

**SETTLEMENT PROPOSAL**  
**Independent Electricity System Operator**  
**EB-2022-0318**  
**2023, 2024, and 2025 Revenue Requirement Submissions for**  
**Review**

**July 21, 2023**

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## **PREAMBLE**

This Settlement Proposal is filed with the Ontario Energy Board (OEB) in connection with the Submissions by the Independent Electricity System Operator (IESO) for the review of its proposed expenditure and revenue requirement for the fiscal years 2023, 2024 and 2025 and the fees that it proposes to charge during those fiscal years.

On December 5, 2022, the IESO filed a letter with the OEB requesting that its approved 2022 usage fees be made interim from January 1, 2023, until the end of the month in which the IESO received OEB approval of its final 2023 usage fees. An OEB Decision and Order (EB-2022-0318) was issued on December 13, 2022, approving use of the 2022 fees on an interim basis, effective January 1, 2023, until final 2023 usage fees were approved by the OEB.

In accordance with Procedural Order No. 1, a Settlement Conference was held on June 26, 27 and 28, 2023. The Settlement Conference was extended to June 30, 2023, by OEB letter at the request of OEB Staff and concluded on June 29, 2023. Mr. Andrew Mandyam and Mr. Brandon Ott (Utilis Consulting) facilitated the Settlement Conference. This Settlement Proposal arises from the Settlement Conference.

The IESO and the following intervenors, as well as OEB technical staff (OEB Staff), participated in the Settlement Conference:

1. Association of Major Power Consumers in Ontario (AMPCO)
2. Association of Power Producers of Ontario (APPrO)
3. Canadian Manufacturers & Exporters (CME)
4. Canadian Renewable Energy Association, Energy Storage Canada, and Ontario Waterpower Association (REASCWA)
5. Electricity Distributors Association (EDA)
6. Energy Probe Research Foundation (EP)
7. Environmental Defence (ED)
8. HQ Energy Marketing Inc. (HQEM)
9. Power Workers Union (PWU)
10. School Energy Coalition (SEC)
11. Society of United Professionals (SUP)
12. Vulnerable Energy Consumers Coalition (VECC)

The Settlement Proposal deals with all of the relief sought in this proceeding. The IESO and all intervenors listed above have agreed to the settlement described on the following pages. Any reference to "Parties" in this Settlement Proposal is intended to refer to the IESO and the intervenors listed above. As set out in more detail below, a settlement has been reached on all issues.

Notwithstanding any other clause in this Settlement Proposal, APPrO does not take a position on the addition of an environmental and policy groups constituency in the IESO's next call for nominations to the Strategic Advisory Committee. SUP takes no position on issues 1.4, 1.5 and 1.6 but supports the settlement reached on all the other issues. HQEM does not take a position on any of the issues in the Settlement Proposal.

All intervenors listed above participated virtually in the Settlement Conference and subsequent discussions. Although OEB Staff is not a party to the Settlement Proposal, once the Settlement Proposal is filed, OEB Staff are required under the OEB's *Practice Direction on Settlement Conferences* to file a submission commenting on two aspects of the settlement: whether the settlement represents an acceptable outcome from a public interest perspective, and whether the accompanying explanation and rationale is adequate to support the settlement. Also, as noted in the *Practice Direction on Settlement Conferences*, OEB Staff participants to the Settlement Conference are bound by the same confidentiality and privilege rules that apply to the Parties to the proceeding.

This document is called a "Settlement Proposal" because it is a proposal by the Parties to the OEB to settle the issues in this proceeding. It is termed a proposal as between the Parties and the OEB. However, as between the Parties, and subject only to the OEB's approval of this Settlement Proposal, this document is intended to be a legal agreement, creating mutual obligations, and binding and enforceable in accordance with its terms. As set forth below, this Settlement Proposal is subject to a condition subsequent, that if it is not accepted by the OEB in its entirety, then unless amended by the Parties, it is null and void and of no further effect.

In entering into this agreement, the Parties understand and agree that, pursuant to the *Ontario Energy Board Act, 1998*, the OEB has exclusive jurisdiction with respect to the interpretation or enforcement of the terms hereof.

Best efforts have been made to identify all of the evidence that relates to each settled issue. The supporting evidence for each settled issue is identified individually by reference to its exhibit number in an abbreviated format; for example, Exhibit B, Tab 3, Schedule 1 is referred to as Exhibit B-3-1. The identification and listing of the evidence that relates to each settled issue is provided to assist the OEB.

The Settlement Proposal describes the agreements reached on the issues. The Settlement Proposal provides a direct link between each settled issue and the supporting evidence in the record to date. In this regard, the Parties are of the view that the evidence provided is sufficient to support the Settlement Proposal in relation to the settled issues and, moreover, that the quality and detail of the supporting evidence, together with the corresponding rationale, will allow the OEB to make findings agreeing with the proposed resolution of the settled issues. If the OEB does not accept the proposed settlement of any issue, then subject to the Parties' agreement on non-severability set out in the final paragraph below, further evidence may be required on the issue for the OEB to consider it fully.

