NORTHSTAR
research partners

Market Assessment Research

- Wave 4 -

Prepared for:

ieso
Power to Ontario. On Demand.

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Introduction

Background

- As part of its ongoing commitment to improving service to market participants, this research endeavor was commissioned by the IESO in the fall of 2005 to gauge participant evaluations of the organization.

- This study tracks year over year changes since 2002.

- This research represents the fourth wave of the IESO's research initiative.

- Based on feedback from the IESO, a few changes were made in this wave of interviewing …
  - Questions that did not provide actionable feedback were removed; and,
  - In their place, new lines of questioning were added to touch on recent issues (e.g. reliability).

- The over-arching objective of this research is to compare satisfaction results to previous waves and identify any areas where improvements have been made. We also want to continue to identify specific participant concerns in an effort to prioritize and affect customer satisfaction and loyalty levers.

- A total of 78 one-on-one personal interviews were conducted between November and December 2005. Interviews were conducted with a cross-section of executive level market participants.

Background

- A total of 78 one-on-one personal interviews were conducted with a cross-section of executive level market participants. Overall, distribution of interviews between market participant classes is largely consistent with the composition of previous samples:

	Number of Interviews			
Participant Class	2002	2003	2004	2005
Generators	14	16	13	13
Transmitters	3	3	3	6
Distributors	23	20	33	34
Wholesale Consumers	38	37	29	30
Wholesale Sellers	12	14	13	8
Retailers	9	7	8	3
Financial Market Participants	7	9	8	6
Total:	73	76	75	78

- Primarily taking the form of a quantitative interview, all discussions followed an approved guide.

Participant Profile

	Total (% stated)
	(n=78)
Number of Employees	
Under 50	31
50 to 499	40
500 to 999	6
1000 or more	22
Not stated	1
Plant Operations	
Single site	41
Multiple site	30
Not Stated	29
Annual Electricity Expenditure (Non-LDC participants only)	
Under $1-million	9
$1-million to $5-million	7
$5-million to $19-million	30
$20-million to $100-million	16
Over $100-million	2
Not Stated	36
Average (millions)	*23 million*

Among Multiple Site Plants

- 1-4 Plants 30%
- 5-9 Plants 26%
- 10 + Plants 35%
- No Answer 9%

**Caution: small base sizes*

Participant Profile *(cont'd)*

	Total (% stated)
	(n=78)
Number of Customers Served by LDCs (LDC participants only)	
Under 10,000	26
10,000 to 24,900	18
25,000 to 49,000	15
50,000 to 99,000	12
100,000 or more	18
Not stated	12

**Caution: small base sizes*

Reporting Perspective

- Data has been tested for statistical significance at 80% confidence.
  - Solid circles indicate significantly higher figures between groups
  - Dotted circles indicate directional trends
  - Solid squares indicate significantly lower figures between groups
  - Dotted squares indicate directional trends
  - In some places, up ↑ and down ↓ arrows are used to highlight significant increases and decreases between tracking periods.
- A little alarm bell symbol is used to highlight findings of note and significance.
- It should be noted that on some line-charts showing trending over the years, the y-axis does not start at zero. The minimum point on the scale has been altered to better illustrate variations by contracting the scale. Where minimum and maximum points have been altered on the y-axis, the scales used have been labeled. Furthermore, data tables are included under the chart to further clarify the various data points represented in the charts.

Summary of Results

Summary of Results

<u>A Year Later…..</u>

- The IESO continues to sustain a strong image with participants with regard to its role in the Ontario electricity market. While there is a general sense among participants that the functionality of the market is in place, there is an underlying anticipation of whether the current state will move to a full market or revert to a regulated environment. The IESO is still seen as the largest relative contributor to successful operation of the market. In terms of leadership on various aspects of the market, this year there has been a shift in leadership/authority in the view of participants.

