

Independent Electricity System Operator

2022 Fees Case

EB-2022-0002

Electricity Distributors Association Interrogatories

May 13, 2022

Issue: Revenue Requirement, Operating Costs and Capital Spending

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

Evidence Reference: ExB-T1-S2 Page 17 / ExE-T2-S1 / ExE-T2-S1 Attachment 2 / ExF-T1-S1

EDA Interrogatory # 1

Questions

- a) Please discuss how the IESO's accounting policies achieve and align with the matching principal; please discuss capital costs separately from capitalized OM&A.
- b) Please analyze whether the IESO's accounting policies will result in capital costs being recovered in the period in which the consumer uses the service(s) enabled by the capital invested or if there is a risk of intergenerational inequities.
- c) The balance recorded in the Forecast Variance/Deferral Account as at December 31 2021 is \$8.7 million. Please describe how the IESO proposes to manage the disposition of the balance recorded in this account:
 - To avoid intergenerational inequities
 - To avoid undue subsidization

Issue: Revenue Requirement, Operating Costs and Capital Spending

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

Evidence Reference: ExD-T1-S1-Pg 4-6 / ExD-T1-S3-Pg 1

EDA Interrogatory # 2

Preamble

The IESO's proposed 2022 budget includes additional staff resources to support new functionalities. The IESO's proposed timing to acquire these additional staff resources contemplates an onboarding process and training ahead of the implementation of MRP and in advance of the Enabling Resources initiative.

Question:

- a) Please provide the duration of the proposed onboarding and early training period(s) for:
 - MRP implementation
 - Enabling Resources

- b) Please explain how the proposed additional 16 FTE staff resources will be assigned to MRP implementation and Enabling Resources; please identify the number of staff resources that will be assigned exclusively to one or the other of these initiatives and the number of staff resources that will be shared between them.

- c) Please explain any duplication between the tasks that are currently being performed by IESO staff at current complement of 774 versus those that are to be performed with the additional staff resources of 827.

Issue: Revenue Requirement, Operating Costs and Capital Spending

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

Evidence Reference: ExB-T1-S2-Page 19, 27 / ExB-T1-S2-Appendix3 / ExD-T1-S2-Page 4 / ExG-T2-S2-Page 4

EDA Interrogatory # 3

Preamble

Cyber Security is identified as a high-level risk in the Affordability, Reliability, and Sustainability assessment of strategic risks. In the IESO's 2022-2024 Business Plan and priorities Cyber Security tools are identified as "core business projects" in the total capital envelope budget.

Questions

- a) Please provide the IESO's proposed 2022, 2023 and 2024 budget amounts for core operating initiatives associated with creating, maintaining, and enhancing strong cyber security conditions and partnerships. Please provide the data in the format that the revenue requirement is presented in.
- b) Please confirm that the IESO's proposed capital spending for 2022-2024 does not include amounts specific to or related to cyber security.
- c) Please provide the portion of IT operating costs in 2022 that relate to cyber security.

Issue: Revenue Requirement, Operating Costs and Capital Spending & Usage Fees

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

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?

Evidence Reference: ExB-T1-S2-Pg 8/36 / ExD-T1-S1-Pg 5/6 / ExG-T1-S1 Attachment2
"Innovation Accomplishments"

EDA Interrogatory # 4

Preamble

DERs have been deployed throughout the province and are expected to increase in number. The OEB's Framework for Energy Innovation identified as a priority workstream LDCs use of DERs that the LDC does not have an equity position in to support the provision of distribution service.

Questions

Please assume that an LDC will use a DER situated in its licensed service area to support the provision of distribution services and that the DER will also be used to provide the LDC with a wholesale market service that was previously exclusively provided by the IESO.

- a) Please discuss how the IESO would identify that the LDC had used a DER situated in its service area as an alternative source to IESO provided service.
- b) Please discuss how the IESO will compute that LDC's cost of power bill for that period; please state all facts and assumptions.
- c) Please identify and discuss the consequences (e.g., operational, financial) to the IESO
- d) Please link this projected financial consequence to the IESO's proposed fee.
- e) Please discuss any lessons learned from DER pilot projects or DER demonstration projects that the IESO either participated in or had awareness of.

Issue: 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?

Evidence Reference: ExC-T1-S1-Pg 2/4

EDA Interrogatory # 5

Please break out the proposed IESO fee into the amount that supports MRP and the amount that supports all other IESO activities in 2022; please state all assumptions.

Issue: 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?

