



Corporate Performance

To the end of December 2007

Reliability and Operational Effectiveness

Measure	Performance Expectation	Status to the end of December 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.	A Northeast Power Coordinating Council (NPCC) Peer Review Team judged the IESO to "have achieved a measure of 'exceeds expectations' in achieving its reliability objectives for the year 2007", which represents the highest Peer Review Team recognition ever received by the IESO. IESO's actions in 2007 were effective in reacting to and addressing reliability events when they occurred. The IESO appropriately managed individual system events that challenged the reliability of the system, including a three-phase fault at the Richview transformer station which occurred during a routine capacitor switching procedure in the early morning ramp up on January 30, 2007, and which led to a load loss of approximately 1500 MW across Southern Ontario. The NPCC Peer Review Team observed that "The response to this event was exemplary in all respects." The IESO took a number of actions as part of the Summer 2007 seasonal preparations. These included conducting numerous emergency preparedness exercises and workshops, conducting emergency conference calls with neighbours, revising emergency preparedness actions, reactive testing of large generation units, developing a thorough summer initiatives list and associated follow-ups, providing season-specific training and participating in regional seasonal planning studies. During extreme weather conditions and periods of elevated risk, the IESO issued power advisories to all businesses and consumers to reduce their electricity consumption. The NPCC Peer Review Team observed that "The preparation for the 2007 summer operating period was very thorough and exhaustive." The sole NPCC-reportable event in 2007 (June 12, 2007, an event that led to a province-wide 5% voltage reduction) was reported to NPCC within the stipulated time frame and all follow-up actions (100%) were completed and closed within required timelines. In 2007, there were no North American Reliability Corporation (NERC) reportable Interconnected Reliability Operating Limit (IROL) limit violations affecting interconnected system operations. The IESO also took measures in 2007 to strengthen its reliability performance in future, including enhancing its wide area view of neighbouring electrical systems on an ongoing basis through network model builds, and replacing its back-up control center.
	2. Ontario's annual system Unsupplied Energy is within acceptable limits.	Ontario Unsupplied Energy (UE) in 2007 was well below the ten year average, and is well within the one standard deviation limit set based on a 10 year benchmark. The results indicate the capability of the IESO and Ontario market participants in managing system reliability, as well as demonstrating the effectiveness of actions taken by the IESO and Ontario market participants to ensure and maintain electricity system reliability. UE performance of Local Areas was continuously monitored and periodically reviewed with transmitters, as necessary, and mitigating actions developed at year end in conjunction with market participants for Local Areas with "at risk" Unsupplied Energy performance.
	3. NERC and NPCC audits are considered successful, and NERC and NPCC reliability standards related performance is acceptable.	Ontario compliance with high risk factor NERC or NPCC standards that are within IESO's control is 100% in 2007. The IESO is also 100% compliant with all NERC and NPCC submission and reporting timeline requirements. The IESO assisted market participants to achieve compliance with NERC and NPCC standards, and provided updates to market participants on all evolving industry changes. To further assist market participants in meeting their reliability obligations, the IESO began a program of mapping the requirements and obligations in NERC's reliability standards to each market participant, which enables market participants to understand their responsibilities when operating in the Ontario power system. In the last quarter of 2007, the NPCC conducted an off-site audit of the IESO for its role as the Transmission Planner (TP) and the Planning Coordinator (PC) for the province of Ontario. The IESO was audited for compliance to the NERC transmission planning standards TPL-001-0 through TPL-004-0. The audit concluded that the IESO was compliant with all the applicable monitored transmission planning reliability standards.
	4. Reliability related information and forecasts satisfy industry needs.	Ontario is undergoing the largest electricity infrastructure upgrade in decades, and to ensure reliability, the IESO regularly assessed the adequacy and reliability of Ontario's power system and provided appropriate signals to market participants and the public. Considerations in 2007 public reliability reports included conservation and demand response programs, coal-fired generation replacement, transmission infrastructure and clean energy projects such as wind turbines. During 2007 the IESO published four quarterly 18-Month Outlook forecasts within publishing

