



PUBLIC INTEREST ADVOCACY CENTRE
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April 10, 2024

VIA E-MAIL

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

Dear Ms. Marconi:

**Re: Independent Electricity System Operator (IESO) -Application for 2024 and 2025 Fees
Energy Board File No. EB-2023-0004 Interrogatories of the Vulnerable Energy Consumers
Coalition (VECC)**

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

Yours truly,

Mark Garner
Consultants for VECC/PIAC

Email copy:

Beverly Nollert, Senior Manager, Regulatory Affairs Independent Electricity System Operator
<mailto:beverly.nollert@ieso.ca>

REQUESTOR NAME **VECC**
TO: **Independent Electricity System Operator (IESO)**
DATE: **April 10, 2024**
CASE NO: **EB-2024-0004**
APPLICATION NAME **Application for 2024 and 2025 Fees, Expenditure and Incremental Revenue Requirement**

VECC-1

Reference: Exhibit A

“Through these applications the IESO is seeking OEB approval of \$9.9 million in incremental expenditure and revenue requirement over 2024 and 2025 to support specific initiatives outlined in the Minister’s letter to the IESO, dated July 10, 2023 (see Exhibit B-1-1) in support of its Powering Ontario’s Growth: Ontario’s Plan for a Clean Energy Future plan” The 2023-2025 Business Plan remains unchanged

The incremental expenditure and revenue requirements for 2024 and 2025 are \$4.5 million and \$5.4 million respectively. The incremental amounts represent an increase of 2.0%, and 2.4% as compared to the expenditure and revenue requirements previously approved for 2024 and 2025 in the OEB’s Decision and Order in EB-2022-03183”

- a) The annual increase related to the incremental government requirements is a relatively small portion of the approved IESO annual budget. Please explain the efforts of IESO executive management to achieve these requirements within the approved budgetary envelope? Specifically, please provide any memos or executive direction provided to the various business units leadership.
- b) Please provide each Business Unit’s budget proposal to address the incremental requirements of *Powering Ontario’s Growth* (POG).
- c) Please provide the presentation provided to IESO executive management presenting the recommended incremental budget.

VECC-2

Reference: Exhibit A / IESO OEB Staff Clarification Questions 1 & 2

“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.

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.

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.

- a) Is the \$34.5 million a defined amount? That is, has IESO calculated its compensation liability associated with Bill 124 adjustments with certainty?
- b) What is the annual incremental cost increase related to the impact of the resolution of Bill 124 related compensation adjustments? Please provide the response in annual dollar amounts and as compared (%) to the expenditure and revenue requirements previously approved for 2024 and 2025.
- c) Please explain why IESO is unable to determine the impact of this \$34.5 million dollar adjustment, yet has been able to determine it requires to make fee adjustments for the considerably lessor amount of \$9.9 million associated with incremental POG requirements.

VECC-3

Reference: Exhibit A, page 5 / ALL INTERVENORS CLARIFICATION QUESTIONS 6 & 14

"For 2024, the IESO has budgeted an additional 22 full-time equivalents (FTEs) for the new initiatives in support of Powering Ontario's Growth plan. For 2025, the IESO has budgeted 8 additional FTEs, for a total of 30 FTEs, for the new initiatives in support of Powering Ontario's Growth plan."

The 22 incremental FTEs required are yet to be hired therefore the IESO does not have the information [job classification, position salary band, and indication of the bargaining unit, or if contract, for each position, each classification, please provide the number of FTEs] to provide a response, the classification information available has been provided in exhibit D-1-3 Employee Costs (Question 6)

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. (Question 14)

- a) How was the burdened rate of \$140-160k per FTE determined if the IESO did not forecast the job classification and position for the noted 30 positions.

