

**OEB Staff Clarification Questions
Independent Electricity System Operator (IESO)
2024 & 2025 Incremental Revenue Requirement and Fees
EB-2024-0004
February 22, 2024**

Please ensure that all confidential information filed in response to the clarification questions or supporting documents are removed or treated in accordance with rule 9A of the OEB's *Rules of Practice and Procedure*.

Question-1

Ref: Decision and Order, EB-2022-0318

As stated in the Decision and Order for the IESO's 2023, 2024 and 2025 expenditures, revenue requirement, and fees (previous application), the IESO may seek OEB approval to adjust the approved expenditures, revenue requirement, and fees in the event of a material unforeseen change. However, this would only occur if the balance of the Forecast Variance Deferral Account (FVDA) is less than zero in Year 1 of the three-year cycle, and any adjustment would be for Year 3. IESO's current application does not rely on the adjustment mechanism described in the OEB-approved Settlement Agreement in EB-2022-0318. OEB staff is seeking to understand the IESO's rationale for not relying on that adjustment mechanism.

- a) Please discuss how IESO would propose to address the Decision and Order, approving the Settlement Proposal on the previous application in the context of the current application?
- b) The Decision and Order for the Previous Application contemplates that IESO would review whether it is appropriate and feasible to apply for revised usage fees, taking 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. Did the IESO undertake this analysis prior to submitting its application? If so, can IESO provide support for its analysis?
- c) Please confirm whether IESO considers Bill 124 salary and benefit increase for Society of United Professionals (SUP) and initiatives in support of Powering Ontario's Growth: Ontario's Plan for a Clean Energy Future (POG) plan as unforeseen events. If confirmed, please provide the rationale. If not confirmed, please provide support for the additional funding request.
- d) It's noted that the IESO received the July 10 letter from the Minister prior to the settlement proposal being filed for the previous application. Please discuss why

IESO did not raise the information related to the costs associated with the POG plan to the parties during the settlement process.

- e) Please discuss why the cost associated with the salary and benefit increase for SUP was not brought to the parties during the settlement process of the previous application.
- f) Please discuss whether or not the proposed incremental budget in support of the POG plan is a material change to the IESO, and if so, how IESO is defining material change.
- g) If there is no adjustment made to the previously approved 2023-2025 revenue requirement and fees, will the IESO be able to manage its budget and carry out the work to support the initiatives for the POG plan?
- h) Please discuss why the IESO cannot wait until its 2026-2028 revenue requirement application to recover some or all of the additional costs associated with the initiatives for the POG plan.
- i) Please discuss the “cascading effects” of the new initiatives in support of the POG plan.
- j) The Decision and Order for the Previous Application states that any adjustment to the approved revenue requirement would be for Year 3 only. Please explain whether IESO considered adjusting the Year 3 (2025) usage fees only. Otherwise, please explain the rationale for the adjusting revenue requirement for both 2024 and 2025 (Year 2 and Year 3).

Question-2

Ref: Exhibit B-1-4, Interim Year Business Outlook 2023-2026, pages 10 and 11 of 18

On Page 10 of Reference, IESO noted that:

in the context of Bill 124 – salary and benefit increases that were higher than the IESO’s 2023-2025 Business Plan assumptions, resulting in \$34.5 million of incremental expenses over the three-year Business Plan horizon. This amount will be managed within the IESO’s approved funding inclusive of operating reserve, and any deficit balance over the planning period will be recovered in the 2026-2028 Business Plan.

On Page 11 of Reference, IESO noted that “The IESO received approval from the Ontario Energy Board to retain \$15 million as operating reserve in the 2022 Forecast Variance Deferral Account (FVDA) ending balance, and a maximum of \$10 million as the balance going forward. 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”.

- a) Please confirm whether the \$34.5 million of incremental salary and benefit increases has already been approved by the Treasury Board. If not, please explain.
- b) Please explain IESO’s plan to manage the \$34.5 million within its approved funding.
- c) Please comment on the impact of the potential deficit resulting from the \$34.5 million incremental salary and benefit increases in the 2026-2028 Business Plan.
- d) Please comment on whether IESO still considers the \$15 million operating reserve a reasonable target in the 2023-2025 Business Plan.
- e) Please provide the 2023 unaudited balance for FVDA. If not available, please explain.

