2008 Corporate Performance

To the end of December 2008

Public

Customers & Stakeholders		
Measure	**Performance Expectation**	**Results at the end of 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 table: IESO 2008 Electricity Market Operational Metrics	16 of 17 met or exceeded their target levels. One metric, transmission rights auction, did not meet its annual target in 2008. Processing timeliness failed due to 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 IESO service levels are met and no IBM service level has service level credits outstanding at year end.	This measure failed to meet its annual target in 2008 due to some of the service levels for the Meter Data Management/Repository not being met by the service provider.
	IESO conduct of its Smart Metering Entity role is regarded positively by local distribution companies (LDCs). Standard to be judged by LDCs in a focused survey.	This measure failed to meet its annual target in 2008. Only three LDCs responded and one set of comment expressed dissatisfaction.
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.	The IESO met the challenge in 2008 of establishing a market evolution agenda that was supported by the Stakeholder Advisory Committee, following the approval on September 5, 2008 of recommendations to enhance the current day-ahead commitment process. The IESO has put forth an agenda for projects to be worked on in 2009; projects listed in order of priority. The agenda was supported by the SAC. The projects will be grouped by: 1) Studies expected to require significant IESO and stakeholder resources 2) Studies expected to require moderate IESO and stakeholder resources 3) Market Design Changes that are either before the Technical Panel as Market Rule Amendments or are expected to require limited IESO resources for study in order to bring issue before the Technical Panel
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	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.	The Market Pricing Working Group met the challenge in 2008 by addressing the issues identified. Issue 1: Peak vs. Average Demand Forecast in Pre-Dispatch Analysis of issue completed. IESO decided that even though market efficiency gains could result from a change to average demand forecasting, the status quo will be maintained. The issue was addressed with some stakeholder opposition. Issue 2: Sale of Operating Reserve to Neighbouring Markets Analysis of issue completed. There was strong support within the MPWG for the IESO determination that that this issue did not merit further study at this time and that the issue should be closed. The issue was addressed with strong stakeholder alignment. Issue 3: Locational Pricing for Intertie Transactions There was strong support within the MPWG for incorporating issue 3 into the broader study of a more efficient uniform price in 2009. The issue was addressed with strong stakeholder alignment.

Customers & Stakeholders

Measure	Performance Expectation	Results at the end of 2008
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.*		<u>Role of Intertie Transactions in Setting Real-Time Price</u> There was strong agreement that the issue remains relevant, in light of the DAM recommendations, and that potential solutions should be investigated in 2009.
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.	In 2008, feedback conducted on stakeholder engagement activities indicate that 91% of respondents agree that IESO stakeholder engagement processes are effectvie at meeting stakeholder engagement principles. These results are based on the feedback forms that are responded to at the end of individual stakeholder engagement sessions/meetings.
	In the annual survey, customers provide an average rating of 7.5 on the value of IESO's products and services.	The 2008 Customer Satisfaction survey included a number of questions aimed at determining the value of IESO's products and services to customers. The average rating for all of these questions was 7.7 out of 10.
	In the annual survey, customers provide an average rating of 7.5 on the timeliness of IESO products and services.	The 2008 Customer Satisfaction survey included a number of questions aimed at determining the timeliness of IESO's delivery of products and services to customers. The average rating for all of these questions was 7.5 out of 10.
	The following customer facing projects are delivered by March 31, 2008 (equally weighted): • on-line Settlement forms; • reduce requirement for digital certificates through migration of MVWeb to Portal.	On-line Settlement forms were placed in service in February 2008. Migration of MVWeb to Portal was completed the end of February eliminating the associated requirement for digital certificates.

IESO 2008 Electricity Market Operational Metrics to the end of December 2008				
Category/ Name	**Measure**	**Criteria**	**Performance Expectation**	**2008 Results**
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	36
	Duration	Number of intervals AP applied per year	≤350	155
Provide Metering, Settlement and Market Support Services				
Settlement-ready Meter Data	Timeliness	Available next trading day	≥99.4 %	99.53 %
Meter Trouble Reports Issued to Meter Service Providers	Timeliness	Available next business day	≥95.5 %	96.32%
Preliminary and Final Settlement Statements	Timeliness	Issued as per schedule	≥99.3 %	100 %
	Accuracy	No IESO errors	≥99.5 %	99.76%
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%	83.6%
	Timeliness	Formal cases closed within 182 days	≥70.0 %	77.2%
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 %	99.7 %

