Corporate Performance

To the end of June 2008

Measure	Target	Status to the end of June 2008
1.1 Contribute to an efficient electricity market through: • Market operation (4 measures) • Metering, settlement and market support services (9 measures) • IT systems availability (4 measures)	See attached table: IESO 2008 Electricity Market Operational Metrics	**On Track** See attached table: IESO 2008 Electricity Market Operational Metrics. At the end of the second quarter, 15 of 17 market operational metrics meet or exceed their target levels. Two metrics, Outbound Market Reports Publication availability and Dispatch & Scheduling Instruction availability, are marginally below their target levels. Outbound Market Reports Publication availability (99.4 % vs target of ≥99.5 %) was impacted by incidents that occurred after system changes and improvements were implemented. Quality control procedure modifications have addressed the source of unavailability and this measure is expected to achieve its annual target by year end. Dispatch & Scheduling Instruction availability (99.4% vs a target of ≥99.5 %) is at some risk of not achieving its target level at year end. Specific model changes and interim operating instructions have been implemented, and availability has subsequently improved. A full assessment and development of a longer term automated solution is underway.
1.2 Operate the provincial government's Smart Metering Initiative.	All published service levels are met.	**On Track** Formal service levels are to be developed and available in the fourth quarter.
	IESO conduct of its Smart Metering Entity role is regarded positively by local distribution companies (LDCs). Standard to be judged by LDCs in a focussed survey.	**On Track** Currently four LDCs are using the production environment. A survey will be conducted in the fourth quarter and results will be available at that time.
1.3 Following the DAM recommendations, establish a market evolution agenda that is supported by SAC.	SAC sector representatives' opinions on market evolution agenda are generally aligned, with individual sector representatives being willing to engage on the agenda items while reserving their final opinions until implementation details are available. The agenda clearly sets out the various sector concerns that will be addressed.	**On Track** The IESO Board of Directors has supported the proposal to continue to work with stakeholders to address the outstanding concerns regarding the IESO's preliminary assessment on day-ahead mechanisms. In particular, the IESO will provide further clarification and analysis on: - Cost guarantee designs and export inclusion for option 1 & 2 - Review of energy forward market (EFM) design - The alignment of unconstrained and constrained schedules in a day-ahead market. In parallel with this, work will continue with the common elements of the three day-ahead options currently under consideration. Further analysis on the development of market rules and system definition will be undertaken to support procurement for the common elements which include: - A unit commitment process based on 24-hour optimization - Inclusion of 3-part bids/offers - Providing a multiple pass unit commitment process. These elements provide the bulk of the benefits to the Ontario electricity market as demonstrated in the IESO's "Day-ahead Market Evolution Preliminary Assessment". http://www.ieso.ca/imoweb/pubs/consult/se21/se21-20080505_DAM_Assessment_Report.pdf The IESO study team expects to provide the additional analysis and integrate the results with work on the common elements by mid to late September 2008. Subsequently, a business case will be completed and presented to the IESO Board of Directors. The business case will include a request for approval of the capital budget to implement the common elements listed above and any additional recommended elements.

1.4 Market Pricing Working Group will address the following issues: 1. use of peak versus average hourly demand forecast in the pre-dispatch sequence 2. sale of operating reserve to neighbouring markets 3. feasibility and potential impacts of locational pricing for intertie transactions *Note: Addressing an issue does not necessarily mean a change to the current arrangements. For example, retaining the status quo is a possible outcome of the consideration of an issue.*	At least: • one issue addressed with strong stakeholder alignment; • one issue addressed with some stakeholder opposition; • ongoing active discussion of one issue; and • DAM recommendations reviewed by Market Pricing Working Group to determine if the role of intertie transactions in real-time price calculations remains an issue in light of those recommendations.	**On Track** Issue 1 has been addressed. The IESO is working to resolve some of the outstanding issues and concerns prior to the end of September, 2008. Issue 2 has been addressed with strong stakeholder alignment. Issue 3 is currently being studied and it is not expected to be resolved before the end of the year. Following the decision on DAM in September, 2008, Market Pricing Working Group will review intertie transactions setting real-time price to determine if it is still an issue that needs to be addressed.
1.5 The IESO responds to customers' and stakeholders' needs through the timely provision of products and services.	More than 75% of stakeholders responding to regular questionnaires agree or strongly agree that the stakeholder process utilized was effective in facilitating stakeholder input.	**Superior Performance** Feedback surveys conducted on stakeholder engagement activities over the second quarter continue to provide very positive feedback. Results indicate that over 95% of respondents to date agree that IESO stakeholder engagement processes are effective at meeting stakeholder engagement principles. The quarterly Stakeholder Engagement Initiatives Report is posted at: http://www.ieso.ca/imoweb/pubs/consult/se/stakeholder-report.pdf
	In the annual survey, customers provide an average rating of 7.5 on the value of IESO's products and services.	**On Track** The annual customer survey will be conducted in the fourth quarter and results will be available at that time.
	In the annual survey, customers provide an average rating of 7.5 on the timeliness of IESO products and services.	**On Track** The annual customer survey will be conducted in the fourth quarter and results will be available at that time.
	The following two customer facing projects are delivered by March 31st, 2008 (equally weighted): • on-line Settlement forms; • reduce requirement for digital certificates through migration of MVWeb to Portal.	**Superior Performance - Completed** On-line Settlement forms was placed in service in February, 2008. Migration of MVWeb to Portal was completed early and the resulting redundant certificates have been removed.