		timelines, thereby presenting an assessment of the reliability of the Ontario electricity system for the next 18-month period. Ontario's reliability related assessments and issues were also communicated through on-time publication of two Ontario Reliability Outlook (ORO) reports in March and December 2007. The IESO's stakeholders were apprised of reliability and adequacy of Ontario's power system through consistent and periodic publications of System Adequacy Assessments and System Status Reports within publishing timelines and targets. The IESO's 2007 Customer Satisfaction Survey indicates that the 18 Month Outlook is highly recognized, widely read, and that customers view it as being the central indicator of the health of the system in Ontario.
	5. IESO processes supporting Ontario electricity system development projects are assessed as effective and timely.	In 2007, 100% of IESO connection assessment reports for committed projects were completed within timelines agreed with the proponents and proponents did achieve their intended market role on or before the agreed target date. In 2007, 65 generation, transmission and load connections to the IESO-controlled grid were reviewed through the Connection Assessment and Approval (CAA) process. Several transmission system enhancements identified as necessary in the Ontario Reliability Outlook, the 18-Month Outlooks and various System Impact Assessments are progressing through this process. These include new transformer stations, new load supply facilities and facilities required to support system voltages. Also, assessments for some transmission projects that are part of Ontario's Integrated Power System Plan (IPSP) are now complete. The IESO has provided support to all initiatives announced by the Ontario Ministry of Energy (MOE) and Ontario Power Authority (OPA) for new renewable, combined heat and power, and other clean generation resources in Ontario, and for initiatives undertaken by the OPA in the area of integrated power system planning. The IESO provided the OPA with technical and analytical support in the development of its 20-year IPSP, which was filed with the Ontario Energy Board (OEB) for approval in mid-2007.
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)	Out of 23 approved measures, 21 measures met or exceeded their approved standards: One measure, Administrative Pricing Duration, did not meet its annual target in 2007. A software issue in late December resulted in a large number of administered intervals in the last 11 days of the month. Additionally, in June there was an incident that resulted in a large number of administered intervals as a result of an incorrect manual input. Those two events caused close to a quarter of the Administered Pricing intervals for the year. The remaining intervals were the result of minor tool issues, telemetry failures and data input errors. In addressing the results, the IESO implemented a software fix to resolve the cause of the December software issue. Continued regular training both for normal processes and for managing events is being undertaken to help minimize the duration of administrative pricing events resulting from telemetry failures, data input errors, and occasional tool issues. A second measure: accuracy of issuing and financially settling invoices, did not meet the annual target for 2007. May invoices were reissued to include \$4.75 million in Transmission Rights Clearing Account credits. Although the credits were properly included in the May final settlement statements, IESO management felt it appropriate to reissue the invoices rather than delay customer receipt of the funds for a month. This did not delay invoices, so the invoice timeliness measure was not impacted. Business processes in this area have been reviewed and revised accordingly, to avoid recurrence.