VECC-4

Reference: Decision and Order, EB-2022-0318 August 29, 2023, IESO Letter March 20, 2024

“Under the terms of the settlement proposal, 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 FVDA is less than zero in Year 1 of the three-year cycle, and any adjustment would be for Year 3. While the settlement proposal does not call this an “off-ramp”, the OEB agrees with OEB staff’s use of this term in the event of a material unforeseen change” (OEB August 29/23)

“The adjustment mechanism in the Settlement Proposal was designed to provide the OEB and interveners with assurance that the IESO would review the appropriateness of its usage fees in the event of a negative Forecast Variance and Deferral Account balance at the end of Year 1 to avoid or minimize the use of debt. The existence of the adjustment mechanism in the Settlement Proposal does not preclude the IESO from seeking to adjust its usage fee during the three-cycle in the event of unplanned increases in operating costs in response to changes in government policy.” (IESO March 20/24)

- a) Has the adjustment condition noted by the Board in its decision occurred?
- b) What evidence (or agreement of the parties) in EB-2022-0318 is IESO referring to in support of its contention that the adjustment mechanism, if not triggered, does not preclude the IESO from seeking to adjust its fees during the rate period?
- c) If, in the IESO’s view, the adjustment mechanism was not meant to address changes in scope or responsibilities as directed by the Government of Ontario what events or occurrences was it meant to address?

VECC -5

Reference: IESO Letter of March 13, 2024

“However, the approved Settlement Proposal in EB-2022-0318 does not by its terms, and as a matter of law could not, restrain the provisions governing the review of the IESO’s fee following the Minister’s approval of an amended business plan under the Electricity Act, 1998.”

- a) What law (statute and clause) is being referred to in this quote?

VECC -6

Reference: Decision and Order, EB-2022-0318 August 29, 2023

“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.”

- a) The OEB approved the referred to settlement proposal. The adjustment mechanism does not explicitly identify Ministerial direction from its application. If the terms of the adjustment mechanism have not been met then please explain how it is that the IESO is not resiling from a plain reading of the terms its agreement (which are binding an enforceable)?

VECC -7

Reference: EB-2022-0318, Approved Settlement Agreement

“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:
 - o 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"

- Is IESO's application in this case being made due to a material change in circumstance? If so, what are those circumstances?
- What parts of the agreement shown above limit the application of the mechanism to only those material changes in circumstances that are not the result of direction by the Ontario Government?
- What material change in circumstance, other than those emanating from a direction of the Ontario Government, does the IESO believe the adjustment mechanism would apply to?

VECC-8

Reference: Exhibit D, Tab 1, Schedule 3

Employee Costs

	2024 OEB Approved	Incremental 2024 Budget per Amendment	Revised 2024 Budget Per Amendment
Average Number of Employees (Capital and Operating expenses FTEs)			
Executive	8	0	8
Management	155	0	155
Non-Management Regular	660	22	682
Non-Management Temporary	103	0	103
Total	926	22	948

2025 OEB Approved	Incremental 2025 Budget per Amendment	Revised 2025 Budget Per Amendment
8	0	8
152	0	152
664	30	694
77	0	77
900	30	930

- a) Please update the above Table to show the actual FTEs as of April 1, 2024.
- b) Please explain why the incremental FTEs are assigned as regular as opposed to temporary FTEs.

VECC -9

Reference: Exhibit B-1-1, Minister's letter of July 10, 2023.

- Undertaking pre-development work on new nuclear generators;
 - Decision making and supporting initiatives that would lower costs to consumers;
 - Designing future competitive procurements to acquire new clean electricity resources including wind, solar, hydroelectric, storage and bioenergy;
 - Advancing assessment of the advanced long-duration pumped storage projects in Meaford and Marmora and preparing for a future procurement for additional long duration storage;
 - Supporting the development of local markets for distributed energy resources(DERs); and
 - Accelerating the development of new transmission infrastructure in Northern Ontario, the Ottawa Region and Eastern Ontario.
- a) The Minister letter sets out six discrete areas of work for the IESO to undertake. Some areas would appear to require specific skill sets (for example pre-development work on nuclear generators). Please provide the number of FTEs and the budgeted amount for each of these areas that resulted in the proposed incremental revenue requirement. If the IESO did not budget according to these specific requirements please explain how it derived both the incremental FTE amount and the average amount per FTE.

End of document