

Nancy Marconi
Registrar
Ontario Energy Board
2300 Yonge Street, Suite 2700, P.O. Box 2319
Toronto, Ontario M4P 1E4

May 13, 2022

Dear Ms. Marconi,

**RE: Interrogatories regarding EB-2022-0002 – IESO 2022 Expenditure and Revenue Requirement
Application Submission**

Attached are the joint interrogatories of the Canadian Renewable Energy Association (CanREA), Energy Storage Canada (ESC), and the Ontario Waterpower Authority (OWA) (referred to as "REASCWA") regarding the Issues List relating to EB-2022-0002 – IESO 2022 Expenditure and Revenue Requirement Application proceeding.

REASCWA has coordinated with the Ontario Sustainable Energy Association (OSEA) in preparation of the attached interrogatories to avoid duplication.

Power Advisory has submitted these interrogatories on behalf of REASCWA.

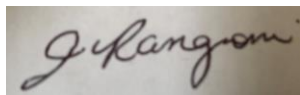
Sincerely,



Jason Chee-Aloy
Managing Director
Power Advisory



Brandy Giannetta
Vice President,
Policy, Regulatory, and Government Affairs
CanREA



Justin Rangooni
Executive Director
ESC



Canadian Renewable
Energy Association
WIND. SOLAR. STORAGE.

Association canadienne
de l'énergie renouvelable
ÉOLIEN. SOLAIRE. STOCKAGE.



A handwritten signature in black ink, appearing to read "P. Norris".

Paul Norris
President
OWA

cc:

Andrew Bishop, OEB
Miriam Heinz, IESO

REASCWA Interrogatories
IESO 2022 Expenditure and Revenue Requirement Application
EB-2022-0002
May 13, 2022

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?

1.1-REASCWA-1

Reference: Exhibit A, Tab 1, Schedule 3, Pages 1 through 6, and Exhibit B

Preamble: Ontario's electricity supply needs have significantly increased since the IESO's previous expenditure and revenue requirement submissions (e.g., now, approximately 6,000 MW of to be developed effective capacity supply has been forecast to be needed around 2030 to maintain reliability of Ontario's power system). With every subsequent IESO forecast from 2016 to present, Ontario's supply needs have consistently and significantly increased. Towards addressing these significant supply needs, as recently as April 2022, the IESO announced changes to supply resource procurement plans to address some, but not all, of these supply needs (i.e., IESO has increased the number of procurement initiatives to address growing and significant supply needs through planned multiple Request for Proposals (RFPs) to contract for resources (e.g., generators, energy storage, etc.), enhancements to Capacity Auctions to administer a one-off Forward Capacity Auction, etc.).

- a) Regarding the fiscal year 2022 revenue requirements, 2022 budgeted OM&A expenses of \$186.5 million represent an increase of \$12.2 million from the 2021 actual results. Please provide a description of how the increase in OM&A is being allocated to help meet Ontario's increasing and significant supply needs (e.g., through administration of RFPs to contract for supply resources, proposed enhancements to Capacity Auctions, bilateral contract negotiations for sole sourced supply resources, etc.). Particularly, please list the OM&A expenses with description of these expenses regarding the activities and staffing requirements (including any external legal and consulting resources) to be undertaken to administer the following IESO announced supply resource procurements to help meet a portion of Ontario's increasing and significant supply needs:
- Medium-Term (MT) RFP 1 to re-contract 475 MW;
 - MT RFP 2 to re-contract additional supply post expiry of contracts;
 - Long-Term (LT) RFP 1 to contract for 2,500 MW, included associated Request for Qualifications (RFQ);
 - LT RFP 2 to contract for 1,500 MW;
 - Expedited Procurement RFP to contract for approximately 500 to 1,000 MW, including associated RFQ;
 - Same Technology Expansions procurement to enable updates and expansion of operating facilities (e.g., generators, energy storage, etc.) for approximately 500 to 1,000 MW;
 - Enhancements to a Capacity Auction through a one-off Forward Capacity Auction;

- Program to re-contract small hydroelectric generation facilities and potential additional program to re-contact for larger hydroelectric generation facilities; and
 - Bilateral contract negotiations to sole source specific projects and operating generation facilities (i.e., Brighton Beach GS, Oneida storage project, Lake Erie Connector transmission interconnection project, Calstock GS).
- b) Regarding the fiscal year 2022 revenue requirements, and the budgeted increase in OM&A expenses of \$7.2 million in support of initiatives critical to transforming Ontario's electricity sector and various government initiatives including a pathway to decarbonization in the electricity sector, please provide a list and description of all the initiatives the IESO is undertaking (e.g., integration of Distributed Energy Resources (DERs), hybrid energy storage and generation projects, etc.) or planning to undertake to support transforming Ontario's electricity sector in-line with meeting the priorities listed within the IESO 2022 to 2024 Business Plan (e.g., planning for the future, enabling resources, etc.).
- c) Regarding the above interrogatory 1.1-REASCWA-1b, please list the OM&A expenses with description of these expenses regarding the activities and staffing requirements (including any external legal and consulting resources) to be undertaken to administer the initiatives the IESO is undertaking or planning to undertake to support transforming Ontario's electricity sector.
- d) Regarding the above interrogatory 1.1-REASCWA-1c, please describe how these initiatives link to helping to meet Ontario's increasing and significant supply needs and linkages to the resource procurement initiatives listed in the above interrogatory 1.1-REASCWA-1a.