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

Reliability		
Measure	**Performance Expectation**	**Results at the end of 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.	The IESO met the expectations of a number of individual system events that challenged the reliability of the system in 2008. The IESO actions in 2008 were effective in averting, reacting to, and addressing the reliability events when they occurred. In conclusion the NPCC Peer Review Team quoted as follows: "The IESO response to these unusual operating events in general speaks to the preparedness, knowledge and training of the IESO system operator and the ability of the operator to analyze atypical operating situations."
	NERC/NPCC reportable events are reported on time, and 85% of follow-up actions within IESO control are completed and closed within targeted timelines.	As noted above, there were a number of significant events in 2008, and all were successfully managed within NERC and NPCC criteria and standards, and hence there were no reportable reliability events during 2008 reporting year. For example, in 2008, there were no NERC reportable Interconnected Reliability Operating Limits (IROLs) violations (system not restored to a secure state within 30 minutes), affecting interconnected system operations.
2.2 Ontario's annual System Unsupplied Energy is within acceptable limits.	Ontario's annual system of Unsupplied Energy (UE) 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 is both greater than 50% of standard deviation from the averaged 10 years-UE. Hence not meeting Unsupplied Energy performance expectations.	Ontario Unsupplied Energy in 2008 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. Unsupplied Energy performance of Local Areas was continuously monitored and periodically reviewed with transmitters, as necessary, and mitigating actions developed at year end with relevant transmitters and market participants for Local Areas with "at risk" Unsupplied Energy performance. In 2008, one local area was identified as "Red" Storms in this area, coupled with breaker/protection problems, led to outages and associated higher unsupplied energy. Mitigating actions for this local area were identified and the protection related issues have been resolved by the transmitter.
2.3 Obtain successful NERC/NPCC compliance audits and achieve compliance with NERC and NPCC reliability standards.	Within the audits, no issue identified with IESO processes that relate to standards with high risk factor.	There were no issues identified during 2008 with IESO processes that relate to standards with high severity risk factor or to standards with a medium or low risk factor. The NPCC conducted the compliance audit of IESO's compliance with NERC reliability standards, in its roles as a Reliability Coordinator, a Balancing Authority, and a Transmission Operator, between June 17th and July 14th, 2008. The audit team evaluated the IESO's compliance with reliability standards pertaining to a broad range of areas, including emergency preparedness; resource and demand balancing; interconnection reliability operations and coordination; and communications. Auditors found the company to be fully compliant with all 38 key electricity reliability standards and 168 reliability requirements monitored by the North American Electric Reliability Corporation (NERC). In the post-audit debrief between NPCC auditors, NERC observers and IESO Senior Management, both the NERC and NPCC staff specifically commented on the quality of the IESO materials and personnel involved in the process, stating that "it was obvious that reliability is a cornerstone of the IESO culture." The Northeast Power Coordinating Council (NPCC) published its final IESO compliance audit report in September, 2008. The report is available at http://www.npcc.org/compliance2/AuditSpot.aspx.
	In addition to "Minimum Threshold", 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.	Ontario 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 that was 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.

Reliability

Measure	Performance Expectation	Results at the end of 2008
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 met or exceeded their target levels.
2.5 The IESO contributes to relevant Ontario regulatory proceedings and effectively manages Ontario and International reliability standard development processes.	In addition to achieving the minimum threshold, the IESO is assessed as providing strong supprot for industry reliability standards development processes, and focussed input in those processes in respect of Ontario's interests.	A survey conducted of the Reliability Standards Standing Committee indicates a favourable response from 86% of its membership that the IESO is providing high-quality representation of Ontario's interests. In 2008, the IESO were involved in a number of regulatory activities that provided strong support for industry reliability standards development processes, and continued focussed input in those processes in respect of Ontario's interests. These activities were: • Provide high quality technical and evidentiary support to the OPA by assisting with interrogatory responses and by providing technical information for its revised Integrated Power System Plan ("IPSP"). • Hydro One's Bruce to Milton transmission project proceeding before the Ontario Energy Board ("OEB"). Evidence presented by the IESO witness on the key panel in the oral was of critical importance to the success of the application. Milton Transmission application for leave to construct was approved by the OEB in September 2008. • The evidentiary phase of the hearing for the payment amounts regarding OPG's prescribed facilities. The IESO has subsequently implemented the Board's rate order effective December 1, 2008. • Successful conclusion of one year reliability must run ("RMR") contract with OPG and the Lennox generation station The RMR agreement was approved by the Ontario Energy Board ("Board"). • The IESO continues to be an active participant in Hydro One's 2009 multi-year rate case proceedings before the Board. As part of the Board's decision in Hydro One's previous rate hearing the IESO is undertaking a study of the appropriate Export Transmission Service ("ETS") tariff for Ontario. A stakeholder engagement initiative has begun. • Working with Ministry and Board staff, the IESO coordinated all of the associated changes resulting from Bill 44 which grants the Board authority to review and remand a NERC or NPCC reliability standard, criteria or regional reliability standard.