Measure	Target	Status to the end of June 2008
2.1 Avert, mitigate or address significant actual or potential reliability events.	The IESO is recognized as meeting industry expectations for actions undertaken to address actual events or to avert potential events.	**On Track** The IESO remained diligent in the tracking and review of reliability related incidents in this year and managed a number of individual system events that challenged the reliability of the system. IESO actions to date in 2008 have been effective in reacting to and addressing reliability events when they occurred. For example, on January 30, three of the four 230 kV circuits connecting Ontario and New York at the Niagara interface were automatically removed from service. The IESO issued a system status report (SSR) for this event shortly thereafter and initiated manual reductions at the associated hydro electric generation complex and curtailed 550 MW of export transactions to respect thermal limits within 6 minutes. The IESO coordinated its actions with New York Independent System Operator (NY-ISO) and other neighbouring ISO's. Immediately following the contingency, the import and export capabilities were reduced respectively. Based on further studies the export and import capabilities were adjusted and a subsequent SSR was issued. Two of these 230 kV circuits were returned to service within a short time frame. IESO is also following up on aspects of this event with the appropriate transmitter.
	NERC/NPCC reportable events are reported on time, and most follow-up actions within IESO control are completed and closed within targeted timelines.	**On Track** To date there have not been any NERC/NPCC reportable events.
2.2 Ontario's annual System Unsupplied Energy is within acceptable limits.	Ontario's annual system of Unsupplied Energy meets the published Ontario benchmark and mitigating actions are identified for 50% of "Red" local areas.	**On Track** Ontario's year-to-date system Un-supplied Energy is within acceptable limits and there are no reported "Red" local areas.
2.3 Obtain successful NERC/NPCC compliance audits and achieve compliance with NERC and NPCC reliability standards.	Within the audits, no issues identified with IESO processes that relate to standards with high severity risk factor.	**Superior Performance** The Northeast Power Coordinating Council's (NPCC) triennial compliance audit of IESO's compliance with reliability standards in its roles as a Reliability Coordinator, a Balancing Authority, and a Transmission Operator was conducted in June, 2008. The audit team's preliminary findings were that the IESO is fully compliant with all relevant requirements in the reliability standards for which the IESO was assessed in this audit. During the preliminary assessment, the IESO's overall performance was considered as exceptional by the audit team. The third quarter corporate performance report will highlight more specifics on the final results.
	100% compliance with NERC high risk factor requirements that are within IESO's control and no violations of NPCC criteria that are greater than Level 2 and that are within IESO's control; and 90% of market participants have remedied their non-compliance with NERC/NPCC reliability standards within the timelines of their mitigation plan, as identified by the IESO's Reliability Compliance Program.	**On Track** Ontario year-to-date compliance with NERC high risk factor reliability standards requirements that are within IESO's control is 100%. There have been no violations of NPCC criteria that are greater than Level 2 and that are within IESO's control. One NPCC criteria non-compliance (that was not within IESO's control) was remedied by the respective market participant within timelines stipulated by the IESO Reliability Compliance Program.
2.4 Performance assessed on a suite of 8 reliability related operational measures.	See attached table: IESO 2008 Reliability Related Operational Performance Measures	**On Track** At the end of the second quarter, 8 out of 8 measures meet or exceed their target levels.

