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Energy | de l'énergie
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BY EMAIL

April 10, 2024

Ms. Nancy Marconi
Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4
Registrar@oeb.ca

Dear Ms. Marconi:

**Re: Ontario Energy Board (OEB) Staff Interrogatories
Independent Electricity System Operator (IESO)
Application for 2024 and 2025 Incremental Revenue Requirement,
Expenditures, and Usage Fees
OEB File Number: EB-2024-0004**

Please find attached OEB staff's interrogatories in the above referenced proceeding, pursuant to Procedural Order No. 2.

Please note, the IESO is responsible for ensuring that all documents that it files with the OEB, including responses to OEB staff questions and any other supporting documentation, do not include personal information (as that phrase is defined in the *Freedom of Information and Protection of Privacy Act*), unless filed in accordance with rule 9A of the OEB's *Rules of Practice and Procedure*.

Yours truly,

Katherine Wang
Senior Advisor, Generation & Transmission

Encl.

cc: All parties in EB-2024-0004

OEB Staff Interrogatories
Independent Electricity System Operator
2024 and 2025 Incremental Revenue Requirement, Expenditures, and
Usage Fees
EB-2024-0004

Issue 1.0 General

1.1 What is the effect of the approved settlement proposal for the IESO's 2023-2025 Expenditures, Revenue Requirement, and Fees Application (and associated OEB decision), and the timing of the Minister of Energy's July 10, 2023 Letter upon the relief now sought by the IESO?

1.2 In the event of the OEB's approval of the relief sought by the IESO, what additional provisions to such approval should be included?

1.3 What are the implications of any approval of the IESO request upon the continuation of a three-year term for setting the IESO's fees, expenditures, and incremental revenues?

1-Staff-1

Ref: Decision and Order (EB-2022-0318); OEB Staff Clarification Question 1 a); All Intervenor Clarification Question 2 c)

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. (The detailed adjustment mechanism has been set out in the OEB approved settlement agreement in EB-2022-0318.) The IESO's current application does not rely on the adjustment mechanism described in the OEB-approved Settlement Agreement in EB-2022-0318.

Question(s):

- a) The Minister's letter to the IESO, dated July 10, 2023, outlined the specific initiatives that the IESO was asked to carry out in support of the Power Ontario's Growth: Ontario's Plan for a Clean Energy Future (POG) plan. When did the

IESO become aware that the Ministry would be asking IESO to carry out this work? What did the IESO know about it at that time? Why did the IESO not inform the parties to the previous proceeding when it was aware of this information?

- b) What steps did the IESO take to determine whether it would be able to comply with the Ministry's request within the current OEB approved three year revenue requirement and fee-setting structure?
- c) The IESO stated that it submitted an amendment to its 2023-2025 Business Plan (Amendment) to the Minister on September 1, 2023, which was approved by the Minister on November 28, 2024. When did the IESO's board of directors approve the Amendment?
- d) In response to All Intervenors Clarification Question 2 c), the IESO indicated that it does not view the adjustment mechanism as deficient but rather that the current application is outside of the mechanism's objective and therefore the IESO is not relying on it. What is the IESO's understanding of the objective of the adjustment mechanism (as described in the Preamble) approved in the previous proceeding? Why does the IESO believe that the current application is outside of this objective?
- e) Does the IESO believe that a three-year structure with an associated adjustment mechanism continues to be appropriate for setting the IESO's revenue requirement and fees? Please explain why.

2.0 Incremental Revenue Requirements

2.1 Is the IESO's Fiscal Year 2024 incremental revenue requirement of \$4.5 million appropriate?

2.2 Is the IESO's Fiscal Year 2025 incremental revenue requirement of \$5.4 million appropriate?

2.3 What are the alternatives to the IESO's proposal to meet the additional revenue requirement? What alternatives did the IESO consider?

2-Staff-1

Ref: All Intervenors Clarification Question 12; OEB Staff Clarification Question 1 f) and g)

Question(s):

- a) In response to OEB Staff Clarification Question 1 f) and g), the IESO confirmed that the proposed incremental budget in support of the POG plan is viewed as a material change and the IESO cannot work within its approved revenue requirements to carry out the incremental work for the POG plan. In response to All Intervenors Clarification Question 12, the IESO provided the updated forecast for 2024 closing balance of the FVDA in a deficit of \$0.1 million. Does the IESO still believe that it cannot work within the approved revenue requirements for 2024 to carry out the incremental work? If the IESO believes that it cannot work within the approved revenue requirements for 2024, please explain why.
- b) What are the alternatives to the IESO’s current proposal to meet the additional revenue requirement associated with the POG plan? What alternatives did the IESO consider?

