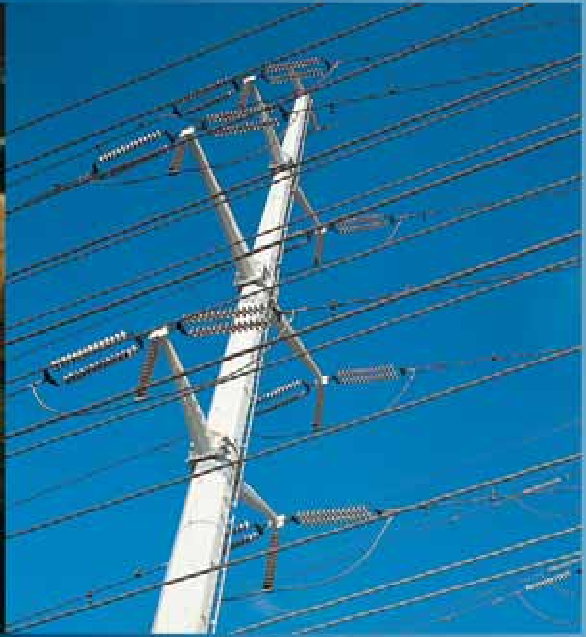
Power to Ontario.
On Demand.

Corporate Performance

to the end of September 2005



2005 Corporate Objectives

IESO corporate performance in 2005
is measured against 4 objectives:

- Objective 1: Effective Use of Constrained Funds
- Objective 2: Market Evolution
- Objective 3: Customer and Stakeholder Satisfaction
- Objective 4: Operational Effectiveness

Objective 1: Effective Use of Constrained Funds

Performance Measure	Performance Expectation	2005 Status to Date
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	**On Track:** Total spending is $109.9 million, $4.0 million below the approved budget of $113.9 million. The current forecast is for a spending level of $147.6 million at year end, $4.0 million below the approved budget of $151.6 million.
Capital spending associated with current operational mandate is performed within the 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	**On Track**: To the end of September, $4.9 million has been spent on of capital projects. The current forecast is a total 2005 capital expenditure level of $10.3 million, an amount that is within the approved budget of $19.9 million. This forecast variance is largely expected to result from some deferrals in project timing as well as some cost savings on approved and completed projects.

Objective 2: Market Evolution

Performance Measure	Performance Expectation	2005 Status to Date
Appropriate evolution of the market is achieved and managed effectively	IESO displays appropriate flexibility in implementation to address legitimate stakeholder issues Recommendations to the IESO Board are made in a timely manner Approved capital expenditures for market evolution initiatives are within budget and required results are delivered according to approved schedule	**On Track:** The Electricity Restructuring Act, Bill 100, which received Royal Assent in December 2004, significantly impacted market evolution plans for 2005. The IESO Board decided in December 2004 that prior to proceeding with development and acquisition plans for a full-function Day Ahead Market (DAM) in 2005, consideration of alternative cost-effective solutions in the post-Bill 100 environment would be prudent. Development, review and stakeholdering of alternative solutions progressed through the first half of the year, culminating a stakeholder engagement session on June 15, and August 11, to discuss and assess alternative designs for day ahead planning and operational needs. In recognition of the significant reliability concerns that arose throughout the summer 2005 experiences, including a number of public appeals and voltage reductions, the IESO's market evolution activities were refocused on ensuring adequate mechanisms are in place to address reliability issues more robustly in the near future. The IESO identified, and is actively stakeholdering three key market-impactive initiatives targeted for implementation in preparation for the summer 2006 period: • Day Ahead Commitment Process (DACP) • Emergency Demand Response Program (EDRP) • Dispatch Issues (DI) The IESO is working towards achieving IESO Board approval of DACP design in December, 2005. The EDRP re-design is anticipated to be considered by the Board at its February, 2006 board meeting. Both of the aforementioned initiatives will involve extensive stakeholder involvement. Proposals to address DI initiatives will be stakeholdered throughout the fourth quarter, with recommendations also scheduled for the February 2006 Board meeting. The funding estimate associated with the DACP initiative is currently under development. The spending focus will be in 2006. Funding for the other initiatives will be developed using established stakeholder consultations combined with existing internal change processes.