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

1.2-REASCWA-2

Reference: Exhibit B 1-2 Pages 1-36

Preamble: Resource Adequacy (i.e., ensuring sufficient supply resources to meet the reliability needs of Ontario's power system) is one of the identified IESO priorities in the 2022-24 Business Plan. After a period of oversupply, Ontario is now facing increasing and significant supply needs driven by increasing demand, the retirement of the Pickering NGS, refurbishment of the Bruce NGS and Darlington NGS, and expiring contracts for existing facilities (e.g., generators, etc.).

- a) Considering the resource procurement initiatives listed in the above interrogatory 1.1-REASCWA-1a, the IESO full-time equivalent staffing information in Exhibit B-1-2, Page 20 of 36 identifies three incremental staffing resources being assigned to this priority in 2022. Does the IESO have staffing plans/analysis that it can provide to demonstrate that this level of incremental OM&A is appropriate and sufficient to address this identified Business Plan priority – Resource Adequacy – including the work associated to successfully develop and administer these supply resource procurement initiatives? Can the IESO provide the staffing plan/analysis that this level of resourcing is appropriate and will be sufficient to successfully develop and administer all announced procurement initiatives to towards enabling needed supply resources to be developed and brought into commercial operation in time to help meet Ontario's significant supply needs?

Preamble: Enabling Resources is one of the identified IESO priorities in the 2022-24 Business Plan. This initiative is intended to enable more resources (e.g., DERs, etc.) to provide needed supply and other electricity system services that they are technically capable of providing but currently cannot or partially not able to provide under the IESO's current market design and rules. The IESO's 2022-24 Business Plan states that work planned "will establish market participation models for hybrids, storage and DERs to be in place to future reliability [supply] needs and enable strong competition in Resource Adequacy procurements [for example, the procurement initiatives listed in the above interrogatory 1.1-REASCWA-1a]".

- b) The IESO full-time equivalent staffing information in Exhibit B-1-2, Page 20 of 36 identifies one incremental staffing resource being assigned to this priority initiative (i.e., Enabling Resources). Is very small increase in staffing sufficient to ensure development and integration of the Enabling Resources initiative within the IESO-Administered Markets as well as enabling applicable resources (e.g., DERs, energy storage, hybrid energy storage and generators) within the procurement initiatives listed in the above interrogatory 1.1-REASCWA-1a? Does the IESO have staffing plans/analysis that it can provide to demonstrate that this level of incremental OM&A is appropriate to address this priority, and if so please provide such plans/analysis.

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?

3.1-REASCWA-3

Reference: Exhibit C, Tab 3, Schedule 1, Page 1 to 3

Preamble: Based on the increasing and significant supply resource needs required to maintain the reliability of Ontario's power system, significant amounts of new projects (e.g., generators, energy storage, etc.) will need to site their projects, right size their projects, and work with the IESO, transmitters, and distributors to connect their projects to the grid. Therefore, the IESO proposed Reliable Integration Fee will add project development costs to these needed supply resources.

- a) Did the IESO research whether other Canadian and/or U.S. wholesale electricity market and system operators (e.g., AESO, NYISO, ISO-NE, MISO, SPP, CAISO, ERCOT) charge Reliable Integration Fees or similar? If so, please provide the results of this research, including all comparable fees, charges, costs, etc. borne by project developers relating to the market or system operator's work to integrate projects to the grid.
- b) Did the IESO research whether other Canadian and/or U.S. utilities (e.g., Hydro- Québec, Nova Scotia Power, SaskPower, ConEdison, Eversource, TVA, Exel Energy, PG&E, Duke Energy, etc.) charge Reliable Integration Fees or similar? If so, please provide the results of this research, including all comparable fees, charges, costs, etc. borne by project developers relating to the utility's work to integrate projects to the grid.

4.0 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?

4.2-REASCWA-4

Reference: Exhibit A Tab 1, Schedule 3, Pages 4 and 5

Preamble: Since the start of the MRP in 2016, the MRP has undergone numerous scope and timing changes that should impact the benefits of implementing the MRP (e.g., last schedule adjustment cites the MRP being implemented by November 30, 2023 with a six-month contingency). The MRP Benefits Case concluded in 2017 an estimated 10-year present value of net benefits ranging from \$2,200 million to \$5,200 million. In 2019, an IESO Business Case adjusted that value and concluded that the net benefits of implementing the MRP were expected to total approximately \$800 million over the first 10 years of its implementation. In its 2022-24 Business Plan, the IESO states expectations that adjustments to MRP implementation timeliness will be needed, as the MRP moves closer to its planned implementation date. To assess the appropriateness of the IESO's forecast of the MRP's OM&A and capital costs in the context of the scope and timing of the overall project, stakeholders will need to be informed of any pending changes in the MRP's scope and timing to deliver the project to implementation. For example, market participants (e.g., generators, energy storage providers, distributors, electricity customers directly connected to the IESO-controlled grid, etc.) all need to undertake costs and plans to be ready for MRP's implementation.

The IESO states: "The IESO expects that adjustments to timelines will be needed as the project moves closer to in-service. Adjustments will be informed by vendors, stakeholder input, and consideration of other dependent initiatives (see Exhibit G-2-1 – Market Renewal Program Cost Report)."

- a) Given that the IESO expects adjustments to the timelines to implement the MRP, what accompanying analysis will be prepared for stakeholder review and input to describe the impacts of additional schedule or scope changes to:
 - i. the 2022 MRP budget, and
 - ii. the now three-year old Business Case that estimated the benefits of implementing the MRP?