None of the Parties can withdraw from the Settlement Proposal except in accordance with Rule 30 of the OEB's *Rules of Practice and Procedure*. Further, unless stated otherwise, a settlement of any particular issue in this proceeding is without prejudice to the positions Parties might take with respect to the same issue in future proceedings.

The Parties acknowledge that this Settlement Conference (including subsequent related discussions) is confidential in accordance with the OEB's *Practice Direction on Settlement Conferences*. The Parties understand that confidentiality in that context does not have the same meaning as confidentiality in the OEB's *Practice Direction on Confidential Filings*, and the rules of that latter document do not apply. Instead, in this Settlement Conference, and in this Settlement Proposal, the Parties have interpreted "confidential" to mean that the documents and other information provided during the course of the Settlement Conference, the discussion of each issue, the offers and counter-offers, and the negotiations leading to the settlement of each issue during the Settlement Conference are strictly privileged and without prejudice. Unless otherwise agreed to by the Parties, none of the foregoing is admissible as evidence in this proceeding, or otherwise, with one exception, the need to resolve a subsequent dispute over the interpretation of any provision of this Settlement Proposal.

Further, the Parties shall not disclose those documents or other information to persons who were not attendees at the Settlement Conference. However, the Parties agree that "attendees" is deemed to include, in this context, persons who were not in attendance at the Settlement Conference but were a) any persons or entities that the Parties engage to assist them with the Settlement Conference, and b) any persons or entities from whom they seek instructions with respect to the negotiations; in each case provided that any such persons or entities have agreed to be bound by the same confidentiality provisions.

It is fundamental to the agreement of the Parties that none of the provisions of this Settlement Proposal are severable. If the OEB does not, prior to the commencement of the hearing of the evidence in this proceeding, accept the provisions of the Settlement Proposal in their entirety, there is no Settlement Proposal (unless the Parties agree that any portion of the Settlement Proposal that the OEB does accept may continue as a valid Settlement Proposal).

## OVERVIEW

The Parties have reached a package settlement of all issues on the OEB-approved issues list in this proceeding (Package Settlement). Given the IESO's agreement to these settlement terms, the Package Settlement includes acceptance of the IESO's proposals in respect of all issues, subject to the terms set out below.

## THE ISSUES

### 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?**

As part of the Package Settlement, the Parties accept that the IESO's 2023, 2024 and 2025 revenue requirements of \$208.4 million, \$218.4 million, and \$229.7 million, respectively, are appropriate, subject to the following commitments:

- The IESO will investigate the potential to report on historical and forecast spending on a project, initiative or program basis similar in nature to Appendix 2-JC of the OEB's *Filing Requirements for Electricity Distribution Rate Applications* and report on its findings in the 2026-2028 Revenue Requirement Submission. In addition, in the 2026-2028 Revenue Requirement Submission, the IESO will present forecast and historic spending on major activity and initiative basis, with the understanding that the reporting may involve assumptions, including with respect to time allocation.
- The Memorandum of Understanding between the Minister of Energy and the IESO requires the IESO to submit an Interim Year Business Outlook to the Minister for each fiscal year in a business plan cycle for approval. The IESO will publish the Interim Year Business Outlooks on its website in 2024 and 2025 after they are approved by the Minister.
- The Interim Year Business Outlook will include reporting on the progress on the energy transformation which includes the IESO's response to any changes to government policy, a description of any significant variances in the budgeted/planned operating and capital amounts in the 2023-2025 Business Plan including identification of any unplanned material operating or capital budget increases over the 2023-2025 period and information on the

trajectory of these “cumulative” initiatives and a clear indication of year over year changes to that trajectory.

- As part of the 2026-2028 Revenue Requirement Submission, the IESO will provide a 3-year roadmap/work plan related to transformation of the energy sector in Ontario that includes business objectives, deliverables and measures, scope, timelines, cost, key resources, assumptions, constraints, and potential risks.
- As part of its stakeholder engagement framework refresh that the IESO expects to complete by end of 2023, the IESO will commit to targeting increased participation of groups representing Ontario electricity consumers of all types in stakeholder engagement activities and to provided new and enhanced ways for them to provide meaningful and specific feedback on key initiatives. At the end of 2024 and in the 2026-2028 Revenue Requirement Submission, the IESO will post publicly how it has met that commitment and the results.
- The IESO will consider the addition of an environmental and policy groups constituency in its next call for nominations to the Strategic Advisory Committee.
- The IESO will retain an independent third party to review the electricity system planning and procurement process against best practices and identify recommendations for the IESO going forward. Results will be posted publicly on the IESO’s website by April 1, 2025, including IESO responses.
- The IESO will initiate a stakeholder engagement, within 3 months of an OEB Decision and Order in this proceeding, to consider how best it can provide greater access to planning and market data using the recently completed jurisdictional scan (ISO Markets and Planning Data – Jurisdictional Review for IESO by PA Consulting) as a starting point. Cost-eligible intervenors that participated in the IESO’s 2022 and 2023-2025 Revenue Requirement Submissions will receive funding for their participation.
- The IESO will post publicly an up-to-date end of year Hydrogen Innovation Portfolio table in similar format as the Grid Innovation Fund table in Exhibit G, Tab 1, Schedule 1, Attachment 1 and include project and status from inception to the end of 2023, 2024, 2025.
- The IESO will post the reporting requirements from the 2023-2025 revenue requirement submission on a single webpage on the IESO’s website.

