Corporate Performance

To the end of December 2006

Perspective	Measure	Performance Expectation	Status to the end of December 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.	Total spending was $138.8 million, $9.0 million below the approved budget of $147.8 million. This resulted from a combination of positive variances in operating, maintenance and administration (OM&A) costs, Interest costs and Amortization costs, as noted below. OM&A costs were $1.7 million below budget. The largest area of cost savings was computer services, which accounted for $0.7 million of the variance and was the result of improved systems performance and redirection of external resources to other initiatives. Successful contract renegotiations and service rationalization in the area of telecommunication costs saved $0.4 million. Efficient completion of both staff contract negotiations with the Society and the 2006 IESO rate application were the primary drivers behind a saving of $0.2 million in legal services. The remaining budget savings of approximately $0.4 million were the result of numerous smaller actions and decisions across the IESO. It is important to note that the 2006 spending level also accommodated several unbudgeted items such as the CEO search, the drafting and issuance of two Ontario Reliability Outlooks, and the comprehensive market prudential review which started in 2006. Interest costs were $1.8 million below budget. $1.2 million of this amount resulted from budgeting practice and financial market performance, which yielded greater investment income from Supplemental Employee Retirement Plan (SERP) assets. The remaining $0.6 million positive variance resulted from refinancing of the IESO's Province of Ontario debt with a lower interest rate banker's credit facility, earning a return on working capital funds that was above benchmark, and repaying of debt. At the end of 2006, the IESO had $93.2 million of debt outstanding, $20.0 million lower than budgeted. Amortization savings of $5.5 million were largely the result of prudent decisions in regards to replacement and upgrades of equipment and software, notably the IESO's Energy Management System/Market Information System (EMS/MIS). In 2006, a business case was prepared and approved to reinvest $6.7 million in the existing EMS/MIS. By making this investment, the IESO will continue to utilize the existing EMS/MIS until 2011 as opposed to pursuing a more costly total replacement, as originally planned. As a result, the associated asset service life was extended, reducing amortization of existing assets by $5.0 million in 2006. The timing and volume of other capital spending in the year was largely consistent with budget, and resulted in a further $0.5 million savings in amortization.
	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.	The IESO's 2007 Usage Fee, as stated in the IESO's 2007-2009 Business Plan, is proposed to be $0.815/MWh, a reduction in excess of 10% from the current 2006 Usage Fee of $0.909/MWh, which was also the fee level that was planned for 2007 in the IESO's 2006-2008 Business Plan.
	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.	Capital spending associated with the current operations mandate was $18.3 million against an approved budget of $25.0 million, resulting in a positive variance of $6.7 million. $6.4 million of this variance was the result of the difference between actual costs of $2.6 million for the implementation of the Day-Ahead Commitment Process (DACP) and the $9.0 million budgeted for 2006 spending on a Day-Ahead Market (DAM). Overall, in 2006, the IESO met its critical delivery of the DACP in time for the summer peak demand period. The DACP was accomplished at a delivered cost of $2.6 million, significantly below the business case budget of $6.9 million approved by the IESO Board. The lower delivered cost was the result of active management of the project to ensure on time delivery and operation while minimizing total costs and through the streamlining of the automated solutions delivered. The remainder of the IESO's 2006 capital program was delivered on-budget, and met the timing necessary for the business. There were some projects whose timing was different from that assumed in the business plan or in their approved business cases, however the impacts of the minor shifts in timing were not materially significant. In total, these projects accounted for a positive variance of $0.3 million.
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:	The IESO' major market evolution initiatives in 2006 were implemented as planned and results support an assessment of them improving reliable supply or market efficiency. The industry focus during 2006 on contracts and alternative industry programs impacted the IESO's capacity to evolve the wholesale market, and some key stakeholders have significant concerns about the direction and evolution of the current hybrid market, which created a challenging environment. In addition to the market evolution initiatives listed as performance expectations and reported on below, a complementary initiative was undertaken in 2006 to support reliability during the summer; the introduction of settlement charges for failed intertie transactions. In combination, four initiatives; Day Ahead Commitment Process, Generator Dispatch Issues, ELRP, and Intertie Failure Charges resulted in greater certainty of generator availability, fewer transaction failures and additional flexibility in managing the reliability of the system, thereby achieving improved reliability of supply in 2006. The IESO also pursued the role of project managing the implementation activities of one of the provincial government's largest electricity initiatives, the Smart Metering Initiative (SMI). This activity culminated with the IESO and the Ministry of Energy entering into an agreement that will see the IESO coordinating and project managing SMI implementation activities. SMI had not been considered in the IESO's plans for 2006, and provides further reinforcement of the IESO's continuing commitment toward, and capability for, undertaking initiatives that appropriately evolve the Ontario electricity market. **1. Day Ahead Commitment Process - DACP** DACP (SE-16) was delivered under budget and on time as scheduled, for June 1, 2006. Complexities that arose during the project, such as settlement changes requiring additional rule amendments, were addressed without delaying the promised firm schedule commitment.