Customers & Stakeholders

Measure	Performance Expectation	Status to the end of December 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.	An action plan developed to respond to the findings of the 2006 IESO Customer Survey identified specific initiatives to address market participants' requests and concerns, and resulted in the following actions and improvements completed or underway in 2007 as follows: • A suite of system access and application changes were completed or are in progress to significantly reduce the administrative burden on customers and streamline processes. These include: ▪ Customers no longer require a digital certificate to access their meter data, settlement statements and invoices through the IESO Reports web site, only an IESO account username and password. ▪ Customers are able to access the IESO Reports site and the IESO Portal with one IESO account username and password, as of December 12. Users are also able to manage their own passwords with this change. ▪ Local Distribution Companies will be able to submit all of their settlement data on-line via the portal using their IESO account, rather than a digital certificate, in early 2008. The on-line data submission forms provide significant enhancements including on-line data verification/validation, confirmation of receipt, and on-line access to view previous submissions. Once this is complete Local Distribution Companies (LDC's) will no longer require digital certificates to interact with the IESO. ▪ Customers can now access both Sandbox and Production environments for the Market Participant Interface and portal with the same digital certificate. ▪ All private and most public operational reports (dispatch and pre-dispatch reports) are now available in XML format to facilitate stakeholder use. The IESO is also continuing to work with customers to evolve toward a single report repository location for all of its public and confidential reports. ▪ The Monthly Market Report was expanded to include monthly statistics of the Transmission Rights Clearing Account and the Global Adjustment. • The IESO routinely communicated and consulted with customers on the impacts of, and turn-around times for, customer-facing projects and standard turn-around times for system access requests have been adopted and communicated to customers. • IESO Account Managers averaged 10 meetings per month with market participants in 2007 to provide assistance and discuss key issues. Meetings were held with customers representing all sectors of the industry and in locations across Ontario. • LDC Smart Meter information sessions were held in London, Sudbury, Toronto and Kingston. • Open conference calls were held to address issues related to settlements and invoicing. • E-mail communications were bundled into a weekly bulletin to reduce the number of individual emails delivered to customers, which was delivered on-schedule every week. Improvements were also made to the subscription process to allow customers to unsubscribe from outage and administrative pricing notices previously sent to registered contacts. The IESO 2007 Customer Satisfaction Survey notes that the new format has been a success with customers, in that it is informative, comprehensive, and easy to scan. The IESO conducted 14 Power System Reliability and Emergency Workshops at locations across Ontario during 2007, tailored to the specific needs of local distribution companies, large industrial customers, generators and transmitters. Through stakeholdering with the Emergency Preparedness Task Force, the annual Workshop and Exercise program varies from year-to-year depending on the results of the previous year's workshops and experience from real-time events. Detailed feedback from all but two of the over 330 surveys (representing 78 market participants) reported that the sessions were valuable and worthwhile. IESO training courses and products are well-received by market participants and government stakeholders, who according to the annual customer survey, continue to see the IESO as the best source of information regarding reliable market and system operation. The IESO has also been regularly praised on training session quality relative to other jurisdictions. In addition to maintaining excellent satisfaction results of 3.6 out of 4 on course feedback surveys for the 61 courses delivered during 2007 (68 during 2006), the IESO met new and emerging needs driven by infrastructure builds and Smart Metering. The IESO proactively anticipated and met the needs of all new market participants or those who are changing roles, to ensure they support reliable market and system operation, and supported the Ontario Smart Metering Initiative by developing and delivering training

		material to the first wave of LDCs. In addition to face-to-face training, a variety of training material is made available on the IESO web site, attracting an average of 15,000 hits per month in 2007.
