



Corporate Performance

To the end of September 2007

Reliability and Operational Effectiveness

Measure	Performance Expectation	Status to the end of September 2007
Maintenance of electrical reliability within the province of Ontario	IESO reliability related preparedness, processes, actions and activities will be assessed as appropriate, including: 1. Significant actual and potential reliability events are appropriately addressed and mitigated.	On Track IESO actions to date in 2007 have been effective in averting significant reliability events as well as reacting to reliability events when they occur. The IESO took a number of actions as part of the normal summer seasonal preparations. These included: conducting emergency preparedness exercises and workshops in various cities across the province; modifying emergency preparedness actions, generator reactive testing of large generator units; providing seasonal specific training and participating in regional seasonal planning studies; issuing precautionary power advisories to encourage consumers to reduce consumption in order to assure reliability during severe hot weather conditions.
	2. Ontario's annual system Un-supplied Energy is within acceptable limits.	On Track Ontario's year-to-date system Un-supplied Energy (UE) is within acceptable limits. Overall annual UE performance will be assessed and reported at year end.
	3. NERC and NPCC audits are considered successful, and NERC and NPCC reliability standards related performance is acceptable.	On Track No NERC or NPCC audits have been conducted to date this year. A NERC compliance audit addressing transmission planning standards is scheduled for the fourth quarter. Ontario participants were notified of reliability related information on new and developing reliability standards. Ontario year-to-date compliance with IESO related NERC and NPCC Inc. standards is within targets.
	4. Reliability related information and forecasts satisfy industry needs.	On Track The IESO continues to take measures to assure reliability in 2007. The IESO published its third quarterly 18-Month Outlook within publishing timelines, thereby presenting the IESO's assessment of the reliability of the Ontario electricity system for the 18-month period for October 2007 to March 2009. IESO stakeholders were also apprised of reliability and adequacy of Ontario's power system through consistent and periodic publication of System Adequacy Assessments and System Status Reports within publishing timelines and targets, and Ontario's reliability related assessments and issues in the Ontario Reliability Outlook report, issued in March.
	5. IESO processes supporting Ontario electricity system development projects are assessed as effective and timely.	On Track IESO connection assessment reports for committed projects were completed within timelines agreed with the proponents. Overall annual connection assessment performance will be assessed and reported at year end.
IESO facilitates the Ontario electricity marketplace, provides metering, settlement and market support services and ensures systems availability	Performance assessed on a suite of 23 customer-facing operational measures that address the following areas: • Facilitating the Ontario electricity marketplace (13 measures) • Providing metering, settlement and market support services (6 measures) • Ensuring systems availability (4 measures)	On Track As shown on the operational performance measures table, 22 of 23 operational measures are tracking at or better than their annual performance standards. One measure: accuracy of issuing and financially settling invoices, is below target and will not meet its annual target for 2007. May invoices were reissued to include \$4.75 million in Transmission Rights Clearing Account credits. Although the credit was properly included in the May final settlement statements, IESO management felt it appropriate to reissue the invoices rather than delay customer receipt of the money for a month. Business processes in this area have been reviewed and revised accordingly, to avoid recurrence.