**Evidence:**

- A-1-2 2023 Submission
- A-1-3 2024 Submission



- A-1-4 2025 Submission
- A-1-5 Executive Summary
- A-2-1 Stakeholder Engagement
- A-2-2 Performance Measures and Targets
  - Attachment 1 – 2023-2025 Performance Measures
  - Attachment 2 – 2022 Performance Measures Results
- B-1-1 IESO's Letter to the Minister Requesting Approval of 2023-2025 Business Plan
- B-1-2 2023-2025 Business Plan
- B-1-3 Minister's Letter Approving the IESO's 2023-2025 Business Plan
- B-2-1 2022 Annual Report and Audited Financial Statements
- C-1-1 Revenue Requirement and Usage Fee Methodology
- C-2-1 2023-2025 Revenue Requirement and Usage Fees
  - Attachment 1 – Actual Load and Forecast Volumes (xlsx)
- C-3-1 Funding Sources
  - Attachment 1 – Funding Sources (xlsx)
- D-1-1 OM&A Overview
  - Attachment 1 – Summary of OM&A Expenses (Appendix 2-JA) (xlsx)
  - Attachment 2 – OM&A Cost Driver Table (Appendix 2-JB) (xlsx)
- D-1-2 Business Unit Detail
  - Attachment 1 – OM&A Business Unit Table (Appendix 2-JC) (xlsx)
  - Attachment 2 – Organizational Chart
- D-1-3 Staffing and Compensation
  - Attachment 1 – Employee Costs (Appendix 2-K) (xlsx)
  - Attachment 2 – IESO Compensation Guidelines
  - Attachment 3 – Non-Executive Total Remuneration Review
- D-1-4 Corporate Policy on Procurement
  - Attachment 1 – IESO Procurement Policy
- D-2-1 Interest and Investment Income
- E-1-1 Asset Management Process Overview
- E-1-2 Capital Expenditure Planning Process Overview
- E-2-1 Capital Budget Overview and Progress on Capital Projects
  - Attachment 1 – Capital Projects (Appendix 2-AA) (xlsx)
  - Attachment 2 - Project Charter - Core Network Refresh
  - Attachment 3 - Project Charter - Enabling Resources Program
  - Attachment 4 - Project Summary - Space Needs Program
  - Attachment 5 - Project Summary - Lawson Refresh
  - Attachment 6 - Project Summary - Backup Operating Centre and Backup Data Centre Relocation
  - Attachment 7 - Project Summary - Meter Data Management System Replacement

- Attachment 8 - Project Summary - Enabling Grid Transformation Program
  - Attachment 9 - Material Capital Project Progress Updates
  - Attachment 10 - \$1 Million - \$4 Million Capital Project Updates
- E-3-1 Gross Assets and Amortization
  - Attachment 1 – Service Life Comparison and Amortization Expense (xlsx)
- F-1-1 Forecast Variance Deferral Account
- G-1-1 Summary of Responses to OEB Decisions
  - Attachment 1 – Progress on Implementing Recommendations from Third Party Evaluation of the Grid Innovation Fund
  - Attachment 2 – Internal Audit Recommendations & Management Response
  - Attachment 3 – Annual OEB Update on Market Surveillance Panel Recommendations
  - Attachment 4 - Detail of Internal Audit Reports
- G-2-1 Market Renewal Program Cost Report
- G-2-2 Annual Status Report on 2017 Auditor General Recommendations
- G-2-3 IESO's 2023-2025 Regulatory Scorecard

**Interrogatories:**

- Schedule 3 - 1.0 – AMPCO 1 – 15
- Schedule 2 - 1.0 – APPrO 1 -5
- Schedule 8 - 1.0 ED 1 – 8
- Schedule 6 - 1.0 EDA 2 – 5
- Schedule 7 - 1.0 Energy Probe 1 – 9
- Schedule 1 - 1.0 OEB Staff 1- 12
- Schedule 1 - 1.0 OEB STAFF 5
  - Attachment 1 - Actuarial Report Year End 2022
  - Attachment 2 - 2022-2025 Expense and Funding Projections
- Schedule 5 - 1.0 REASCWA 1 -2
- Schedule 12 - 1.0 SUP 1 – 5
- Schedule 13 - 1.0 VECC 1 - 10
- Schedule 6 - 1.1 EDA 1
- Schedule 11 - 1.1 SEC 1 -13
- Schedule 11 - 1.1 SEC 1
  - Attachment 1- Board Material Business Plan
- Schedule 11 - 1.1 SEC 2
  - Attachment 1 - August AC Material Business Plan
  - Attachment 2 - Board Material BP Resolution
- Schedule 11 - 1.1 SEC 4
  - Attachment 1 - IESO Stakeholder and Community Survey – Key

