



PUBLIC INTEREST ADVOCACY CENTRE
LE CENTRE POUR LA DÉFENSE DE L'INTÉRÊT PUBLIC

May 25, 2023

VIA E-MAIL

Ms. Nancy Marconi
Registrar (registrar@oeb.ca)
Ontario Energy Board
Toronto, ON

Dear Ms. Marconi:

Re: EB-2022-0318 Independent Electricity System Operator (IESO)
Application for approval of 2023, 2024 and 2025 revenue requirements, expenditures, and
usage fees
Interrogatories of the Vulnerable Energy Consumers Coalition (VECC)

Please find attached the interrogatories of VECC in the above-noted proceeding. We have also directed a copy of the same to the Applicant.

Yours truly,

Mark Garner
Consultants for VECC/PIAC

Email copy:
George Dimitropoulos, Senior Advisor, Regulatory Affairs
regulatoryaffairs@ieso.ca

Patrick Duffy, Counsel to IESO, Stikeman Elliott LLP
pduffy@stikeman.com

REQUESTOR NAME	VECC
TO:	IESO
DATE:	May 25, 2023
CASE NO:	EB-2022-0318
APPLICATION NAME	2023 Cost of Service Rate Application

Issue 1: Revenue Requirement, Operating Costs and Capital Spending

1-VECC-1

Reference: Exhibit A, Tab 2, Schedule 2

- a) Please explain how the performance measures set out in Exhibit A affect the compensation of IESO employees.

1-VECC-2

Reference: Exhibit D, Tab1, Schedule 2

- a) Using Table 1 (Summary of OM&A for Business Units) please add an additional two rows for each business unit showing the allocated internal FTEs in each business unit for each year and, separately the contractor FTEs.
- b) Please add two additional rows for each business unit which delineate the costs as between labour/compensation related and other OM&A costs.

1-VECC-3

Reference: Exhibit D, Tab1, Schedule 2

"2025 budgeted costs of \$3.8 million are \$1.3 million higher than 2024 due to the market power mitigation function returning assignment to MACD as MRP is completed."

- a) From which business unit is the \$1.3 million deducted due to the above mentioned returning assignment?

1-VECC-4

Reference: Exhibit D, Tab 1, Schedule 2, page 7

- a) Please provide the annual incremental HR costs attributable to the *"cultural transformation and building capabilities"* initiative.

1-VECC-5

Reference: Exhibit D, Tab 1, Schedule 3

- a) Bill 124 has recently been declared null and void. The Government of Ontario has appealed that decision. If that appeal fails what impact would confirmation of the court's decision have on IESO's compensation costs in 2023 through 2025?
- b) Do any of the current agreements with the PWU or Society have "reopener" clauses which could potentially provide for retroactive compensation?

1-VECC-6

Reference: Exhibit D, Tab 2, Schedule 1

Table 1: Net Interest Expense from 2019 to 2025

Net Interest Expense (In \$ millions)	Historical							Budget		
	2019 OEB Approved	2019 Actual	2020 Actual	2021 OEB Approved	2021 Actual	2022 OEB Approved	2022 Actual	2023	2024	2025
Ontario Electricity Financial Corporation Credit Facility	2.1	2.3	1.7	1.5	1.4	1.8	1.4	2.6	3.7	4.4
Capitalized Interest	(0.9)	(0.5)	(0.7)	(0.8)	(0.9)	(1.4)	(1.3)	(1.3)	(0.6)	(0.5)
Financing Charges	0.3	0.3	0.3	0.3	0.1	0.2	0.1	0.2	0.2	0.2
Short Term Investment Income	(5.9)	(7.9)	(3.5)	(2.2)	(2.1)	(2.2)	(8.7)	(9.2)	(8.5)	(8.5)
Long Term Investment Income	(1.5)	(3.2)	(2.4)	(1.3)	(3.7)	(3.3)	(3.7)	(3.8)	(4.5)	(4.8)
Total	(5.9)	(9.0)	(4.6)	(2.5)	(5.2)	(5.0)	(12.2)	(11.5)	(9.7)	(9.2)

- a) Please provide the interest rate assumptions used in calculating the 2023 through 2025 interest expenses.
- b) What is the inflation rate assumed for budgeting purposes in 2023, 2024 and 2025?

1-VECC-7

Reference: Exhibit E, Tab 2, Schedule 1, page 5 Table 2: Material Capital Projects

- a) Please provide a table showing the 2023 material capital projects listed in Table 2 and showing: (1) spending to date and (2) current expected completion date (month end) for the project components budgeted for the 2023.

