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May 25, 2023

Via RESS & Email

Nancy Marconi
Board Secretary
Ontario Energy Board
2300 Yonge Street, Suite 2700
Toronto ON M4P 1E4

Dear Ms. Marconi:

**Re: EB-2022-0318: Independent Electricity System Operator (IESO) 2023-2025
Expenditure and Revenue Requirement Submission of APPrO**

We are counsel to the Association of Power Producers of Ontario (“**APPrO**”). Please find enclosed our interrogatories in relation to the above-noted proceeding.

Yours truly,

McCarthy Tétrault LLP

Per:

A handwritten signature in blue ink, appearing to read 'Reena Goyal', with a stylized, cursive script.

Reena Goyal

RG/jk

cc: Mr. David Butters, President & CEO, APPrO
Mr. Patrick Duffy, Counsel for IESO, Stikeman Elliot LLP

**ASSOCIATION OF POWER PRODUCERS OF ONTARIO (“APPRO”)
INTERROGATORY QUESTIONS**

EB-2022-0318 Independent Electricity System Operator (IESO)

2023-25 Expenditure and Revenue Requirement Submission

25th May, 2023

ONTARIO ENERGY BOARD

IN THE MATTER OF the ~~Ontario~~ ^{Ontario} ~~Energy~~ ^{Electricity} Act, 1998, s. 25(1) as amended;

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 years 2023-2025 and the fees it proposes to charge during the fiscal years 2023-2025

INTERROGATORIES OF THE ASSOCIATION OF POWER PRODUCERS OF ONTARIO (APPrO)

1.0 REVENUE REQUIREMENT, OPERATING COSTS AND CAPITAL SPENDING

1.7/8/9-APPrO-1

References: Exhibit B, Tab 1, Schedule 2, Page 27; Exhibit E, Tab 2, Schedule 1, Attachment 10.

Preamble: Appendix 3 to the IESO 2023-2025 Business Plan lists a total budget of \$2.1 million for the capital project entitled “Addressing Market Surveillance Panel (MSP) Recommendations. But the project description at Exhibit E, Tab 2, Schedule 1, Attachment 10 lists an estimated capital cost of \$2.4 million (including a \$0.6 million contingency).

- a) Which is the correct capital project cost estimate?
- b) How exactly will these proposed costs be allocated?
- c) How will this proposed program differ from current IESO practices in addressing MSP recommendations?
- d) How will the IESO assess which projects will be included in the program going forward?
- e) Will stakeholders have an opportunity to propose projects to be included in the program in the future and/or provide input on projects proposed to be included by the IESO?
- f) Why is the cost estimate for 2023 significantly greater than that for 2024 and 2025?

1.7/8/9-APPrO-2

References: Exhibit B, Tab 1, Schedule 2, Page 27; Exhibit E, Tab 2, Schedule 1, Attachment 10.

Preamble: Appendix 3 to the IESO 2023-2025 Business Plan lists a budget of \$7 million in 2023, \$10 million in 2024 and \$13 million in 2025 for the capital project entitled “Space Needs Program”. But the project description at Exhibit E, Tab 2, Schedule 1, Attachment 10 lists a capital budget of \$2.6 million (including a \$0.3 million contingency).

- a) Which is the correct cost estimate?
- b) What is the source of these cost estimates?
- c) The application evidence states in part that “[t]his project was initially estimated to be less than \$1 million of capital” – what is the source of the increase to \$2.6 million?
- d) With respect to the Clarkson Office Pilot, the second floor already includes a spacious kitchen and numerous workstations. What new furnishings are being proposed?
- e) How does the reclassification of some of the workstations at Clarkson to unassigned seating contribute to the total \$30 million project cost estimate?
- f) Similarly, how does the introduction of unassigned seating and community concepts at Adelaide contribute to the total \$30 million cost estimate if these elements are being implemented “within the existing floor set-up, without renovations or alterations to the layout”?
- g) A number of the meeting rooms in both Clarkson and Adelaide already contain audio and video capability (e.g. large screens, polycoms, etc.) to facilitate collaboration as well as hybrid virtual/in-person meetings. How will the proposed Meeting Room Enhancements “enhance the employee experience”?
- h) Does the current remote work policy for IESO employees warrant such enhancements?

1.7/8/9-APPrO-3

References: Exhibit B, Tab 1, Schedule 2, Page 27; Exhibit E, Tab 2, Schedule 1, Attachment 10.

Preamble: Appendix 3 to the IESO 2023-2025 Business Plan lists a budget of \$5 million in 2023 and \$5.4 million in 2024 for the capital project entitled “Backup Operating and Data Centres Relocation Project”.

- a) What are these cost estimates comprised of?
- b) How were these cost estimates calculated/determined if a new location has not yet been secured?

1.7/8/9-APPrO-4

References: Exhibit B, Tab 1, Schedule 2, Page 11

Preamble: The IESO 2023-2025 Business Plan states in part that "... the IESO will be recommending a relatively large number of transmission projects in the coming years".

- a) What are these transmission projects?
- b) To the extent they have not been determined as yet, when and where does the IESO intend to publish this information?