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

Category / Name	Measure	Criteria	Performance Expectation	2008 Results
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 -

Effective Use of Funds

Measure	Performance Expectation	Results at the end of 2008
3.1 Total Spending (OM&A + Interest + Amortization) is within the financial outlook approved by the IESO Board	Total Spending does not exceed Board approved financial outlook.	Results for 2008 indicated that IESO's total spending is $130.0 million, $5.5 million or 4.1% below the approved budget for 2008. The results reflect amortization that was $8.5 million below budget in 2008, resulting from a capital program review that implemented prudent life extension and upgrading in lieu of replacement or refresh for certain IESO assets. Operating, Maintenance & Administrative (OM&A) program costs were also successfully managed to $1.7 million below budget. The cost reductions in amortization and OM&A were partially offset by negative variances of $2.8 million and $1.8 million in net interest and OM&A pension costs, respectively. Net interest expense was higher than budget largely as a result of investment losses on the SERP Reserve (a balanced portfolio which includes Canadian and foreign equities) and a further $0.3 million write down on the corporately-held Asset Backed Commercial Paper. Pension costs were higher than planned as a result of a lower than assumed discount rate at the measurement date of September 30, 2007.
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 does not exceed Board approved capital envelope.	The results for capital program costs to the end of the year 2008 were $8.8 million or $3.2 million below a capital target of $12.0 million. The target represents the IESO Board-approved $20.0 million capital budget for 2008 less $8.0 million capital spending on Day-Ahead Market (DAM) project, which was not spent in 2008. The capital spending was below budget primarily due to the shift in timing of a number of projects ($2.2 million). Also, costs savings ($0.6 million) were achieved in several of the completed projects.
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.	The On–Line Limit Derivation program business case was completed and approved by March 31, 2008 and work proceeded throughout 2008 as planned.
	2. Participant Lifecycle System: Project delivered in accordance with the approved business case with respect to schedule, cost and anticipated	This measure failed to meet its annual target in 2008. 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 determined. The request for business case approval is on hold pending a review of the expected operating environment associated with the inception of a proposed Green Energy Act early in 2009.
	3. EMS/MIS: Project delivered in accordance with the approved business case with respect to schedule, cost and anticipated benefits	Stage 1 of 3 (EMS) was completed in December, 2007. Stage 2 (MIS) consists of six modules, three of which were delivered and placed in service by December 2008. The business case was revised and approved in October 2008 to reflect changes in circumstances. The vendor delivering the modules had advised IESO of pending staffing issues with the last three modules. Under the revised business case, these will be placed in service in the first quarter 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	The Network Zoning project was successfully delivered on schedule and below cost in June, 2008 and the anticipated benefits were achieved.

People		
Measure	**Performance Expectation**	**Results at the end of 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".	The IESO achieved superior performance as the level of "highly engaged" employees increased from 31% to 35%.
4.2 Implement talent management.	In the 2008 IESO Employee Engagement Survey, over 82% of IESO employees respond favourably to the statement: "I have improved my skills and capabilities in the last year".	IESO employees responded that they have improved their skills and capabilities in the last year. This increased from 79% to 87%.
	Development plans in place for over 85% of management employees in bands 1-5.	Development plans are in place for 91% of management employees in bands 1-5.
	Personalized development plans in place for at least 50% of employees.	Development plans are in place for 65% of IESO employees.
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".	Based on survey response 68% of IESO employees indicated that their immediate supervisor effectively coaches & builds employee strengths.
	In the 2008 Employee Engagement Survey, 60% of IESO employees respond favourably to the statement: "My immediate supervisor gives me frequent feedback".	Over 60 %(62%) of the employees responded favourably to statement "my immediate supervisor gives me frequent feedback."