



IESO 2010 Corporate Performance Results and Assessments

For the year ended December 31, 2010

A. RELIABILITY

"To sustain excellence in delivering reliable electricity service conditioned by costs and environmental performance."

Objective	Measure	Target	2010 Results
A1 The IESO-controlled grid provides reliable electricity service.	A1.1 Ontario's annual unsupplied energy is within acceptable limits.	Ontario's annual system unsupplied energy meets the published Ontario benchmark and the IESO agrees to a mitigation plan with relevant external parties designed to improve performance for any local area with unsupplied energy above threshold.	The IESO continued its high performance in maintaining the reliability of Ontario's power system. Ontario's annual system unsupplied energy result in 2010 was 11.96 which is 'below' the published Ontario benchmark of 15.75 and represents the lowest level in 5 years. There were no red flagged local areas as of December 31st, and therefore, no mitigation plans were required.
A2 The IESO's actions support reliable operation of the IESO-controlled grid.	A2.1 Compliance by the IESO and market participants with applicable reliability operating standards, market rules and regulatory requirements.	• The IESO reports full compliance with NERC high violation risk factor (VRF) requirements that are within the IESO's control and no violations of NPCC sanctionable criteria that are greater than Level 2 and that are within IESO's control; and • 90% of market participants reported full compliance with NERC high VRF requirements and no violation of NPCC sanctionable criteria greater than Level 2; and • NPCC audits find the IESO compliant with all high VRF requirements included in the audited NERC standards.	• The IESO reports full compliance with NERC high VRF and no violations of NPCC sanctionable criteria that are greater than Level 2 as well as full compliance to all standards at the lower levels. • 98% of market participants self-reported to be fully compliant with high VRF and no violation of NPCC sanctionable criteria greater than Level 2. • The IESO was subject to a spot audit by NPCC against a number of NERC standards. The IESO was found to be fully compliant.
A3 The IESO-controlled grid is equipped to provide reliable electricity service going forward.	A3.1 Percentage of the installed reserve requirement available.	The IESO anticipates a strong availability of reserves from a provincial adequacy perspective independent of any special actions undertaken by the IESO. Accordingly, this specific measure is not a meaningful measure of 2010 corporate performance. The IESO continues to make certain that local conditions or operational issues are adequately assessed in providing reliable electricity service.	

B. CUSTOMERS AND STAKEHOLDERS

"To continue to operate and adapt the IESO-administered electricity markets to the benefit of all Ontarians."