1.7/8/9-APPrO-5

References: Exhibit B, Tab 2, Schedule 1, Page 25 of 51 and Note 12

Preamble: The IESO's 2022 Annual Report and Audited Financial Statements were filed in this proceeding on April 3, 2023. The Statement of Operations and Accumulated Deficit lists the entire collected \$11,206,000 in market sanctions and payment adjustments to have been spent on "[c]ustomer education and market enforcement expenses". Of these, \$2,460,000 is allocated toward "Operating and administration" expenses.

- a) Please provide an itemized list of these 2022 operating and administration expenses.

2.0 USAGE FEES

2.1-APPrO-1

Reference: Exhibit A, Tab 1, Schedule 5, Page 3 of 7; Exhibit C, Tab 2, Schedule 1

Preamble: IESO's 2023 proposed revenue requirement of \$208.4 million represents an increase of approximately 3.4% over the 2022 OEB approved revenue requirement of \$201.5 million. In contrast, the proposed usage fee for 2023 to be paid by export customers increases to \$1.0945/MWh from the 2022 OEB approved export usage fee of \$1.0126/MWh, which represents an increase of approximately 8.1%.

- a) Please provide a detailed rationale for why the proposed 2023 usage fee for exports increases by more than double the percentage as compared to the total 2023 revenue requirement percentage increase.

2.1-APPrO-2

Reference: Exhibit C, Tab 2, Schedule 1

Preamble: The proposed 2023 domestic usage fee of \$1.3845/MWh represents an increase of approximately 4% over the 2022 OEB approved domestic usage fee of \$1.3329/MWh, while the proposed 2023 export usage fee of \$1.0945/MWh represents an increase of approximately 8.1% over the 2022 OEB approved export usage fee of \$1.0126/MWh.

- a) Please provide a detailed rationale for why the proposed 2023 export usage fee increase is more than double that of the proposed 2023 domestic usage fee increase, from the 2022 OEB approved usage fees?

2.2-APPrO-1

Reference: Exhibit A, Tab 1, Schedule 5, Page 3 of 7; Exhibit C, Tab 2, Schedule 1

Preamble: IESO's 2024 proposed revenue requirement of \$218.4 million represents an increase of approximately 4.8% over the 2023 budget revenue requirement of \$208.4 million. In contrast, the proposed usage fee for 2024 to be paid by export customers increases to \$1.2445/MWh from the 2023 proposed \$1.0945/MWh, which represents an increase of approximately 14%.

- a) Please provide a detailed rationale for why the proposed 2024 usage fee for exports increases by almost three times the percentage as compared to the total proposed 2024 revenue requirement percentage increase.

2.2-APPrO-2

Reference: Exhibit C, Tab 2, Schedule 1

Preamble: The proposed 2024 domestic usage fee of \$1.4203/MWh represents an increase of approximately 2.5% over the proposed 2023 domestic usage fee of \$1.3845/MWh, while the proposed 2024 export usage fee of \$1.2545/MWh represents an increase of approximately 14% over the proposed 2023 export usage fee of \$1.0945/MWh.

- a) Please provide a detailed rationale for why the proposed 2024 export usage fee increase is over five times that of the proposed 2024 domestic usage fee increase, from the proposed 2023 usage fees?

2.3-APPrO-1

Reference: Exhibit A, Tab 1, Schedule 5, Page 3 of 7; Exhibit C, Tab 2, Schedule 1

Preamble: IESO's 2025 proposed revenue requirement of \$229.7 million represents an increase of approximately 5.2% over the proposed 2024 budget revenue requirement of \$218.4 million. In contrast, the proposed usage fee for 2025 to be paid by export customers increases to

\$1.4398/MWh from the 2024 proposed \$1.2545/MWh, which represents an increase of approximately 14.5%.

- a) Please provide a detailed rationale for why the proposed 2025 usage fee for exports increases almost triple the percentage as compared to the total proposed 2025 revenue requirement percentage increase.

2.3-APPrO-2

Reference: Exhibit C, Tab 2, Schedule 1

Preamble: The proposed 2025 domestic usage fee of \$1.4499/MWh represents an increase of approximately 2.1% over the proposed 2024 domestic usage fee of \$1.4212/MWh, while the proposed 2025 export usage fee of \$1.4398/MWh represents an increase of approximately 14.5% over the proposed 2024 export usage fee of \$1.2545/MWh.

- a) Please provide a detailed rationale for why the proposed 2025 export usage fee increase is almost seven times that of the proposed 2025 domestic usage fee increase, from the proposed 2024 usage fees?

2.1/2/3-APPrO-1

Reference: Exhibit C, Tab 1, Schedule 1; Exhibit C, Tab 2, Schedule 1, Attachment 1

Preamble: The application evidence states in part that “to calculate the 2023, 2024 and 2025 usage fees, the IESO requested Elenchus to rerun its model using the [IESO] Business Plan and the charge determinants discussed in the sections that follow.”

