

**OEB STAFF CLARIFICATION QUESTION 1**

**Ref: Decision and Order, EB-2022-0318**

**PREAMBLE**

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.

**QUESTION**

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

1 confirmed, please provide the rationale. If not confirmed, please provide support for  
2 the additional funding request.

3 d) It's noted that the IESO received the July 10 letter from the Minister prior to the  
4 settlement proposal being filed for the previous application. Please discuss why IESO  
5 did not raise the information related to the costs associated with the POG plan to the  
6 parties during the settlement process.

7 e) Please discuss why the cost associated with the salary and benefit increase for SUP  
8 was not brought to the parties during the settlement process of the previous  
9 application.

10 f) Please discuss whether or not the proposed incremental budget in support of the POG  
11 plan is a material change to the IESO, and if so, how IESO is defining material change.

12 g) If there is no adjustment made to the previously approved 2023-2025 revenue  
13 requirement and fees, will the IESO be able to manage its budget and carry out the  
14 work to support the initiatives for the POG plan?

15 h) Please discuss why the IESO cannot wait until its 2026-2028 revenue requirement  
16 application to recover some or all of the additional costs associated with the initiatives  
17 for the POG plan.

18 i) Please discuss the "cascading effects" of the new initiatives in support of the POG plan.

19 j) The Decision and Order for the Previous Application states that any adjustment to the  
20 approved revenue requirement would be for Year 3 only. Please explain whether IESO  
21 considered adjusting the Year 3 (2025) usage fees only. Otherwise, please explain the  
22 rationale for the adjusting revenue requirement for both 2024 and 2025 (Year 2 and  
23 Year 3).

**RESPONSE**

a) The IESO's objective in the Settlement Conference is to reach an agreement with the intervenors to amend the Settlement Proposal from the previous application in EB-2022-0318 and present the amendment to the OEB panel for approval. If an agreement on an amendment cannot be reached in the Settlement Conference, the IESO will proceed with its application for OEB approval of its incremental expenditures and revenue requirement and the revised usage fees pursuant to subsection 25 (1) of the Electricity Act, 1998.

b) The IESO has submitted an application for incremental expenditures and revenue requirements and revised usage fees for 2024 and 2025 to ensure that the incremental work, per the Minister's letter to the IESO dated July 10, 2023 related to the Powering Ontario's Growth plan is well defined, resourced, prioritized amongst all other initiatives in the 2023-2025 Business Plan (which remains approved), and reflected in the fees for the year in which the work is carried out.

c) The IESO's Society of United Professionals (SUP) salary and benefit increases awarded in the context of Bill 124 are not part of its incremental expenditures and revenue requirement and revised usage fees application and 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.

The Minister's letter to the IESO related to the Powering Ontario's Growth plan was received on July 10, 2023. As such, it was not included in the 2023-2025 Business Plan which was approved by the Minister on February 15, 2023. Similarly, it was not factored into financial updates provided through the interrogatory responses in EB-2022-0318, which were due June 15, 2023, or during the Settlement Conference, which occurred June 26-29, 2023. While the Minister's letter was received prior to the filing of the Settlement Proposal on July 21, 2023, the impact of the incremental work was not yet known. In the months following the receipt of the Minister's letter, the IESO conducted an analysis of the expected deliverables and the required effort and

resources in accordance with the incremental work. This analysis was not completed until the end of August 2023.

d) See response to 1 c)

e) As per SUP Interrogatory 7 on Issue 3.0 in EB-2022-0318, arbitration with the SUP on the reopening provisions for wages in 2022, 2023 and 2024 was ongoing and the IESO had to respect good faith bargaining outcomes of such arbitration process before quantifying any financial impact on wages. The decision on arbitration was not communicated to the IESO until July 10, 2023. Further, as per the response to 1c, these costs are not included in the IESO's current application.

f) Yes, the proposed incremental budget in support of the Minister's letter to the IESO is viewed as a material change. The incremental work that the Minister has asked the IESO to undertake has a significant impact on the operation of the IESO meaning that the IESO can no longer work within its approved revenue requirements to carry out the incremental work.

g) See response to 1f). The IESO cannot work within its approved revenue requirements to carry out the incremental work as per the Minister's letter to the IESO. All initiatives within the 2023-2025 Business Plan remain approved, as per the Minister's November 28, 2023 letter to the IESO approving the Amendment and cannot be reprioritized.

h) Applying for incremental expenditures and revenue requirements and revised usage fees for 2024 and 2025 ensures that the IESO will have the resources it needs to continue to deliver on initiatives outlined in the 2023-2025 Business Plan, as well as those pertaining to the Minister's letter in support of the *Powering Ontario's Growth* plan. Further revising usage fees for 2024 and 2025 will ensure that expenses associated with the incremental work are reflected in the fees for the year in which they are incurred.

- 1 i) The cascading effects are described in Exhibit D-1-1 Incremental OM&A Overview  
2 through identification of the business units and corresponding OM&A budgets that are  
3 impacted by the incremental work. The IESO business units impacted by the  
4 incremental work are: Markets & Reliability, Planning, Conservation and Resource  
5 Adequacy, Corporate Relations, Stakeholder Engagement and Innovation, and Legal  
6 Resources and Corporate Governance.
- 7 j) The IESO's application includes revised usage fees for 2024 and 2025 (Year 2 and Year  
8 3) for the reasons noted in the response to 1h).  
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**OEB STAFF CLARIFICATION QUESTION 2**

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

**PREMABLE**

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”.