		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.	The DACP was introduced to enhance reliability through day-ahead import and generator commitment. During the summer of 2006, DACP performance under each of the following three success criteria was assessed: • Imports were able to be scheduled day-ahead • Import failures were reduced • Sufficient internal generation was online to meet demand. An evaluation of the effectiveness of the DACP was carried out under stakeholder engagement consultation (SE–22), Assessment of the DACP, that clearly identified the success of the DACP. Actual performance under each criterion was judged successful. Further, in November 2006, the IESO Board accepted a recommendation to continue the DACP until another IESO program could deliver similar reliability benefits. The IESO continues to publish regular assessments and supporting data for market participants, and will report on the performance of the DACP annually to the Stakeholder Advisory Committee (SAC). **2. Generator Dispatch Issues** In 2006 the IESO worked with stakeholders on improvements to five areas related to internal generation dispatch issues that needed to be addressed to support reliability in time for Summer 2006. Twelve (12) tests and pilot programs were carried out over the winter and early spring with the assistance of generators. As a result of these pilots, three initiatives were put into service over the summer: • Increase to Compliance Dead Band, May 8, 2006 • Compliance Aggregation, for river systems on June 7, 2006, and for fossil units with simple ramp rate structures in November 2006. Efforts to expand the program to fossil units with more complex ramp rate structures will continue in 2007 • Replacement Offers, August 19, 2006 Market participant response to these initiatives was positive. Generators reported decreases in the number of dispatch instructions they are required to follow, decreases in stress on control personnel, and fewer unit starts. The two other potential initiatives considered were agreed by stakeholders to be of lesser benefit and lower priority in addressing dispatch issues, and were not pursued by the IESO in 2006. **3. Emergency Load Reduction Program - ELRP** ELRP (SE-8) was put into 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, 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 status at year end has grown to 11 participants registered, representing a load reduction potential of 317.8 MW. This has been achieved despite competition from other Ontario demand management programs. **4. Integrated Power System Plan/Market Vision** A vision document was discussed at the January 2006 Stakeholder Advisory Committee meeting which initiated further vision discussions and engagement at each subsequent SAC meeting. SAC members initiated their own work on vision, and produced a draft summary of their position in July, that discussed the need for any evolution of the hybrid market to take place in a step-by-step manner, with the hybrid market structure existing well into the future. During this period, IESO and Ontario Power Authority (OPA) staff jointly visited stakeholders to engage them on and discuss market evolution and reported back on findings to IESO Board and to a joint IESO/OPA Board meeting. As well, the IESO and OPA continue to coordinate to support IESO market evolution initiatives and OPA strategic initiatives to advance the competitiveness of the market. Under O.Reg 424/04, the OPA is required to develop innovative strategies that encourage and facilitate competitive market based responses and options for meeting overall system needs. Throughout 2006, the IESO supported two such OPA initiatives; load serving entities, and forward auctions. The IESO discussed these initiatives with the OPA in their formative stages, and provided, and continues to provide the OPA with settlement support for the load-serving entity initiative. On the forward auction initiative, the IESO provided the OPA with assistance in their discussions with the Ontario Securities Commission. Both of these initiatives are expected to be discussed in the Integrated Power System Plan (IPSP), consistent with the Regulation. Throughout 2006, industry developments included the creation new Requests For Proposals for supply, introduction of standard offer programs for small or renewable generators, and design of Conservation Demand Management initiatives. The industry has generally reacted to this high level of activity by assessing market evolution as a lower immediate priority, and some stakeholder communities are opposed to market evolution initiatives that could lead to higher market prices. **5. Real-time Market Pricing Issues** During 2006, pricing issues considered at the Market Pricing Working Group included: • The role of Control Action Operating Reserve (CAOR) in the pre-dispatch schedule • Review of historic shadow prices and their applicability to locational marginal pricing (LMP) • Review of energy pricing during implementation of the Emergency Control Actions list • Discussions regarding possible use of administrative prices during shortage conditions • Use of Peak versus Average demand forecasts when determining intertie transactions in the pre-dispatch process • Review of use of CAOR over past year • Formulation and impacts of Global Adjustment and OPG Rebate on consumers' bills • Discussions on the definitions and theories of market efficiencies. In addition, two issues; 12x ramp rate, and intertie transactions setting price, were addressed consistent with the Board's direction at the time of DACP approval.