- Market participants expressed continued frustration at the apparent uncertainty surrounding the electricity sector ranging from supply shortages, Government indecision and the future of the market model. This affects participant business in areas from capital investment deferrals, production changes/shifts to the need for self generation. For example, many wholesale consumers expressed ongoing reservations about doing business in the Ontario market while some outside financial and investment companies saw the Ontario market as an opportunity especially with the Government RFP process for generation. Many saw the latter as a step back from a competitive model. LDCs continue to show a marked resignation to tolerating the market but see limited value to their operations.

- Market participants especially loads are still desirous for the true market, ie they still believe in the model but seemed less convinced than in previous years on the willingness or the ability of the IESO to champion or influence decision makers and to defend their interests. There continues to be a sense of frustration that participant input has less value. This is in part driven by a sense that there is now little difference between the IESO and the government in terms of voices and agenda. This occurs at a time when the Government is seen as the least valued contributor to the future of a market. Most felt that the IESO has forfeited much of the independence that it had in the first several years of market development. This happened not by choice on the part of the IESO, but rather as a result of industry structure.

- In terms of performance, the IESO ratings on value for dollar and quality of service remain flat over 2004. There has been some positive movement on confidence in the IESO overall driven largely by views of front line staff. Participants noted an increased satisfaction with the quality of information emanating from the IESO in terms of both content and timeliness. Relevancy and pertinence remain key challenges.

Summary of Results

- Directing a reliable supply of electricity and effectively handling settlements remain the IESO services participants rate highest. From a style standpoint, the IESO remains challenged in the view of participants to be flexible, adaptable and responsive (as opposed to just listening). Most believe that the IESO ability to customize products/services to the unique needs of business is limited. In some areas this void is being filled by third parties.

- Confidence in different groups within the IESO has not changed significantly in the past year with the exception of market participant support and system and market operations which have improved. Senior management and the Board of Directors have shown declining confidence levels among participants. The latter is driven by aspects such as lack of visibility, a loss of independence from government, tenure of position (Board) and market direction uncertainty. Participants remain convinced that the IESO is a key part of delivering a reliable market and being a key source of information and support to market players. It would appear that while the IESO is doing relatively well on the tactical aspects of its business, participants view it with less clarity on its strategic direction.

- While technical and operational skills underpin a lot of the IESO trust with participants, as a maturing organization it needs to be more articulate in terms of demonstrating its vision for the Ontario market and building behaviours more reflective of a customer focused entity.

- In 2005, participants seemed generally less engaged on market issues and the IESO than in previous years. Reasons ranged from the general sense of unease with the market to a lack of knowledge about the IESO strategic as opposed to tactical level.

Summary of Results (cont'd)

IESO Performance and Relationship

- Participants reflect a sense of maturity and knowledge with market operations. This comes despite the view of a majority that the market has not evolved in the past year. In this context, the IESO continues to be seen as a leading authority on most market elements, predominantly design and operations. Most believe that the market has contributed to a greater awareness of their processes and energy use generally.

- The number of participants (68%) that believe they are in a “customer relationship” with the IESO remains unchanged. 70% describe the relationship as unchanged over the past year The relationship remains difficult to articulate beyond “transactional terms”. The IESO needs to continue to display more behaviours that reflect a “customer-focused mindset” (the corporate values that receive the weakest ratings include ones related to a “customer-focusted mindeset – customer-focused, forward-thinking, adaptable and flexible).

- The IESO has created a recognized presence across all aspects of the Ontario electricity market. Its relationship with participants remains strong with over 6 in 10 rating it 8-10. All parties have become more familiar with each other, established personal contacts and shown some flexibility.

- The ability to maintain an open, personal and relevant dialogue is critical to sustaining the relationship with Participants.

- Ensuring a reliable supply and making certain that market participants know their obligations remain the strongest rated deliverables of the IESO for participants. Balancing the views of all participants in decision making has declined over 2004.

