



May 25, 2023

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

Re: Independent Electricity System Operator (IESO) 2023-25 Revenue Requirement, Expenditures and Fees
AMPCO Interrogatories
Board File No. EB-2022-0318

Dear Ms. Marconi:

Attached please find AMPCO's interrogatories in the above proceeding.

Please do not hesitate to contact me if you have any questions or require further information.

Best Regards,

A handwritten signature in blue ink, appearing to read "Colin Anderson".

Colin Anderson
President

Copy to: IESO

EB-2022-0318

**Independent Electricity System Operator
Application for approval of 2023, 2024 and 2025 revenue
requirements, expenditures and usage fees**

Interrogatories of AMPCO May 25, 2023

1.0 Revenue Requirement, Operating Costs and Capital Spending

1.0-AMPCO-1

Ref: A-1-5 p. 2 Footnote 1

The IESO refreshed its Corporate Strategy in 2022 as a result of the increasing pace and scope of change in the sector to ensure that the organization is well positioned to meet Ontarian's needs and expectations.

Please provide a copy of the IESO's refreshed Corporate Strategy.

1.0-AMPCO-2

Ref: A-1-5 p.3

The IESO indicates it has identified and leveraged efficiencies in several areas to mitigate impacts of its revenue requirements to Ontario ratepayers.

Please provide a schedule that sets out each efficiency measure, year(s) of impact and quantify the amount by year.

1.0-AMPCO-3

Ref: A-1-5 p.4

The IESO describes how its OM&A costs are increasing as a result of energy transformation.

- a) Please provide the number of FTEs allocated to energy transformation in each of the years 2022, 2023, 2024 and 2025.
- b) Please prepare a schedule that sets out the OM&A and Capital investments in each of the years 2022 to 2025 directly related to energy transformation.

c) Please provide the energy transformation workplan.

1.0-AMPCO-4

Ref: A-2-2 Attachment 2 - 2022 Performance Measures Results

- a) Page 1: With respect to the Operational Efficiency Measure #3, please identify the two Strategic Initiatives that deviated from their approved Project Plan and explain why.
- b) Page 2: The 2022 Performance Measure Results provide year-to-date results. Please provide the 2022 Actuals for Measures #4-7.

1.0-AMPCO-5

Ref: B-1-2 2023-2025 Business Plan p.18

The IESO provides a table which outlines the 2023-2025 business plan operating revenues and expenses.

Please add 2022 actuals to the table.

1.0-AMPCO-6

Ref: D-1-1 p.2

The evidence indicates the OM&A expenses in 2022 were \$0.5 million (or 0.3%) above the OEB approved budget in part due to \$2.0 million of non-repeatable employee related costs (severance and overtime).

- a) Please provide a breakdown of costs between severance and overtime.
- b) Please provide the nature of the overtime and the number of hours of overtime.

1.0-AMPCO-7

Ref: D-1-1

The IESO discusses the impact of vacancies on OM&A.

- a) Please provide the average number of vacancies in 2022.
- b) Please provide the current number of vacancies in 2023.

1.0-AMPCO-8

Ref: D-1-1

Please provide the percentage of total pension and other post-employment benefits (OPEB) amounts included in the revenue requirement for the years 2021, 2022, 2023, 2024 and 2025.

1.0-AMPCO-9

Ref 1: D-1-2 P1

Table 1 provides a Summary of OM&A for Business Units.

Ref 2: D-1-3 P1

Table 1 provides the average number of employees.

Please map the total FTEs to each Business Unit for 2022 Actuals, 2023 Forecast, 2024 Forecast and 2025 Forecast.

1.0-AMPCO-10

Ref: D-1-2 Attachment 1

Attachment 1 provides a summary of OM&A by Business Unit. Under the Markets & Reliability Business Unit, the unit Reliability Assurance & Operational Assessments has been added with \$4.5 million in spending beginning in 2021, increasing to \$5.8 million by 2025.

Please provide details of the role of this unit.

1.0-AMPCO-11

Ref: E-2-1 p. 5 Table 2 Material Capital Projects

- a) Please provide a list of the material capital projects in Table 2 that support MRP.
- b) Please identify any projects in table 2 that were reallocated to Core Projects from MRP.

1.0-AMPCO-12

Ref: E-2-1 p.7

The IESO provides the following capital performance measures for 2023-2025:

- Strategic Initiatives are progressing according to their approved schedule

- Strategic Initiatives are progressing according to their approved budget
- a) Please provide the percentage of Strategic Initiatives that were in-flight in 2022 and progressing on schedule according to the approved project charter or integrated project plan.
 - b) Please provide the percentage of Strategic Initiatives that were in-flight in 2022 and progressing on budget according to the approved project charter or integrated project plan.