- a) Please provide a copy of the inputs (data, worksheets, etc.) and outputs that were used by the Elenchus model to calculate the proposed 2023-2025 usage fees for each of domestic and export customers.
- b) How might the modelling be impacted by capacity import calls and capacity export calls?
- c) How might the forecasted usage fees be impacted by capacity import calls and capacity export calls?
- d) Please advise which IESO Reliability Outlook was used to provide forecast volumes for the purpose of calculating 2023 usage fees, and which IESO Annual Planning Outlook reports were used to calculate the usage fees for 2024 and 2025.

2.1/2/3-APPrO-2

Reference: Exhibit C, Tab 1, Schedule 1; Exhibit C, Tab 2, Schedule 1, Attachment 1

Preamble: The application evidence states in part that “to calculate the 2023, 2024 and 2025 usage fees, the IESO requested Elenchus to rerun its model using the [IESO] Business Plan and the charge determinants discussed in the sections that follow.”

- a) Exports are forecasted to decrease by approximately 35% over the 2023-2025 period, according to Exhibit C, Tab 2, Schedule 1, Attachment 1. Please explain why proposed 2025 usage fees almost the same for both export customers and domestic customers?
- b) According to APPrO’s calculations, the IESO’s proposed 2023-2025 export usage fees results in over a 36% increase over the three-year period. Please explain the impact of these increases on intertie transactions, including annual clearing price revenues and distribution, and the overall economic efficiency of grid operations.
- c) Please evaluate (if not already done so) and explain the impact of the IESO’s proposed 2023-2025 export usage fee in the context of the conclusions set out in the IESO’s “Market Implications of the Export Transmission Service Rate” report dated July 2021.

4.0 MARKET RENEWAL PROGRAM (MRP)

4.1-APPrO-1

Reference: Exhibit G, Tab 2, Schedule 1, Pages 1 and 2 of 10; Exhibit G, Tab 2, Schedule 1, Page 4 of 10, footnote 9.

Preamble: The application evidence states that “[t]he revised budget estimate of \$233 million, including contingency, is \$55 million higher than the previously approved budget of \$178 million ... due to increased costs to modify the IESO’s IT systems, and increased labour costs arising from the longer project duration” [revised in-service date of May 2025 from previously communicated in-service date of November 2023].

- a) If project costs have increased by \$55 million, please explain why there is not a commensurate decrease in the estimated net financial benefits of \$700 million from the 2019 business case estimated benefits of \$800 million? In other words, why is the current estimated net financial benefits over the first 10 years of operation not \$745 million instead of \$700 million where the total quantifiable benefits estimate of \$975 million over the first 10 years has not changed since the 2019 Business Case calculation (as stated in the September 22, 2022 validation memo)?
- b) What will the impact be on the MRP net financial benefit estimate if the MRP go-live date is further delayed?
- c) What mitigation measures has the IESO put in place to ensure the MRP go-live date is not further delayed?

4.1-APPrO-2

Reference: Exhibit G, Tab 2, Schedule 1, Pages 1 and 2 of 10; Exhibit G, Tab 2, Schedule 1, Page 4 of 10, footnote 9.

Preamble: The application evidence states that “[t]he revised budget estimate of \$233 million, including contingency, is \$55 million higher than the previously approved budget of \$178 million ... due to increased costs to modify the IESO’s IT systems, and increased labour costs arising from the longer project duration” [revised in-service date of May 2025 from previously communicated in-service date of November 2023]. But the September 22, 2022 validation memo states in part that 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 identify the source of the difference between the \$55 million increase in estimated project costs and the \$92 million increase in estimated implementation and operation cost estimate.
- b) Is the difference entirely comprised of the cost of ongoing operation of the renewed market following the May 2025 in-service date?
- c) If so, where are these costs captured in Exhibit D, Tab 1, Schedule 1, Page 6 of 9, Table 5: 2025 OM&A Expenses (or elsewhere in the application)?
- d) What will the impact be on the MRP budget estimate if the MRP go-live date is further delayed?

5.0 COMMITMENTS FROM PREVIOUS OEB DECISIONS

5.1-APPrO-1

Reference: Exhibit G, Tab 2, Schedule 1, Pages 3 and 4 of 10

Preamble: In the OEB’s Decision and Order in EB-2022-0002, the OEB approved the settlement proposal in which the IESO agreed to certain items as italicized at Exhibit G, Tab 2, Schedule 1, Page 3.

- a) While the reports published by the IESO for Q3 2022 and Q4 2022 meet the minimum requirements set out in the settlement proposal (e.g. SPI, CPI, actual to planned schedule progress, etc.), please advise if it is possible for the IESO to provide in future quarterly update reports more robust and detailed information on the development status of elements of the project that result in reported changes to the project schedule or expenses.

5.1-APPrO-2

Reference: Exhibit G, Tab 2, Schedule 1, Page 1 of 9

Preamble: As part of the settlement agreement approved by the OEB in EB-2022-0002, the IESO committed to engaging an independent third party to conduct a jurisdictional review of the types of market and planning information and data that are made available in other comparable jurisdictions and how such information and data is made available. The results of that jurisdictional review were to be made public by the end of Q2 2023.

- a) Please provide an update on when the jurisdictional review will be published.