	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 can provide advice to IESO	The 2007 IESO Customer Satisfaction Survey indicates that improvements such as the weekly update, website enhancements and IESO newsletter received high marks from customers in terms of user-friendliness. Performance expectation achievement is as follows: • The System Status Alert was launched in December 2007 and is featured on the new IESO homepage, giving this important system status signal much more prominence. • The IESO's Customer Education program targeted five business sectors in 2007 – municipalities, large manufacturers, food processors, hotels, and small, medium and large businesses. Eight new partnerships were also established in 2007. • The IESO conducted market and field research to gauge knowledge of the market and ability to manage costs, and three guides were published in 2007 for Food Processors, Municipalities and Manufacturers under The Bottom Line on Managing Your Electricity Costs brand. In addition, website enhancements to the Business & Industry section provide better access to brochures. Over 20 case studies, and 12 workshop seminars were conducted in partnership with various associations and LDCs – over 150 participants were in attendance. • IESO partnered with: Toronto Board of Trade, Natural Resources Canada, Ontario Chamber of Commerce, Rotary Clubs and Ontario Waterpower Association organizations to increase the effectiveness of market information. As well, the IESO continues to partner with The Weather Network to promote Ontario market data. • Major publications issued in 2007 included two Ontario Reliability Outlooks, the Ontario Market Outlook and quarterly issues of the Electricity Exchange newsletter • Website enhancements included a new home page to increase the amount of market and system information available to visitors, improvements to the filtering of the News and Notices to allow for easier retrieval of information of importance and for easier reading and locating of important information. In addition, the corporate website has seen an overall increase in traffic from 2006. Based on hits recorded there has been a 45% increase from the previous year. Also, a new web traffic reporting tool has been deployed to better quantify a visitor's usage and quality future development considerations. • Outreach activities included 10 executive speeches, 57 presentations, 10 IESO tours, 13 trade show exhibits, which represent a marked increase from 2006 levels. Executive outreach appearances were made with members of local chambers, LDCs and market participants • During 2007, the IESO continued full implementation of its new stakeholdering principles, and received a positive independent review. The Stakeholder Advisory Committee (SAC) completed its first full year of operation supported by the IESO, having matured and achieved the objectives of providing timely and valuable input to the IESO Board of Directors and senior management. The IESO also added a representative to SAC for Public Service Consumers (municipalities, universities, schools, hospitals) and established a Consumer Forum, based on the input provided from 24 electricity consumers including representatives from large and small industrial, commercial, agricultural, residential and public service (municipalities, universities, schools, hospital) sectors. • Over 20 stakeholder engagement consultations were initiated in 2007 representing over 72 meetings with stakeholders consisting of five SAC meetings, 56 face-to-face meetings and 11 webcasts. In addition, there were 50 one-on-one meetings with stakeholders on the Consumers Forum and Day-Ahead Market initiatives. Feedback surveys conducted on all stakeholder engagement activities provided very positive feedback with strong support for stakeholder engagement activities. Results indicate that over 90% of respondents agree that IESO stakeholder engagement processes are effective at meeting stakeholder engagement principles. Stakeholders have provided strong support for the stakeholder engagement activities aimed at evolving the Day-Ahead Market. The IESO met with over 75 companies and associations through 15 group meetings and 26 one-on-one meetings to gain input for Day-Ahead Market initiatives. Stakeholders, including SAC, expressed support for the recommendations, and commented on the quality of the stakeholder engagement stating that the stakeholder process facilitated a successful result to a potentially sensitive and controversial initiative.
	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	IESO maintained excellent relations with agencies and technical organizations including neighbouring system operators, the North American Electric Reliability Corporation - Electric Reliability Organization (NERC - ERO) and the Northeast Power Coordinating Council (NPCC), all of which contributed to the reliable operation of the Ontario electricity grid and its interconnections with neighbouring jurisdictions. Through daily interactions, the IESO achieves reliable operations that depend, in-part, on reliability and market event follow-up reviews, and longer-term focused development of reliability standards, operating practices and protocols. Examples in 2007 include IESO coordination with neighbouring system operators in the development of new joint operating