Summary of Results (cont'd)

- While the IESO is maintaining a strong level of satisfaction on 3 of 10 business priorities (focusing on its core business, being a valuable information source and effectively managing its finances), aspects such as showing flexibility and providing simpler / transparent rules remain challenges. The IESO is credited with being focused on the the wholesale market (its core business) but according to participants has lost ground in terms of being a champion of the Ontario market.

- When it comes to year-over-year improvement on the business priorities, significant gains have been made this year when it comes to the IESO effectively managing its finances. This measure has seen an 11-point increase from 2004.

- Participants have not developed a sense of the IESO as a product/service provider. The IESO is best recognized for its technical /operational delivery and settlement management. The need to increase the profile of the "service package" would go some distance to building the "customer focus" and flexibility/adaptability that most seek.

- The IESO has shown improvement over 2004 in the delivery of some of its services, ie transactions and market rules, but still needs to move its total product mix delivery up to the level attained by its performance on "reliability" if it wishes to establish a customer niche.

- The corporate values rating to which the IESO aspires is generally unchanged in 2004 but continues to be strongest on the "utility"type aspects and less on the partnership/customer dimension. Being objective, accountable and customer focused have improved over 2004, while adaptability and capability have dropped.   Trustworthiness, reliability, and credibility remain flat.

- While Participants are aware that they financially support the IESO,the delivery of"value for dollar" has stabilized since 2003. The highest value will come from the dual commitment to sound operations and responsive service delivery. Operating a reliable system while still the strongest value component relatively has declined slightly while service delivery, information quality and staff competency account for a second tier. Being and industry leader and creating innovation are well down on the value chain of participants.

- Marketing the fee IESO fee reduction and rebate as a value enhancer receives mixed views with only 28% feeling that it would increase their sense of value for dollar from the IESO.

Summary of Results

- While participants use a range of vehicles to communicate with the IESO , e-mail and the website are the most common. While these two vehicles are among the most preferred ,personal contacts is of equal ratings in terms of participant preferences. The Help Centre has seen a decline in preference over 2004 yet it remains the second most effective means of communication with the IESO after personal contacts.

- There has been a marked improvement in 2004 on the “helpfulness” of IESO information with pricing ,demand and outage information being rated highest.

- Interestingly, three in four participants at the executive level claim to have an account manager. While frequency of contact is varied, the majority (69%) claim to have an excellent relationship. This may in part be explained by the fact that account managers would interact with “work face” contacts rather than executive level staff.

Summary of Results (cont'd)

Role of the IESO

- Most do not look to the IESO as a source of energy management information. Hence, the ratings tended to be low on the IESO's promotion of conservation since they see no evidence upon which to judge. The same relates to the lower ratings on the IESO's creation of investor confidence, presenting a vision for Ontario's energy future and responding to participant advice. Ensuring supply adequacy and creating contingency planning in terms of reliability are rated highest.

- Most believe the IESO could assist in creating some investor confidence but would need to be seen as more independent of government/politics and forthcoming on market confidence.

- The rating of the Ontario investment climate has dropped significantly largely due to government market uncertainty and no price price certainty or ROI.

- In a change from previous years, over half of participants feel that they do have an effective voice with the IESO on market evolution. The past feeling was driven by a sense that the participants were too small individually to have an effect and a lack of responsiveness on the part of the IESO. Actions by the IESO and AMPCO have turned this view

- Views are generally favourable to the IESO creating a "day ahead market" as a means of achieving better resource planning and more stable prices. Risks are predominantly in the realm of it being overly complex,potential for gaming and actual vs. forecast price differentials.

Summary of Results (cont'd)

Market Evolution

- Participants (63%) believe that the market is not evolving which is a turnaround from previous years. Generally, there remains a significant group that feel the political involvement and uncertainty is causing the market design to regress.

- Most Participants believe the market model for electricity is best for their businesses as well as beneficial to the Province. Perceived impediments remain in the form of the price cap, government uncertainty and lack of investor confidence.

- In order for a competitive market to materialize, Participants strongly seek added generation capacity (liquidity) followed by removal of the price caps and rule/price stability.