**QUESTIONS**

- 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.

## **RESPONSE**

- a) The \$34.5 million reflects the outcome of a series of interest arbitration awards rendered by the Arbitrator, to: 1) renew the Collective Agreement between the IESO and the Society of United Professionals for the period January 1, 2023 – December 31, 2024 in respect of wage increases and benefit enhancements while restricted under Bill 124; and, 2) resolve wage increases that had been restricted during Bill 124's 3-year moderation period under a "re-opener" provision.
- b) These expenses 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.
- c) The impact to the 2026-2028 Business Plan from the potential deficit resulting from the \$34.5 million is yet to be determined. It would depend on the expenditures and revenue requirements and usage fees for the 2026-2028 period, and the actual remaining deficit at the end of the 2023-2025 period.
- d) The IESO is not seeking a change to the Operating Reserve as part of its incremental expenditures and revenue requirements and revised usage fees application. As per the Decision and Order in EB-2022-0318 the IESO's Operating Reserve has been set at \$10 million.

e)

| <b>Operating Reserve Balance (FVDA)</b> | <b>2019<br/>Actual</b> | <b>2020<br/>Actual</b> | <b>2021<br/>Actual</b> | <b>2022<br/>Actual</b> | <b>2023<br/>Unaudited<br/>Actual</b> |
|---|------------------------|------------------------|------------------------|------------------------|--------------------------------------|
| Opening Balance                         | (4.7)                  | (1.0)                  | 1.3                    | 8.7                    | 15.0                                 |
| Surplus (Deficit)                       | 3.7                    | 2.3                    | 7.4                    | 15.0                   | (4.8)                                |
| Proposed Market Participants Rebate*    |                        |                        |                        | (8.7)                  | 0.0                                  |
| <b>Closing Balance</b>                  | <b>(1.0)</b>           | <b>1.3</b>             | <b>8.7</b>             | <b>15.0</b>            | <b>10.2</b>                          |
| OEB Approved Balance                    | 10.0                   | 10.0                   | 10.0                   | 15.0                   | 10.0                                 |

See also the response to 4a).

**OEB STAFF CLARIFICATION QUESTION 3**

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

**PREMABLE**

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.

**QUESTION**

Please confirm the correct proposed effective date for the revised 2024 IESO usage fees.\_

**RESPONSE**

The Executive Summary Exhibit A-1-4 is incorrect. The 2024 Proposed Fees would be effective on the next billing cycle following the month in which OEB approval is received as stated in the 2024 Submission Exhibit A-1-2. The IESO re-filed A-1-4 with a correction to this reference on Page 4.



**OEB STAFF CLARIFICATION QUESTION 4**

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

**QUESTION**

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

**RESPONSE**

| (\$ Millions)  | 2023<br>Budget | 2024<br>Budget | 2025<br>Budget | 3 Year<br>Total | 2023<br>Forecast | 2023<br>Actual |
|--|----------------|----------------|----------------|-----------------|------------------|----------------|
| <b>Revenue</b>   |                |                |                |                 |                  |                |
| <b>IESO Usage Fee</b>                                    | <b>208.4</b>   | <b>218.4</b>   | <b>229.7</b>   | <b>656.5</b>    | <b>209.3</b>     | <b>213.4</b>   |
| <b>Expenses</b>  |                |                |                |                 |                  |                |
| <b>Expenses Included in Business Plan</b>                | <b>208.4</b>   | <b>218.4</b>   | <b>229.7</b>   | <b>656.5</b>    | <b>199.5</b>     | <b>195.5</b>   |
| Bill 124 - Society Compensation & Benefits               | -              | -              | -              | -               | 21.2             | 22.0           |
| <b>Sub-Total</b>   | <b>208.4</b>   | <b>218.4</b>   | <b>229.7</b>   | <b>656.5</b>    | <b>220.7</b>     | <b>217.5</b>   |
| Powering Ontario's Growth                                | -              | -              | -              | -               | 1.0              | 0.7            |
| <b>Total Expenses</b>                                    | <b>208.4</b>   | <b>218.4</b>   | <b>229.7</b>   | <b>656.5</b>    | <b>221.7</b>     | <b>218.2</b>   |
| <b>Operating Deficit</b>                                 | <b>-</b>       | <b>-</b>       | <b>-</b>       | <b>-</b>        | <b>(12.4)</b>    | <b>(4.8)</b>   |
| <b>Operating Reserve Variance Account Balance (FVDA)</b> | <b>15.0</b>    | <b>10.0</b>    | <b>10.0</b>    | <b>10.0</b>     | <b>2.6</b>       | <b>10.2</b>    |

The 2023 year-end balance in the FVDA is \$10.2 million compared to \$2.6 million in the Interim Year Business Outlook. This variance resulted from a reduced operating deficit compared to that forecast in the Interim Year Business Outlook, driven primarily by higher than expected demand volumes, and various other operational savings.