Findings - Jan 2023

- 1.4 Is the IESO's 2023 projected staffing levels and compensation (including salaries, benefits, pensions, and other post-employment benefits) appropriate?**
- 1.5 Is the IESO's 2024 projected staffing levels and compensation (including salaries, benefits, pensions and other post-employment benefits) appropriate?**
- 1.6 Is the IESO's 2025 projected staffing levels and compensation (including salaries, benefits, pensions and other post-employment benefits) appropriate?**

As part of the Package Settlement, the Parties accept that the IESO's 2023, 2024 and 2025 projected staffing levels and compensation are appropriate.

With respect to compensation, the IESO will continue to work to make progress towards reaching the 50<sup>th</sup> percentile for total compensation, and:

- In the 2026-2028 Revenue Requirement Submission, the IESO will:
  - Report on the progress of actions taken to make progress towards meeting the 50<sup>th</sup> percentile for total compensation.
  - Include a forward-looking itemized plan identifying how the IESO proposes to continue to make progress towards reaching the 50<sup>th</sup> percentile for total compensation including incremental steps taken or planned to be taken. The IESO will include forecast timelines for the actions identified in the itemized plan.
- In 2024 the IESO will undertake an updated total compensation study and will file that study as evidence in the 2026-2028 Revenue Requirement Submission.
- The IESO will include a management bargaining mandate to work towards a 50:50 employee-employer pension and other post-employment benefits (OPEB) contribution ratio for upcoming collective agreement negotiations with both the Society of United Professionals and Power Workers Union. The IESO will also continue to work towards a 50:50 employee-employer pension and OPEB contribution ratio for management employees.

**Evidence:**

- A-1-5 Executive Summary
- A-2-1 Stakeholder Engagement
- A-2-2 Performance Measures and Targets

- Attachment 1 – 2023-2025 Performance Measures
  - Attachment 2 – 2022 Performance Measures Results
- B-1-1 IESO's Letter to the Minister Requesting Approval of 2023-2025 Business Plan
- B-1-2 2023-2025 Business Plan
- B-1-3 Minister's Letter Approving the IESO's 2023-2025 Business Plan
- B-2-1 2022 Annual Report and Audited Financial Statements
- D-1-1 OM&A Overview
  - Attachment 1 – Summary of OM&A Expenses (Appendix 2-JA) (xlsx)
  - Attachment 2 – OM&A Cost Driver Table (Appendix 2-JB) (xlsx)
- D-1-2 Business Unit Detail
  - Attachment 1 – OM&A Business Unit Table (Appendix 2-JC) (xlsx)
  - Attachment 2 – Organizational Chart
- D-1-3 Staffing and Compensation
  - Attachment 1 – Employee Costs (Appendix 2-K) (xlsx)
  - Attachment 1 – IESO Compensation Guidelines
  - Attachment 3 – Non-Executive Total Remuneration Review
- D-2-1 Interest and Investment Income
- E-1-1 Asset Management Process Overview
- E-1-2 Capital Expenditure Planning Process Overview
- E-2-1 Capital Budget Overview and Progress on Capital Projects
  - Attachment 1 – Capital Projects (Appendix 2-AA) (xlsx)
  - Attachment 2 - Project Charter - Core Network Refresh
  - Attachment 3 - Project Charter - Enabling Resources Program
  - Attachment 4 - Project Summary - Space Needs Program
  - Attachment 5 - Project Summary - Lawson Refresh
  - Attachment 6 - Project Summary - Backup Operating Centre and Backup Data Centre Relocation
  - Attachment 7 - Project Summary - Meter Data Management System Replacement
  - Attachment 8 - Project Summary - Enabling Grid Transformation Program
  - Attachment 9 - Material Capital Project Progress Updates
  - Attachment 10 - \$1 Million - \$4 Million Capital Project Updates
- E-3-1 Gross Assets and Amortization
  - Attachment 1 – Service Life Comparison and Amortization Expense (xlsx)
- G-1-1 Summary of Responses to OEB Decisions
  - Attachment 1 – Progress on Implementing Recommendations from Third Party Evaluation of the Grid Innovation Fund
  - Attachment 2 – Internal Audit Recommendations & Management