1.0-AMPCO-13

Ref: E-2-1 p.3

Projects placed into service in 2022 include: Identity Access Management Phase 2, F5 Loadbalancer and NERC Firewall Refresh, Generation to Load Obligations under Proposed Interchange Distribution Calculator Changes, ICI Transition to Ontario Demand, and External Identity Management (Portal). In addition, the IESO has been able to complete the majority of the SCADA/EMS Upgrade, advance the MIM Technical Refresh project and take on several smaller infrastructure, cybersecurity and facilities projects that were not originally identified in 2022 project portfolio.

Please provide any exception reporting for material deviations in cost, schedule and objectives for the above projects placed into service in 2022.

1.0-AMPCO-14

Ref: D-1-2 p.3

With respect to the Corporate Relations, Stakeholder Engagement and Innovation (CRSEI) business unit, please provide the most recent Innovation Workplan.¹

1.0-AMPCO-15

Ref: Exhibit B-1-3, Minister's Letter Approving the IESO's 2023-2025 Business Plan, Page 1

In April 2022, the IESO and the Ministry signed a refreshed Memorandum of Understanding, which established a new three-year approval cycle for the IESO's Business Plan. In September 2023, in lieu of a new business plan, I expect the IESO will submit a Business Outlook covering the next three fiscal years.

¹ EB-2022-0002, Exhibit G-1-1 Attachment 2

Please provide a copy of the MOU.

1.7 Is the IESO's 2023 capital expenditure budget of \$86.0 million appropriate?

1.7-AMPCO-16

Ref: E-2-1 Attachment 9 p.8

The SCADA/Energy Management System (EMS) Upgrade project is progressing according to the latest approved project plan and is expected to be complete Q1 2023.

Please confirm the project was completed in Q1 2023. If not, please explain.

1.7-AMPCO-17

Ref: E-2-1 Attachment 10 p.25-26

With respect to the Hub Intranet Redevelopment project:

- a) Please provide the original budget and completion date.
- b) Please provide a copy of the Project Exception Report and confirm it was approved.
- c) Please confirm the project will be completed in Q2 2023. If not, please explain.

1.7-AMPCO-18

Ref: E-2-1 Attachment 10 p.32-33

With respect to the IESO Space Needs Program – Office Pilot project:

- a) Please provide the original budget and completion date.
- b) Please provide a copy of the Project Exception Report.
- c) Please confirm the project will be completed in Q2 2023. If not, please explain.

3.0 Operating Reserve

3.3 Is the IESO's proposal for seeking OEB approval to adjust its previously approved expenditures, revenue requirement and fees in the event of a material unforeseen change appropriate?

3.3-AMPCO-19

Ref: F-1-1 p.4

The IESO defines the material change threshold as follows:

- A change in revenue or expenses that results in an operating reserve deficit
- Occurs in Year 1 after receiving three-year approval of IESO usage fees
- A change that has significant impact on the operation of the IESO

Please discuss if the IESO is currently aware of any potential events that could result in the proposed operating reserve, and the balance of the FVDA, to reduce below zero in Year 1 of the three-year cycle.

4.0 Market Renewal Program (MRP)

4.0-AMPCO-20

Ref: Exhibit B-1-2 - 2023-2025 Business Plan, p.19

The IESO's Business Plan states "A recent review of the MRP business case determined the renewed market will deliver substantial net financial benefits of over \$700 million to Ontario consumers over the first 10 years of operation."

Ref: September 22, 2022 Memo Re: Market Renewal Program Business Case Validation, p.1

The memo to the MRP Implementation Engagement Stakeholders states "The review included an assessment of whether the expected benefits, costs, and other underlying assumptions have materially changed given a refreshed MRP project schedule and budget, as well as an updated view of the IESO's forecasted demand and supply projections. The updated net benefits are lower than the 2019 calculated estimate of \$800 million as implementation and costs to operate the new market have increased by \$92 million, as some of these costs were unknown during the 2019 Business Case preparation."

a) Please provide a variance analysis of the updated net benefits of \$700 million compared to the 2019 calculated estimate of \$800 million.

b) Please identify year 1 at which time the new market will begin to generate savings.

4.0-AMPCO-21

Ref: September 22, 2022 Memo Re: Market Renewal Program Business Case Validation, p.3-4

The memo states "After the program had been implemented there was expected to be ongoing incremental maintenance costs, estimated at an additional \$6 million over the first 10 years following implementation. At the time of developing the Business Case in 2019, it was not yet

known if incremental staff would be required to operate the new market. With more certain costs and development schedules confirmed by vendors, the implementation timeline has been extended to 2025 with a new implementation cost estimate of \$233 million. Further, the completion of the MRP Detailed Design in 2021 has also allowed for more accurate assessment of the ongoing costs over the first 10 years of operations. The total implementation and operation cost estimate, including the additional staff for ongoing operation of the renewed market is \$268 million or \$92 million more than assumed in 2019.”