<table>
<tr>
<td></td>
<td></td>
<td></td>
<td>The ramp rate issue was not resolved during 2006. Additional time was scheduled for further stakeholdering of the issue, resulting in it being continued into early 2007.

The issue of intertie transactions setting price was mutually agreed to be deferred by all involved stakeholder groups at the November Market Pricing Working Group meeting, pending discussions regarding the price-setting role of intertie transactions in a Day-Ahead Market.

6. Support and Commitment of Resources for Defining Day Ahead Market

A draft stakeholder plan for Day Ahead Market development (SE-21) was published in September, 2006 on the IESO website for comment. The issue of locational pricing in Ontario is significant to the design of a Day-Ahead Market. In November, the IESO presented early results of a review of locational pricing in Ontario (SE-25) to the Stakeholder Advisory Committee. SAC reviewed the results and recommended that additional analysis of the impacts and likely results of locational prices be undertaken by the IESO, and that this study should proceed in parallel with other market evolution work. As a result, the IESO was encouraged to explore alternatives for improved day-ahead mechanisms that do not necessarily require locational pricing, but that may be adaptable to a future that may include locational pricing.

The locational pricing work has deferred direct work on a Day-Ahead Market design, However, the resolution of the question of how locational prices should be considered in a Day-Ahead Market initiative represents a significant step forward.</td>
</tr>
<tr>
<td>3. Customer & Stakeholder Satisfaction</td>
<td>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</td>
<td>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.</td>
<td>The IESO continued to show improvement in overall customer satisfaction in 2006, as indicated by the independent customer survey, conducted during November. The survey confirms a strong and increasing customer satisfaction level in the majority of service areas and core mandates of the IESO, and more participants are viewing themselves as “customers” of the IESO. The IESO continues to receive top marks for its customer service and communications products. Market participants have been pleased with the additional market information and communications provided to them by the IESO during 2006. The survey indicates that the IESO continues to be the primary source that market participants use for market information and communications, while the IESO’s training programs continue to be well received and rated.

These results and similar satisfaction expressed by other stakeholders have been achieved through the successful completion and implementation of the initiatives identified under the associated performance expectations. The web redesign has had positive feedback, and the IESO’s publications, communications and relationship efforts have supported the IESO’s market and system operations by driving the recognition of the need for hard decisions by the Government and the IESO.

