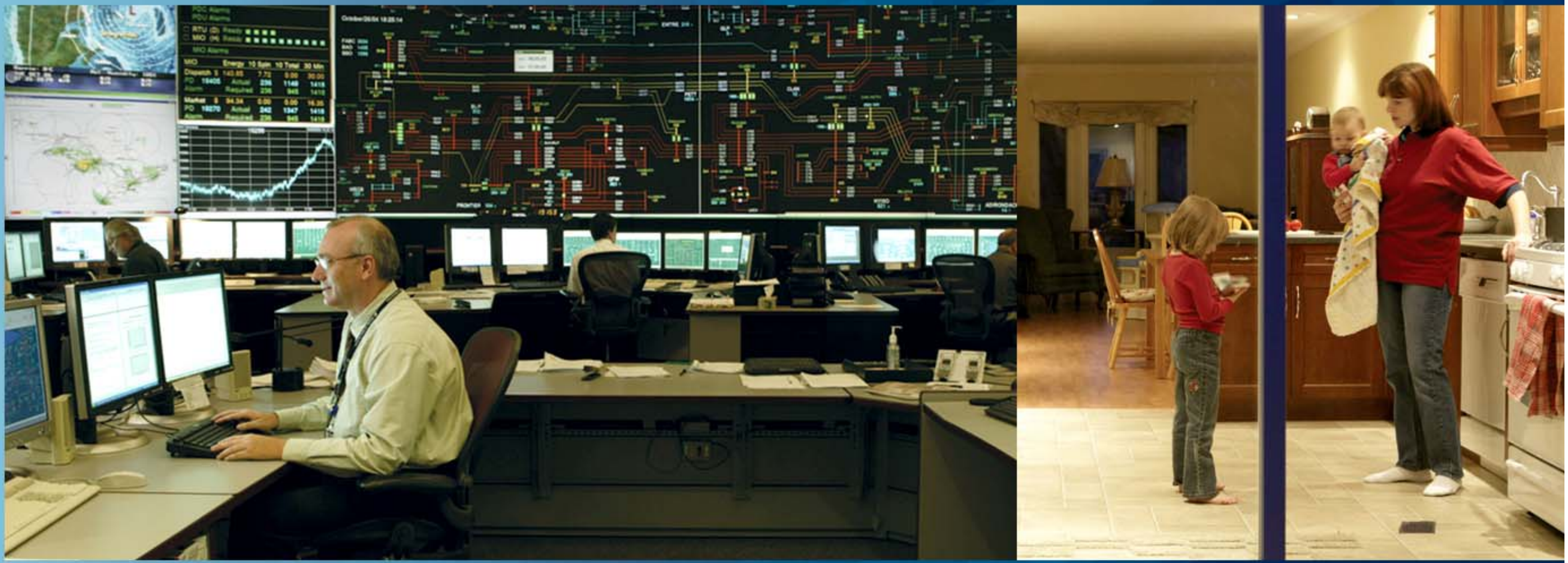
ieso
Power to Ontario.
On Demand.

2004 Corporate Performance

Performance to the end of December



Objective: Effective Use of Constrained Funds

Performance Measure	Performance Expectation	2004 Result
Total spending (OM&A + Interest + Amortization) compared to the budget amount approved by the IESO Board	Total spending (OM&A + Interest + Amortization) is within the amount approved by the IESO Board	**Exceeds Expectations: Total spending was $150.4 million, $5.8 million below the approved budget of $156.2 million** Total operating costs were under the approved budget, due to regular management review and prudent oversight during the year. Most cost categories and all business units were under budget at year end, reflecting across-the-board restraint. These results were primarily due to lower than planned staff costs and lower than anticipated use of external consultants. Financial performance expectations were set for the year to reflect the continued commitment of IESO management to operate in a financially prudent manner while meeting legislative and market rule obligations and addressing the many challenges facing the sector. Planned spending levels including OM&A, interest, amortization and capital, and all related resources were scrutinized throughout 2004, in order to ensure performance targets were met, while at the same time delivering on key programs and activities. This disciplined cost management focus resulted in better than expected financial performance results.

Objective: Effective Use of Constrained Funds (continued)

Performance Measure	Performance Expectation	2004 Result
Capital spending associated with current operational mandate is performed within budget amount approved by the IESO Board, timelines are met, and required results are achieved	Approved Capital expenditures in support of current operations are within budget and required results are delivered according to approved schedule	**Exceeds Expectations: Capital expenditures in support of current operations were $6.7 million, $14.3 million below the approved budget of $21.0 million** Capital expenditures were much less than the approved budget. Ongoing prioritization between capital and OM&A programs was the primary reason. This resulted in lower capital program spending and the deferral of some identified capital programs. Ultimately, only the highest priority capital initiatives were undertaken in 2004, with management regularly reviewing the risks resulting from the reduced capital program in order to ensure IESO performance results would not deteriorate. IESO Management will continue to monitor the associated risks on an on-going basis.