	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	instructions with Minnesota Power and the Midwest ISO, and revision of joint operating instructions with the New York ISO, TranÉnergie and Niagara Mohawk Power Corporation (National Grid U.S.). In addition: • During 2007, the IESO contributed to several initiatives undertaken by the Ontario Power Authority (OPA). Most importantly, the IESO assisted the OPA in the development of various generation procurement programs and provided analysis to support the OPA's Integrated Power Supply Plan (IPSP) application and pre-filed evidence before the OEB, including system information, technical, analytical and regulatory expertise. • In support of North American reliability and market access issues, the IESO either leads or leverages the efforts of the ISO/RTO Council's (IRC's) Standards Review Committee (SRC) and other committees to provide analysis and review of market issues, reliability matters and NERC standards. Participation in the SRC enables the IESO to comment on virtually all ERO reliability standards posted through NERC's reliability standards development process. In 2007, the SRC along with the IRC's Information Technology Committee, and its subcommittees, provided input to the IRC's Regulatory and Legislative Committee (RLC) in developing submissions to regulators – most frequently FERC in the United States. The committees assisted the RLC in developing comments dealing with the original 108 ERO reliability standards as well as the follow-up ERO cyber-security and facility standards. • The IESO continues to strategically support NERC and NPCC activities. The IESO is actively involved in, or chairs, key committees, sub-committees, task forces, and working groups that are constituted by the NERC and NPCC as well as being represented on the NPCC Board and the NERC Members Committee. Through these forums, the IESO is able to bring forward Ontario activities and positions regarding the development of NERC and NPCC reliability standards, operator training best-practices, operational review activities, and other initiatives.
	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	In 2007, the IESO engaged various government organizations and regulatory agencies, successfully advancing positions on behalf of Ontario and promoting the expertise of the IESO in new and expanded areas. Examples of these accomplishments are found in enhanced relationships with NERC and the U.S. Federal Energy Regulatory Commission (FERC), and in Ontario in the area of Smart Metering and the in submissions made to the Ontario Ministry of Energy in respect of its Agency Review Panel. In Ontario, the IESO continued to provide high quality technical and evidentiary support in Ontario Energy Board (OEB) hearings, contributing significantly to the IPSP, the Hydro One transmission case, and in other proceedings, submitting evidence relied upon by the OEB. The IESO was commended by the OEB and other parties for its contributions, and on several OEB related NERC submissions. The IESO successfully advocated for the streamlining of regulatory processes within Ontario, resulting in reduced costs for the IESO. In the IESO's 2008 fees application the IESO gained approval from the OEB for electronic notice of its 2008 Fees Case Submission, setting an important precedent, and reducing costs. Costs have been further reduced in the fees case through the OEB's acceptance of a focused issues list. The IESO resolved a crucial market participant relationship avoiding a potentially costly market rule amendment review related to reliability standards early in 2007. The IESO also successfully defended a market rule amendment review with evidentiary submissions that were highly regarded by the OEB panel hearing the matter. As noted in the Decision and Order, the panel accepted the IESO evidence in its entirety. Notable achievements were made in the area of reliability with the IESO influencing the development of mandatory and enforceable reliability standards for North America. Of particular note was FERC's acceptance of many IESO positions in its order approving 83 of 107 NERC reliability standards. The FERC final order referenced the IESO's position more often than any other ISO/RTO. In our dealings with NPCC and NERC, the IESO won a substantial reduction of its NPCC and NERC cost allocation, saving the IESO approximately \$500,000 and securing from NERC official acknowledgement of the existing IESO compliance structure. As Chair of the Canadian Electricity Association's Regulatory Development Task Group, the IESO was successful in promoting IESO and Ontario positions through this industry forum on FERC, NERC and U.S. Department of Energy (DOE) matters in the United States, and with the National Energy Board (NEB) in Canada. As part of this group, IESO staff traveled to Washington to meet with NERC, FERC and the DOE, achieving support from NERC staff on Canadian concerns and data submissions, and in