Objective	Measure	Target	2010 Results						
B1 Suppliers and consumers are responsive to the price of electricity.	B1.1 Market responsiveness of suppliers and consumers.	The following targets shall be met: • The capacity, over which the IESO can demonstrate some degree of influence, to shift suppliers towards price responsive behaviour at year-end, 2010 will be 50%; and Time-of-use (TOU) rollout • The IESO is proactive in engaging LDCs to move forward with their TOU plans; • Neither the IESO nor its services offer any barriers to LDC plans; and • The total number of consumers billed on TOU rates at the end of 2010 will be 2 million.	The IESO was influential in shifting 174 MW of capacity to market responsive behaviour, or 20% of the targeted capacity. This was as a result of the IESO’s contributions towards the amendment of Ontario Regulation 429/04. The IESO was successful in establishing a set of principles along with the OPA on negotiating future NUG contracts in favour of market responsive behaviour. NUGs could not actually move to market responsive behaviour in 2010 as the directive from the Ministry of Energy to the OPA to renegotiate their contracts was issued late in November 2010. In 2010, the IESO targeted the following capacity to shift towards market responsive behaviours: <table><tr><td>Beck PGS capacity</td><td>174 MW (20%)</td></tr><tr><td>NUGS Capacity</td><td><u>700 MW</u> (80%)</td></tr><tr><td>Total Capacity</td><td>874 MW</td></tr></table> Additionally, the IESO established a protocol with the Ontario Electricity Financial Corporation (OEFC), who administers the Non-utility Generation (NUG) contracts for the Province. Under this protocol OEFC can then assess when it might be in the best interest of ratepayers to curtail the output of NUG facilities to avoid the probable shutdown of a nuclear generation unit during times of surplus. TOU rollout The number of consumers billed on TOU by LDCs at the end of 2010 was 1.63 million. The SME was proactive in engaging the LDCs and was not a barrier to the progression of the Provincial roll-out plan as demonstrated by the deliverables below. Activities undertaken during the year: • At year end, 16 LDCs are in production and 34 LDCs are in various stages of testing. • Delivered new tools, guides, and processes to support LDCs and streamlined the enrolment testing/cut-over process. • Delivered over 46 training sessions with consistently positive feedback. • Issued and stakeholdered the MDM/R manuals for LDC comments and feedback. • Launched a new online Meter Data Management and Repository (MDM/R) service desk and self-service whereby the average time to close support requests	Beck PGS capacity	174 MW (20%)	NUGS Capacity	<u>700 MW</u> (80%)	Total Capacity	874 MW
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Objective	Measure	Target	2010 Results
			was reduced from 31 days in July to 6 days in October. • Worked with IBM to provide assurance to LDCs on the ability of the MDM/R to support increasing volumes of meters. • Enrolled meters increased from 0.3m to over 2.1m, and at year end the MDM/R is processing reads from over 1.4 million meters daily. • No negative feedback received from the OEB or the Ministry of Energy on level of IESO's support to the Smart Metering Implementation Plan.
B2 Market Participants are satisfied with the IESO's administration of the electricity market.	B2.1 Customer satisfaction with the IESO and the market.	In the annual survey, customers provide an average rating of 7.5 on their satisfaction with the IESO and the market.	The IESO achieved an average rating of 7.6 (out of 10) for those questions pertaining to the value of products and services in the 2010 Customer Satisfaction Survey.
B3 The IESO administered market promotes the purposes of the Green Energy and Green Economy Act (GEGEA).	B3.1 IESO actions adapt to support the objectives of the GEGEA and the obligations prescribed within its regulations.	The following targets shall be met: • The centralized wind forecast project will be delivered on schedule as defined by its business case; and • All connection assessments as prescribed in Ontario Regulation 326/09 (Mandatory Information re: Connections) shall be completed within 150 days.	• Centralized wind forecasting was incorporated into the Resource Integration Principles document released for consultation in early December 2010. The business case was pending as of December 31st and will be completed taking into account any relevant comments submitted over the comment period extending to January 17, 2011. • The connection assessments were completed within 145 days; 5 days earlier than mandated 150 days and 35 days less than previous years.

C. OPERATIONAL EFFECTIVENESS

"To provide excellent products and services in an efficient and effective manner that meets the needs of customers."

Objective	Measure	Target	2010 Results
C1 The IESO's infrastructure is capable of meeting the needs of customers in the future.	C1.1 IESO's capacity to undertake and complete change initiatives.	The IESO's capacity shall increase by 3% from 7% to 10% at the end of 2010.	The IESO achieved an increase in capacity of 2.7% to 7.7%. (Note: the actual starting point was 5% at the end of 2009 and not 7% as anticipated).
C2 The IESO's human resources are capable of meeting the needs of customers in the future.	C2.1 Employee engagement.	In the 2010 IESO Employee Engagement Survey, 30% of IESO employees within each business unit reports that they are 'highly engaged'.	IESO business units collectively did not achieve the 30% target. Despite not reaching the target, the IESO's employees' level of engagement significantly exceeds industry and national benchmarks and also maintains its position of having a higher level of highly engaged employees.
C3 IESO resources are used effectively and efficiently to meet the needs of customers and achieve stakeholder satisfaction.	C3.1 Delivery on the business plan both capital and OM&A.	• The IESO operates at no operation deficit; and • Key projects are delivered on time and on budget in accordance with their approved business case.	• IESO's operating surplus for 2010 was \$18.3 million. This surplus can be attributed to effective cost management by the IESO including: ○ Operations Management and Administration savings of \$6.2 million. ○ Amortization savings of \$7.0 million, as a result of continued utilization/good maintenance of existing assets, resulting in extensions to asset service lives. In addition: ○ Increase of IESO revenues of \$4.3 million a result of higher exports. • The key projects, as listed in the 2010-2012 Business Plan, were delivered on time and on budget or are still on track with the approved business case. ○ On-Line Limits Development (OLLD) - Completed ○ Enrolment Automation (CIDE) - Completed ○ Enhanced Day-Ahead Commitment (EDAC) - On track ○ NERC Standards Compliance Tool – Completed The Outage Management Replacement project required an extension and additional funding due to unforeseen technical difficulties.