Objective 3: Customer & Stakeholder Satisfaction

Performance Measure	Performance Expectation	2005 Status to Date
IESO is recognized by government and stakeholders as contributing to a successful implementation of public policy developments, and by customers and stakeholders as contributing to the successful evolution of the competitive segment of the hybrid market IESO's operation of the marketplace meets participants' and stakeholder needs	Performance relative to these measures will be assessed based on surveys, customer comments and other anecdotal evidence 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.	**On Track:** Stakeholder Engagement - In January 2005, the IESO contracted for an independent review of the IESO's stakeholder engagement processes and procedures. This was primarily in response to governance changes arising from the Electricity Restructuring Act 2004 which replaced the stakeholder Board with an independent Board of Directors, and stakeholder needs and experiences arising out of the existing stakeholder engagement process. On July 28, the stakeholder engagement review culminated with the adoption by the new IESO Board of the enhanced stakeholder engagement principles and processes, and the creation of a Stakeholder Advisory Committee. On September 20, 2005 the OEB issued its decision approving IESO's stakeholder engagement processes, concluding that stakeholder concerns had been addressed. Stakeholder Advisory Committee (SAC) membership has been established. IESO decisions are benefitting from input received from stakeholders through the new stakeholder engagement process. Successful results to date include:, Meter Error Correction, Emergency Control Actions and Counterintuitive Pricing, Global Adjustment in Actual Net Exposure, and the 2006-2008 IESO Business Plan. Currently several additional stakeholder engagements are underway, including Day-Ahead Commitment Process and Corporate Performance Measures for 2006. Feedback has been very positive from questionnaires issued at stakeholder sessions.

Objective 3: Customer & Stakeholder Satisfaction cont'd

Performance Measure	Performance Expectation	2005 Status to Date
IESO is recognized by government and stakeholders as contributing to a successful implementation of public policy developments, and by customers and stakeholders as contributing to the successful evolution of the competitive segment of the hybrid market IESO's operation of the marketplace meets participants' and stakeholder needs	Performance relative to these measures will be assessed based on surveys, customer comments and other anecdotal evidence 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.	**On Track:** Information & Communications - Communications around reliability issues were a high priority during Q3 as a result of the extended hot weather, and public concerns about long-term reliability in Ontario. The IESO used the heightened awareness and our visibility to reinforce the need for conservation measures as well as day-ahead reliability mechanisms to prudently prepare for Summer 2006. The release of the 10-Year Outlook generated positive coverage for the IESO. The publication of the full report in addition to the highlights document prepared by ER&C garnered significant interest given its topicality. At the end of Q3 more than 29,000 copies had been downloaded from the IESO web site. Customer education program efforts have begun to target more specific business sectors and establish partnerships with other associations, including the Canadian Federation of Independent Grocers and the Ontario Ministry of Economic Development and Trade. Customer Support & Training - The changeover of URLs for the market participant workflow and report sites had the potential to generate a significant number of calls to the IESO. We acted proactively to contact market participants to address concerns and manage changes. The changeover was completed smoothly, as evidenced by the low number of trouble calls, owing to dispatchable market participants being ready for the change. During the third quarter, Marketplace Training delivered 6 days of instructor-led external training; course feedback indicated a high degree of satisfaction. Also, several participant-specific sessions were held to assist new market entrants understand their market and reliability roles and prepare for commercial operation. A large participant's request resulted in a customized training session to help their organization understand several dispatch and settlement issues. Feedback was very positive; all outstanding Notices of Disagreement were resolved and the issue that was going Dispute Resolution was dropped as a result of the session.

Objective 4: Operational Effectiveness

Performance Measure	Performance Expectation	2005 Status to Date
Control of tie line flows under normal & disturbance conditions meets or exceeds industry median	DCS, CPS1 & CPS2 meet/exceed median values of Eastern Interconnection Control Areas >10,000 MW	**On Track:** NERC disturbance control and control performance standards to date are tracking at or better than median values.
Electrical reliability is maintained within the province	IESO actions to avert/address significant reliability events are assessed as appropriate	**On Track:** Results to date support an assessment that appropriate measures have been taken by the IESO in addressing significant reliability events. The record heat and drought this year, combined with generation outages, exposed the system to unprecedented reliability risks. The IESO regularly took measures to assure reliability during the summer, including 12 days of public appeals and 3 occasions requiring voltage reductions. These events were managed by the IESO in order to maintain reliable supply and ensure the security of the interconnected power system. The 2005 NPCC peer group review and appraisal of the IESO will be completed in the 4th quarter, incorporating an assessment of the entire year. During 2005, the IESO conducted two Reliability Training/Restoration Drill Workshops in London and Cobourg, involving almost 200 individuals from across southern Ontario. A large-scale integrated power system emergency and restoration exercise involving Market Participants from across all southern Ontario is planned to be conducted during the fall. These training workshops, drills and exercises are intended to reinforce lessons-learned from previous exercises and the August 2003 Blackout. The IESO has increased efforts recently with Canadian and U.S. parties to resolve issues, including the international (Canada-U.S.) aspects of the Electricity Reliability Organization, created by the US Electricity Modernization Act of 2005 which was passed into law in August 2005. The IESO supported the need for such legislation, especially its provision for making compliance with reliability standards mandatory. The IESO is coordinating the impacts of these developments with the Ontario Energy Board and the Ministry of Energy with the objective of retaining the effectiveness of the reliability standards management process in Ontario.

