Corporate Performance

To the end of September 2008

Public

1. Customers & Stakeholders

Measure	Target	**Status to the end of September 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	Currently, 16 of 17 metrics meet or exceed their target levels. One metric, Transmission Rights Auction Processing timeliness is off-target due to a September results report which failed to publish according to schedule. The cause is under review and manual monitoring is continuing until an automated solution can be implemented.
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** Following approval by the IESO Board of Directors on September 5, 2008 of recommendations to proceed with enhanced day ahead commitment processes, the IESO has advanced its discussion of priorities with participants with the intent to complete an agenda by year-end.
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*	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	**On Track** Issue 1 (peak vs. average) analysis is complete. IESO is discussing appropriate decision criteria for cost-benefit analysis with stakeholders through the Stakeholder Advisory Committee. The IESO plans to provide a recommendation on a course of action in December, 2008. Issue 2 (operating reserve) analysis is complete. There was strong support within the MPWG that this issue did not merit further study at this time and that the issue should be closed. Issue 3 (intertie pricing) analysis is ongoing. In September, 2008, the IESO Board of Directors endorsed recommendations to proceed with the enhanced day-ahead commitment processes (EDAC). During October and November, the MPWG will review whether the role of intertie transactions in real-time price calculations remains an issue in light of this decision.

necessarily mean a change to the current arrangements. For example, retaining the status quo is a possible outcome of the consideration of an issue.	remains an issue in light of those recommendations.	
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 up to the third quarter provided positive feedback. Results indicate that over 90% 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 on the IESO web site: 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.

2. Reliability

Measure	Target	Status to the end of September 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 remains diligent in the tracking and review of reliability related incidents. The IESO managed a number of individual system events that challenged the reliability of the system in 2008. IESO actions to date in 2008 have been effective in reacting to and addressing the reliability events when they occurred. For example, on August 5, an incident occurred where a transmitter reported that both the 230 kilovolt (kV) and 115 kV relay building basements in a Transformer Station (TS) were flooding, resulting in the removal of a 230/115 kV autotransformer from service. Seven 230 kV breakers were automatically removed from service, leaving six of the twelve 230 kV circuits terminating at the TS disconnected from the station. The transmitter informed the IESO that affected equipment would be unavailable until the flooding problems were resolved. The IESO immediately notified neighbouring independent system operators (ISO's) and addressed this situation, including the impacts it was having on Ontario operations and the potential for any further forced outages. The IESO provided demand limits for the TS out of service. Plans to solve post contingency violations were developed jointly by the IESO and the transmitter, including contingency plans in preparation for shedding load should any contingency occur and to ensure the respecting of any subsequent transformer loadings. All TS equipment was eventually restored without major impact to the grid.
	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. *Note: A "Red" flagged local area is defined as an area in which the most recent two consecutive years of UE are both greater than 50% of standard deviation from the averaged 10 years-UE, and hence do not meet UE performance expectations.*	**On Track** Ontario's year-to-date system Un-supplied Energy (UE) is within acceptable limits. To date, one local area has been identified as "Red". Storms in this area, coupled with breaker problems, led to outages and associated higher UE. This local area has already identified mitigating actions. The IESO continues to periodically review the UE performance of local areas with transmitters.
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 (NPCC) published its final IESO compliance audit report in September, 2008. The NPCC conducted the triennial compliance audit of IESO's compliance with NERC reliability standards mainly in its roles as a Reliability Coordinator, a Balancing Authority, and a Transmission Operator between June 17th and July 14th, 2008. The IESO was found fully compliant with 38 key electricity reliability standards and 168 reliability requirements monitored by the North American Electric Reliability Corporation (NERC). The audit team noted that evidence provided to demonstrate compliance was excellently presented by the IESO and well organized. The NERC and the NPCC also praised the IESO's cooperation and support during the audit. The report is available at http://www.npcc.org/compliance2/AuditSpot.aspx.
	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	**On Track** Ontario year-to-date compliance with NERC high risk factor reliability standards requirements that are within IESO's control is 100%. There were 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