Objective: Marketplace Evolution Effectively Managed

Performance Measure	Performance Expectation	2004 Result
Appropriate evolution of the market is achieved and managed effectively	Recommendations to the IESO Board are made in a timely manner Approved Capital expenditures for market evolution are within budget and required results are delivered according to approved schedule	**Approaching Expectations/Development Required** This assessment is based on a review of four initiatives: Multi-Interval Optimization (MIO), Day Ahead Market (DAM), Resource Adequacy Market (RAM), and Pricing Issues. <u>MIO</u> - This initiative involved optimizing dispatch over a rolling period of up to 11 intervals. While objectives were met and dispatch instructions were reduced by almost 10%, the reduction in dispatch instructions was less than expected or indicated from initial modeling efforts. <u>DAM</u> - All deliverables scheduled in 2004 were delivered, except for the RFP release package. Project phases were properly authorized and delivered under budget. However, the implications of the government's Bill 100 resulted in growing stakeholder concerns toward the latter half of the year, and the IESO Board decided in December to re-examine DAM objectives and alternatives. <u>RAM</u> - Early deliverables in 2004 were on schedule. Subsequent milestones changed, due to industry concerns arising from Bill 100 related to the future accountability for resource adequacy. RAM design was completed, and provides a feasible approach to achieving resource adequacy through a market-based mechanism. <u>Pricing Issues</u> -Thirty five issues were identified in conjunction with stakeholders, and have been described, grouped and prioritized in order to support future work to investigate and identify necessary improvements. Progress has been made on resolving three priority issues covering settlements, temporal issues and control actions. Remaining issues will be addressed in future.

Objective: Customer / Stakeholder Satisfaction

Performance Measure	Performance Expectation	2004 Result
The IESO's preparation and operation of the marketplace meets participants' and stakeholder needs	The IESO is assessed to be an organization which continually satisfies its customers. This assessment will focus on three specific services: • providing effective stakeholdering • providing effective market information and communications • providing support for customer inquiries, issues and training needs. This assessment is to be based on surveys, customer comments and other anecdotal evidence	**Meets Challenges** The annual independent survey of market participants indicates that the IESO continues to sustain a strong image with participants, although the gains in performance attained over the past two years appear to have leveled off or declined slightly in 2004. There continues to be a high level of confidence in IESO's technical and operational skills, including noticeable improvement in 2004 in both billing and settlement, and market surveillance. Customer concerns that were identified related to customer focus, flexibility and adaptability, and value-for-money. Effective Stakeholdering - The IESO consulted with stakeholders regularly across a wide range of issues, and the range of issues and opportunities for consultation increased in 2004. Effectiveness was highest for well-defined operational issues where focused solutions could be applied, such as initiatives to accommodate metering installation registration expiry, address connection assessments arising from the Ontario government's RFP's, and identify market evolution issues and solutions. Driving to conclusion and implementation of market evolution proposals that achieve wide stakeholder support was challenging, largely due to the changing electricity policy landscape during 2004. In the 4th quarter, the IESO launched a review of consultation processes that will optimally support the move to an independent Board of Directors in 2005. Support for government initiatives increased in 2004, through staff secondments, internal reallocation of staff to support government policy initiatives, and providing support to the Ministry of Energy in numerous areas such as RFP contracts and associated connection assessments, architecture of the regulated rate plan, and establishing financial flows and related infrastructure and settlement changes.

Objective: Customer / Stakeholder Satisfaction (continued)

Performance Measure	Performance Expectation	2004 Result
The IESO's preparation and operation of the marketplace meets participants' and stakeholder needs	The IESO is assessed to be an organization which continually satisfies its customers. This assessment will focus on three specific services: • providing effective stakeholdering • providing effective market information and communications • providing support for customer inquiries, issues and training needs. This assessment is to be based on surveys, customer comments and other anecdotal evidence	**Meets Challenges** <u>Effective Market Information and Communications</u> - The IESO's market information and communications met all obligations and provided value-added reports and messages during 2004. Published daily, weekly and monthly market reports are considered of value by participants as indicated by the high volume of accessing of these reports. The new, expanded IESO web site was launched as scheduled on April 1. The IESO's public web site is well regarded for providing quality information in a timely manner. A total of 10 round-table discussions with stakeholders regarding the future of Ontario's electricity sector were held in various cities around Ontario during 2004. <u>Customer Enquiries, Issues and Training Needs</u> - A fully staffed Help Centre addresses enquiries and assigns point-of-contact account managers to individual market participants. During 2004, 91% of customer enquiries were resolved in less than 1 day. The remaining 9% were resolved within the corporate performance standard of 12 days, 95.6% of those being within a schedule arrived at in advance with the customer. Customers expressly recognized superior customer service in multiple instances, including: producing customer reports to facilitate RFP applicant responses to the government's RFP, facilitating seamless market transitions for several occurrences of local distribution company amalgamations, and enabling smaller loads to more easily enter the market by revising facility requirements and hence reducing customer costs. During 2004, over 80 face-to-face instructor-led training sessions were held, with feedback surveys indicating an overall quality rating of 3.5 out of a possible total of 4. In addition, seven 2-day power system reliability and restoration workshops were conducted involving 400 market participants. In response to customer requests, sessions were conducted at customer facilities for convenience and reducing customer training costs.

