approved Cost, Contingency, Current estimate, Variation, Cost to Complete and Completion Date:
 - Replacement of Settlement System (RSS)
 - Market Renewal Program Energy Stream (MRP)
 - Capacity Auction Project (CAP)
 - Dynamic Limits in Real-Time (DLRT)
 - Market Analysis and Simulation Toolset (MAST)
 - Other Capital Projects (<\$2 million each)
- b) Please provide the DRLT detailed NPV analysis (in confidence if necessary)

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?

Energy Probe IR #10

Ref.: Exhibit C Tab 1 Schedule 1 Plus Attachment 1 - (Excel Spreadsheet)

Preamble: 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 the line losses 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 2017-2021 for each of
 - Ontario Demand
 - Exports and
 - Total.
- b) Compare the 2021 forecasts [Domestic 132 TWh and Export 17.1TWh] to actuals. Discuss factors affecting deviations.
- c) Please provide the basis for changes to 2022 forecasts from 2021
- d) Why are Exports forecast to drop to the lowest level in recent history? What are the factors
- e) Why is IESO forecasting a material increase in line losses to 3 TWH

Energy Probe IR #11

Ref.: Exhibit G-1-1 Attachment 5: Elenchus Cost Allocation Study

Preamble: The Elenchus Report in Attachment 5 does not contain the updated Data tables and Allocations for 2022.

- a) Please provide all of the Elenchus Data tables and Cost allocations for 2022 including specifically allocations to domestic and Export Customers.
- b) Provide a summary of changes from the 2020 study.

ISSUE 4: Market Renewal Program (MRP)

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?

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

Energy Probe #12

Ref.: Exhibit G Tab 2 Schedule 1 Plus Attachment(s) - Market Renewal Program

Preamble: In March 2021, the IESO Board approved a revised budget and schedule, including a new go live date of November 2023 with six months of contingency. This baseline schedule incorporates lessons learned from the high-level and detailed-design phases of the project, makes best use of existing resources, while delivering a high-quality program.

- a) Confirm the revised MRP capital and operating cost estimate and go live dates.
- b) Please provide the 2022 YTD Capital Expense
- c) Will there be capital and operating costs in 2024? If so please provide an estimate.
- d) Please provide the updated/most recent Benefits Realization Report. Compare this to the prior version(s).
- e) Confirm the MRP without the Capacity Auction Option net benefit.

Energy Probe IR #13

Ref.: Exhibit G Tab 2 Schedule 1 Plus Attachment(s)

Please provide a schedule showing approximate FTEs and related compensation costs related to MRP 2018-21 and forecast for 2022 and 2023 and if appropriate 2023.

- a) Indicate if the FTEs are Permanent or temporary.
- b) Please provide the costs of external resources and provide a list of major contractors and amounts disbursed in 2018-2021.