Communications

- Participants were generally pleased with the quality of information received from the IESO. While volume continues to be an issue, participants increase their ratings on four out of five types of information tested.

- While e-mail and the website are the most common forms of communication with the IESO, personal contacts are the most preferred. Personal contacts and customer relations are also seen as the most effective means of communication.

Summary of Results (cont'd)

Reliability

- The IESO gets very strong ratings as a system operator – competent, reliable, technically sound. Scores are somewhat lower on showing evidence of forward thinking relative to the system.
- While most felt the impact of the summer 2005 supply problems, impacts ranged from voltage reductions, lost sales /production, blackouts, appeals and plant closures. Few have taken steps to prepare for future problems.
- Most believe that the IESO could not have handled the situation differently
- At strong majority believe that the IESO is best suited to deal with near term reliability because of their expertise and experience. Most are neutral in terms of the confidence that they have in the IESO ability to resolve the issue. The latter stems from a belief that the IESO does not have the authority/ political influence to make the changes necessary.
- Lack of supply and a lack of transmission investment are seen as the principal contributors to the reliability concerns.

Summary of Results (cont'd)

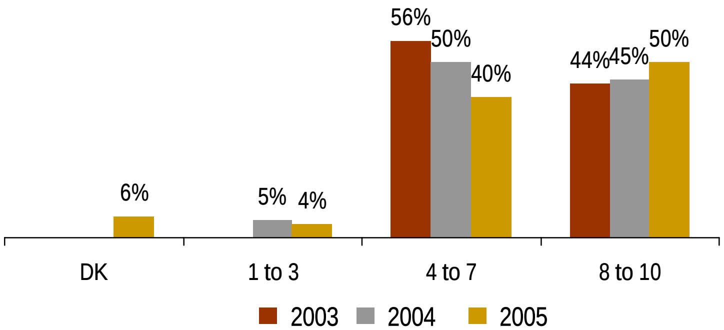
Conclusions

- The relationship the IESO has built with Market Participants appears to have reached a plateau. As all parties in the market have gained more maturity/understanding, they have become more discerning in terms of value/expectations. The lack of momentum in overall performance of the IESO should serve as a signal to decision makers of the challenges in building a sustainable customer relationship.

- Recognizing most parties in the Ontario electricity market anticipate higher costs with the Government's new industry approach, customers will be increasingly looking for evidence of value especially from those entities such as the IESO that are"fee based".

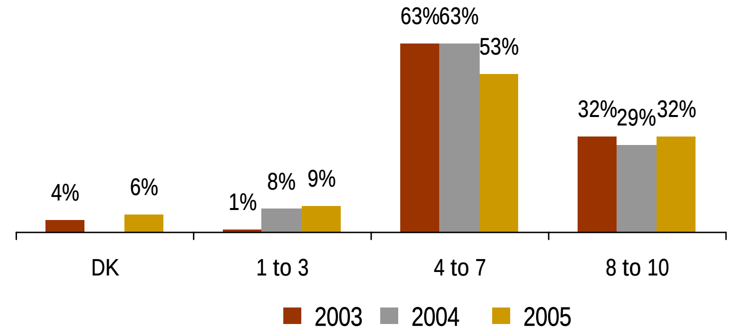
Overall IESO Performance – Snap Shot of Key Measures

Overall Confidence in IESO (% saying)



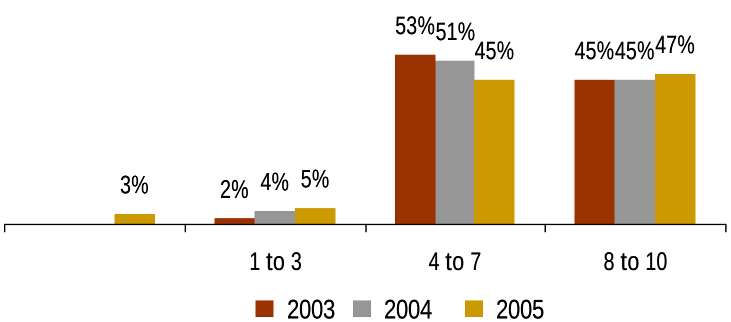
2005 Average = 7.3
2004 Average = 7.1
2003 Average = 7.3