2-Staff-2

Ref: Exhibit B-1-4 Interim Year Business Outlook 2023-2026 (Outlook), page 11, “Detailed Financials” Table; Exhibit B-1-6 2023 Annual Report and Audited Financial Statements

Preamble:

On page 11 of the Outlook, the IESO provided the following table to outline the 2023-2026 revenues and expenses:

For the Year Ended December 31
(Millions of Canadian Dollars)

(\$ Millions)	2023 Budget	2024 Budget	2025 Budget	3 Year Total	2023 Forecast	2024 Outlook	2025 Outlook	3 Year Total	2026 Outlook
Revenue									
IESO Usage Fee	208.4	218.4	229.7	656.5	209.3	218.4	229.7	657.4	273.2
Expenses									
Expenses Included in Business Plan	208.4	218.4	229.7	656.5	199.5	220.1	237.3	656.9	267.9
Bill 124 - Society Compensation & Benefits	-	-	-	-	21.2	6.4	6.9	34.5	-
Sub-Total	208.4	218.4	229.7	656.5	220.7	226.5	244.2	691.4	267.9
Powering Ontario's Growth	-	-	-	-	1.0	4.5	5.4	10.9	5.4
Total Expenses	208.4	218.4	229.7	656.5	221.7	231.0	249.6	702.3	273.2
Operating Deficit	-	-	-	-	(12.4)	(12.6)	(19.9)	(44.9)	-
Operating Reserve Variance Account Ending Balance	10.0	10.0	10.0	10.0	2.6	(10.0)	(29.9)	(29.9)	(29.9)

On April 3, 2024, the IESO filed its 2023 Annual Report and Audited Financial Statements as Exhibit B-1-6 of the current application.

Question(s):

- a) Please update the “Detailed Financials” table with the same layout as presented in the Outlook with the following items: (Please note that the updated table should include all columns and rows as set out in the Outlook.)
- a. Please insert a column for 2023 Actual and update the amounts in light of the 2023 Annual Report and Audited Financial Statements.
 - b. For the “2024 Outlook” and “2025 Outlook” columns, please update the entries with the most recent energy forecast (and provide the data source).
- b) Based on the updated table in response to part a) of this question, please produce two further updated tables (complete Detailed Financials tables) to incorporate any interest implications and identify the amount of interest that may accrue under two scenarios: one assuming the approval of the IESO's proposed 2024 and 2025 funding request and the other assuming that the OEB does not approve the request. Please provide related explanations.

2-Staff-3

Ref: AMPCO Clarification Question 3; Exhibit B-1-4 Outlook, pages 12-13

Preamble:

The IESO provided the following table in its response to AMPCO Clarification Question 3.

Average FTE by Business Units	Approved 2023 Budget	2023 Actual	Approved 2024 Budget	Incremental 2024	Amended 2024	Approved 2025 Budget	Incremental 2025	Amended 2025
Market & Reliability	213	202	225	4	229	230	5	235
Planning, Conservation & Resource Adequacy	133	129	140	12	152	126	12	138
Corporate Relations, Stakeholder Engagement & Innovation	69	64	75	5	80	79	12	91
Information & Technology Services	146	144	145	-	145	155	-	155

Legal Resources & Corporate Governance	78	75	85	1	86	86	1	87
Market Assessment & Compliance Division	7	6	7	-	7	14	-	14
CEO Office	3	3	3	-	3	3	-	3
Corporate Service	130	125	132	-	132	137	-	137
Human Resources	26	30	26	-	26	26	-	26
Market Renewal	109	83	88	-	88	44	-	44
Total IESO	914	861	926	22	948	900	30	930

Question(s):

- a) The IESO indicated, in response to AMPCO Clarification Question 3 b), that fewer than planned Market Renewal FTEs (26) were required to deliver the planned work according to schedule. It's also noted on page 12 of the Outlook that the IESO has been able to manage the Market Renewal Program (MRP) workload by leveraging existing staff and support from third-party vendors. Please discuss whether the efficiency realized (saving in FTEs) through leveraging existing staff in carrying out MRP work in 2023 would continue to be effective and bring OM&A savings in 2024. If yes, please quantify the approximate savings.
- b) Given that the planned 2024 average FTEs in MRP is 21 FTEs lower than the 2023 planned average, does the IESO still anticipate that it will require five more average FTEs in MRP (from 2023 actual of 83 to 2024 budgeted of 88) in 2024? If not, please estimate the equivalent savings in operating with fewer than planned MRP FTEs for 2024.
- c) In response to AMPCO Question 3 b), the IESO noted that one of the factors that caused the 2023 actual average FTEs to be 53 lower than the 2023 approved FTEs is that there were lower than expected FTEs at the beginning of the year, due to:
 - higher than usual attrition rates in 2022

- the number of vacancies exceeded the number of candidates available in the market, leading to a very competitive labor market

Does the IESO anticipate that it may have similar difficulties in filling FTEs in 2024 for these same reasons? If so, how many of these FTEs does the IESO anticipate might not be filled, and what would the associated impact on forecast costs be?

