

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

May 25, 2023

Dear Ms. Marconi,

Re: REASCWA interrogatories to IESO in proceeding EB-2022-0318 (IESO 2023, 2024, and 2025 expenditure and revenue requirement application)

Please find enclosed the joint interrogatories of the Canadian Renewable Energy Association, Energy Storage Canada, and the Ontario Waterpower Association (collectively, "REASCWA") in this matter, submitted by Power Advisory on behalf of REASCWA.

Sincerely,



Jason Chee-Aloy
Managing Director
Power Advisory

REASCWA Interrogatories
IESO 2023, 2024, and 2025 Expenditure and Revenue Requirement Application EB-2022-0318
May 25, 2023

1.0 Revenue Requirement, Operating Costs and Capital Spending

- 1.1 Is the IESO's Fiscal Year 2023 revenue requirement of \$208.4 million appropriate?
- 1.2 Is the IESO's Fiscal Year 2024 revenue requirement of \$218.4 million appropriate?
- 1.3 Is the IESO's Fiscal Year 2025 revenue requirement of \$229.7 million appropriate?

1.1/1.2/1.3-REASCWA-1

Reference: Exhibit D, tab 1, schedule 2, pages 2-3

Reference: Exhibit D, tab 1, schedule 2, attachment 1

Preamble: The IESO has budgeted \$75.5 million in operating expenses for its Planning, Conservation and Resource Adequacy business unit. The IESO is in the midst of designing, launching, and running multiple resource procurements, including through the Medium-term, Expedited Long-term, and Long-term RFPs; the small hydro re-contracting initiative; the Same Technology Upgrade solicitation; the capacity auction, etc. The importance of these various initiatives to Ontario's electricity supply needs makes it is essential that the IESO is appropriately resourced to deliver the full potential of these procurements. At the same time, budgets under this business unit have increased considerably over the last five years.

Questions:

- a) Please provide the IESO's forecast and historical expenditures for each of the supply adequacy/ procurement initiatives that are currently underway or being developed – that is to say, a budget breakdown per procurement initiative (e.g., MT RFP, E LT-1 RFP, LT-1 RFP, LT-2 RFP, small hydro re-contracting, same technology upgrade, annual capacity auction, etc.)
- b) Please describe how the IESO has established the budget for each supply adequacy/ procurement initiative for 2023, 2024, and 2025.
- c) Please describe what impact, if any, the delays to the conclusion of some supply adequacy/ procurement initiatives have had or will have on the three-year Planning, Conservation and Resource Adequacy budget.
- d) Please explain why the 2025 budgeted cost of \$24.9 million remains considerably higher than the 2020, 2021 and 2022 actuals (\$14.8 million, \$18.9 million, \$21.7 million, respectively), even as the temporary resources that the IESO has added to support resource and transmission adequacy initiatives in 2022, 2023, and 2024 “come to term”.

1.0 Revenue Requirement, Operating Costs and Capital Spending

- 1.7 Is the IESO's 2023 capital expenditure budget of \$86.0 million appropriate?
- 1.8 Is the IESO's 2024 capital expenditure budget of \$75.9 million appropriate?
- 1.9 Is the IESO's 2025 capital expenditure budget of \$58.2 million appropriate?

1.7/1.8/1.9-REASCWA-2

Reference: Exhibit E, tab 2, schedule 1, attachment 9, page 4

Preamble: With Ontario's growing electricity supply needs, the IESO is undertaking a series of supply procurements, including a number of RFPs, the small hydro re-contracting initiative, the Same Technology Upgrades solicitation, etc. To date these processes have yielded over 1500 MW of capacity under contract. The IESO has also successfully secured capacity via the annual capacity auction.

Regarding the capital expenditure budget for the capacity auction enhancements project, the IESO has estimated a \$3.3 million capital cost for a forward capacity auction. The IESO notes that the status of the forward capacity auction is "not initiated", and at a January 26, 2023 webinar/stakeholder the IESO stated that "In light of other ongoing procurement activities, updated capacity needs assessments and recent annual capacity auction results, the benefits of an enhanced capacity auction with multi-year commitments may not be fully realized if pursued at this time. As such, further design activities on the proposed Forward Capacity Auction will be suspended until a time that the role and benefits this procurement mechanism can offer can be explored within the context of the Resource Adequacy Framework." (<https://ieso.ca/-/media/Files/IESO/Document-Library/engage/cae/cae-20230126-presentation.ashx>, slide 33).

Questions:

- a) Please explain why the IESO continues to include a cost estimate for the forward capacity auction if design activities have been suspended until further notice.
- b) Please describe the IESO's current views with respect to the need for a forward capacity auction, especially in light of the IESO's May 16, 2023 announcement of the selected proponents for the non-storage category and storage category 1 of the E-LTI RFP and of the agreements from the Same Technology Upgrades Solicitation.
- c) Please explain what circumstances, metrics, or guidelines the IESO is using to determine the appropriateness and timing of revisiting the development of a forward capacity auction.