

JULY 22, 2021

Cost Recovery for Integrating System Changes

Stakeholder Engagement Webinar

Webinar Participation via Microsoft Teams

- [Registration Link](#)
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- This webinar is conducted according to the IESO Engagement Principles

Agenda

- Engagement Objectives
- Initiative Overview & Background
- Objectives & Principles
- Implementation Approach
- Scope of Initiative
- Cost Estimates
- Next Steps

Engagement Objectives

The objectives of this engagement are to:

- Inform stakeholders on the IESO's plans for this initiative
- Obtain stakeholder input on implementation approach

Initiative Overview

- The IESO is currently charging the cost of System Impact Assessments and Technical Feasibility Studies to the proponents that initiate them; there is also a nominal fixed \$1,000 charge to register as a Market Participant.
- The IESO is seeking to expand the scope of activities for which it directly recovers costs it incurs to reliably integrate system changes.
- Implementation of this change is expected to be phased in during 2022 following OEB approval of IESO fees associated with this initiative and the required updates to the Market Manuals.

Background

To support proponents seeking to make changes to Ontario's electricity system, and to ensure the operability and reliability of the IESO-Controlled Grid (ICG), the IESO performs activities to achieve two broad goals:

1. **Impact Assessment:** Assess the potential impact of a new or modified facility through System Impact Assessments and/or Technical Feasibility Studies.
 - The IESO currently charges proponents the costs to perform these studies.
2. **Reliable Integration:** Ensure that facilities meet prescribed requirements and then update the IESO's systems, processes and procedures to reliably integrate those new or modified facilities.
 - The costs associated with these activities are currently recovered through the IESO's usage fees (i.e., not charged directly to individual proponents).

Objective & Approach for Initiative

OBJECTIVE:

- **Reduce cross-subsidization** - Identify and recover the costs that are directly attributable to a proponent triggering a system change from that proponent.

APPROACH:

- **Balanced implementation** – Introduce changes on a reasonable timeline after stakeholder engagement and OEB approval to allow for the financial impacts of this initiative to be integrated into proponents' plans.
- **Manageable Scope** – Limit to activities that can be efficiently tracked, with a reasonable amount of administrative effort, relative to the magnitude of costs recovered.

Principles of Cost Recovery Initiative

The principles that guide this initiative are:

- **Cost Causality** – The proponent that triggers costs are charged for those costs*
- **Materiality** – The administrative burden of charging the costs must not be greater than the cost recovered from the proponent
- **Transparency** – Proponents should have clarity on how the cost they are incurring are calculated and charged to them

** Excludes indirect costs incurred by the IESO (e.g. the need to expand a database) to integrate the change*



Implementation - Scope and Approach

Implementation Approach

- The IESO intends to charge the costs for “Reliable Integration” activities to the proponent initiating the change.
- Integration of the “as built” new or modified facility into the IESO’s systems is currently accomplished through the “Registration Approval Notification” (RAN) and related processes¹.
- This initiative will use the existing RAN framework to track and administer the costs the IESO incurs back to proponents.
- Fees resulting from this initiative would only be applied following OEB approval and after the Market Manual update process is complete.

¹The RAN process is covered under [Market Manual 1.5: Market Registration Procedures](#).

Connection Process for New or Modified Facilities

Impact Assessment – Existing Fees

The costs for System Impact Assessments and/or Technical Feasibility Studies are currently recovered directly from the initiating participant



Reliable Integration – New Fees

The IESO is seeking to begin recovering the costs for the remaining activities in the Connection Process (i.e. those subject to a RAN) are currently not being recovered directly from the initiating participant

Reliable Integration – Activity Details

- The IESO performs the following 'Reliable Integration' activities as part of the RAN process to integrate system changes:
 - Ensuring that the "as built" data set supplied by the proponent is complete
 - Confirm that the SIA findings and requirements for connection, that were derived using "as planned" data are still valid for the "as built" data, and address any differences
 - Validate the performance of the new or modified facility and its associated computer models and integrate those models into the IESO's system models that are used for planning and operations of the ICG
 - Update existing system operating limits (SOLs) or derive new SOLs to account for the presence and operation of the new or modified facility
 - Integrate the new or modify facility into the IESO's market systems, including registration of a new market or program participant, or modifications to the registration of an existing market or program participant
- The Final Approval to Connect is granted after the relevant above activities are completed.

Scope of Reliable Integration activities

The following activities are in-scope of this initiative:

- **Integration of new facilities and physical changes to existing facilities** – These changes generally require an SIA process and require a final approval to connect that is granted by the IESO through the RAN process.
- **Integration of changes to participant data** - Changes to market or program participation data, like: participant's name, financial information, participation in different market programs, transfer to a different organization, modification of existing delivery points, changes from dispatchable to non-dispatchable and vice-versa, etc.

There are some activities that are out-of-scope of this initiative:

- **De-registrations** – Permanent removal/disconnection from IESO-administered markets.
- **Periodic testing under NERC MOD/PRC standards (or similar)** – Testing done to existing equipment to meet the requirements of reliability standards.

Factors that will Influence Proponents' Costs

The magnitude of the IESO's effort , and hence the cost incurred by an individual proponent, will depend on the complexity of the change to be integrated. Factors influencing complexity include, but are not limited to, the following:

- New build vs. modification of existing facility
- Nature of change proposed
- Connection location and voltage level
- Quality of information provided to the IESO
- Applicable charge rates in a given year

Estimated Costs for Various Changes

Category	Estimated Range*	
Large generation facility in non-congested area	\$30,000	\$70,000
Large generation facility in congested area	\$60,000	\$130,000
Large load facility in non-congested area	\$20,000	\$40,000
Large load facility in congested area	\$30,000	\$50,000
Transmission reinforcement or new transmission line	\$30,000	\$440,000
Small load or generation or small modifications to existing facilities (SIA required)	\$4,000	\$20,000
Registration only (no SIA required)	\$2,000	\$10,000

**The estimated range is intended to provide guidance for the range of costs for the majority of projects, specific projects may vary*

Next Steps

Timing	Engagement Activity
August 12 2021	Stakeholder feedback due
September 2021	IESO response to stakeholder feedback document posted
Q4 to early 2022	Additional engagement meeting(s) if necessary

- Request for OEB approval and Market Manual updates would then follow completion of this engagement

Questions & Discussion

In addition to answering any general questions stakeholders may have, the IESO is also interested to hear feedback on the following specific aspects of this initiative:

- Are there any factors the IESO should consider when deciding on how to apply fees for various types of activities (e.g., fixed rate vs. hourly rate)?
- What invoice timing (e.g., end of each work phase vs. periodically) would be most appropriate?
- Are there any specific considerations that should be incorporated into the implementation approach for the new fees?
- Do any special considerations exist for specific groups of proponents?

Thank You

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