Customers & Stakeholders

Measure	Performance Expectation	Status to the end of September 2007
Recognition by customers and stakeholders of IESO as effectively managing communications and relationships in support of both the IESO system and market operation responsibilities, and the needs of Ontario electricity customers	1. The IESO addresses customer needs in the provision of products and services and effectiveness of working relationship with market participants. - Seek regular feedback from customers through visits, meetings, conferences and questionnaires, and ensure internal issues management process is dealing efficiently with customers' concerns. - Respond to needs identified in 2006 annual customer survey by implementing appropriate changes. - Ensure market summaries and market reports reflect changing environment and meet the information needs of stakeholders. - Provide necessary training, support, and related communications that satisfy customer needs.	On Track IESO Account Managers met with market participants 36 times during the third quarter to provide assistance and discuss key issues. The quarterly Electricity Exchange newsletter and weekly email communications were delivered on schedule. The IESO action plan developed to respond to the findings of the 2006 Customer Survey results is underway and will continue throughout 2007 to identify and prioritize specific initiatives that will address market participants' requests and concerns. During the third quarter further improvements were made to weekly email communications. Projects to address concerns over administrative burden are progressing well. The IESO is also continuing to work with market participants to evolve toward a single report repository location for all agreed upon report formats. During the first 9 months of 2007, 14 Reliability and Emergency Workshops were conducted across Ontario, tailored to the different needs of local distribution companies, connected wholesale customers, local generators and transmitters, generators. Detailed feedback from surveys indicates that 270 of the 272 participants felt the sessions were valued and worthwhile. Market training courses continue to be well-regarded by participants.
	2. The IESO keeps stakeholders informed and considers stakeholder input in IESO decision making. - Ensure that a simple system status signal is available via Internet - Continue and expand Customer Education Program by developing new partnerships and tools (publications and seminars, etc.) targeted at large volume consumer organizations. - Partner with other organizations to increase effectiveness of market information - Respond to market participant and stakeholder needs through publications, website enhancements and outreach activities - Operating fair, transparent, and consistent stakeholder engagements for important initiatives, where stakeholders	On Track IESO's Internet status signal pilot concluded in the second quarter. The final version of the system status signal is planned to be launched before year end. It will incorporate feedback from an on-line participant survey in the final version. The Customer Education Program continues to leverage partnerships to better target large volume consumers in various sectors. In depth market and field research has been conducted over the third quarter to establish the challenges and opportunities faced by these customers. This research has provided the opportunity to meet face-to-face with over 200 large volume customers to enhance awareness regarding their specific operations. Close to 30 workshops and information sessions have also been scheduled in partnership with the Association of Municipalities of Ontario, the Ministry of Small Business and Entrepreneurship and the Canadian Manufacturing & Exporters with an aim to deliver customized best practices for better managing costs in the electricity market for each of these sectors. As well, special focus will be placed on the municipal, university, school and hospital (public service) sector in the fourth quarter as they prepare to move from the regulated price plan to hourly pricing, effective April 1, 2008. A state of readiness report, "how-to" guides and an information forum are currently under development with expected completion by December, 2007. One province-wide Power Advisory was issued in August, resulting in extensive media coverage for the IESO. This assisted in reducing demand, which helped to relieve the strain on the provincial electricity system. As part of outreach activities, the IESO conducted three tours, had a booth at one exhibit, and delivered 15 presentations and one executive speech during the third quarter. Feedback surveys conducted on stakeholder engagement activities continue to provide very positive results with strong support for stakeholder engagement activities. Results have shown that over 90% of respondents agree that IESO stakeholder engagement processes are effective at meeting stakeholder engagement principles.