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2        b) See Response to All Intervenors Clarification Question 11

**OEB STAFF CLARIFICATION QUESTION 5**

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

**QUESTION**

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.

**RESPONSE**

**Average FTEs**

| <b>Full Time Equivalents<br/>(FTEs)</b> | <b>2023<br/>Budget</b> | <b>2024<br/>Budget</b> | <b>2025<br/>Budget</b> | <b>2023<br/>Forecast</b> | <b>2023<br/>Actual</b> |
|---|------------------------|------------------------|------------------------|--------------------------|------------------------|
| Included in Business Plan               | 914                    | 926                    | 900                    | 869                      | 860                    |
| Powering Ontario Growth's               | -                      | -                      | -                      | 1                        | 1                      |
| <b>Total FTEs</b>                       | <b>914</b>             | <b>926</b>             | <b>900</b>             | <b>870</b>               | <b>861</b>             |

The 2023 actual average FTE was slightly below the forecast due to some vacancies taking longer time to fill than expected.

**OEB STAFF CLARIFICATION QUESTION 6**

**Ref: Audited Financial Statement**

**PREAMBLE**

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

**QUESTION**

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.

**RESPONSE**

The Audited Financial Statements will be submitted to the Minister of Energy 90 days after the end of the Fiscal Year (by March 31) and posted on the IESO's website within 30 days thereafter in accordance with the Memorandum of Understanding between the IESO and the Minister of Energy. Before submission to the Minister of Energy, the Audited Financial Statements will undergo review by the IESO Board of Directors. The IESO will file the Audited Financial Statements with the OEB at the same time as they are submitted to the Minister by March 31, 2023.

**OEB STAFF CLARIFICATION QUESTION 7**

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

**PREAMBLE**

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, and 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.

**QUESTIONS**

- 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?

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

|  | <b>OEB Approved Budget</b> |              | <b>Incremental Budget per Amendment</b> |             |              | <b>Total Revised Budget</b> |              |
|--|----------------------------|--------------|---|-------------|--------------|-----------------------------|--------------|
|  | <b>2024</b>                | <b>2025</b>  | <b>2024</b>                             | <b>2025</b> | <b>Total</b> | <b>2024</b>                 | <b>2025</b>  |
| 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          |
| <b>Total OM&amp;A Expenses</b>                             | <b>206.6</b>               | <b>211.9</b> | <b>4.5</b>                              | <b>5.4</b>  | <b>9.9</b>   | <b>211.1</b>                | <b>217.3</b> |

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**Table 2: Staffing and Operating Compensation Expenses**

|  | <b>2024<br/>Approved<br/>Budget</b> | <b>Incremental 2024<br/>Budget per<br/>Amendment</b> | <b>Revised 2024<br/>Budget</b> | <b>2025<br/>Approved<br/>Budget</b> | <b>Incremental 2025<br/>Budget per<br/>Amendment</b> | <b>Revised 2025<br/>Budget</b> |
|--|-------------------------------------|--|--------------------------------|-------------------------------------|--|--------------------------------|
| <b>Average Number of Employees (FTEs)</b>                              |                                     |  |                                |                                     |  |                                |
| Executive  | 8                                   | -  | 8                              | 8                                   | -  | 8                              |
| Management   | 155                                 | -  | 155                            | 154                                 | -  | 154                            |
| Non-Management<br>Regular  | 666                                 | 22   | 688                            | 667                                 | 30   | 697                            |
| Non-Management<br>Temporary  | 97                                  | -  | 97                             | 71                                  | -  | 71                             |
| <b>Total</b>   | <b>926</b>                          | <b>22</b>  | <b>948</b>                     | <b>900</b>                          | <b>30</b>  | <b>930</b>                     |
| <b>Total Compensation (Salary, Wages &amp; Benefits) (\$ millions)</b> |                                     |  |                                |                                     |  |                                |
| Executive &<br>Board   | 4.9                                 | -  | 4.9                            | 5.0                                 | -  | 5.0                            |
| Management   | 32.0                                | -  | 32.0                           | 33.1                                | -  | 33.1                           |
| Non-Management<br>Regular  | 96.7                                | 3.1  | 99.8                           | 102.4                               | 4.7  | 107.1                          |
| Non-Management<br>Temporary  | 11.3                                | -  | 11.3                           | 9.3                                 | -  | 9.3                            |
| <b>Total</b>   | <b>144.8</b>                        | <b>3.1</b>   | <b>147.9</b>                   | <b>149.8</b>                        | <b>4.7</b>   | <b>154.5</b>                   |

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3 **RESPONSE**

**Business Unit Table with Incremental OM&A, FTE and Compensation**

| (\$ Millions)  | Incremental<br>2024 Budget<br>Per<br>Amendment | Average<br>FTE | Compensation<br>and Benefits | Incremental<br>2025<br>Budget Per<br>Amendment | Average<br>FTE | Compensation<br>and Benefits |
|--|--|----------------|------------------------------|--|----------------|------------------------------|
| Markets & Reliability  | 1.2  | 4              | 0.8                          | 1.2  | 5              | 1.1                          |
| Planning, Conservation and<br>Resource Adequacy                  | 2.0  | 12             | 1.6                          | 2.1  | 12             | 1.8                          |
| Corporate Relations,<br>Stakeholder Engagement<br>and Innovation | 0.9  | 5              | 0.6                          | 1.9  | 12             | 1.6                          |
| Legal Resources and<br>Corporate Governance                      | 0.4  | 1              | 0.1                          | 0.2  | 1              | 0.2                          |
| <b>Total OM&amp;A Expenses</b>                                   | <b>4.5</b>                                     | <b>22</b>      | <b>3.1</b>                   | <b>5.4</b>                                     | <b>30</b>      | <b>4.7</b>                   |

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2        b) The remaining \$2.1 million incremental ask is for consulting, research and legal  
3            services to support the POG deliverables.