Objective 4: Operational Effectiveness cont'd

Performance Measure	Performance Expectation	2005 Status to Date
Market systems and processes operate effectively	Assessed on a suite of market operation performance measures	**On Track:** The IESO began tracking two additional performance measures as of Q3, addressing the error and bias of IESO's demand forecast 3 hours ahead of dispatch. These measures were agreed to as part of the settlement of the IESO's 2005 fees case with the Ontario Energy Board. This increases the number of operational measures reported on in 2005 from 24 to 26. Overall performance relative to 26 operational measures is good, however ongoing attention will be required. 22 measures are tracking at levels that are at or better than target. For the 4 remaining measures currently off target, 2 are currently expected to meet or exceed their targets by year end, while 2 will not achieve their targets by year end, as follows: • Administrative Pricing duration and Preliminary and Final Settlement Statement timeliness, and will not achieve their annual target levels by year end. The administrative pricing duration target of 350 intervals could be exceeded by up to 100 intervals by year end due to business process failures that are being addressed. The large number of durations experienced was due to business process failures associated with incorrect manual codes being applied to transactions that failed or were manually constrained during the summer. Additional training and checking has been built into procedures to mitigate occurrences experienced, and tool changes are being assessed to improve coding. Looking ahead, both the Central Alarm Management project and resolution of failed transactions is expected to minimize the instances of administrative pricing. Preliminary and Final Settlement Statement Timeliness is off target due to technical contingencies in IESO systems which precluded a number of statements being issued as per schedule in January and June. The reasons for these occurrences have been reviewed and repaired, but the impacts were such that the year-end performance standard will not be met. The current expectation is that this measure will have a year-end result of approximately 98%. • Timely Publishing of SAA's and SSR's and 3 Hour Ahead Demand Forecast Bias are marginally off target, but are expected to meet their identified annual performance standards by year end. An initiative to improve A recent independent audit confirmed that the IESO has effective and adequate controls within its settlement processes, systems and procedures. This was the second consecutive clean settlement audit for the IESO.

Market Operations Performance Results to the end of September 2005

Category/Name	Measure	Criteria	Performance Standard	2005 Result to Date
Provide Sufficient Information For Effective and Successful Bids and Offers				
Implement Intertie Schedules	Accuracy	Average for the year	$\geq$98%	99.7%
Publish SAA's and SSR's	Timeliness	Published as per schedule	$\geq$98%	97.8%
Day Ahead Hourly Demand Forecast	Accuracy	Average absolute error for the year	$\leq$2.5%	2.0%
		Average bias range for the year	$-5\% \leq$ BIAS $\leq +5\%$	1.6%
Day at Hand Hourly Demand Forecast - 3 Hours Ahead of Dispatch	Accuracy	Average absolute error for the year	$\leq$2.0%	1.3%
		Average bias range for the year	$-5\% \leq$ BIAS $\leq +5\%$	7.1%
Day at Hand Hourly Demand Forecast - 1 Hour Ahead of Dispatch	Accuracy	Average absolute error for the year	$\leq$1.5%	0.9%
		Average bias range for the year	$-5\% \leq$ BIAS $\leq +5\%$	1.1%
Outage Request Processing	Accuracy	Processed vs. Valid	$\geq$97%	99.8%
Transmission Rights Auction Processing	Timeliness	Processed as per schedule	$\leq$1 failure to complete a full auction per year	0 failures
Continuous Operation Of the Market	Frequency of Market Suspension	Number of market suspensions per year caused by the IESO	0 suspensions	0 suspensions
	Duration of Market Suspensions	Total duration of market suspensions per year caused by the IESO	0 hours	0 hours

Market Operations Performance Results to the end of September 2005

Category/Name	Measure	Criteria	Performance Standard	2005 Result to Date
Market Services				
Settlement-ready Meter Data	Timeliness	Available next trading day	≥99.3%	99.3%
Meter Trouble Reports Issued to Meter Service Providers	Timeliness	Available next business day	≥88%	95.8%
Meter Trouble Reports Closed	Timeliness	Closed on the 1st business day after the receipt of a satisfactory resolution from the Meter Service Provider	≥88%	94.4%
Preliminary and Final Settlement Statements	Timeliness	Issued as per schedule	≥99%	98.2%
	Accuracy	No IESO errors	≥99%	99.8%
Help Centre Performance	Average time to close an open ticket	Average for the year	≤12 days	9.0 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 Results to the end of September 2005

Category/Name	Measure	Criteria	Performance Standard	2005 Result to Date
Administrative Pricing				
Administrative Pricing (AP)	Frequency	Number of occurrences of AP per year	≤75	51
	Duration	Number of intervals AP applied per year	≤350	358
Market Facing Systems Availability				
Outbound Market Reports Publication	Availability	Average for the year as per respective schedule	≥99.0%	99.7%
Market Participant Interface	Availability	Average for the year	≥99.0%	99.9%
Dispatch & Scheduling Instructions	Availability	Average for the year	≥99.5%	99.6%
Corporate Web Site	Availability	Average for the year	≥99.0%	99.5%