IMO Independent Electricity Market Operator

Year 2002 Corporate Performance

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Year 2002 Corporate Performance

1. Introduction

IMO establishes corporate performance measures annually in order to measure the extent to which the corporation as a whole effectively achieves its goals as approved by the IMO Board of Directors. This report summarizes corporate performance for the year 2002.

2. Corporate Performance Results

Corporate results for the year 2002 for each of the approved corporate performance measures and performance assessments against these measures are presented in the tables below.

2.1 Effective Use of Funds

<table>
<tr><td rowspan="2">Measure</td><td colspan="3">OM&A: Actual expenditure is to be less than the approved budget .</td></tr>
<tr><td colspan="3">Ongoing: Total capital spending within limit approved by the IMO Board</td></tr>
<tr><td rowspan="4">Result</td><td colspan="3">Spending in both OM&A and Capital were under budget.</td></tr>
<tr><td></td><td>Budget</td><td>Actual</td></tr>
<tr><td>OM&A</td><td>$85.0MM</td><td>$82.6MM</td></tr>
<tr><td>Ongoing Capital</td><td>$71.2MM</td><td>$39.7MM</td></tr>
<tr><td>Rating</td><td colspan="3">Meets Challenges</td></tr>
<tr><td>Rationale</td><td colspan="3">The financial performance expectations set for the year included a substantial corporate reduction compared to business unit budget totals, and reflected the importance to the Corporation of careful financial management.

OM&A spending was kept below the budgeted amounts in a year when demands were placed on staff that due to market opening, system conditions, and Bill 210, were larger than anticipated.

Capital spending was below budget due to savings in the Integration Management Program, and the Clarkson System Control Centre expansion, for completed projects, while spending was delayed or deferred on other capital projects. In summary, actual spending was within the target while programs advanced and associated results were achieved.</td></tr>
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2.2 Marketplace Implementation

Measure	Wholesale market capable of opening on schedule approved by the IMO Board (assessment to be conditioned by the extent to which the Market Systems and processes operate effectively during a 4 month "run-in" period)
Result	Market was opened successfully on May 1 2002 as per schedule announced by the Government in December 2001. Performance as measured by "run-in" operational performance measures indicated that Market systems and processes functioned extremely well (see table which follows). Market participants praised IMO for the successful implementation and process leading up to it.
Rating	Exceeds expectations
Rationale	IMO implemented the market on time, on budget, and with a high degree of participant satisfaction. Power system reliability and market system reliability were maintained well during the run-in period.

Run-In Operational Performance Measures for May 1/02 to December 31/02

Overall Performance of the suite of run-in measures is rated as good.

Market System Performance	Measure	Criteria	Performance Standard During Run-in	Performance During Run-in Period	Performance To 2002 Year End
Provide Sufficient Information For Effective & Successful Bids and Offers					
Implement accurate Intertie Schedule	Accuracy	Average Daily	≥ 90%	96.5%	97.55%
Manage inappropriate Dispatch Instructions	Timeliness	288x/day	≥ 95%	99.99%	99.99%
Publish SAA's and SSR's on time	Timeliness	As per schedule	≥ 95%	93.7%	93.30%
Minimize Day Ahead Forecast Errors	Accuracy	Average Daily	≤ 3%	2.83%	2.32%
Effective Outage Request Processing	Accuracy	Processed vs. Valid	≥ 95%	99.83%	99.78%
Determine Operating Security Limits (OSL's) and Populate OSL Database	Timeliness	Average Daily	≥ 98%	99.86%	99.93%
Effective processing of Transmission Rights Auction	Timeliness	As scheduled within market rules	1 failure to complete a full auction during run-in period	100%	100%
Dispatch instructions issued Every 5 minutes (288/day)	Completeness	288x/day	≥ 95%	99.13%	99.20%
Continuous Operation Of the Market	Frequency of Market Suspension	Number of Market Suspensions per Year	Will Track During Run In Period and Target After 4 months	0 incidents	0 incidents
	Duration of Market Suspensions	Total Duration (hours) of Market Suspensions per year	Will Track During Run In Period and Target After 4 months	0 incidents	0 incidents

Market System Performance	Measure	Criteria	Performance Standard During Run-in	Performance During Run-in Period	Performance To 2002 Year End
Manage Meter Information					
Interrogate, validate and estimate revenue metered data	Timeliness	Average Daily	$\geq$ 95%	99.5%	99.6%
Issue Trouble Reports on the 1st business day following the Trade day (Automated System)	Timeliness	Average Daily	$\geq$ 85%	88.5%	89.3%
Complete meter edits by the end of 1st business day following the agreed resolution with the MSP	Timeliness	As per schedule	$\geq$ 85%	88.3%	93.7%
Settle The Market					
Issue Preliminary and Final Settlement Statements as per *IMO Settlement Statement Payments Calendar(SSPC)*	Timeliness	Average Daily	$\geq$ 97%	100%	100%
Notices of Disagreement issued as a result of IMO errors	Accuracy	As required	$<$ 15%	19.3%	24.9%

Market System Performance	**Measure**	**Criteria**	**Performance Standard During Run-in**	**Performance During Run-in Period**	**Performance To 2002 Year End**
Invoice Market Participants					
Issue Invoices as per *IMO Settlement Statement Payments Calendar (SSPC)*	Timeliness	As required	≥ 95%	100%	100%
Invoice Accuracy	Accuracy	Average Monthly	≥ 95%	100%	100%
Market Facing Systems Availability					
MIS (Schedules, Prices & Dispatch, Contract Manager, Message Exchange, ICCP)	Availability	Average Daily as per respective schedule	≥ 95%	99.31%	99.47%
MOS – MPI (MOS/MIM & Web) (Bids/Offers, Report retrieval, IOMS)	Availability	Average Daily	≥ 99%	99.48%	99.57%
RMS (CRFA, Settlements / Meter Data / Invoices/ MV-WEB)	Availability	Average Daily	≥ 92%	99.78%	99.89%

