Corporate Performance

to the end of June 2006

Perspective	Measure	Performance Expectation	Status to the end of June 2006
1. Effective Use of Funds	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. Approved Total Spending: $147.8 million.	**On Track** Total spending to date is $71.3 million, $3.6 million less than the $74.9 million budgeted for the first six months of 2006. The current projected total spending for 2006 is approximately $7.0 million lower than the approved budget due to changes in amortization ($6.0M) and net interest expense ($1.0M). The change in amortization is largely due to the change in service life on the Energy Management System/Market Information System (EMS/MIS) asset which is being upgraded rather than replaced. The change in net interest expense is the result of increased investment and interest income on the long-term investments and cash balances, as well as reductions in interest expense due to reduced levels of debt.
	IESO's 2007 Usage Fee approved by the IESO Board	The IESO Usage Fee developed for approval by the Board for implementation in 2007 will be $0.909/MWh or less, which is consistent with the reduced usage fee identified in the 2006-2008 IESO Business Plan.	**On Track** The IESO expects that its current Usage Fee of $0.909/MWh will be lower in 2007. Performance relative to this measure's expectation will be established through business planning activities concluding at the end of the third quarter.
	Capital spending is performed within budget approved by the Board, timelines are met, and required results are achieved	Approved capital expenditures are within budget and required results are delivered according to approved schedule. Approved Capital Budget: $25.0 million.	**On Track** Year-end capital expenditure projections of $17.2 million as of the second quarter, are $7.8 million, or 31% below budget. This is due to: • Implementation of the Day Ahead Commitment Project (DACP) is projected to total $3.1 million and together with other reliability initiatives is much lower than the $9.0 million included in the business plan for the Day Ahead Market (DAM). • The high priority assigned to DACP has resulted in a rescheduling of other lower priority capital initiatives such as Application/Vendor Change Requests. • Reduced technology costs upon completion of the competitive procurement process have resulted in lower projected spending for UNIX Server Infrastructure Refresh and QA Environment. • These reductions are offset by increased projected costs in the Backup Infrastructure Enhancements project and the EMS/MIS upgrade as a result of increased scope. Based on this status, the current projection will not result in any unmanageable risks.

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2. Market Evolution	Appropriate evolution of the market is achieved and managed effectively	Taking into account the industry environment during the year, the market evolves in a manner that: • encourages reliable supply • encourages improved economic efficiency • is consistent with a long-term vision that is coordinated with the Ontario Power Authority and acceptable to key stakeholders In 2006 this will result in: 1. Day Ahead Commitment Process (DACP) being implemented by summer 2006, and being assessed as enhancing reliability over Summer, 2006. 2. IESO processes and market rule modifications that address specific Ontario generator dispatch issues. 3. An emergency load reduction program (ELRP) being in place for summer 2006, which creates a means for Ontario loads to assist in addressing reliability. 4. IESO and Ontario Power Authority (OPA) jointly developing a market vision that is reflected in the Integrated Power System Plan. 5. Real-time market pricing issues being addressed consistent with assurances made to market participants. 6. The support and active commitment of resources by market participants to defining a Day Ahead Market for Ontario.	**On Track** 1. DACP (SE-16) was delivered under budget and on time as scheduled for June 1, 2006, and an evaluation of the effectiveness of the DACP has been launched (SE–22, Assessment of the DACP). 2. The IESO is implementing three initiatives of the generator dispatch issues group (SE-9) in this quarter: i) Compliance Aggregation was placed in service for high ramping quick start units for the trade date June 7, 2006, ii) Replacement Offers Program is nearing completion and is expected to be approved by the IESO Board and operationalized in Q3, and iii) the compliance deadband for generators was increased from 10 to 15 MW thereby decreasing the number of instructions to which a facility would be required to respond. In addition, a compliance aggregation pilot test took place in Q2 for a medium ramp fossil station and further testing is targeted for fossil stations with complex ramp rates in Q3. 3. ELRP (SE-8) was put into service on schedule on June 20, 2006. The program is being well received and as of the second quarter there were six ELRP participants representing 128 MW of potential load reduction, and another nine participants in the process of registration with the potential for an additional 100 MW. The IESO continues to promote the program and further participation is expected. An ELRP website is available, and includes participant application form, training guide and manual. 4. Second quarter activities related to joint development of a market vision with OPA include: • The start of a series of visits to key stakeholders, jointly attended by IESO and OPA, to discuss market vision. • IESO staff discussions with the OPA on how each company would communicate market vision and potential evolutionary steps in various documents, including business plans and the Integrated Power System Plan. 5. Currently active real-time market pricing initiatives include i)12X ramp rate and ii) intertie transactions setting market price. Stakeholdering on 12x ramp rate (SE-17) continued throughout Q2, and was delayed while awaiting a detailed analysis from the Association of Power Producers of Ontario on the costs incurred by generators in responding to dispatch instructions. The report was received from APPrO on June 22, 2006. As a result, 12x ramp rate discussions will continue into Q3. IESO's preferred ramp rate option is now expected to be presented to the Stakeholder Advisory Committee at their September meeting. The intertie transactions setting price issue (SE-18) is scheduled for stakeholder discussions through Q3. 6. Consistent with assurances made to market participants, real time market issues and summer reliability issues are being addressed prior to focusing on longer term initiatives including a Day Ahead Market. Progress on the latter is planned in the 3rd and 4th quarters.