Response

- Attachment 3 – Annual OEB Update on Market Surveillance Panel Recommendations
- Attachment 4 - Detail of Internal Audit Reports
- G-2-1 Market Renewal Program Cost Report
- G-2-3 IESO's 2023-2025 Regulatory Scorecard

**Interrogatories:**

- Schedule 4 - 1.4 CME 1 – 3
- Schedule 4 - 1.4 CME 3
  - Attachment 1 - Non-Executive Total Remuneration Review 2018
- Schedule 10 - 1.4 PWU 1 – 6
- Schedule 4 - 1.6 CME 4

**1.7 Is the IESO's 2023 capital expenditure budget of \$86 million for 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?**

As part of the Package Settlement, the Parties accept that the IESO's 2023, 2024, and 2025 capital expenditure envelopes of \$86 million, \$75.9 million, and \$58.2 million, respectively, are appropriate.

The IESO will set the target of the key performance indicators for 2023 for its strategic initiatives to 80%. The targets for 2024 and 2025 are 80% and 85%, respectively.

The IESO will, in the 2026-2028 Revenue Requirement Submission, provide enhanced reporting of annual results of its strategic initiatives which includes:

- The number of strategic initiatives included in the portfolio for each of the years 2023-2025.
- Identification of projects that deviated from schedule and budget in each year and:
  - An explanation of why they are not progressing against schedule and budget,
  - A discussion of lessons learned.

The IESO will post publicly a copy of the Project Charter for the Space Needs Program within 30-days of IESO internal approval, and file with OEB under OEB File No. EB-2022-0318.

**Evidence:**

- A-1-5 Executive Summary
- A-2-2 Performance Measures and Targets
  - Attachment 1 – 2023-2025 Performance Measures
  - Attachment 2 – 2022 Performance Measures Results
- B-1-2 2023-2025 Business Plan
- E-1-2 Capital Expenditure Planning Process Overview
- E-2-1 Capital Budget Overview and Progress on Capital Projects
  - Attachment 1 – Capital Projects (Appendix 2-AA) (xlsx)
  - Attachment 2 - Project Charter - Core Network Refresh
  - Attachment 3 - Project Charter - Enabling Resources Program
  - Attachment 4 - Project Summary - Space Needs Program
  - Attachment 5 - Project Summary - Lawson Refresh
  - Attachment 6 - Project Summary - Backup Operating Centre and Backup Data Centre Relocation
  - Attachment 7 - Project Summary - Meter Data Management System Replacement
  - Attachment 8 - Project Summary - Enabling Grid Transformation Program
  - Attachment 9 - Material Capital Project Progress Updates
  - Attachment 10 - \$1 Million - \$4 Million Capital Project Updates
- E-3-1 Gross Assets and Amortization
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- G-1-1 Summary of Responses to OEB Decisions
  - Attachment 2 – Internal Audit Recommendations & Management Response
  - Attachment 3 - Annual OEB Update on Market Surveillance Panel Recommendations
- G-2-1 Market Renewal Program Cost Report
- G-2-3 2023-2025 Regulatory Scorecard

**Interrogatories:**

- Schedule 3 - 1.7 AMPCO 16 – 18
- Schedule 3 - 1.7 AMPCO 17
  - Attachment – HUB Exception Report (Redacted)
- Schedule 4 - 1.7 – CME 5
  - Attachment 1 - 2020-2021 Target and Actual Values (xlsx)
- Schedule 11 - 1.7 – SEC 14 – 18
- Schedule 11 - 1.7 SEC 17
  - Attachment 1 - RSS Status Update ESC 5-30-23

## **2.0 Usage Fees**

- 2.1 Is the methodology used to derive the IESO's proposed 2023 Usage Fees to be paid commencing January 1st, 2023 appropriate?**
- 2.2 Is the methodology used to derive the IESO's proposed 2024 Usage Fees to be paid commencing January 1st, 2024 appropriate?**
- 2.3 Is the methodology used to derive the IESO's proposed 2025 Usage Fees to be paid commencing January 1st, 2025 appropriate?**
- 2.4 Is the IESO's proposal to charge or rebate the difference between the approved 2023 IESO Usage Fees and the interim fees in the billing cycle following the month in which OEB approval is received appropriate?**
- 2.5 Is the proposed January 1st, 2023 effective date for the IESO's 2023 Usage Fees appropriate?**
- 2.6 Is the proposed January 1st, 2024 effective date for the IESO's 2023 Usage Fees appropriate?**
- 2.7 Is the proposed January 1st, 2025 effective date for the IESO's 2023 Usage Fees appropriate?**

As part of the Package Settlement, the Parties accept that the methodology used to derive the IESO's proposed 2023, 2024 and 2025 Usage Fees, the request to charge (or rebate) market participants the difference between the approved 2023 IESO Usage Fees and the interim fees they paid in the next billing cycle following the month in which OEB approval is received, and the proposed January 1, 2023 effective date for the IESO's 2023 Usage Fees, are all appropriate.