4        c) Please refer to pre-filed evidence at Exhibit C-1-1 lines 9-25.



## **AMPCO CLARIFICATION QUESTION 1**

**Ref:** Exhibit A Tab 1 Schedule 4 Page 2

### **PREAMBLE**

With respect to the Forecast Variance and Deferral Account (FVDA), the evidence states, the IESO projects an operating deficit of \$12.4 million in 2023 (year 1 of the three-year cycle), resulting in a FVDA balance of \$2.6 million at the end of 2023. Further, the IESO projects an operating deficit of \$12.6 million in 2024 (year 2) and \$19.9 million in 2025 (year 3) of the three-year cycle, which will lead to year-end deficit balances in the FVDA of \$10.0 million in 2024 and \$29.9 million in 2025. The principal drivers of these projected deficits are the impact from the salary and benefit increases awarded through Arbitration to the IESO's Society of United Professionals (SUP) members and the incremental work required by the Minister's letter to the IESO to support the Powering Ontario's Growth (POG) plan.

### **QUESTION**

Please provide a breakdown of the deficit in each of the years split between salary and benefit increases and POG incremental work.

### **RESPONSE**

| (\$ Millions)  | 2023<br>Forecast | 2024<br>Outlook | 2025<br>Outlook |
|--|------------------|-----------------|-----------------|
| <b>Forecast Variance and Deferral Account (FVDA) Opening Balance</b> | <b>15.0</b>      | <b>2.6</b>      | <b>(10.0)</b>   |
| <b>Operating Deficit</b>   | <b>(12.4)</b>    | <b>(12.6)</b>   | <b>(19.9)</b>   |
| <b>Operating Deficit Drivers:</b>                                    |                  |                 |                 |
| Higher demand volume   | 1.0              | •               | •               |
| Expenses Included in Business Plan                                   | 8.8              | (1.7)           | (7.6)           |
| Bill 124 - Society Compensation & Benefits                           | (21.2)           | (6.4)           | (6.9)           |
| Powering Ontario's Growth  | (1.0)            | (4.5)           | (5.4)           |
| <b>Forecast Variance and Deferral Account (FVDA) Ending Balance</b>  | <b>2.6</b>       | <b>(10.0)</b>   | <b>(29.9)</b>   |

**AMPCO CLARIFICATION QUESTION 2**

**Ref:** Exhibit B Tab 1 Schedule 1 Appendix Page 3-4

**QUESTION**

With respect to the Minister's Letter on Powering Ontario's Growth dated July 10, 2023, and the Appendix which includes report back dates and associated timelines, please provide the status of the reporting back for the following initiatives and discuss how the IESO resourced these initiatives:

a) December 31, 2023: Bruce Nuclear New-Build Impact Assessment Cost Recovery Framework

b) February 28, 2024: Second Long-Term Request for Proposals (LT2 RFP)

c) December 31, 2023: Future Clean Electricity Fund

**RESPONSE**

a) The IESO reported back to the Minister in December of 2023 and has continued its work with Bruce Power through early 2024 to develop a Cost Recovery Framework. All staff time, legal fees and minor consulting support has been absorbed within the budget.

b) The IESO will report back to Government on the LT2 RFP by March 15, 2024, in accordance with the December 7, 2023, Directive, in which the Minister of Energy extended the timeline for the submission to ensure there is adequate time to incorporate feedback. The resources for the Report Back and the procurement were accounted for in the Business Plan.

c) On December 31, 2023 the IESO submitted its report back to the Minister of Energy following the completion of the stakeholder engagement initiated in September, 2023,

1        which included local distribution company, developers, transmitters, large industrial  
2        electricity consumers, municipalities, and Indigenous communities. For more information  
3        on this engagement see the IESO web page. The incremental resources for the Report  
4        Back were accounted for within the 2023 budget to support this work was absorbed  
5        within IESO's budget.

**AMPCO CLARIFICATION QUESTION 3**

**PREAMBLE**

Ref: Exhibit D Tab 1 Schedule 2, Attachment 1, Page 1

Ref: OEB Staff 7(a)

**QUESTION**

a) Please recast the OM&A Business Unit Table on an FTE basis with the following columns: 2023 Approved FTEs, 2023 Actual FTEs, 2023 Incremental FTEs per Amendment, 2024 Approved FTEs, 2024 Incremental FTEs per Amendment, Revised 2024 FTEs per Amendment, 2025 Approved FTEs, 2025 Incremental FTEs per Amendment, Revised 2025 FTEs per Amendment.

b) Please explain the variance between 2023 Approved FTEs and 2023 Actuals.

c) Please provide the current number of vacancies.