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2.3 Participant and Stakeholder Needs are Met

Measure	Strategic Objectives impacting Participant Preparations are met; and, Ongoing operation of the marketplace meets participants' and stakeholders' needs
Result	IMO provided considerable assistance to Market Participants in their preparations for Market opening as well as providing ongoing support following market opening. As part of its ongoing commitment to improving service to market participants, IMO commissioned a research study to gauge participant evaluations of the organization since the launch of Ontario's wholesale electricity market in May of 2002. Given the government announcement of November 11th, 2002, all survey participants were asked to offer feedback focusing principally on the first seven months of operation. **KEY FINDINGS** ***The IMO and Market Launch*** Participants view the market launch as very successful, with almost one-half rating it as "very well managed" (47%). Although slightly less passionate, 26% of participants believe the first six months of operation were very well managed. Compared to other involved parties, the IMO is viewed as having made the best contribution to successfully establishing and operating the new market. Over one-half of participants feel the IMO has made an excellent contribution (52%), while other parties receive enthusiastic ratings by only 11% of participants, on average. The IMO has achieved success in conveying what is expected of participants in the new market, with 62% of respondents strongly claiming that they fully understood their roles and responsibilities as market participants. ***Overall Impressions of the IMO*** Over one-half of market participants feel they have an "excellent" relationship with the IMO (51%). This relationship has likely improved (40%) or remained the same (48%) since the launch of the market. Those that feel the relationship has improved cite open communications and helpful and knowledgeable staff as the key drivers improving the relationship. Eighty-nine percent of respondents believe that IMO has met or exceeded their original expectations (48% felt that IMO has met expectations, 41% felt that IMO has exceeded expectations). Participants are particularly satisfied with the organization's ability to ensure a reliable supply of electricity to the marketplace (58% rate IMO as 8 to 10 on a 10 point scale), and the IMO's role in creating the wholesale marketplace in partnership with participants (52% at the 8 to 10 level). ***Evaluating IMO Services & Delivery on Key Organizational Objectives*** Of all the parties involved in Ontario's new electricity market, participants give the IMO the highest rating in terms of quality of service. Indeed, one-in-three market participants indicate they are "extremely satisfied" with the IMO's quality of service, whereas only one-

	in-ten participants on average are as satisfied with other key players. In terms of services provided by the IMO, directing the reliable supply and delivery of electricity and effectively handling billings, settlements, and funds administration between buyers and sellers are rated “excellent” by the largest proportion of participants (64% and 41%, respectively). Room for improvement exists when it comes to improving market participant transactions, including authorization and dispute resolution (rated “excellent” by 11% of respondents).
Rating	Exceeds Expectations
Rationale	IMO provided key leadership by preparing the marketplace for implementation, helping market participants to themselves be prepared, and by providing ongoing support to Market Participants following market opening.

2.4 Operational Effectiveness

<table>
<tr><td>Measure</td><td colspan="4">a) NERC CPS1 & CPS2 median values exceeded, DCS meets NERC median;

b) Subjective assessment of IMO actions to avert/address significant reliability events (Subject to peer review).

c) Performance of market systems and processes assessed based on a suite of operational performance measures.</td></tr>
<tr><td rowspan="5">Result</td><td colspan="4">a) NERC CPS1, CPS2 and DCS (note 1)</td></tr>
<tr><td rowspan="4">(based on latest available NERC data)</td><td></td><td>IMO</td><td>NERC Median</td></tr>
<tr><td>Control Performance Standard #1 (CPS1) [12 months to date]

Target Met</td><td>171.65%</td><td>171.06%.</td></tr>
<tr><td>Control Performance Standard #2 (CPS2) [12 months to date]

Actual performance slightly below target. CPS2 bettered the NERC standard for entire year but NERC median was not met in early part of year during market testing.</td><td>96.98%</td><td>97.35%.</td></tr>
<tr><td>Disturbance Control Standard (DCS) [year to date]

Target Met.</td><td>1.0</td><td>1.0</td></tr>
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Note 1: NERC data are those for Q3 – the latest available when the assessment was made and this report written. No material adverse change is expected when NERC year-end data becomes available.

	b) <u>IMO Actions to Avert/Address Significant Reliability Events</u> System reliability was maintained despite record summer heat and low reserve margins. IMO performance with regard to its operational actions to avert or address significant reliability events was reviewed by a panel of peers assembled from NPCC. The assessment of the panel was that the IMO's performance exceeded expectations.
	c) <u>Performance of Market Systems and Processes</u> Performance of Market Systems and Processes was assessed during the four month "run-in" period after market opening using a set of operational measures established prior to market opening. Performance relative to this suite of measures showed that the performance standards were met or exceed in all months for virtually all measures. This suite of operational measures was reviewed with Market Participants in the fall of 2002 with the result that the performance measures used for the run in period were deemed to be suitable for continued use throughout the remainder of the year. Performance of market systems and processes from September to December continued to meet or exceed the standard for almost all measures. Some additional measures have been implemented in 2003 with a view to ensuring continued good performance in other areas important to customers (e.g. help center operations and administrative pricing frequency and duration).
Rating	Exceeds Expectations
Rationale	The expected performance level was met and bettered in almost every case while dealing with the requirements of system testing and market opening as well as responding to record peak loads during the summer coincident with very tight supply.

3. Overall Corporate Performance

Based on the foregoing, it was assessed that the IMO’s overall corporate performance for the year 2002 "exceeded expectations".