Objective: Operational Effectiveness

<table>
<tr><th>Performance Measure</th><th>Performance Expectation</th><th colspan="3">2004 Result</th></tr>
<tr><td rowspan="5">Control of tie line flows under normal & disturbance conditions meets or exceeds industry median</td><td rowspan="5">DCS, CPS1 & CPS2 meet/ exceed median values of Eastern Interconnection Control Areas >10,000 MW</td><td colspan="3">Meets Challenges: Results for 2004 were at or better than target for all 3 NERC standards, as noted in the table below:</td></tr>
<tr><td>NERC Standard</td><td>IESO 2004 Result</td><td>TARGET</td></tr>
<tr><td>CPS1 - NERC Control Performance Standard 1</td><td>163.6%</td><td>144.3%</td></tr>
<tr><td>CPS2 - NERC Control Performance Standard 2</td><td>97.8%</td><td>95.8%</td></tr>
<tr><td>DCS - NERC Disturbance Control Standard</td><td>100%</td><td>100%</td></tr>
<tr><td>Electrical reliability is maintained within the province</td><td>IESO actions to avert/address significant reliability events are assessed as appropriate</td><td colspan="3">Meets Challenges: The Northeast Power Coordinating Council Peer Group review found that the IESO “establishes a high bar for reliability performance” and that “overall 2004 reliability performance is demonstrative of an organization with a high level of expertise and commitment.” This assessment considered many activities and actions taken to ensure and maintain reliability in 2004, including NERC control area readiness audit, dispatch algorithm processes and procedures review, emergency preparedness status, IESO control actions, analytical tools and business process improvements to address operational issues.</td></tr>
<tr><td>Market systems and processes operate effectively</td><td>Assessed on a suite of market operations performance measures</td><td colspan="3">Exceeds Expectations: Performance related to 23 operational performance measures was very good. At the end of 2004, 21 measures had met or bettered their targets. Two measures did not achieve their target level: Day Ahead Hourly Demand Forecast Bias, and Administrative Pricing Frequency.

Assessment of demand forecasting models and processes is being undertaken in order to reduce the demand forecast bias in 2005. Administrative pricing frequency, while partly impacted by higher incidences that were driven by market rule changes made during 2004, is undergoing process review and improvement in order to minimize incidences going forward.</td></tr>
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Market Operations Performance Measures

Category/Name	Measure	Criteria	Performance Standard	2004 Result
Provide Sufficient Information For Effective and Successful Bids and Offers				
Implement Intertie Schedules	Accuracy	Average for the year	≥98%	99.9%
Publish SAA's and SSR's	Timeliness	Published as per Market Rule timelines	≥97%	99.2%
Day Ahead Hourly Demand Forecast	Accuracy	Average absolute error for the year	≤3%	1.8%
		Average bias for the year	≤5%	7.6%
Outage Request Processing	Accuracy	Processed vs. Valid	≥97%	99.6%
Transmission Rights Auction Processing	Timeliness	Processed as per Market Rule timelines	<3 failures to complete a full auction per year	0 failures
Publish Price Every 5 Minutes	Completeness	Average for the year	≥99%	99.8%
Continuous Operation Of the Market	Frequency of Market Suspension	Number of market suspensions per year	<3 suspensions	0 suspensions
	Duration of Market Suspensions	Total duration of market suspensions per year	<20 hours	0 hours

Market Operations Performance Measures

Category/Name	Measure	Criteria	Performance Standard	2004 Result
Market Services				
Settlement-ready Meter Data	Timeliness	Available next trading day	≥99.3%	99.6%
Meter Trouble Reports Issued to Meter Service Providers	Timeliness	Available next business day	≥88%	94.9%
Meter Trouble Reports Closed	Timeliness	Closed on the 1st business day after the receipt of a satisfactory resolution from the Meter Service Provider	≥88%	96.7%
Preliminary and Final Settlement Statements	Timeliness	Issued as per schedule	≥99%	100%
	Accuracy	No IESO errors	≥99%	99.9%
Help Centre Performance	Average time to close an open ticket	Average for the year	≤12 days	11 days
Invoice Market Participants				
Issue Invoices	Timeliness	As required per *IESO Settlement Statement Payments Calendar*	≥99%	100%
	Accuracy	Average for the year	≥99%	100%

Market Operations Performance Measures

Category/Name	Measure	Criteria	Performance Standard	2004 Result
Administrative Pricing				
Administrative Pricing (AP)*	Frequency	Number of occurrences of AP per year	≤50	47
	Duration	Number of intervals AP applied per year	≤250	261
Market Facing Systems Availability				
Outbound Market Reports Publication	Availability	Average for the year as per respective schedule	≥99.0%	99.4%
Market Participant Interface	Availability	Average for the year	≥99.0%	99.8%
Dispatch & Scheduling Instructions**	Availability	Average for the year	≥99.5%	99.5%
Corporate Web Site	Availability	Average for the year	≥99.0%	99.6%

* Changes made to the Market Rules implemented on July 26, 2004 resulted in a different methodology for defining the administrative pricing measures. These changes are expected to increase both frequency and duration.