1-VECC-8

Reference: Exhibit E, Tab 2, Schedule 1, page 5 Table 2: Material Capital Projects /

Core Network Refresh

Year	2022	2023	2024	Total
Capital	\$46,000	\$1,980,000	\$1,800,000	\$3,826,000
Capital (Contingency)				\$939,000
Total Capital (Including Contingency)				\$4,765,000
Operating	\$17,000	\$23,000	\$40,000	\$80,000
Operating (Contingency)				\$24,000
Total Operating (Including Contingency)				\$104,000
Total (Including Contingency)				\$4,869,000

a) Please explain the variance in the 2024 capital spending for this project as shown in the table above (\$1.8 million) and as shown in Table 2 (\$0.6M).

1-VECC-9

Reference: Exhibit E, Tab 2, Schedule 1, pg. 5, Table 2 Material Capital Projects

Enabling Resource Program

	Actuals		Budget										
Calendar Year	2021		2022		2023		2024		2025		2026		Contingency
Initiative	CAP	OPEX	CAP	OPEX	CAP	OPEX	CAP	OPEX	CAP	OPEX	CAP	OPEX	
Total	-	313	-	1,775	300	1,675	2,525	1,250	4,015	450	1,350	200	1,385
Hybrid Resources													
IESO Labour		231		900	300	600	700	200		-			
Consultants				150		50		150		50			
Other							675		675				
Total	-	231	-	1,050	300	650	1,375	350	675	50	-	-	468
DER													
IESO Labour		82		600		800	500	600	1,000	200	500	100	
Consultants		0		125		225		200		100		-	
Other							450		450		450		
Total	-	82	-	725	-	1,025	950	800	1,450	300	950	100	638
Storage Operational Enhancements													
IESO Labour							200	100	500	100	400	100	
Other									1,390				
Total	-	-	-	-	-	-	200	100	1,890	100	400	100	279

- b) Please explain the variance in the capital spending for this project as shown in the table above and that shown in Table 2 (for example in 2024 total capital is shown as \$2.525 above and in Table 2 as 0.6M).

1-VECC-10

Reference: Exhibit E, Tab 2, Schedule 1, Attachment 4

- a) Please clarify/specify how the Space Needs Program monies are allocated as between (a) current space renovations; (b) new space; (c) other costs – please specify.
- b) Please clarify how the monies for the program are allocated as between the various IESO leased and owned facilities.

Issue 2: Usage Fees

VECC -11

Reference: Exhibit C, Tab 3, Schedule 1

- a) Please provide a table which provides the following:
- i. A list of all services under which the \$145/hr charge is applied
 - ii. the number of estimated hours of work for each service for each year 2023 through 2025.
 - iii. The total estimated revenue for each service in each year 2023 through 2025.
- b) Please explain for each service how \$145/hr was determined to be an appropriate cost recovery amount. Specifically, show the labour rate separate from the overhead recovery rate and explain how both components were estimated.
- c) When was the \$145/hr first instituted as an hourly charge?
- d) Please provide the impact of increasing the hourly charge to \$220 on the annual revenues from each service listed in a).

Issue 3: Operating Reserve

VECC -12

Reference: Exhibit F, Tab 1, Schedule 1

“The IESO is requesting to increase the FVDA balance to \$15 million effective January 1, 2023, to manage cost or revenue variances that may arise over the planning horizon with the 21 approval of all three years of the 2023-2025 Business Plan.”

- a) Please explain how the amount of \$15 million was determined to be an appropriate amount to cushion against unplanned events.
- b) Some capital projects, like the Backup Operating Centre, have large contingencies that are not reflected in the Business Plan (Exhibit E, Tab 2, Schedule 1, Attachment 6, page 1). In light of this and given the longer horizon under the 3-year review proposal of this application why would a larger contingency not be a more prudent course of action?
- c) How is interest earned on unutilized contingency amounts accounted for in the budgeting process of the IESO?

VECC -13

Reference: Exhibit F, Tab 1, Schedule 1

- a) What is the dollar variance from the proposed annual budget that would trigger the process for usage fee adjustment under the “Material Change Threshold” provisions described in Appendix F?

Issue 4: Market Renewal Program

VECC -14

Reference: Exhibit G, Tab 2, Schedule 1

“The revised budget estimate of \$233 million, including contingency, is \$55 million higher than the previously approved budget of \$178 million.”

- a) The MRP is significantly over budget. What new initiatives have been established which will improve the probability of the project staying within the current estimated budget to completion.

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