ieso
Power to Ontario.
On Demand.

Corporate Performance

to the end of September 2006

Perspective	Measure	Performance Expectation	Status to the end of September 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 $103.3 million, $6.5 million less than the $109.8 million budgeted for the first nine 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.	**Exceeding Expectations** The IESO's 2007 Usage Fee as presented in our 2007-2009 Business Plan submission is proposed to be $0.815/MWh a reduction of over 10% from the current Usage Fee of $0.909/MWh.
	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 $21.0 million as of the third quarter, are $4.0 million, or 16% below budget. This is due to: • Implementation cost of the Day Ahead Commitment Project (DACP) totaled $2.7 million and together with other reliability initiatives resulted in spending 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.

Perspective	Measure	Performance Expectation	Status to the end of September 2006
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 : Items #1-4 and #6** **On Watch : Item #5** 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 carried out under SE–22, Assessment of the DACP. Throughout the third quarter, a weekly assessment report and supporting data has been published for market participants. A recommendation on continuing DACP past November 30 will be presented to the SAC and the IESO Board in November. 2. A compliance aggregation pilot test took place in the second quarter for a medium ramp fossil station and further testing is targeted for fossil stations with complex ramp rates in October, 2006. 3. ELRP (SE-8) was put in service on schedule on June 20, 2006. It was first used on August 1, 2006 when a day-ahead notification was sent to the 7 registered ELRP participants. Submitted offers were received from 4 participants for a maximum of 69 MW of offered load reduction. There was no activation. This event was followed the next day, on August 2, 2006 with a day-at-hand notification to the 7 participants. Submitted offers were received from 3 participants for a maximum of 43 MW of load reduction. Again, there was no activation. The program continues to be well received and the third quarter status is 9 participants registered, representing a load reduction of 222 MW. The IESO continues to promote the program and further participation is expected. 4. IESO visits with stakeholders and discussions with OPA on integration of market vision into IPSP documents, activities which began in the second quarter, continue to be actively pursued during the third quarter. 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) extended into and throughout Q3. Stakeholder opinions on the treatment of the ramp rate issue are divided. IESO introduced a compromise solution of a 3X ramp rate multiplier, which has been endorsed by the generator community but is strongly opposed by industrial consumers and other consumer communities. During Q3, disagreement with IESO calculations of price mitigation of global adjustment and OPG rebate, and the 3X ramp rate generally, resulted in additional meetings with industrial consumer representatives, wherein IESO successfully gained agreement on the correctness of the global adjustment and rebate calculations, but was unable to gain support for the 3X ramp rate proposal. Additional time has been scheduled to provide stakeholders with a better understanding of the IESO's impact analysis, along with an extended opportunity to assess and respond to the 3X alternative. IESO Board of Directors consideration of IESO management recommendations has been deferred from September, 2006 to November, 2006. The intertie transactions setting price issue (SE-18) underwent stakeholder discussions through the third quarter, and will continue in the fourth quarter. 6. A draft stakeholder plan for Day Ahead Market development (SE-21) was published in September on the IESO website for comment. In addition, in August, the IESO started a review of locational pricing (SE-25) for Ontario which will seek stakeholder input on possible models for locational pricing in Ontario.

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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.	**On Track** 1. Providing effective market information in third quarter: • Re-design of the Inside the Market section of the IESO web site underway, with Phase One launch scheduled for the fourth quarter, 2006. • IESO continued to develop its partnership with The Weather Network with the posting of Ontario electricity demand and price information on The Weather Network website, beginning in the fourth quarter. • The 2005 IESO Annual Report and the second issue of the Ontario Reliability Outlook were produced in the second quarter and mailed to approximately 2,000 market participants. • IESO representatives participated in seven external presentations and conferences and one trade shows, conducted one tour of the IESO control centre and made two public speeches during the third quarter • Media relations activities during busy summer period and peak week resulted in widespread, accurate coverage carrying IESO key messages.
		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.	2. Providing support for customer inquiries, issues and training needs: • The Emergency Load Reduction Program was promoted to market participants and large volume customers through all means available to IESO. Customer visits supported significant enrolment in ELRP. • IESO Account Managers participated in 31 face-to-face meetings with customers in the third quarter, and provided support for two visits by IESO executives. • An online survey was made available for market participants to comment about the IESO's broadcast email communications.
		3. Providing effective stakeholdering engagement process: • operate fair, transparent and consistent stakeholder engagements for important initiatives, where stakeholders can provide advice to IESO.	3. Providing effective stakeholdering engagement process: • Priority was given to stakeholder activities for key reliability initiatives in advance of the summer 2006 peak demand period. Stakeholders have also been engaged in new initiatives such as: reviewing the physical market prudential framework locational pricing, day ahead market design, addressing the twelve times ramp rate multiplier, and intertie transactions role in setting real-time price. Results to date from stakeholder engagements indicate stakeholder engagement principles are being followed. • 52 stakeholder sessions have been held from January 1 to September 30, including five Stakeholder Advisory Committee meetings. 30 of these meeting were face-to-face meetings and 22 were web cast/conference calls. • Six IESO Stakeholder Advisory Committee members' terms were up for replacement. Of the six, the Board appointed three new members and reappointed three members for an additional term. • A promised year review of the new stakeholder principles and processes has been initiated to ensure they have been implemented as envisioned and to determine if there is a need to refine any of the processes based on experience to date.

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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 : 160.7 % Industry Median: 139.2 % IESO CPS 2 : 95.9 % Industry Median: 95.1 % 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. 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 the second quarter and approval to proceed will be sought early in the third quarter. 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, thereby significantly reducing 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 per the operational performance table, all 24 operational measures are tracking at or better than their annual performance standards.

IESO Operational Performance to the end of September 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%	**99.6 %**
Day Ahead Hourly Demand Forecast	Accuracy	Average absolute error for the year	≤2.5%	**1.9 %**
		Average bias range for the year	-5%≤ BIAS ≤ +5%	**1.0 %**
Day at Hand Hourly Demand Forecast - 3 Hours Ahead of Dispatch Hour	Accuracy	Average absolute error for the year	≤2.0%	**1.0 %**
		Average bias range for the year	-5%≤ BIAS ≤ +5%	**-0.3 %**
Day at Hand Hourly Demand Forecast - 1 Hour Ahead of Dispatch Hour	Accuracy	Average absolute error for the year	≤1.5%	**0.8 %**
		Average bias range for the year	-5%≤ BIAS ≤ +5%	**-3.5 %**
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%	**99.6 %**
Meter Trouble Reports Issued to Meter Service Providers	Timeliness	Available next business day	≥88%	**96.5 %**
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	**44**
	Duration	Number of intervals AP applied per year	≤350	**156**
Market Facing Systems Availability				
Outbound Market Reports Publication	Availability	Average for the year as per respective schedule	≥99.0%	**99.6 %**
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 -