**RESPONSE**

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| Average FTE by Business Units                              | Approved 2023 Budget | 2023 Actual | Approved 2024 Budget | Incremental 2024 | Amended 2024 | Approved 2025 Budget | Incremental 2025 | Amended 2025 |
|--|----------------------|-------------|----------------------|------------------|--------------|----------------------|------------------|--------------|
| Markets & Reliability                                      | 213                  | 202         | 225                  | 4                | 229          | 230                  | 5                | 235          |
| Planning, Conservation and Resource Adequacy               | 133                  | 129         | 140                  | 12               | 152          | 126                  | 12               | 138          |
| Corporate Relations, Stakeholder Engagement and Innovation | 69                   | 64          | 75                   | 5                | 80           | 79                   | 12               | 91           |
| Information and Technology Services                        | 146                  | 144         | 145                  | -                | 145          | 155                  | -                | 155          |
| Legal Resources and Corporate Governance                   | 78                   | 75          | 85                   | 1                | 86           | 86                   | 1                | 87           |
| Market Assessment and Compliance Division                  | 7                    | 6           | 7                    | -                | 7            | 14                   | -                | 14           |
| CEO Office   | 3                    | 3           | 3                    | -                | 3            | 3                    | -                | 3            |
| Corporate Services   | 130                  | 125         | 132                  | -                | 132          | 137                  | -                | 137          |
| Human Resources  | 26                   | 30          | 26                   | -                | 26           | 26                   | -                | 26           |
| Market Renewal   | 109                  | 83          | 88                   | -                | 88           | 44                   | -                | 44           |
| <b>Total IESO</b>  | <b>914</b>           | <b>861</b>  | <b>926</b>           | <b>22</b>        | <b>948</b>   | <b>900</b>           | <b>30</b>        | <b>930</b>   |

2

3 The Business Plan Amendment did not include incremental FTEs for 2023, as the IESO  
4 committed to absorbing within its budget any impact from additional work in 2023 to support  
5 *Powering Ontario's Growth* work.

6 b) The variance of 53 average FTE between the 2023 Approved Average FTE, 914, and the  
7 2023 Actual Average, 861, is driven by:

8 a. fewer than planned Market Renewal FTEs (26) required to deliver the planned work  
9 according to schedule; and,

10 b. lower than expected FTEs at the beginning of the year, due to:

- 11 • higher than usual attrition rates in 2022 associated with employees coming out of  
12 the Pandemic in search of change, leading many to retirement or changing jobs  
13 given the availability of options;

- 1           • the number of vacancies exceeded the number of candidates available in the market,  
2           leading to a very competitive labour market. The lower FTEs at the beginning of the  
3           year meant that the IESO would have to hire more headcount at faster pace than  
4           expected to meet the approved average FTE for 2023.
- 5       c) Despite the variance in average FTEs, the expected headcount by the end of 2023 was  
6       in accordance with budget (897), excluding Market Renewal headcount that was 30  
7       below budget as work was delivered with lower than planned headcount.

**APPrO CLARIFICATION QUESTION 1**

**Ref: Exhibit C, Tab 1, Schedule 1; Exhibit C, Tab 2, Schedule 1**

**Preamble**

The IESO's revised usage fees for domestic and export customers are calculated for the IESO by Elenchus Research Associates Inc. (Elenchus) using the same methodology approved in EB-2022-0318.

To calculate the 2024 and 2025 revised usage fees, the IESO requested Elenchus to rerun its model used to calculate the usage fees in EB-2022-0318 with updates to include the incremental revenue requirements for 2024 and 2025.

The charge determinants used to calculate the usage fees in EB-2022-0318 have been used to calculate the revised usage fees for 2024 and 2025 for domestic and export customers (see Exhibit C-2-1).

**QUESTION**

- a) Please provide updated Revenue to Cost Summary Worksheets (similar to those filed by the IESO on July 21, 2023 in EB-2022-0318) used by Elenchus to rerun the model to calculate the revised usage fees for 2024 and 2025 for domestic and export customers.

**RESPONSE**

The IESO will provide via email the 2024 and 2025 Cost Allocation and Fees Models excel worksheets.

**ALL INTERVENORS CLARIFICATION QUESTION (DURING PRESENTATION) 1**

**QUESTION**

Why didn't the IESO incur more debt rather than submitting an application to revise its usage fees?

**RESPONSE**

The IESO has to ensure that the initiatives assigned by the Minister are properly defined, staffed and prioritized amongst all the other initiatives in the 2023-2025 Business Plan which remains approved. Further, this approach ensures that the expenses associated with the incremental work are reflected in the usage fees for the year in which they are incurred, preventing inter-generational impacts.



**ALL INTERVENORS CLARIFICATION (DURING PRESENTATION) QUESTION 2**

**QUESTION**

Is the basis of the forecast that the IESO will have the full FTE count plus what it is required for the new work (Powering Ontario's Growth)?

**RESPONSE**

That is correct. In 2024 and 2025 the IESO continues to need the FTEs budgeted for the 2023-2025 Business plan, which remains unchanged, and the additional FTE's for the Powering Ontario's Growth activities.