	can provide advice to IESO	Examples include: • Consumers were very appreciative of a separate consumer meeting to discuss the day-ahead market options being considered. • Results of a stakeholder survey were very positive in recommending the continuation of the Information Technology Standing Committee (ITSC) as well as suggestions for improvements and membership increase. In addition to the twelve stakeholder engagement consultations that were initiated in the first two quarters, five new consultations were launched in the third quarter. These are SE-46 Market Rules Content Policy; SE-47 Administrative Charge - Smart Metering Implementation; SE-48 Improving Dispute Resolution Process Efficiency and Flexibility; SE-49 Review of IESO Stakeholder Engagement Principles and Process; SE-51 Temporary No-Load Energization of Facilities without Registered Metering
	3. The IESO maintains good relations with government and technical organizations including neighbouring ISO's and RTO's, NERC and NPCC to ensure reliable day-to-day operation of the Ontario electricity grid, and ensure mutually beneficial development of standards, practices, and initiatives in support of our objects. • Provide support for Ontario Power Authority initiatives including the Integrated Power System Plan (IPSP) • Advance IESO positions and participate effectively in the ISO-RTO Council (IRC) and the Standards Review Committee (SRC) • Support key NERC and NPCC activities including Electricity Reliability Organization (ERO) developments and protocols and Cross Border Regional Entity (CBRE) Standards development	On Track The IESO continues to be actively engaged with government and other technical organizations on reliability related matters and other initiatives. The IESO is currently actively supporting Ontario Power Authority initiatives and has advanced its positions by effectively participating and supporting in ISO/RTO Council, NERC, NPCC Inc. Regional Entity forums. The IESO continues to monitor, support and positively influence the development and improvement of mandatory and enforceable North American reliability standards by providing reviews and comments on NERC's and NPCC Inc. standards development process, and through individual and joint efforts with other ISOs. Comments were provided in response to the various Notices of Proposed Rulemaking (NOPR) issued by the U.S. Federal Energy Regulatory Commission (FERC) including NERC's new Cyber Security reliability standards and modified facility standards dealing with System Operating Limits.
	4. The IESO responds in a timely and effective manner to regulatory requirements and initiatives impacting Ontario, primarily involving interfaces with the Ontario Energy Board, National Energy Board and, as appropriate, regulatory authorities in other jurisdictions. IESO actively participates with other authorities, agencies and associations that have regulatory impacts on the IESO-controlled grid and IESO-administered markets, with the aim of ensuring net positive outcomes for stakeholders and satisfying IESO objects. • Compliance requirements, such as filing of compliance reports, annual reliability reports to the Ontario Energy Board, and NEB permit requirements are completed accurately and filed on time. • Participation in appropriate	Exceeding Expectations <u>Compliance</u> • The IESO continues to meet all of its licence obligations including, submission of quarterly licence compliance reports and reporting pertaining to reliability activities, administration of Rural or Remote Rate Plan, and forecasting of transmission and generation adequacy. <u>Support Initiatives:</u> • IESO will participate as an intervenor in support of Ontario Power Generation's most recently filed 'reliability must run' contract for Lennox GS, that is awaiting review by the Ontario Energy Board (OEB). • The IESO provided written and oral submissions in support of OEB review and approval of proposals for reinforcement or new or modified connections to the IESO-controlled grid; including reinforcement of the transmission system in the Woodstock Area and Brampton Area, and connection new wind projects in eastern and western areas of the province. • The IESO is assisting in obtaining OEB approval the Bruce to Milton 500 kV transmission line. • The IESO worked with Ontario Power Authority, Hydro One Networks and Distribution, PowerStream Inc., and Newmarket Hydro to develop and implement remedial action plans to address reliability concerns in Northern York Region. A joint plan covering the period June to September, 2007 was submitted to the OEB

	regulatory support initiatives, particularly those proceedings and initiatives having greatest impact on IESO, including IPSP, Transmission Rate Hearings, Section 92 Applications.	on May 31, 2007. • The IESO was successful in securing NERC and NPCC approval for a formal acknowledgement of the existing IESO compliance structure. The resulting savings to the IESO is approximately \$500,000. • The IESO participated in the U.S. State Department sponsored International Visitor Leadership Program on Energy Security. The program arranged meetings with over 30 influential groups to discuss both U.S energy policy as well as relevant energy policy from each participant's home jurisdiction.
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Effective Use of Funds