	are completed accurately and filed on time. • Participation in appropriate regulatory support initiatives, particularly those proceedings and initiatives having greatest impact on IESO, including IPSP, Transmission Rate Hearings, Section 92 Applications.	addressing strategic issues with FERC and Canadian Embassy staff. The IESO's offer to be involved in future U.S. transmission congestion studies was positively received by DOE staff. In its role on reliability matters, the IESO now regularly briefs the Ministry of Energy and the OEB prior to their joint meetings with other provincial jurisdictions, NERC, FERC and the DOE. Through directed meetings, the IESO has developed a greater degree of influence with the NEB, and successfully demonstrated to the NEB the effective and efficient reliability and compliance framework that exists in Ontario. These efforts have resulted in the IESO being recognized as a Canadian industry leader for reliability related matters. This standing has also been enhanced through the participation of IESO staff, by invitation of the U.S. Department of State, in an international visitor program.
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Effective Use of Funds

Measure	Performance Expectation	Status to the end of December 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	Actual total spending was \$137.9 million against an approved budget of \$140.0 million, or \$2.1 million below budget. Overall, total cost savings were achieved through prudent capital asset management including an extension of some service lives, as well as operating cost savings achieved through redeployment and utilization of external computer service resources and reductions in computer equipment costs. These offset approximately \$2.0 million in pension and benefit expenses that were higher than budgeted as a result of a variance between the budgeted and the actual discount rate.
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 \$0.790 /MWh or less, consistent with the usage fee identified in the 2007-2009 IESO Business Plan	The 2008 IESO Usage Fee submitted to the OEB for approval is \$0.799/MWh. The proposed fee level is marginally (1.1%) higher than the \$0.790/MWh fee outlined in the 2007-2009 Business Plan, driven by lower energy volumes recently estimated for 2008. Total budgeted IESO costs for 2008 are actually \$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: 1. Day-Ahead Arrangements 2. Energy Management System & Market Information System Upgrade 3. Back-up Operating Centre Relocation 4. Facility Outage Management 5. UNIX Server Refresh 6. Windows Server Refresh	The IESO's 2007 capital program was managed effectively within the approved \$20.0 million capital budget, with capital spending totalling \$9.4 million. The Day-Ahead Arrangements initiative did not involve capital costs in 2007, accounting for \$8.0 million of the \$10.6 million-budget variance. With the exceptions of the Day-Ahead Arrangements, the Facility Outage Management System project, and a portion of the Energy Management System/Market Information System project, accounting for \$8.0 million, \$1.3 million and \$1.8 million of the spending variance in the year, respectively, required results were achieved on-time and within or below the approved budgets. 1. Progress was made on Day-Ahead Arrangements, however the initiative did not progress to a stage where capital activities were undertaken. 2. The first and most significant of the three subprojects of the Energy Management System & Market Information System (EMS/MIS) Upgrade project: the Energy Management System, was successfully placed in service in December 2007. The second subproject, the Primary Demand Forecast System, was delayed as a result of the unexpectedly large number of critical defects in the vendor's solutions, identified during initial testing. This subproject is now scheduled to be placed into service in the second quarter of 2008. The third subproject, MIS, was delayed by efforts made to obtain wider interest beyond power system specialist vendors to improve the competition for the project, and to achieve cost savings. The IESO implemented a request for proposal (RFP) process and spent additional time enhancing documentation to encourage competitive responses from non-power system specialist vendors as well. This process improvement, which did achieve project cost savings, added several months to the project completion date, which is now scheduled for completion during the third quarter of 2008. This represented a minor shift in project schedule which only added minimal risk, as this subproject has been identified as requiring completion no later than the fourth quarter of 2008. While overall, the EMS/MIS Upgrade is forecast to come in on-budget, developments in 2007 accounted for \$1.8 million of the positive capital program spending variance for the year. 3. The Back-up Operating Centre (BOC) Relocation project was successfully completed on-time at the end of June, 2007 for \$2.3 million, \$0.2 million under the approved budget. The new BOC was successfully commissioned with no interruptions to service. This project proved to be a more complex and challenging initiative than expected and the delivery of this project on-time and under budget is considered excellent performance. 4. The development of a new Facility Outage Management system was planned for 2007. The project was halted when the contracted vendor indicated that costs would rise substantially and that they were not confident they could deliver what was required. The closure of the contract was successfully negotiated, recouping all related costs. To sufficiently manage the resulting risk, performance of the existing outage system was enhanced to allow the postponement of the delivery of a replacement system. This project will be restarted in the second quarter of 2008 at which time the exploration of other options will be pursued. 5. The second stage of the Unix Server Refresh project is on-schedule and on-budget. The third and final stage started in August, 2007, is on-schedule at year end, and is projected to be

		completed as expected in October 2008. 6. Stage 4 of the Windows Server Infrastructure Replacement project was completed in 2007, on-time and \$0.4 million below its \$2.7 million-budget. Stage 5, the final stage, started on-time in August 2007 and is on-budget and on-time at year end. Other, non-key, capital initiatives accounted for approximately \$3.3 million of capital spending in the year and were delivered on-schedule and on-budget.
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Market Evolution