**ALL INTERVENORS CLARIFICATION (DURING PRESENTATION) QUESTION 3**

**QUESTION**

a) Will the IESO hire new staff, or transfer existing staff to new positions?

**Follow up question after response to a)**

b) Wouldn't it take months to train new employees?

**RESPONSE**

a) Job positings for new positions are typically posted both internally and externally,  
with consideration of internal candidates first given collective agreements provisions..

b) When new staff are hired, they form part of an integrated team to conduct assigned  
work. In this way, new hired staff work with existing staff to develop within their  
roles.

**ALL INTERVENORS CLARIFICATION QUESTION 1**

**QUESTION**

- a) Please provide the incremental budget for each of these (Powering Ontario's Growth activities) separately.
- b) Please provide the incremental annual FTEs for each of these activities separately.
- c) Please provide the budget documents which support the answers to a) & b).

**RESPONSE**

- a) b) and c) The IESO's budgeting is not done by activity therefore the IESO cannot respond to the questions. Exhibit D-1-2 presents the budget per Business Unit as per the IESO's budgeting practice.

**ALL INTERVENORS CLARIFICATION QUESTION 2**

**QUESTION**

- a) The Minister's letter was received prior to the EB-2022-0318 Settlement agreement which was filed on July 21, 2023. Did the IESO alert the parties to that agreement about the Minister's letter and the potential for a need to modify the settlement agreement?
- b) Did the IESO contact the parties to the agreement after it had determined in August 2023 that the incremental costs could not be accommodated within the agreed to framework of the settlement agreement?
- c) The adjustment mechanism that is included in the settlement agreement presumably anticipates a change in revenues or costs. Given the IESO is subject in the normal course to Government direction why is the agreed upon adjustment mechanism deficient?

**RESPONSE**

- a) The IESO received the Minister's letter on July 10, 2023, and it was posted on the IESO public website within 2 weeks. *Update March 14-2024. Letter was posted on July 10th on the IESO Website.*
- b) The IESO required time to work through the implications of the tasks assigned by the Minister, and to prepare the corresponding budget those tasks.
- c) The purpose of the adjustment mechanism was to provide guardrails and assurance to intervenors on a process should the IESO be dramatically over budget, the IESO wants to clarify that the mechanism was not intended to restrict the ability to revise fees if the IESO was directed to do more work by the Minister. The IESO does not view the mechanism as deficient but rather that this application is outside of its objective therefore the IESO is not relying on it.

1 **ALL INTERVENORS CLARIFICATION QUESTION 3**

2 **QUESTION**

3 The IESO states that it had completed analysis by the end of August 2023 which indicated  
4 the need for incremental funding. Please provide that analysis.

5 **RESPONSE**

6 The referenced analysis was provided in the Interim Year Business Outlook 2023-2026,  
7 Exhibit B-1-4, which informed the 2023-2025 Business Plan Amendment, Exhibit B-1-2.

8

**ALL INTERVENORS CLARIFICATION QUESTION 4**

**QUESTION**

In response to OEB Staff Question No. 7 the IESO shows an incremental budget request of \$2.8 million for Corporate Relations and Stakeholder engagement. Please provide an explanation and justification for this amount, and provide a breakdown of these costs by each of the six categories of incremental initiatives in the Minister's letter of July 10, 2023.

**RESPONSE**

The IESO does not budget by activities, therefore cannot provide a breakdown by the six categories of incremental initiatives.

**ALL INTERVENORS CLARIFICATION QUESTION 5**

**QUESTION**

In response the Board Staff Question No. 7 the IESO shows an incremental request of \$0.6 million for Legal Resources and Corporate Governance. Please provide an explanation and justification for this amount, and provide a breakdown of these costs by each of the six categories of incremental initiatives in the Minister's letter of July 10, 2023.

**RESPONSE**

The IESO does not budget by activities, therefore cannot provide a breakdown by the six categories of incremental initiatives.

**ALL INTERVENORS CLARIFICATION QUESTION 6**

**QUESTION**

In the response to OEB Staff Question 7 Table 2 shows an incremental 22 FTEs required to meet the incremental requirements in the Minister's letter. Please provide the job classification, position salary band, and indication of the bargaining unit, or if contract, for each position. For each classification, please provide the number of FTEs anticipated to be required.

**RESPONSE**

The 22 incremental FTEs required are yet to be hired therefore the IESO does not have the information to provide a response, the classification information available has been provided in exhibit D-1-3 Employee Costs.



**ALL INTERVENORS CLARIFICATION QUESTION 7**

**QUESTION**

Please provide a detailed breakdown of the consulting, research and legal fees in support for the incremental \$2.1 million funding noted in response to Staff Question 7 part b).

**RESPONSE**

The \$2.1 million is broken down into \$0.3 million for legal fees and \$1.8 million for consulting and research. The IESO is unable to break these budgets down further.

**ALL INTERVENORS CLARIFICATION QUESTION 8**

**QUESTION**

In response to AMPCO 3 part a), the IESO provided a table that shows 914 FTE in the 2023 budget, and 861 FTE in 2023 actuals; a variance of 53 FTEs. Please explain and justify the need for an additional 22 FTE's given the IESO managed to operate in 2023 with 53 FTE's less than budgeted.