Evidence Reference: ExC-T1-S1-Pg2 / ExC-T1-S1-Attachment 1 *"Load and Forecast Volumes"*
ExB-T1-S2 / ExG-T1-S1 Attachment2 Page 6/17 *"Innovation Accomplishments"*

EDA Interrogatory # 6

Questions

- a) Please assume that losses increase from 3 TWh to 4 TWh. Please quantify the impact to the proposed domestic fee and export fee; please provide the derivation of the impact.
- b) Please provide the forecast and actual losses incurred by the IESO in 2021 attributable to the IESO participating in the York Region Project.
- c) Please provide the impact to the forecast charge determinants, both in total and of losses, that are attributable to decarbonization.

Issue: 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?

Evidence Reference: ExB- T1-S1-Attachment 1 *"Elenchus: IESO Cost Allocation Methodology Review"* / ExC-T1-S1-Attachment 1 *"Load and Forecast Volumes"* / ExD-T1-S1- Attachment 2-Pg5-6

EDA Interrogatory # 7

Questions

- a) Please discuss how de-carbonization policies are expected to impact the IESO's 2022 charge determinants forecast used to derive the proposed domestic and export usage fees.
- b) Please link this impact on the proposed fee to 2022 revenues.
- c) Please discuss the tactics and strategies available to the IESO if 2022 revenues are lower than the period's projected operating expenses and capital expenses.
- d) Please discuss whether and how the IESO has incorporated these impacts into its 5-year financial forecast.

Issue: 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.

Evidence Reference: ExC-T3-S1

EDA Interrogatory # 8**Question**

- a) Please provide the detailed derivation of the proposed hourly charge of \$145; please state all assumptions and provide all data (e.g., direct labour costs, recovery of overhead and indirect costs).
- b) Please identify the expected level of revenues to be recovered through this proposed charge.
- c) Please provide the evidence reference that shows this expected level of revenues and links this level of revenues to the proposed fees.

Issue: 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?

Evidence Reference: ExB-T1-S2 / Exhibit E-T2-S1

Preamble

Capacity issues have emerged as a more pressing priority than when MRP commenced.

EDA Interrogatory # 9

- a) Please describe how the IESO quantifies the forecast level of capacity of each scenario for planning purposes:
 - a stand-alone 1500kW windmill
 - a 1500kW windmill paired with a 500kW electricity storage device
 - a 1500kW windmill paired with a 1000kW electricity storage device
 - a 1500kW windmill paired with a 1500 kW electricity storage device
- b) Please state all assumptions and identify all additional data required to complete the quantification of capacity for planning purposes.
- c) Please quantify the impacts to MRP's 2022 and future year's costs and timelines if the project's schedule is altered to advance the work on storage and Hybrid Integration; please state all assumptions and provide all supporting facts.

Issue: Market Renewal Program (MRP)

4.1 Is the reporting on financial and operational performance of the MRP appropriate?

Evidence Reference: ExD-T1-S1- Pg 2/6

EDA Interrogatory # 10

Please clearly describe how the OM&A savings realized because of MRP market rule amendments requiring reduced external support were achieved, e.g., if activity(s) were deferred, activity(s) were cancelled, activity(s) were scoped differently and/or for other reasons. Please provide a worked example of how a specific saving was achieved.

Issue: 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?

4.3 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?

Evidence Reference: ExG-T2-S1- Pg 4/9 - *Table 1: Cost Estimate for MRP*

EDA Interrogatory #11

Preamble

MRP has been underway since 2017.

Question

- a) Please populate the table below with annual Operating Expense and Capital Expense beginning in 2017 and ending in 2024.
- b) Please explain any differences between the actual values set out at *Exhibit G, Tab 2, Schedule 1, Table 1 "Cost Estimate for MRP"* and the actual values provided in the requested table.
- c) For all amounts identified at line (C) of the table please describe how the funds were applied, the year in which they were applied.
- d) Please describe the decision-making process that resulted in the funds being applied as identified in the response to part c).

Year	20xx <insert 9 columns>
OEB Total approved IESO Fee	
MRP costs to be recovered through the OEB approved Fee (A)	
OM&A	
Capital	
MRP actual spend (B)	
OM&A	
Capital	
C = (A) – (B)	
Treatment of C	
OM&A	
Capital	
(D) Carried forward to next period to support MRP	
(E) Redirected to non-MRP activities of the year	
(F) Recorded in an account (e.g., Variance Account) BVA/FDVA	
(G) Other	

Issue: 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?

Evidence Reference: ExG-T2-S1-Attachment 1

EDA Interrogatory # 12

Preamble

Currently the IESO plans to deploy MRP November 2023.

Question

Please assume that MRP's deployment is:

- a) delayed by 6 months until April 2024
- b) delayed by 12 months until November 2024

Please explain and quantify the impacts to the IESO's revenue requirement for 2022, 2023 and 2024; please be detailed, state all assumptions and simplifying facts and provide all supporting data.