1. Market Information and Communications

Communications products were rated highly by market participants due to initiatives completed in 2006, including:

• Design, development and distribution of a number of IESO-branded publications including:
    • Two issues of the Ontario Reliability Outlook
    • 2007 Calendar
    • 2006 Annual Report
    • Managing Your Electricity Costs customer education brochure
    • Quarterly issues of the Electricity Exchange, a newsletter for market participants
• Partnership with The Weather Network resulting in IESO information being made available to a larger audience
• A new Inside the Market web site;
• Outreach activities including six major speeches, 68 presentations, 10 IESO tours and 11 exhibits at trade shows

The IESO continued to provide timely and high quality information to the media throughout the year through interviews, the website, news releases and other communications material, further enhancing the IESO’s reputation as a trusted and independent source of information.

2. Customer Support and Training

Customer relations and training continued to achieve high confidence ratings from market participants as evidenced by an average rating of 8 on a 10 point scale in the 2006 customer survey.

Based on an assessment of the results of the following activities, the IESO has been able to meet and exceed customer support needs:
• Implementation of a new customer relationship strategy designed to improve IESO relationship with customers;
• Account managers undertook 137 visits and meetings with market participants
• IESO executives made 13 site visits to market participants
• The number of e-mails received by market participants from IESO was raised as a concern. Responding to stakeholder needs, IESO market communications were bundled into a weekly email. This initiative was driven and designed based on feedback from 70 market participants, and subsequently received positive stakeholder feedback
• 40 customer education presentations to large volume customers, including 16 workshops for industry
• Significant communications products and support were provided and ensured the success of the DACP and ELRP initiatives.

The IESO continued to receive very high rankings in the area of training. Market participants have noted that the IESO's training is valuable and industry leading.

The Marketplace Training web pages are frequently accessed and receive an average of 13,000 hits per month. Marketplace training delivered 64 instructor-led sessions to a total audience of over 1300; participant feedback surveys indicate a very high overall quality rating of 3.6 out of 4.

Instructor-led sessions, recorded presentations and written material were provided to help ensure successful implementation of the Day Ahead Commitment Process (DACP) and the Emergency Load Reduction Program (ELRP). As part of their registration, ELRP participants were given an opportunity to ‘dry run’ the process to allow</td>
</tr>
</table>

<table>
<tr>
<td></td>
<td></td>
<td></td>
<td>
them to test their tools, communications and internal processes.

All new market participants are given customized training appropriate to their role in real-time system and market operations, including simulated real-time operational scenarios for all new dispatchable market participants. A greater focus on role-specific needs led to creation of participant-specific materials for:
• DACP
• ELRP
• Communications with the IESO

In support of changing compliance requirements and in preparations for the summer peak demand period, the IESO conducted four 2-day reliability training workshops across Ontario in the Spring involving almost 300 individuals from 54 market participants. The overall positive approval rating was 100%.

In October, the IESO led a large-scale integrated emergency exercise involving several hundred individuals from 45 market participants. This was the largest exercise of its kind ever conducted in Ontario in terms of geographic scope. All exercise objectives were met, participants found the exercise to be valuable, and strong support was expressed regarding participating in emergency exercises as well as the reliability training workshops on a regular basis.

3. Effective Stakeholdering Process

2006 was the initial year of implementing a major shift in the IESO's approach to stakeholdering. An independent review of the design and implementation of stakeholder engagement processes was completed in the fall of 2006. All of the stakeholder engagements examined in the review were found to adhere to the new stakeholdering processes and met an overwhelming majority of stakeholder engagement principles. Overall the stakeholdering activities of the IESO were well executed.

Priority was given to stakeholder activities for key reliability initiatives in advance of the Summer 2006 peak demand period. Two major initiatives were successfully implemented on a tight timeline in 2006 through effective application of stakeholder engagement processes: Day Ahead Commitment Process and Emergency Load Response Program.