Measure	Performance Expectation	Status to the end of September 2007
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 \$140.0 million budget amount approved by the IESO Board	On Track Total spending to date is \$101.0 million, \$3.0 million less than the \$104.0 million budgeted for the first nine months of 2007. The currently projected total spending for 2007 is approximately \$3.0 million lower than the approved budget.
IESO's 2008 Usage Fee approved by the IESO Board	The IESO Usage Fee developed for approval by the Board of Directors for implementation in 2008 will be \$0.79 /MWh or less, consistent with the usage fee identified in the 2007-2009 IESO Business Plan	On Track The IESO's 2008 Usage Fee as presented in the IESO 2008-2010 Business Plan submission is proposed to be \$0.799/MWh, a reduction of almost 2% from the current Usage Fee of \$0.815/MWh. The proposed fee level will be slightly higher than the \$0.79/MWh fee outlined in the 2007-2009 Business Plan, driven by lower energy volumes estimated for 2008. Total budgeted IESO costs for 2008 will be \$1.7 million lower than the estimated cost level in the 2007-2009 Business Plan.
Capital spending compared to budget approved by the Board. Timelines and results compared to approved requirements	Approved capital program is managed effectively within approved \$20.0 million capital budget and required results are achieved. Six key projects as described in the 2007-2009 IESO Business Plan and listed below, are advanced as planned, or delivered as planned during 2007:	On Track Capital program costs to the end of September were \$5.7 million. Spending for the year is projected to be \$11.8 million, or \$8.2 million below budget. This is primarily due to changes to timing of activities associated with definition of a capital initiative addressing Day Ahead Arrangements.
	1. Day-Ahead Arrangements	Day Ahead Arrangements were budgeted at \$8.0 million in 2007. Efforts to date on this project have not involved capital costs, nor are any currently expected to be incurred in 2007. As this project awaits further definition at this time, reporting of progress against plan is pending.
	2. Energy Management System & Market Information System Upgrade	On Track Two of the three subprojects of the Energy Management System & Market Information System (EMS/MIS) Upgrade project: the Energy Management System and Primary Demand Forecast remain on schedule and these two projects will be completed in 2007. The third subproject, MIS, has been delayed as a result of a successful change in the project's procurement approach. Although the business case included approval for single sourcing for the MIS, a decision was made to implement a competitive procurement process. Firstly, in an effort to obtain interest beyond power system specialist vendors, the IESO implemented a request for proposal (RFP) process and spent additional time verifying and documenting user requirements in sufficient detail such that a vendor not familiar with the industry could provide a fully informed RFP response. Secondly, the IESO was hoping to achieve cost savings through this approach. The RFP was successful on both counts. The IESO attracted interest from non-power system specialist vendors, naming one as the successful bidder. This process added several months to the project completion date and the project is now scheduled for completion during the second quarter of 2008. This minor shift in timing does not add any significant risk to the business as this work has been identified as requiring completion not later than the fourth quarter of 2008.
	3. Back-up Operating Centre Relocation	On Track This project was completed within budget and on schedule, as of the end of June. It consisted primarily of placing a new Back Up Control Room and a Computer Room in service and decommissioning the existing Back-up Operating Centre.
	4. Facility Outage Management	At Risk The development of a new Facility Outage Management system has been delayed pending discussions with the supplier, and to allow exploration of other options. Performance of the existing system was enhanced to extend its useful life sufficiently to

		allow delivery of a replacement system.
	5. UNIX Server Refresh	On Track The second stage of the Unix Server Refresh project is on schedule and on budget. The third and final stage is on schedule, started in August, 2007, and is to be completed by July, 2008.
	6. Windows Server Refresh	On Track Stage 4 of this project is on schedule to be completed later this year, on time and on budget. Stage 5, the final stage, started on time in August, 2007.

Market Evolution

Measure	Performance Expectation	Status to the end of September 2007
Achievement and effective management of identified evolution of the electricity marketplace within the industry environment	Taking into account the industry environment during the year, the market evolves in a manner that will: • Deliver reliable supply • Deliver improved economic efficiency • Be consistent with a long-term vision that is coordinated with the Ontario Power Authority and acceptable to key stakeholders In 2007 this will result in progress on initiatives that: • Enhance longer term day-ahead arrangements that provide enduring benefits to stakeholders • Demonstrate the value of the market to consumers	On Track A stakeholder engagement plan (SE-21) was posted in January to enable stakeholders the opportunity to provide advice on high level designs for a day-ahead market for Ontario. This plan was updated in May to reflect a change in timeline. The objective of the plan was to develop options for a day-ahead mechanism by mid-August, 2007, for discussion with stakeholders through to mid-October. The first part of the plan involved gathering input from stakeholders via a written survey, a general meeting and meetings with individual stakeholders. This input was reflected in options presented for discussion in August. From feedback received after August, technical support groups were formed to discuss particular aspects of the potential improvements to day-ahead mechanisms in greater detail, including: prudentials, production cost guarantees, and quantification of benefits for the Cost-Benefit Analysis. These groups will allow stakeholders to better understand these aspects of the potential design and to work closely with the IESO on these designs. It is expected that a decision on the path forward will be made before the end of 2007.
	Initiate a new report series that communicates the IESO's views on market performance and on market evolution alternatives and improvements for stakeholder and public consideration.	On Track A high level, Ontario Market Outlook report was published in early May, coincident with the 5 year anniversary of the opening of the Ontario electricity market. A comprehensive report to the Board of Directors on market performance and on market evolution alternatives is planned for the fourth quarter.
	Board approval, by the end of 2007, of the results of a physical market prudential review (SE-23) whose objective is to reduce the financial burden to those participating in the IESO administered markets.	Exceeding Expectations The results of a physical market prudential review (SE-23) were completed significantly ahead of schedule and met the objective of prudently reducing the financial burden on those participating in the IESO administered markets. The review was completed and the resulting rules changes endorsed by the Stakeholder Advisory Committee and the Technical Panel and were subsequently approved by the IESO Board of Directors in June, 2007, six months ahead of the target date. The rules were in effect August 1, 2007 and the resulting implementation was completed prior to the end of the third quarter of 2007. Throughout the review, stakeholders, including the Stakeholder Advisory Committee, expressed support for the recommendations, and commented on both the quality of the work undertaken by the IESO and the associated stakeholdering process.