As part of the Package Settlement, the IESO will conduct a comprehensive review of the cost allocation methodology that is used to derive the IESO's Usage Fees, with input from intervenors who participated in the IESO's 2022 and 2023-2025 Revenue Requirement Submissions. The IESO will file the results of this review, including any proposed changes, in the IESO's 2026-2028 Revenue Requirement Submission. Cost-eligible intervenors that participated in the IESO's 2022 and 2023-2025 Revenue Requirement Submissions will receive funding for their participation in providing input into the review.

### **Evidence:**

- A-1-2 2023 Submission
- A-1-3 2024 Submission
- A-1-4 2025 Submission

- C-1-1 Revenue Requirement and Usage Fee Methodology
- C-2-1 2023-2025 Revenue Requirements and Usage Fees
  - Attachment 1 – Actual Load and Forecast Volumes (xlsx)
- C-3-1 Funding Sources
  - Attachment 1 – Funding Sources (xlsx)
- F-1-1 Forecast Variance Deferral Account

**Interrogatories:**

- Schedule 2 - 2.0 APPrO 12-13
  - Attachment 1 - IESO 2023-25 Cost Allocation Model Output
- Schedule 6 - 2.0 EDA 6
- Schedule 1 - 2.0 OEB Staff 13-15
- Schedule 13 - 2.0 VECC 11
- Schedule 2 - 2.1 APPrO 6-7
- Schedule 11 - 2.1 SEC 19-20
- Schedule 11 - 2.1 SEC 19
  - Attachment 1 - IESO 2023 Cost Allocation Model
  - Attachment 2 - IESO 2024 Cost Allocation Model
  - Attachment 3 - IESO 2025 Cost Allocation Model
- Schedule 2 – 2.2 APPrO 8-9
- Schedule 2 – 2.3 APPrO 10-11

**3.0 Operating Reserve**

**3.1 Is the IESO's proposal to retain an Operating Reserve of \$15 million in the Forecast Variance Deferral Account (FVDA) appropriate?**

**3.2 Is the IESO's proposal to clear the amount of the 2022 year-end balance in the FVDA that exceeds the \$15 million Operating Reserve appropriate?**

The parties agree the IESO's proposal to clear the amount of the 2022 year-end balance in the FVDA that exceeds \$15 million is appropriate. The IESO will rebate \$8.7 million to market participants on the next available invoice following OEB approval of this revenue requirement submission.

The parties agree that the IESO will retain an operating reserve of \$10 million in the FVDA. If the year-end balance in FVDA exceeds \$15 million for 2023 or 2024 before the 2026-2028 Revenue Requirement Submission, the IESO will rebate an amount to ratepayers to return the operating reserve balance to \$10 million.

If the year-end FVDA balance exceeds \$15 million for 2023 or 2024, the IESO shall provide a report with the final year-end balance in the FVDA for that year and an explanation of balances exceeding \$15 million to all Parties and OEB



Staff by April 30 of the following year. Parties and OEB Staff may ask the IESO questions on the report within 10 business days of the filing being sent by the IESO and the IESO will respond to these questions. The IESO will submit its report to the OEB by May 31 under OEB File No. EB-2022-0318. The IESO will rebate market participants, as applicable, within 3 months after submitting the filing with the OEB on May 31, unless the OEB provides alternate direction prior to the rebate being processed<sup>1</sup>.

Notwithstanding the above, although Environmental Defence does not oppose the settlement of issue 3.1 and 3.2, it does not agree that reductions to the IESO's proposed operating reserve are appropriate in light of the importance of the IESO's work in relation to the energy transition, planning, procurement, and the administration of markets worth \$22 billion annually.

**Evidence:**

- A-1-2 2023 Submission
- A-1-3 2024 Submission
- A-1-4 2025 Submission
- A-1-5 Executive Summary
- C-3-1 Funding Sources
  - Attachment 1 – Funding Sources (xlsx)
- D-1-2 Business Unit Detail
  - Attachment 1 - OM&A Business Unit Table (Appendix 2-JC) (xlsx)
  - Attachment 1 – Organizational Chart
- F-1-1 Forecast Variance Deferral Account

**Interrogatories:**

- Schedule 6 - 3.0 EDA 7
- Schedule 7 - 3.0 Energy Probe 10
- Schedule 1 - 3.0 OEB Staff 16 – 23
- Schedule 12 - 3.0 SUP 6 – 7
- Schedule 13 - 3.0 VECC 12 – 13
- Schedule 4 - 3.1 CME 6
- Schedule 11 - 3.1 SEC 21

**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?**

As part of the Package Settlement, the Parties accept the IESO's proposal to seek OEB approval to adjust previously approved expenditures, revenue

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<sup>1</sup> Similar to the process outlined for the Smart Metering Entity in EB-2017-0290

requirement and fees in the event of a material unforeseen change is appropriate.