- a) Please confirm ongoing maintenance costs are now estimated at \$35 million over the first ten years.
- b) Please provide a breakdown of the ongoing maintenance costs allocated to OM&A and Capital by year.
- c) Please provide details of the additional staff required over the first ten years for ongoing operation of the renewed market and map the FTEs to the IESO’s Business Units.

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

4.1-AMPCO-22

Ref: EB-2022-0002 G-2-1 Attachment 1

At the above reference, the baseline schedule for MRP is included.

Please provide an update of Attachment 1 to reflect the BL5 schedule.

4.2 Are the IESO’s forecast 2023, 2024 and 2025 operational costs for the MRP appropriate in the context of the scope and timing of the overall project?

4.2-AMPCO-23

Ref: G-2-1 p.3

The evidence in the current application indicates the IESO Board approved a new baseline 5 schedule (BL5) in August 2022, including a new MRP program budget of \$233.3 million, inclusive of \$15 million contingency, and a new Go-Live date of May 2025.

- a) Please provide the current schedule contingency beyond May 2025.

- b) The scope of the project has not changed.² Please explain the current uncertainties and need for a \$5 million increase in contingency from \$10 million to \$15 million in the current budget.

4.2-AMPCO-24

Ref: G-2-1 p.2

The IESO is confident this schedule is achievable as many of the previous uncertainties have been addressed through completion of business requirements and vendor validation of timelines to complete system development and testing. Further, the revised schedule provides stakeholders with additional time to complete their own readiness activities.

- a) Please discuss the nature of the previous uncertainties and provide details of how each uncertainty has now been addressed.
- b) Please provide the Class of Estimate for the current MRP budget based on the AACE International Cost Estimate Classification System.
- c) Please compare the time in the schedule for stakeholders to complete their own readiness activities compared to the previous BL4 schedule.

4.2-AMPCO-25

Ref: G2-21 p.3

The evidence states “Recognizing the importance of change management and adoption through the Market Renewal journey, the IESO continues to work on Market Participant Readiness activities.

Please advise if there have been any updates to the Market Renewal Program: Market Participant Readiness Plan.

4.2-AMPCO-26

Ref: G-2-1 p.6

Please provide a breakdown of the Professional and Consulting operating expenses for the years 2023 to 2025.

4.2-AMPCO-27

Ref: G-2-1 p.10

² Quarterly Report on the Market Renewal Program Status Q3 2022 p. 3

Table 9 below shows the number of Full Time Equivalents (FTEs) allocated to MRP decreases from 109 in 2023 to 88 in 2024 and 44 in 2025.

MRP FTEs	2023 Budget	2024 Budget	2025 Budget
Total Regular	49	38	18
Temporary	14	13	6
MRP Core FTEs	63	51	24
MRP Support FTEs	46	37	20
MRP FTEs Total	109	88	44

For each FTE category, please provide the status of the FTEs no longer allocated to MRP in 2024 and 2025.

4.3 Are the IESO's forecast 2023, 2024, and 2025 capital costs for the MRP appropriate in the context of the scope and timing of the overall project?

4.2-AMPCO-28

Ref: G-2-1 p.6

Please provide a breakdown of the Professional and Consulting capital expenses for the years 2023 to 2025.

4.2-AMPCO-29

Ref: G-2-1 p.9

The IESO provides the MRP capital budget as follows:

(In \$ millions)	2023 Budget	2024 Budget	2025 Budget
Capital Expenses			
Compensation & Benefits	15.8	14.6	7.0
Professional & Consulting	3.7	1.5	1.9
Operating & Administration	22.7	9.7	1.9
Interest	1.7	2.4	2.2
Contingency	-	-	15.0
Total Capital Expenses	43.9	28.2	28.0

Please provide a more detailed breakdown of the capital budget by work activity for the years 2023 to 2025.

5.0 Commitments from Previous OEB Decisions

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

5.1-AMPCO-30

Ref: G-1-1 p.1

With respect to planning and market data³, the jurisdictional review is underway and the IESO expects to publish the results publicly by the end of Q2 2023.

Please confirm the results are on track to be published by the end of June.

5.1-AMPCO-31

Ref: G-1-1 Attachment #1

The IESO provides the Progress on Implementing Recommendations from the Third Party Evaluation of the Grid Innovation Fund provided at G-1-1 Attachment #1.

- a) Please confirm that all of the recommendations have been fully implemented. If not, please discuss the scope of any additional work to be undertaken.
- b) The GIF Portfolio reflects projects from 2005 – 2021. Please provide an updated GIF Portfolio of projects for year-to-date 2023.
- c) Please provide the total amount the IESO has invested and the total number of projects.

5.1-AMPCO-32

Ref: G-1-1 Attachment #4

The IESO provides the committed information for internal audits conducted in 2022.

Please provide the audit plan (subject area and objective) for 2023 to 2025.

³ EB-2022-0002 Settlement Agreement – Issue 1.1