2.5 The IESO contributes to relevant Ontario regulatory proceedings and effectively manages Ontario and International reliability standard development processes.	IESO provides meaningful contributions, consistent with its objects, in the Integrated Power System Plan, Bruce to Milton, OPG Prescribed Assets, and Reliability Must Run (RMR) contract proceedings; and RMR arrangements approved by the OEB meet IESO reliability requirements; and IESO is assessed as providing strong support for industry reliability standards development processes, and focussed input in those processes in respect of Ontario's interests.	**Superior Performance** During the interrogatory phase of the Integrated Power System Plan (IPSP), the IESO supported the Ontario Power Authority (OPA) with interrogatory responses, data and technical information and other input, meeting aggressive timelines. As the IPSP moves into the next stages, the IESO expects to continue to provide a significant amount of timely subject matter expertise to support the OPA. In the Bruce to Milton transmission hearing at the Ontario Energy Board (OEB), the IESO continued to provide expert support during the oral hearing, which consisted of 14 days of testimony over a period of six weeks. IESO staff participated as a witness in the oral hearing, and also participated in the development of Hydro One's Argument-in-Chief. The IESO filed an application with the OEB to renew its licence for another five years, beginning on July 31, 2008, which has been approved by the OEB. IESO successfully represented Ontario concerns in NERC and NPCC business planning activities, which contributed to proposed NERC and NPCC cost increases being reduced substantially, and resulted in special funding allocations (fee reductions) for Ontario from both NERC and NPCC as a result of Ontario's existing compliance and enforcement program. Working with Ontario Ministry of Energy and OEB staff, the IESO coordinated all of the associated changes resulting from Bill 44, which grants the OEB authority to authority to review a NERC reliability standard. If the standard fails to meet the test stated in the legislation, the OEB could then opt to remand the standard back to NERC and to revoke the standard's application in Ontario.

Measure	Target	Status to the end of June 2008
3.1 Total Spending (OM&A + Interest + Amortization) is within the financial outlook approved by the IESO Board	Total Spending falls within the approved financial outlook.	**Superior Performance** IESO's total spending is forecast to be approximately $129.5 million, $6.0 million below the approved budget for 2008. The forecast reflects significantly lower amortization cost projections for 2008 resulting from a capital program review that implemented prudent life extension and upgrading in lieu of replacement or refresh for certain IESO assets.
3.2 Approved capital program is managed within the IESO Board approved capital envelope for 2008 and the required results are achieved.	Total capital spending is within the Board approved capital envelope.	**Superior Performance** Capital program costs to the end of the second quarter were $2.4 million. Spending for the year is projected to be $9.3 million, or $2.7 million below a capital target of $12.0 million. This target represents the IESO Board-approved $20 million capital budget for 2008 less $8 million capital spending on the Day Ahead Market (DAM) project, which is not planned to be spent in 2008.
3.3 Four key projects, as described in their respective approved business cases and listed below, are advanced as planned or delivered as planned during 2008: • On-Line Limit Derivation • Participant Lifecycle System • Energy Management System & Market Information System Upgrade (EMS/MIS) • Network Zoning Project	1. On-Line Limit Derivation: business case completed by March 31st, 2008.	**On Track - Completed** The On–Line Limit Derivation program business case was completed and approved by March 31, 2008.
	2. Participant Lifecycle System: project delivered in accordance with the approved business case with respect to schedule, cost and anticipated benefits	**On Track** The requirements for the new Participant Lifecycle System have been completed. The business case is being developed and is expected to be completed and approved in the third quarter of 2008.
	3. EMS/MIS: Project delivered in accordance with the approved business case with respect to schedule, cost and anticipated benefits	**On Track** 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 (EMS) was successfully placed in service in December 2007. The second subproject, the Primary Demand Forecast (PDF) system was deployed into the production environment, on schedule, in May, 2008. The third subproject, the Market Information System (MIS), is scheduled for completion during the fourth quarter of 2008.
	4. Network Zoning Project: delivered in accordance with the authorized business case with respect to schedule, cost and anticipated benefits	**On Track - Completed** The Network Zoning project was successfully delivered below cost and on schedule in June, 2008. It consisted primarily of placing the key Reliability Systems ,Control Room Workstations and Wallboards on a separate network to enable the meeting of the new NERC-CIP reliability standards.