D. REPUTATION AND RELATIONSHIPS

"To advance the IESO's reputation and relationships to further engage the electricity sector and accomplish its mission."

Objective	Measure	Target	2010 Results
D1 The IESO is perceived as a leader in the electricity sector.	D1.1 Reputation amongst customers and stakeholders.	In the annual survey, the IESO is perceived as a leader amongst customers and stakeholders by over 35% of respondents.	The IESO is perceived as a leader by 48.4% of the surveyed customers.
D2 The IESO is able to influence important policy decisions that impact the IESO.	D2.1 Strategic engagement with government regulators and stakeholders to advance the IESO's objectives.	The IESO is a key contributor on the following policy items: • Flexibility of supply; • Importance of the price signal in the market; and • Operability profile of the supply mix.	The IESO was heavily engaged on many fronts and was a key contributor to policy items in which the outcomes were consistent with the advice provided to government regulators and stakeholders. • The IESO was instrumental by undertaking several studies and was seen as a sound advisor on various components of the published draft of the government's Long Term Energy Plan. In particular, the IESO was successful in ensuring that the plan addressed: ○ the retirement of the coal plants with the criteria of demonstrated reliable performance of the replacement fleet; ○ the need for significant coordination within the conversion or scheduling of major unit refurbishments; and ○ priority transmission projects where required. • The IESO is adapting power system operations and the IESO-administered markets to accommodate the influx of renewables. The IESO proposed the Renewable Integration Design Principles to enable areas of forecasting, dispatch and visibility related to renewable generation. These principles are proposed to guide the IESO's future design and development processes. • As part of the NERC Integration of Variable Generation Task Force and to the provincial working groups the IESO was able to drive the acceptance and alignment of standards that will breed future flexibility and adherence to those standards. • The IESO was influential in promoting the importance of wholesale market price signals for consumers through its involvement in the amendments to Ontario Reg. 429/04 relating to the allocation of the Global Adjustment. The IESO was a major contributor in the design of the amendments. The IESO's recommendation which were incorporated in the amendments will affect specified consumers' consumption decision for a few hours. These changes will encourage more efficient demand response from large customers.

D. REPUTATION AND RELATIONSHIPS

"To advance the IESO's reputation and relationships to further engage the electricity sector and accomplish its mission."

Objective	Measure	Target	2010 Results
D3 The IESO maintains its supportive role of government policy in operational, market, and environmental planning activities.	D3.1 IESO's technical capability supports government policy in the planning activities.	The IESO's technical capability is reflected in the: • Services provided to the OPA; • Timely information products developed to meet reporting obligations and expectations; and • Support provided under section 92, <i>leave to construct</i>, of the OEB Act, 1998.	The IESO demonstrates a high level of activity and positive outcomes in key areas of support needed by government regulators. • Technical support to the OPA was significantly higher than in 2009, including work with transmission assessments, active participation in the FIT transmission availability test, the application of the NERC and NPCC planning standards to the existing Northwest system, provided technical assessments and analysis for potential enabler transmission lines and other potential transmission issues and concerns such as congestions, configuration and system reactive needs. The IESO's continued participation in the Eastern Interconnection Planning Consortium (EIPC) initiative led to useful sharing with the OPA of relevant planning activities of neighbouring entities within that initiative. The IESO continued to meet all of its reporting obligations and expectations, in particular: • 18-Month Outlook September 2010 – February 2012. • Transmission Assessment for the 18-Month Outlook September 2010 – February 2012. • Quarterly Demand Forecasts. • NERC Winter Assessment (2010/2011). • Updates provided on NERC Long Term Reliability Assessment to incorporate changes in renewable/FIT projects. • Compliance assessment for NPCC • All Reliability Standards Authorization Worksheet (RSAW) A NERC template for populating evidence of compliance were completed in 2010 The IESO provided document reviews, support and approval with respect to confirmation of the reliability impacts of the proposed new or modified connections. Formal OEB proceedings in which the IESO participated includes: • Hydro One Mid-town Toronto Transmission Reinforcement • Northgate Minerals Corporation • Detour Gold Corporation