Question-3

Ref: Exhibit A-1-2, page 2; Exhibit A-1-4, page 4

The description of the proposed effective date for the revised 2024 IESO usage fees are different on the two pages of the application referenced above. Please confirm the correct proposed effective date for the revised 2024 IESO usage fees.

Question-4

Ref: Exhibit B-1-4 Interim Year Business Outlook 2023-2026 (Outlook), page 11

Please update the table included under “Detailed Financial” in the Outlook with the following items:

- a) the 2023 Actual amounts for each row item. What is the actual 2023 year-end balance in the FVDA?
- b) the IESO Usage Fee Revenue amounts under “2024 Outlook” and “2025 Outlook” calculated with the most recent energy forecast

Question-5

Ref: Exhibit B-1-4 Outlook, page 13

For the table included under “Full Time Equivalent (FTE) Staffing” section in the Outlook, please provide the 2023 actual FTE data for each row item.

Question-6

Ref: Audited Financial Statement

The application notes that the 2023 Annual Report and Audited Financial Statement will be filed at a later date.

- a) Please provide the status of the Audited Financial Statement and whether it can be filed before the record closing date of this proceeding. If not, please explain.

Question-7

Ref: Exhibit D-1-2 Incremental OM&A Business Unit Detail; Exhibit D-1-3 Staffing and Compensation

The IESO provided the following two tables in the application. As described in the application and shown in Table 1 below, the incremental budget is requested for the following four IESO business units to conduct the work required to support POG plan.

- Market and Reliability
- Planning, Conservation and Resource Adequacy
- Corporate Relations, Stakeholder Engagement and Innovation
- Legal Resources and Corporate Governance

To carry out the required work, an average of 22 incremental FTE are included for 2024, equivalent to \$3.1 million in total compensation, and an average of 30 FTE are included for 2025, equivalent to \$4.7 million in total compensation. This amounts to a total of \$7.8 million in incremental total compensation over 2024 and 2025.

- a) Please provide a breakdown of the incremental 2024 and 2025 FTE and compensation into the associated business units.
- b) The total incremental compensation cost is \$7.8 million. Please discuss the use of the remaining \$2.1 million of the total budget of \$9.9 million.
- c) Please discuss the process that the IESO took to plan the work across the business units and to project the budget. How were the numbers of incremental FTE for 2024 and 2025 determined?

Table 1: Summary of OM&A for Business Units (\$ millions)

	OEB Approved Budget		Incremental Budget per Amendment			Total Revised Budget	
	2024	2025	2024	2025	Total	2024	2025
Market and Reliability	39.1	40.7	1.2	1.2	2.4	40.3	41.9
Planning, Conservation and Resource Adequacy	26.2	24.9	2.0	2.1	4.1	28.2	27.0

Corporate Relations, Stakeholder Engagement and Innovation	15.8	16.9	0.9	1.9	2.8	16.7	18.8
Information and Technology Services	49.4	51.6	-	-	-	49.4	51.6
Legal Resources and Corporate Governance	30.5	32.2	0.4	0.2	0.6	30.9	32.4
Market Assessment and Compliance Division	2.5	3.7	-	-	-	2.5	3.7
CEO	1.5	1.6	-	-	-	1.5	1.6
Corporate Services	30.2	31.5	-	-	-	30.2	31.5
Human Resources	6.4	6.4	-	-	-	6.4	6.4
Corporate Adjustment	0.6	-0.1	-	-	-	0.6	-0.1
Market Renewal	4.4	2.5	-	-	-	4.4	2.5
Total OM&A Expenses	206.6	211.9	4.5	5.4	9.9	211.1	217.3

Table 2: Staffing and Operating Compensation Expenses

	2024 Approved Budget	Incremental 2024 Budget per Amendment	Revised 2024 Budget	2025 Approved Budget	Incremental 2025 Budget per Amendment	Revised 2025 Budget
Average Number of Employees (FTEs)						
Executive	8	-	8	8	-	8
Management	155	-	155	154	-	154
Non-Management Regular	666	22	688	667	30	697
Non-Management Temporary	97	-	97	71	-	71
Total	926	22	948	900	30	930
Total Compensation (Salary, Wages & Benefits) (\$ millions)						
Executive & Board	4.9	-	4.9	5.0	-	5.0
Management	32.0	-	32.0	33.1	-	33.1

Non-Management Regular	96.7	3.1	99.8	102.4	4.7	107.1
Non-Management Temporary	11.3	-	11.3	9.3	-	9.3
Total	144.8	3.1	147.9	149.8	4.7	154.5