Measure	Target	Status to the end of June 2008
4.1 Maintain highly engaged and committed employees	In the 2008 IESO Employee Engagement Survey, 30% of IESO employees report that they are "highly engaged".	**On Track** Activities for supporting engagement have been reviewed with managers. Additional presentations and reminders have been given to encourage Division and Department review of Engagement Survey actions and activities.
4.2 Implement talent management.	In the 2008 IESO Employee Engagement Survey, over 80% of IESO employees respond favourably to the statement: "I have improved my skills and capabilities in the last year".	**On Track** Programs are underway to facilitate skills and capabilities review. Activities for developing skill sets are on-going.
	Development plans in place for over 80% of management employees in bands 1-5.	**On Track** Creation of development plans is underway. As of the end of June, 2008, 50% of the IESO's Management Group have development plans in place.
	Personalized development plans in place for at least 50% of employees.	**On Track** Personal Learning Plan workshops and program are under development for delivery during the year. Design of an Employee Development Plan Program is complete. Managers workshops were held during Q2. Employee Development Plan workshops are on track to be held in Q3.
4.3 Increase managerial effectiveness.	In the 2008 IESO Employee Engagement Survey, 60% of IESO employees respond favourably to the statement: "my immediate supervisor effectively coaches and builds the strengths of employees".	**On Track** Coaching workshops were delivered in the first quarter. Further sessions were delivered in April and June. Coaching workshops have been completed and approximately 90% of the Management Group have been trained.
	In the 2008 Employee Engagement Survey, 60% of IESO employees respond favourably to the statement: "my immediate supervisor gives me frequent feedback".	**On Track** Performance feedback programs are in place for all employee groups. Activities for coaching and employee feedback are complete. Learning sessions have been held with line managers and employees on performance agreements and competency applications

IESO 2008 Electricity Market Operational Metrics to the end of June 2008				
Category/ Name	Measure	Criteria	Target	Status
Market Operation				
Transmission Rights Auction Processing	Timeliness	Processed as per schedule	0 failures	0
Continuous Operation Of the Market	Frequency of Market Suspension	Number of market suspensions per year caused by the IESO	0 suspensions	0
Administrative Pricing (AP)	Frequency	Number of occurrences of AP per year	≤75	22
	Duration	Number of intervals AP applied per year	≤350	117
Provide Metering, Settlement and Market Support Services				
Settlement-ready Meter Data	Timeliness	Available next trading day	≥99.4 %	99.7 %
Meter Trouble Reports Issued to Meter Service Providers	Timeliness	Available next business day	≥95.5 %	97.5 %
Preliminary and Final Settlement Statements	Timeliness	Issued as per schedule	≥99.3 %	100 %
	Accuracy	No IESO errors	≥99.5 %	99.9 %
Issue and Financially Settle Invoices	Timeliness	As required per *IESO Settlement Statement Payments Calendar*	≥99.0 %	100 %
	Accuracy	Average for the year	≥99.5 %	100 %
Resolve Compliance Issues	Timeliness	Informal cases closed within 37 days	≥70.0 %	84.8 %
	Timeliness	Formal cases closed within 182 days	≥70.0 %	93.8 %
Proponents Achieve Intended Market Role	Timeliness	Market roles achieved on or before agreed to target date (excludes delays beyond IESO control)	≥85.0 %	100 %
IT Systems Availability				
Outbound Market Reports Publication	Availability	Average for the year as per respective schedule	≥99.5 %	99.4 %
Market Participant Interface	Availability	Average for the year	≥99.5 %	99.7 %
Dispatch & Scheduling Instructions	Availability	Average for the year	≥99.5 %	99.4 %
Corporate Web Site	Availability	Average for the year	≥99.5 %	99.9 %

Legend: At or better than standard - (green)
Below standard - (red)

IESO Reliability Related Operational Performance Measures to the end of June 2008

Category/Name	Measure	Criteria	Target	Status
Implement Intertie Schedules	Accuracy	Average for the year	≥99.5 %	99.9 %
Publish SAA's and SSR's	Timeliness	Published as per schedule	≥98.5 %	99.6 %
Day Ahead Hourly Demand Forecast	Accuracy	Average absolute error for the year	≤2.2 %	1.7 %
		Average bias range for the year	+/- 5.0 %	+ 3.5 %
Day at Hand Hourly Demand Forecast - 3 Hours Ahead of Dispatch Hour	Accuracy	Average absolute error for the year	≤1.5 %	1.1 %
		Average bias range for the year	+/- 5.0 %	+ 4.0 %
Day at Hand Hourly Demand Forecast - 1 Hour Ahead of Dispatch Hour	Accuracy	Average absolute error for the year	≤1.0 %	0.9 %
		Average bias range for the year	+/-5.0 %	+ 0.7 %

Legend: At or better than standard -
Below standard -