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3. Customer & Stakeholder Satisfaction	IESO is recognized by stakeholders as effectively managing communications and relationships in support of both the IESO system and market operation responsibilities, and the needs of Ontario electricity customers	Performance relative to these measures will be assessed based on surveys, and other anecdotal evidence. For 2006, an improved and more representative customer survey will be instituted. Effective management of stakeholder relations will be based on three specific services: 1. Providing effective market information and communications, including key initiatives: • IESO web site redesign. • publications for market participants and business and industry. 2. Providing support for customer inquiries, issues and training needs, including key initiatives: • implementing a proactive customer relationship strategy. • action plan based on 2005 survey results. • customer support for new IESO initiatives. 3. Providing effective stakeholdering engagement process: • operate fair, transparent and consistent stakeholder engagements for important initiatives, where stakeholders can provide advice to IESO.	**On Track** 1. Providing effective market information in second quarter: • Re-design of the Inside the Market section of the IESO web site began, with Phase One launch scheduled for Fall 2006 • IESO is working in partnership with The Weather Network to post Ontario electricity demand and price information on their website, with expected launch in third quarter • The 2005 IESO Annual Report and the second issue of the Ontario Reliability Outlook were produced and mailed to approximately 2,000 market participants and stakeholders • IESO representatives participated in 18 external presentations and conferences and three trade shows, conducted two tours of the IESO control centre and made two public speeches during the quarter • Publication of new market data reports in support of the DACP process; including information related to adequacy, forecast prices and schedules, and commitment actions taken by the IESO for reliability, went live with the DACP launch, June 1, 2006 2. Providing support for customer inquiries, issues and training needs: • Completed urgent training of market participants to enable participation in DACP and ELRP by June 1, 2006 • DACP communications support provided throughout program implementation encouraged support and participation in DACP trials, and ensured market participants were aware of and understood the key dates and key deliverables for commissioning and implementation of DACP • New one-stop DACP web pages were created to provide information by customer segmentation and bring all DACP related material to one location • The ELRP was promoted to market participants and large volume customers through all means available to IESO • IESO Account Managers participated in 53 face-to-face meetings with customers in Q2 and provided support for nine visits by IESO executives addressing the Day Ahead Market, and seven visits in the Executive Outreach Program • Customer Education activities included: – Web improvements, including a new Business and Industry homepage with more price, rebate and energy management links, a new retailer web page to help customers better evaluate contracts and easily compare contract prices against market prices, and a new settlements web page created to provide market participants with access to all necessary settlement forms and processes – Outreach to industry through partnership with Canadian Manufacturers and Exporters, and active participation in two Ontario Hospital Association energy conferences 3. Providing effective stakeholdering engagement process: • Priority was given to stakeholdering of key reliability initiatives in advance of the summer 2006 peak demand period. Stakeholders have also been engaged in new initiatives such as: generator dispatch issues, addressing the twelve times ramp rate multiplier, and reviewing the physical market prudential framework. Results to date from stakeholder engagements indicate stakeholder engagement principles are being followed. • 39 stakeholder sessions have been held from Jan 1 to June 30, including three Stakeholder Advisory Committee meetings. 22 of these meeting were face-to-face meetings and 17 were web cast/conference calls. • Stakeholdering process is being followed to ensure that stakeholder advice is available to the IESO Board for consideration