**RESPONSE**

As stated in the response to AMPCO 3c), despite the variance in average FTEs in 2023, the expected headcount at the end of 2023 was in accordance with budget (897), excluding Market Renewal headcount. The Market Renewal headcount, which is assigned to the IESO's capital budget, was 30 below budget as work was delivered with lower than planned headcount.

It is the IESO's expectation that the 22 FTEs included for 2024 to carry out the incremental work in accordance with the Minister's letter are required, despite the variance on an average basis. Further the 2023-2025 Business Plan remains approved and therefore the IESO will need the previously approved FTEs to execute its work plans.

**ALL INTERVENORS CLARIFICATION QUESTION 9**

**QUESTION**

In the IESO's settlement presentation, the IESO indicated a need for an additional 22 FTE's due to priority additional work resulting from the Minister's letter. Please file a table showing the priority listing of 2024 and planned 2025 activities, including the new activities mentioned in the Minister's letter, that shows how the new activities affected the priority of existing initiatives.

**RESPONSE**

All the planned activities for 2024 and 2025 continue to be priority items for the IESO and need to be completed. The activities in the 2023-2025 Business Plan can not be reprioritized such that the incremental work in accordance with Powering Ontario's Growth can be accommodated within the IESO's approved expenditures and revenue requirements.

## **ALL INTERVENORS CLARIFICATION QUESTION 10**

### **QUESTION**

Please add 2023 Budget, Forecast and Actuals to the Table in D-1-1 Attachment 1.

### **RESPONSE**

Summary OM&A Expenses

|  | 2023<br>Approved<br>Budget | 2023<br>Forecast | 2023 Actual | 2024<br>Approved<br>Budget | Incremental<br>2024 Budget<br>per<br>Amendment | Revised 2024<br>Budget Per<br>Amendment | 2025<br>Approved<br>Budget | Incremental<br>2025 Budget<br>per<br>Amendment | Revised 2025<br>Budget Per<br>Amendment |
|--|----------------------------|------------------|-------------|----------------------------|--|---|----------------------------|--|---|
| Markets & Reliability                                      | 37.4                       | 40.6             | 41.7        | 39.1                       | 1.2  | 40.3                                    | 40.7                       | 1.2  | 41.9                                    |
| Planning, Conservation and Resource Adequacy               | 24.4                       | 29.3             | 28.2        | 26.2                       | 2.0  | 28.2                                    | 24.9                       | 2.1  | 27.0                                    |
| Corporate Relations, Stakeholder Engagement and Innovation | 15.1                       | 17.1             | 15.6        | 15.8                       | 0.9  | 16.7                                    | 16.9                       | 1.9  | 18.8                                    |
| Information and Technology Services                        | 46.8                       | 52.4             | 53.2        | 49.4                       | -  | 49.4                                    | 51.6                       | -  | 51.6                                    |
| Legal Resources and Corporate Governance                   | 28.2                       | 32.8             | 30.9        | 30.5                       | 0.4  | 30.9                                    | 32.2                       | 0.2  | 32.4                                    |
| Market Assessment and Compliance Division                  | 2.4                        | 2.7              | 2.2         | 2.5                        | -  | 2.5                                     | 3.7                        | -  | 3.7                                     |
| CEO  | 1.5                        | 1.6              | 1.7         | 1.5                        | -  | 1.5                                     | 1.6                        | -  | 1.6                                     |
| Corporate Services   | 29.3                       | 32.9             | 34.1        | 30.2                       | -  | 30.2                                    | 31.5                       | -  | 31.5                                    |
| Human Resources  | 6.2                        | 7.2              | 7.1         | 6.4                        | -  | 6.4                                     | 6.4                        | -  | 6.4                                     |
| Corporate Adjustment <sup>1</sup>                          | 0.7                        | 0.2              | (0.0)       | 0.6                        | -  | 0.6                                     | (0.1)                      | -  | (0.1)                                   |
| Market Renewal   | 5.3                        | 4.6              | 4.7         | 4.4                        | -  | 4.4                                     | 2.5                        | -  | 2.5                                     |
| Total OM&A Expenses  | 197.3                      | 221.5            | 219.4       | 206.6                      | 4.5  | 211.1                                   | 211.9                      | 5.4  | 217.3                                   |
| Interest, Amortization and Registration Fees               | 11.1                       | 0.2              | (1.2)       | 11.8                       | -  | 11.8                                    | 17.8                       | -  | 17.8                                    |
| Total Expenses   | \$208.4                    | \$221.7          | \$218.2     | \$218.4                    | \$4.5  | \$222.9                                 | \$229.7                    | \$5.4  | \$235.1                                 |

<sup>1</sup> Corporate Adjustment (comprised of the amortization of accumulated deficit resulting from the Public Sector Accounting Standards transition item and other post-employment benefits, as well as the overhead cost recovery)

**ALL INTERVENORS CLARIFICATION QUESTION 11**

**QUESTION**

Please update the Table in the response to Staff Question 4 part b) to reflect usage fees for 2024 and 2025 on the basis of an updated energy forecast and using existing usage fees.