	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.	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	All 8 of the 8 reliability related operational performance 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** IESO staff contributed expert assistance to the Ontario Power Authority's IPSP proceeding and to the hearings for Hydro One's Bruce to Milton double-circuit 500 kilovolt (kV) electricity transmission line project, which was approved by Ontario Energy Board (OEB) on September 15, 2008. Ontario Power Generation (OPG) Prescribed Assets hearing is complete. As the settlement agent, the IESO reviewed all of the potential settlement impacts to ensure proper implementation of settlement activities. OPG has filed a one-year reliability must run (RMR) Contract with the OEB for approval. The IESO is currently participating in the proceeding to review the need for OPG's RMR Contract. IESO staff remain active and influential in respect of reliability issues. The IESO continues to actively monitor both NERC and NPCC committee activities and participates as required through conference calls, formal submissions, either directly or through the ISO/RTO Council (IRC). The IESO remains actively involved with the proceedings of the Federal Energy Regulatory Commission (FERC), submitting comments to FERC in response to New York ISO's exigent circumstances filing. The IESO was also involved in stakeholdering efforts with its market participants for a joint filing in response to FERC's clarification ruling regarding cyber security (CIP) standards. The IESO also provided comments on the draft Ontario-Quebec energy agreement.

3. Effective Use of Funds

Measure	Target	Status to the end of September 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 $130.6 million, $4.9 million or 3.6% below the approved budget for 2008. The forecast reflects significantly lower amortization 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 third quarter were $5.8 million. Spending for the year is projected to be $9.5 million or $2.5 million below a capital target of $12.0 million. This target represents the IESO Board-approved $20.0 million capital budget for 2008 less $8.0 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 Participant Lifecycle project has been renamed the Enrolment Automation Project to better reflect what the project represents. The requirements for the Enrolment Automation Project have been completed. Approval of the business case is expected in the fourth quarter of 2008. There is not expected to be any capital spending on this project in 2008.
	3. EMS/MIS: Project delivered in accordance with the approved business case with respect to schedule, cost and anticipated benefits	**On Track** Stage 1 of 3 (EMS) was completed in December, 2007. Stage 2 (MIS) consists of six components, three of which will be placed in service by December 2008, and the remaining three in the first qurter of 2009. Stage 3 (Primary Demand Forecast) was completed in June, 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 on schedule and below cost in June, 2008

4. People		
Measure	Target	Status to the end of September 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. Based on progress to the end of September, it is expected that the annual target will be met or exceeded by year end.
	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. Workshops for managers were held during the second quarter. Employee Development Plan workshops were held during the third quarter.
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 of 2008. Further sessions were delivered in April and June. Coaching workshops have been completed and approximately 90% of the IESO 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 September 2008

Category/ Name	Measure	Criteria	Target	Status
Market Operation				
Transmission Rights Auction Processing	Timeliness	Processed as per schedule	0 failures	1 failure
Continuous Operation Of the Market	Frequency of Market Suspension	Number of market suspensions per year caused by the IESO	0 suspensions	0 suspensions
Administrative Pricing (AP)	Frequency	Number of occurrences of AP per year	≤75	25
	Duration	Number of intervals AP applied per year	≤350	128
Provide Metering, Settlement and Market Support Services				
Settlement-ready Meter Data	Timeliness	Available next trading day	≥99.4 %	99.5 %
Meter Trouble Reports Issued to Meter Service Providers	Timeliness	Available next business day	≥95.5 %	96.6 %
Preliminary and Final Settlement Statements	Timeliness	Issued as per schedule	≥99.3 %	100 %
	Accuracy	No IESO errors	≥99.5 %	99.7 %
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 %	84.7 %
	Timeliness	Formal cases closed within 182 days	≥70.0 %	80.0%
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 %	99.5 %
Market Participant Interface	Availability	Average for the year	≥99.5 %	99.7 %
Dispatch & Scheduling Instructions	Availability	Average for the year	≥99.5 %	99.6 %
Corporate Web Site	Availability	Average for the year	≥99.5 %	99.8 %

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

IESO Reliability Related Operational Performance Measures to the end of September 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 %	99.7 %
Day Ahead Hourly Demand Forecast	Accuracy	Average absolute error for the year	≤2.2 %	1.8 %
		Average bias range for the year	+/- 5.0 %	+2.2 %
Day at Hand Hourly Demand Forecast - 3 Hours Ahead of Dispatch Hour	Accuracy	Average absolute error for the year	≤1.5 %	1.2 %
		Average bias range for the year	+/- 5.0 %	+1.5 %
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 %	-1.7 %

Legend: At or better than standard -
Below standard -