Stakeholders were also engaged in high profile new initiatives and consultations during 2006, including:
• 2007-2009 Business Plan,
• Generator dispatch issues;
• Reviewing the physical market prudential framework;
• Locational Pricing;
• Day-Ahead Market design;
• Assessment of the Day-Ahead Commitment Process;
• Addressing the twelve times ramp rate multiplier
• Intertie transactions role in setting real-time price
• Wind integration in Ontario
• Demand forecast deviations

A significant volume of stakeholder involvement and engagement activity occurred in 2006 including; Six meetings of the Stakeholder Advisory Committee, 23 stakeholder engagement plans involving 76 stakeholder sessions (49 of these meeting were face-to-face meetings and 27 were web cast/conference calls)

The Stakeholder Advisory Committee is operating efficiently. The advice of SAC members was provided to both the IESO Executive and directly to the IESO Board of Directors through a number of means including meeting minutes, briefing notes, Board member attendance at SAC meetings, and in face-to-face briefings with the Board. The committee provided valuable advice and recommendations to IESO Board and Senior Executive on:
• 2006 Corporate Performance Measures
• Day-Ahead Commitment Process
• Emergency Load Response Program
• 2007 - 2009 Business Plan – Initiatives and Priorities
• 2007 - 2009 Business Plan – Corporate Performance Measures
• Generator dispatch issues
• Demand forecast deviations
• Twelve times ramp rate multiplier
</td>
</tr>
<tr>
<td rowspan="2">4. Operational Effectiveness</td>
<td>Control of tie line flows under normal & disturbance conditions meets or exceeds industry median</td>
<td>Meet or exceed median values of the NERC disturbance control and control performance standards (CPS1 & CPS2, DCS) for Eastern Interconnection Control Areas exceeding 10,000 MW in size.</td>
<td>
<table>
<tr><th>NERC Standard</th><th>IESO</th><th>Median</th></tr>
<tr><td>Control Performance Standard #1</td><td>162.4 %</td><td>136.9 %</td></tr>
<tr><td>Control Performance Standard #2</td><td>96.0 %</td><td>95.2 %</td></tr>
<tr><td>Disturbance Control Standard</td><td>100 %</td><td>100 %</td></tr>
</table>
</td>
</tr>
<tr>
<td>Electrical reliability maintained within the province</td>
<td>IESO actions to avert/address significant reliability events are assessed as appropriate.

Successful results in</td>
<td>
1. IESO Actions to Avert or Address Reliability Events

IESO actions and overall reliability of the IESO controlled grid were reviewed by a peer group of senior ISO executives from ISO New England, PJM, and California ISO. The peer group stated "with respect to IESO activities and actions taken to ensure and maintain reliability in 2006, the peer group concluded that the IESO achievements are impressive. Their performance should be considered in the upper quadrant of the industry."

The IESO's Ontario Reliability Outlook (ORO), first published in February, 2006, highlighted a number of reliability issues such as the supply to central Toronto and reliability requirements related to the Ontario coal replacement
</td>
</tr>
</table>