Measure	Performance Expectation	Status to the end of December 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	Progress was made across a broad front of market evolution issues over 2007, creating a platform from which future market evolution initiatives can progress. The platform includes a renewed industry-wide focus on economic efficiency and cost-benefit analyses (CBA), an improved analytic capability to evaluate the impacts of market changes through the application of market elasticities and development of a proposed unconstrained Day-Ahead Market (DAM). The industry is well positioned to entertain market evolution initiatives going forward, which represents a significant improvement from the state of the industry in 2006. In particular, 2007 market evolution progress included: • 3x Ramp Rate: The analysis and testimony provided by the IESO at the OEB's ramp rate proceeding resulted in a decision that confirmed the importance of real-time market price signals in achieving economic efficiency and provided a basis for future evolution. The OEB decision confirmed that the 3x ramp rate should be implemented and that economic efficiency is the correct rationale for pursuing market changes – a solid foundation upon which future market changes can be based. • CBA: A stakeholder-supported cost-benefit analysis approach to market changes has been developed. The industry and stakeholders have accepted the approach proposed for conducting CBA's, subject to appropriate treatment of wealth transfers, and have requested that IESO conduct such analyses for various market rule changes or initiatives. • DAM: Stakeholder discussions regarding day-ahead mechanisms and the rigorous analysis of a Day-Ahead Market design within an unconstrained, uniform energy price market have been accepted by stakeholders as the basis for evaluation of the value of such a design to the industry. In alliance with this, the Stakeholder Advisory Committee (SAC) recommended and the IESO Board approved, continued investigation of the DAM ("option 3 – Unconstrained DAM") in the first half of 2008. IESO staff have been successful in achieving broad stakeholder concurrence on that design as being the optimal design for the current unconstrained, uniform pricing regime; as well as concurrence on the path and issues to be resolved in support of a DAM decision, albeit with some necessary adjustment to the schedule for that decision. • Market Rule Amendments: The introduction of dispatchable loads in 10-spin and the expansion of use of reserve sharing for 10-spin represent continued improvement of the efficiency of the market. • Development of a price forecast model that performs well against day-ahead markets in New York and Midwest ISO using standard statistical metrics. Industry participants are still evaluating the value of the forecast for their purposes. • Development of an export response function that has been accepted by industry and was accepted before the OEB in the 3x ramp rate hearing. The model has been incorporated in the IESO's real-time simulator so as to allow a more dynamic simulation of market changes and HOEP impacts. The model has been used in analysis regarding changes to operating reserve market rules and evaluating OPA contracts with Non-Utility Generators (NUG's). • Market rules were simplified in areas of participant restoration plans, dispute resolution, suspension/termination procedures, smart meter charge administration, prudential requirements, mapping of NERC standards to participants and dispatch data submissions.
	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.	A high level, Ontario Market Outlook report, aimed at a broad, industry and policy audience, was published in early May, coincident with the 5 year anniversary of the opening of the Ontario electricity market. The report provided a retrospective look at the trends of key market variables over the first five years of the Ontario electricity market, and identified opportunities and challenges for evolving the industry. The report described: • how the competitive market restructuring and the IESO administered markets have provided a level of transparency that did not exist prior to market opening and that this has increased public accountability of all market participants, as well as the IESO • how information from surrounding jurisdictions has facilitated opportunity for more efficient inter-jurisdictional trade and has provided both economic and reliability benefits • how the increased accountability associated with market transparency and revenue opportunities that come with a market has, in part, led to improved capacity utilization of nuclear units and associated improved market efficiencies; and • how it has increased the involvement of large consumers in providing reliability responses at times of tight supply and increased the sources of operating reserve from these consumers which leads to more cost savings to the province.

	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.	The results of a physical market prudential review were completed significantly ahead of schedule and met the objective of reducing the financial burden on those participating in the IESO administered markets. The resulting rule amendments, endorsed by the Stakeholder Advisory Committee and the Technical Panel, were subsequently approved by the IESO Board of Directors in June, six months ahead of the target date. The rules were in effect on August 1, 2007 and the associated implementation was completed prior to the end of the third quarter of 2007.
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.	The Meter Data Management/Repository System (MDM/R) project was challenged by software quality issues after its initial delivery in May, 2007, including missing functionality and code defects. MDM/R System availability has been delayed past the original target date of June, 2007 and as of year end, a number of LDCs are in various states of testing. Relationships with all LDC's regarding IESO's conduct of the project have been very positive, and an interim licence with respect to IESO's powers and duties as the Smart Meter Entity (SME) was granted to the IESO by the OEB in 2007. A full licence application will be reviewed by the OEB in 2008. Various pricing models have been submitted to the Ontario Ministry of Energy since June 2007, but as at the end of the year the rate determinant to be employed in calculating the Smart Metering Charge levied by IESO on LDCs has not been established.

IESO Operational Performance Measures to the end of December 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%	1.5 %
		Average bias range for the year	-5%≤ BIAS ≤ +5%	+ 1.8 %
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%	+1.3 %
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%	-0.4 %
Transmission Rights Auction Processing	Timeliness	Processed as per schedule	≤1 failure to complete a full auction per year	1 failure
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	63
	Duration	Number of intervals AP applied per year	≤350	383
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%	94.0 %
Ensure Systems Availability				
Outbound Market Reports Publication	Availability	Average for the year as per respective schedule	≥99.0%	99.4 %
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%	99.6 %

Legend: At or better than standard -
Below standard -