**RESPONSE**

| (\$ Millions) | 2024 Outlook | 2025 Outlook | 2024 Outlook<br>@recent volumes | 2025 Outlook<br>@ recent volumes |
|---------------|--------------|--------------|---------------------------------|----------------------------------|
| Revenue       | 218.4        | 229.7        | 220.7                           | 229.7                            |

Source Data: Energy volumes for 2024 are taken from the Reliability Outlook released on December 21, 2024. Energy Volumes for 2025 are taken from the Annual Planning Outlook – APO – 2022

There is no change to the energy volumes for 2025 in the data shown above. The next version of the IESO’s Annual Planning Outlook (APO 2023) will be publicly available in the spring and is expected to provide an update to the 2025 energy volumes. Observations to date indicate a slight increase in domestic demand for 2025, and a more substantial decrease in exports for 2025. Revenue for 2025 is expected to remain flat or increase by less than 2%.

**ALL INTERVENORS CLARIFICATION QUESTION 12**

**QUESTION**

Please add 2024 and 2025 to the Table in Staff Question 2 part e) based on updated 2024 and 2025 Usage Fees (updated energy forecast/existing usage fees).

**RESPONSE**

| Operating Reserve Balance (FVDA)     | 2019 Actual | 2020 Actual | 2021 Actual | 2022 Actual | 2023 Draft Actual | 2024 Outlook | 2025 Outlook |
|--------------------------------------|-------------|-------------|-------------|-------------|-------------------|--------------|--------------|
| Opening Balance                      | (4.7)       | (1.0)       | 1.3         | 8.7         | 15.0              | 10.2         | (0.1)        |
| Surplus (Deficit)                    | 3.7         | 2.3         | 7.4         | 15.0        | (4.8)             | (10.3)       | (19.9)       |
| Proposed Market Participants Rebate* |             |             |             | (8.7)       | 0.0               |              |              |
| Closing Balance                      | (1.0)       | 1.3         | 8.7         | 15.0        | 10.2              | (0.1)        | (20.0)       |
| OEB Approved Balance                 | 10.0        | 10.0        | 10.0        | 15.0        | 10.0              | 10.0         | 10.0         |

**ALL INTERVENORS CLARIFICATION QUESTION 13**

**QUESTION**

Please update the response to AMPCO Question 1 based on 2023 actuals and 2024 and 2025 based on an updated energy forecast & existing usage fees.

**RESPONSE**

| (\$ Millions)  | 2023<br>Forecast | 2023<br>Actuals | 2024<br>Outlook | 2025<br>Outlook |
|--|------------------|-----------------|-----------------|-----------------|
| <b>Forecast Variance and Deferral Account (FVDA) Opening Balance</b> | <b>15.0</b>      | <b>15.0</b>     | <b>10.2</b>     | <b>(0.1)</b>    |
| <b>Operating Deficit</b>   | <b>(12.4)</b>    | <b>(4.8)</b>    | <b>(10.3)</b>   | <b>(19.9)</b>   |
| <b>Operating Deficit Drivers:</b>                                    |                  |                 |                 |                 |
| Higher demand volume   | <b>1.0</b>       | <b>5.0</b>      | <b>2.3</b>      |                 |
| Expenses Included in Business Plan                                   | <b>8.8</b>       | <b>12.9</b>     | <b>(1.7)</b>    | <b>(7.6)</b>    |
| Bill 124 - Society Compensation & Benefits                           | <b>(21.2)</b>    | <b>(22.0)</b>   | <b>(6.4)</b>    | <b>(6.9)</b>    |
| Powering Ontario's Growth  | <b>(1.0)</b>     | <b>(0.7)</b>    | <b>(4.5)</b>    | <b>(5.4)</b>    |
| <b>Forecast Variance and Deferral Account (FVDA) Ending Balance</b>  | <b>2.6</b>       | <b>10.2</b>     | <b>(0.1)</b>    | <b>(20.0)</b>   |

**ALL INTERVENORS CLARIFICATION QUESTION 14**

**QUESTION**

Follow up from Parties – Parties are looking for further details on how IESO determined the need for more resources and the corresponding budget.

**RESPONSE**

After receiving the Minister's letter, which outlined the expectations from the IESO to support the initiatives contained in the POG plan, each division of the IESO undertook an assessment of the work required to support the POG initiatives, the timelines to report back and the impact it would have on the 2023-2025 work committed in the Business Plan. Several touch points took place with various IESO business units to understand interdependencies and constraints, including consideration for hiring plans underway and other trends observed inside the IESO and the labour market in general. Leadership discussed the risks associated with undertaking the POG work, while executing the Business Plan with the same resources requested in the Business Plan, and determined there would be risks of not meeting the growing demands of the sector in the timeframe required and not advancing the IESO's strategy as committed in the Business Plan. As a result, a total of 30 incremental headcount were deemed necessary to carry out the work between 2023-2025, along with needs for additional consulting, research and legal services. The incremental needs were then scheduled in accordance with deliverables deadlines to determine the budget needed in each year. Assuming an average fully burdened rate of \$140 to \$160 thousand per FTE, based on the nature of the work.