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4. Operational Effectiveness	Control of tie line flows under normal & disturbance conditions meets or exceeds industry median	Meet or exceed median values of the NERC disturbance control and control performance standards (DCS, CPS1 & CPS2) for Eastern Interconnection Control Areas exceeding 10,000 MW in size.	**On Track** IESO CPS 1 : 160.5 % Industry Median: 143.2 % IESO CPS 2 : 95.8 % Industry Median: 94.6 % IESO DCS : 100 % Industry Median: 100 %
	Electrical reliability maintained within the province	IESO actions to avert/address significant reliability events are assessed as appropriate. Successful results in the scheduled NERC audit. As part of the IESO's capital investment program, deliver: • Central Alarm Management System • Backup Centre Relocation • Develop the Integrated Outage Management System project sufficiently in 2006 to enable implementation by mid-2007.	**On Track** IESO actions to date in 2006 have been effective in averting significant reliability events as well as reacting to reliability events when they occur. The IESO continues to take measures to assure reliability this summer. All three capital initiatives in support of reliability are progressing well and are on schedule. The Central Alarm Management System was completed in June, 2006. The relocation of the IESO's backup operations centre to a more secure site began in the second quarter, and the project is scheduled for completion by June 2007. The Outage Management System business case development concluded in Q2 and approval to proceed will be sought early in Q3. Project completion is expected by the second quarter of 2007. As a result of discussions with various ISO's and Reliability Coordinators, the IESO will develop a significant portion of the Outage Management System jointly with ISO - New England in 2006 and 2007 and thereby significantly reduce the vendor development costs for the common components.
	Market systems and processes operate effectively	Assessed on a suite of 24 operational performance measures. Successful results in the scheduled Dispatch Scheduling Optimizer review.	**On Track** As noted in the operational performance table, 23 of 24 operational measures are tracking at or better than their annual performance standard. One measure, Day at Hand Hourly Demand Forecast Bias - 1 Hour Ahead of Dispatch, is marginally outside its performance standard range. Year-end results for this measure are expected to be within the annual performance standard.

IESO Operational Performance to the end of June 2006

Category/Name	Measure	Criteria	Performance Standard	Status
Provide Sufficient Information For Effective and Successful Bids and Offers				
Implement Intertie Schedules	Accuracy	Average for the year	≥98%	**100 %**
Publish SAA's and SSR's	Timeliness	Published as per schedule	≥98%	**99.7 %**
Day Ahead Hourly Demand Forecast	Accuracy	Average absolute error for the year	≤2.5%	**1.8 %**
		Average bias range for the year	-5%≤ BIAS ≤ +5%	**-2.5 %**
Day at Hand Hourly Demand Forecast - 3 Hours Ahead of Dispatch Hour	Accuracy	Average absolute error for the year	≤2.0%	**0.9 %**
		Average bias range for the year	-5%≤ BIAS ≤ +5%	**-2.4 %**
Day at Hand Hourly Demand Forecast - 1 Hour Ahead of Dispatch Hour	Accuracy	Average absolute error for the year	≤1.5%	**0.7 %**
		Average bias range for the year	-5%≤ BIAS ≤ +5%	**-5.1 %**
Transmission Rights Auction Processing	Timeliness	Processed as per schedule	≤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 Services				
Settlement-ready Meter Data	Timeliness	Available next trading day	≤99.3%	**99.5 %**
Meter Trouble Reports Issued to Meter Service Providers	Timeliness	Available next business day	≥88%	**96.0 %**
Preliminary and Final Settlement Statements	Timeliness	Issued as per schedule	≥99%	**100 %**
	Accuracy	No IESO errors	≥99%	**99.9 %**
Customer Relations Performance	Average time to close an open ticket	Average for the year	≤12 days	**<12 days**
Invoice Market Participants				
Issue Invoices	Timeliness	As required per *IESO Settlement Statement Payments Calendar*	≥99%	**100 %**
	Accuracy	Average for the year	≥99%	**100 %**
Administrative Pricing				
Administrative Pricing (AP)	Frequency	Number of occurrences of AP per year	≤75	**40**
	Duration	Number of intervals AP applied per year	≤350	**142**
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%	**99.7 %**
Dispatch & Scheduling Instructions	Availability	Average for the year	≥99.5%	**99.7 %**
Corporate Web Site	Availability	Average for the year	≥99.0%	**99.9 %**

Legend: At or better than standard -
Below standard -