		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.	program. In response, actions were taken by appropriate authorities to proceed with the Toronto Portlands generation project. The second Ontario Reliability Outlook, issued in June 2006, highlighted the changed nature of Ontario's consumption patterns and the need to maintain the operational capability of Ontario coal generating facilities beyond the announced shutdown dates in order to ensure reliable supply. The ORO is seen by stakeholders as a positive contribution to the development and evolution of Ontario's electricity sector and ongoing reliability of the integrated power system. The IESO developed an External Project Tracking Tool to better monitor the progress of projects affecting Ontario power system infrastructure. This has been valuable in allowing the IESO to continuously monitor the impact of schedule changes on future reliability and to quickly identify emerging issues. The IESO has been integrally involved in the development of the Electricity Reliability Organization (ERO) during 2006, and as a result has been able to achieve the inclusion of key international components in NERC's key documentation (Bylaws and Rules of Procedure). The IESO also drove the process within Ontario to achieve recognition by both the Minister of Energy and NERC as the ERO in Ontario in November. As a consequence, Ontario was the first province to recognize NERC, the OEB was the first provincial regulator to sign a Memorandum of Understanding (MOU) with NERC, and the IESO was the first non-regulator to develop an MOU to document the daily accountabilities and activities in Ontario surrounding the IESO and market participants. The IESO worked extensively with Ministry of Energy, OEB and NERC staff to complete the Ontario MOUs and gain ERO recognition in Ontario. These achievements provide reassurance to market participants as to their expectations concerning future reliability governance. The IESO also appeared twice before FERC Commissioners (November 2005 and July 2006) on ERO related matters where our concern for a 'lowest common denominator' standard and the choice not to remand standards were accepted by FERC in subsequent issuances. In order to communicate developments in this area to Ontario stakeholders, an ERO Workshop was held by the IESO in June 2006, that included participation by staff from the Ministry of Energy, Ontario Energy Board, NERC and NPCC. **2. NERC Audit** For a second consecutive time, the IESO received a very favourable readiness evaluation. The NERC Readiness Audit Team found the IESO Reliability Coordinator/Balancing Authority/Transmission Operator to have the necessary systems, tools, processes and personnel to operate its area. The audit identified three potential examples of excellence including the gas-electric interdependency assessment, the cooperative education program, and the Ontario Reliability Outlook and 18-Month Outlook documents, which the Team called "model documents for presenting reliability assessments." **3. Reliability related Capital Investments** All three capital initiatives in support of reliability are progressing well and were completed, or are on schedule. The Central Alarm Management System (CAMS) was completed on budget and on schedule in June, 2006. CAMS was deployed to provide a central location for IESO systems alarms. It is providing flexible management of alarms, and collating and managing of alarms from applications, operating systems, and hardware conditions. The first group of alarms migrated into the new system were all of the control room critical alarms. They were configured in such a way as to improve operator information, as well as improve the monitoring of both inbound and outbound interfaces with Market Participants. The relocation of the IESO's backup operations centre to a more secure site began in the second quarter, and the project is progressing well and on schedule for completion by June, 2007. The Outage Management System project was approved in 2006 and is on schedule for completion in 2007. As a result of discussions with various ISO's and Reliability Coordinators, the IESO is developing a significant portion of the Outage Management System jointly with ISO New England, thereby reducing the IESO's vendor development costs for the common components by approximately $400,000 and achieving greater functionality in the system. In addition, other ISO's have recognized the potential for benefits from such a project and have shown interest in this system.
	Market systems and processes operate effectively	Assessed on a suite of 24 operational performance measures. Successful results in the scheduled Dispatch Scheduling Optimizer review.	For the year, 23 of 24 operational measures met or exceeded their annual performance standards. One measure, administrative pricing duration, at 381 intervals, exceeded its annual target of 350 intervals largely due to events in the fourth quarter. This period saw a series of unrelated events that required the IESO to establish administrative prices for an aggregate of 222 intervals. The causes were related to failed telemetry, incorrect transaction coding, tool limitations and missing outage slips. In all cases, prices were administered due to incorrect inputs to the dispatch algorithm. The IESO took steps to mitigate similar events in the future by changes to internal processes, clarification to transaction coding procedures and refresher training for control room operators. For a second consecutive time, the IESO received a successful review of its Dispatch Scheduling and Optimization (DSO) processes and procedures. A review of the DSO by PriceWaterhouseCoopers concluded that nothing occurred with the DSO that would put the IESO in violation of the market rules. The review approach was extensive and included, but was not limited to: • A review of all DSO calculations performed on the test day • Testing of supporting business practices and procedures • Interview of IESO employees • Observations of control room procedures

IESO Operational Performance to the end of December 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%	**99.0 %**
Day Ahead Hourly Demand Forecast	Accuracy	Average absolute error for the year	≤2.5%	**1.7 %**
		Average bias range for the year	-5%≤ BIAS ≤ +5%	**2.3 %**
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%	**0.6 %**
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%	**-2.8 %**
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%	**97.1 %**
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	**8 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	**71**
	Duration	Number of intervals AP applied per year	≤350	**381**
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%	**99.8 %**
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 -