The IESO's proposal, as set out in the Application and clarified through IRs, for adjustment due to a material change in circumstances is as follows:

If unforeseen expenses or changes in revenues cause the IESO's balance of the FVDA to reduce below zero at the end of Year 1 of the three-year cycle (i.e., in 2023), the IESO proposes that the IESO may choose to re-apply to adjust its fees for Year 3 of the three-year cycle (i.e., for 2025). In this instance, the IESO would review whether it is appropriate and feasible to apply for revised usage fees. The IESO's review would take into account the timing of the Minister's review of a revised Business Plan, the timing of an OEB proceeding, economic conditions, the impact on ratepayers, and the cost of utilizing the IESO's line of credit.

If the IESO's FVDA balance reduces to below zero, and the IESO decides the best course of action is to revise its usage fees for Year 3, then the IESO would file a revised Business Plan with the Minister of Energy (The Minister) and following the Minister's approval of the revised Business Plan, file a revised revenue requirement submission to the OEB for revised usage fees. The IESO would request approval of revised usages fees for Year 3 necessary to recover some or all of the IESO's operating reserve as appropriate at the judgment of the IESO based on business needs, economic factors and impact on market participants.

In the case that the FVDA balance reaches below zero in year 1 of the three-year cycle the IESO proposes that a revised submission during interim years would adhere to the following process:

- IESO Annual Report completed in Q1 Year 2 confirms that the balance in the FVDA in Year 1 has reached below zero;
- IESO Business Plan is revised and re-submitted to Minister;
- After Minister approval received, revised application is filed with OEB;
- Revised application would request:
  - Approval to amend usage fees in Year 3 to recover some or all of the amounts that impacted the IESO's FVDA to reduce below zero.

IESO will notify the OEB and parties when a revised business plan has been approved by the Minister.

**Evidence:**

- A-1-2 2023 Submission
- A-1-3 2024 Submission
- A-1-4 2025 Submission
- F-1-1 Forecast Variance Deferral Account

**Interrogatories:**

- Schedule 6 - 3.0 EDA 7
- Schedule 7 - 3.0 Energy Probe 10
- Schedule 1 - 3.0 OEB Staff 16 – 23
- Schedule 12 - 3.0 SUP 6 – 7
- Schedule 13 - 3.0 VECC 12 – 13
- Schedule 3 - 3.3 AMPCO 19

**4.0 Market Renewal Program (MRP)**

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

**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?**

**4.3 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?**

As part of the Package Settlement, the Parties accept that the IESO's reporting on the financial and operational performance of the MRP is appropriate.

As part of the Package Settlement, the Parties accept that the IESO's forecast 2023, 2024 and 2025 operational and capital costs for MRP are appropriate in the context of the scope and timing of the overall project. With respect to post-implementation MRP costs, intervenors are not agreeing that post-MRP implementation costs, that were included in the updated financial assessments Exhibit G-2-1, and Exhibit H-4-3 – AMPCO 20-21, and other forecast included in the evidence, are appropriate.

With respect to further reporting on MRP, the IESO will continue to provide a quarterly report, made public on the IESO website within 30 days of the end of each quarter, covering:

1. Schedule Performance Index<sup>2</sup> and Cost Performance Index<sup>3</sup> relative to the in-effect baseline schedule and budget.
2. Schedule against baseline 4<sup>4</sup> and the in-effect baseline schedule<sup>5</sup>.
3. Year-to-date actual spend vs annual budget, and total actual spend vs total budget, using the cost categories from the table included in the MRP Cost Report for baseline 4 and the in-effect baseline budget.
4. Any changes to cost forecast, schedule forecast, or changes to project scope.

In addition, with respect to enhancements to the MRP quarterly reports, the IESO agrees to include:

With respect to any changes to cost forecast, schedule forecast, or changes to project scope, a detailed explanation of any variances and resulting implications on the project.

- Report on the IESO's milestone progress at the end of each quarter completed as per the milestones list included in Schedule 11 – 4.1 SEC 24 Attachment 2 (p.1-2)- MRP Schedule and Milestones.
- Provide an up-to-date public version of the Strategic Risk Review as per Schedule 11 – 4.1 SEC 25 Attachment 2.
- Provide average FTE actuals on an annual basis as per Table 9 in G-2-1 – Market Renewal Program Cost Report.

**Evidence:**

- B-1-2 2023-2025 Business Plan
- B-2-1 2022 Annual Report and Audited Financial Statements
- D-1-2 Business Unit Detail
  - Attachment 1 - OM&A Business Unit Table (Appendix 2-JC) (xlsx)
  - Attachment 2 – Organizational Chart
- E-2-1 Capital Budget Overview and Progress on Capital Projects
  - Attachment 1 – Capital Projects (Appendix 2-AA) (xlsx)
- G-2-1 Market Renewal Program Cost Report
- G-2-3 IESO 2023-2025 Regulatory Scorecard

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<sup>2</sup> The Schedule Performance Index (SPI) is a measure of the conformance of actual (earned) progress to the planned progress and is calculated as:  $SPI = \text{earned value} / \text{planned value}$ .