- d) In response to AMPCO Clarification Question 3 b), the IESO noted that the lower FTEs at the beginning of the year meant that it would have to hire more headcount at faster pace than expected to meet the approved average FTEs for 2023. The IESO also noted on page 12 of the Outlook that it had taken multiple actions to intensify the acquisition of talent and ensure that the planned year-end 2023 headcount was achieved. What actions did the IESO take in 2023 to intensify the acquisition of talent? How effective were the actions?
- e) The 2023 actual average FTEs is less than the 2024 approved average FTEs by 65. With this level of lower-than-expected FTEs at the beginning of the year of 2024, please discuss the possibility of actually meeting the approved 2024 FTEs of 926 plus the incremental FTEs of 22 for the POG plan (948 in total).
- f) In 2024, has the IESO taken (or planned to take) any actions to intensify the acquisition of talent and meet the approved 2024 FTEs? Please discuss the detail.

2-Staff-4

Ref: EB-2022-0318 Exhibit D-1-3 Table 1

Preamble:

OEB staff constructed the following table based on the data provided in EB-2022-0318 Exhibit D-1-3 Table 1 and the current application. Please note that the 2024 FTE has been adjusted to include the incremental FTE of 22 for the POG plan.

	2020	2021	2022	2023	2024
Approved Average FTEs (A)		794	827	914	948
Actual FTEs (B)	772	774	799	861	-
Planned Increase of FTEs from Prior Year's Actual (C) = current year (A) – prior year (B)		22	53	115	87
Achieved Increase of FTEs from Prior Year's		2	25	62	

Actual (D) = current year (B) – prior year (B)					
% of Achieved FTE Increase (D) / (C)		9%	47%	54%	

Question(s):

- a) Please confirm the accuracy of the table (and correct any errors with explanations).
- b) In response to OEB Staff Interrogatory 1.0-OEB Staff-7 c) in EB-2022-0318, the IESO stated that the annual impact would be approximately \$7 million if 50% of the 2023 operating FTE increase was met, and approximately \$3 million if 75% of the FTE increase was met. What would be approximate impact on annual revenue requirement in each of 2024 and 2025 if only 50% and 75% of the 2024 FTE increase was met?

2-Staff-5

Ref: All Intervenors Clarification Question 14; All Intervenors Clarification Question 1; Exhibit D-1-2

Preamble:

In response to All Intervenors Clarification Question 14, the IESO discussed the process it took after receiving the Minister’s July 10, 2023 letter to determine the need for additional resources and budget to carry out the POG plan initiatives.

In response to All Intervenors Clarification Question 1, the IESO noted that Exhibit D-1-2 presents the budget per business unit as per the IESO’s budgeting practice. OEB staff notes that in Exhibit D-1-2, the IESO explained why effort and resources are required from the four affected business units to support the POG plan initiatives.

Question(s):

- a) Please provide further detail about how the IESO determined that a total of 30 incremental headcount (as opposed to another number) was necessary to carry out the work.
- b) Please explain why the average fully burdened rate of \$140 to \$160 thousand per FTE is considered reasonable in estimating the budget.
- c) Please discuss how the IESO determined the 2024 and 2025 incremental budget associated with the POG plan for each of the four business units as presented in Exhibit D-1-2.

3.0 Usage Fees

3.1 Are the IESO's proposed 2024 and 2025 Usage Fees appropriate?

3.2 Is the proposed effective date of the next billing cycle following the month in which OEB approval is received for the IESO's 2024 Usage Fees appropriate?

3-Staff-1

Ref: Exhibit A-1-2, page 2

Preamble:

In this application, the IESO is seeking approval of the proposed revised 2024 fees to be effective on the next billing cycle following the month in which the OEB's approval is received.

Question(s):

- a) Assuming the OEB approves the IESO's proposed 2024 incremental fund and revised fees, does the IESO plan to collect the portion of the incremental revenue for the months before (and including) the month in which the OEB's approval is received? If yes, please discuss the method to be used to collect this part of the incremental revenue from customers.