Effective management of the IESO's role in the implementation of the Smart Meter Initiative	In conducting the Smart Metering Initiative the IESO will achieve: • Successful conduct of the delivery project and its transition into operation; • Reputation enhancement in the form of improved standing with stakeholders and government as a result of our management of the Meter Data Management and Repository System • Arrangements for financial recovery of the project expenditures in place at the time delivery is completed that recovers all these costs in an acceptable timeframe.	On Track Issues with the software have continued in the third quarter although the construction of the production environment did commence in September. The initiative is 3 months behind schedule, but forecast spending remains on track. The scope remains as originally expected. The IESO was named the Smart Metering Entity, (SME), and filed its licence application in respect of its role as SME. The IESO was granted an interim licence by the OEB and has been authorized to require licensed distributors to enter into an agreement with the SME.
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IESO Operational Performance Measures to the end of September 2007

Category/Name	Measure	Criteria	Performance Standard	Status
Facilitate the Electricity Market				
Implement Intertie Schedules	Accuracy	Average for the year	≥98%	100 %
Publish SAA's and SSR's	Timeliness	Published as per schedule	≥98%	99.1 %
Day Ahead Hourly Demand Forecast	Accuracy	Average absolute error for the year	≤2.5%	1.6 %
		Average bias range for the year	-5%≤ BIAS ≤ +5%	+ 3.4 %
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%	+ 1.8 %
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%	+ 0.2 %
Transmission Rights Auction Processing	Timeliness	Processed as per schedule	≤1 failure to complete a full auction per year	0
Continuous Operation Of the Market	Frequency of Market Suspension	Number of market suspensions per year caused by the IESO	0 suspensions	0
	Duration of Market Suspensions	Total duration of market suspensions per year caused by the IESO	0 hours	0
Administrative Pricing (AP)	Frequency	Number of occurrences of AP per year	≤75	42
	Duration	Number of intervals AP applied per year	≤350	239
Provide Metering, Settlement and Market Support Services				
Settlement-ready Meter Data	Timeliness	Available next trading day	≥99.3%	99.7 %
Meter Trouble Reports Issued to Meter Service Providers	Timeliness	Available next business day	≥92%	96.7 %
Preliminary and Final Settlement Statements	Timeliness	Issued as per schedule	≥99%	100 %
	Accuracy	No IESO errors	≥99%	99.6 %
Issue and Financially Settle Invoices	Timeliness	As required per <i>IESO Settlement Statement Payments Calendar</i>	≥99%	100 %
	Accuracy	Average for the year	≥99%	92.2 %
Ensure Systems Availability				
Outbound Market Reports Publication	Availability	Average for the year as per respective schedule	≥99.0%	99.5 %
Market Participant Interface	Availability	Average for the year	≥99.0%	99.8 %
Dispatch & Scheduling Instructions	Availability	Average for the year	≥99.5%	99.8 %
Corporate Web Site	Availability	Average for the year	≥99.0%	99.6 %

Legend: At or better than standard -
Below standard -