<sup>3</sup> The Cost Performance Index (CPI) calculates the cost efficiency of the project through the following formula:  $CPI = \text{earned value} / \text{actual cost}$ .

<sup>4</sup> Previous baseline (BL4) is the MRP project schedule which estimated a go-live date of November 2023. As 2023 was the last year of the program the BL4 annual budget column is no longer being reported.

<sup>5</sup> The in-effect baseline schedule, also referred to as current baseline 5 (BL5), estimates a May 2025 go-live date.

**Interrogatories:**

- Schedule 3 - 4.0 AMPCO 20 – 21
- Schedule 7 - 4.0 Energy Probe 11 – 13
- Schedule 7 - 4.0 Energy Probe 13
  - Attachment 1 - 2022 RRS MRP Baseline Schedule,
  - Attachment 2 - 2022 RRS G-2-1 MRP Cost Report
- Schedule 1- 4.0 OEB Staff 24
  - Attachment 1 - MRP Project Status Report Q3 2022
  - Attachment 2 - MRP Project Status Report Q4 2022
  - Attachment 3 - MRP Project Status Report Q1 2023
- Schedule 13 - 4.0 VECC 14
- Schedule 3 - 4.1 AMPCO 22
- Schedule 2 - 4.1 APPRO 14 – 15
- Schedule 11- 4.1 SEC 22 – 25
- Schedule - 4.1 SEC 22
  - Attachment 1 - MRP Business Case Validation Memo
  - Attachment 2 - MRP Net Financial Assessment (xlsx)
  - Attachment 3 - Probability Distribution of the NPV 2022 Values
- Schedule 11 - 4.1 SEC 24
  - Attachment 1 – MRP Schedule and Budget August MC Memo
  - Attachment 2 – MRP Schedule and Milestones
  - Attachment 3 – MRP Southwest Power Pool Engagement
  - Attachment 4 – MRPIWG Business Case Validation Memo
  - Attachment 5 – MRP Schedule Refresh Communications Strategy
  - Attachment 6 – MRP Schedule and Budget August BOD Memo
  - Attachment 7 – MRP Schedule and Budget BOD Resolution
  - Attachment 8 – MRP Schedule and Budget MC Memo Appendix
  - Attachment 9 - MRP Status Update 5\_22
- Schedule 11 - 4.1 SEC 25
  - Attachment 1 - MRP Status Update - ESC - 2023-04-26
  - Attachment 2 - MRP Strategic Risk Review
  - Attachment 3 - MRP Status Update -ESC - 2023-03-27
- Schedule 3 - 4.2 AMPCO 23 – 29

**5.0 Commitments from Past OEB Decisions**

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

As part of the Package Settlement, the Parties accept that the IESO has responded appropriately to OEB directions from previous proceedings.

The IESO will continue to report on the ongoing commitments referenced in 1.1 SEC Interrogatory 7, and include the following further commitments in the 2026-2028 Revenue Requirement Submission:

- Project Management Internal Audit recommendations as agreed to in the approved EB-2022-0002 Settlement Proposal (p.11).
- Details of Internal Audit Reports for the period 2023 to 2025 as agreed to in the approved EB-2022-0002 Settlement Proposal (p.18).

The IESO will post publicly the IESO's 2023-2025 Regulatory Scorecard within 60 days after the end of the year.

**Evidence:**

- D-1-3 Staffing and Compensation
  - Attachment 1 – Employee Costs (Appendix 2-K) (xlsx)
  - Attachment 1 – IESO Compensation Guidelines
  - Attachment 3 – Non-Executive Total Remuneration Review
- E-2-1 Capital Budget Overview and Progress on Capital Projects
- F-1-1 Forecast Variance Deferral Account
- G-1-1 Summary of Responses to OEB Decisions
  - Attachment 1 – Progress on Implementing Recommendations from Third Party Evaluation of the Grid Innovation Fund
  - Attachment 2 – Internal Audit Recommendations & Management Response
  - Attachment 3 – Annual OEB Update on Market Surveillance Panel Recommendations
  - Attachment 4 - Detail of Internal Audit Reports
- G-2-1 Market Renewal Program Cost Report

**Interrogatories:**

- Schedule 7 – 5.0 Energy Probe 14
- Schedule 1 – 5.0 OEB Staff 25 – 26
- Schedule 3 – 5.1 AMPCO 30 – 32
- Schedule 3 – 5.1 AMPCO 32 Attachment 1 - IESO Planned Internal Audits 2023-2025
- Schedule 2 – 5.1 APPRO 16 – 17
- Schedule 8 - 5.1 ED 9
- Schedule 11 – 1.1 SEC 7
- Schedule 11- 5.1 SEC 26