Overall Value For The Dollar (% saying)



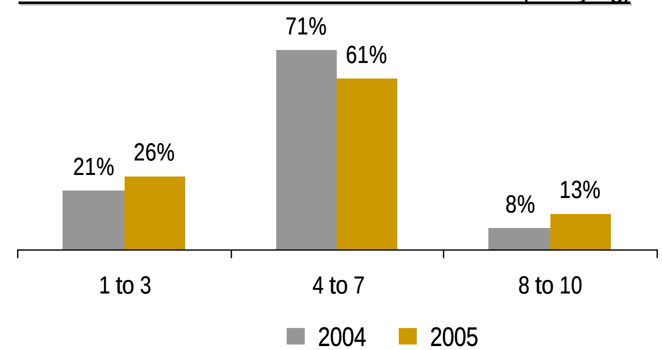
2005 Average = 6.6
2004 Average = 6.5
2003 Average = 6.8

Satisfaction with Quality of Service (% saying)



2005 Average = 7.2
2004 Average = 7.0
2003 Average = 7.3

Ability of IESO to Customize Its Products to Meet Business Needs (% saying)



2005 Average = 5.2
2004 Average = 4.8

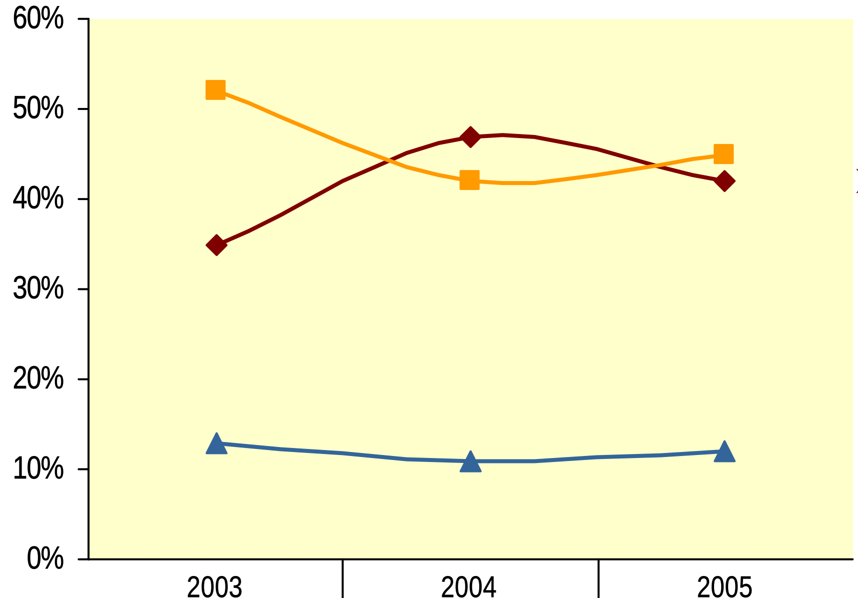
Detailed Findings

Overall Market Operations

Perceptions of Market Operation

- After showing some improvement in 2004, perceptions of the overall management of the market has slipped this year – although not significantly. In 2005, market participants are just as likely to assign mediocre ratings for the management of the market as they are to assign well managed scores.

Last 12 Months of Operation



	2003	2004	2005
Very Well Managed (8-10)	35%	47%	42%
Neutral (4-7)	52%	42%	45%
Poorly Managed (1-3)	13%	11%	12%

2005 Average = 6.5
2004 Average = 6.6
2003 Average = 6.3

There is a convergence of well managed and neutral ratings.

*There are no sig. differences between 2004 and 2005

S2Q1a. How would you describe the last 12 months of market operations? Use a 10-point scale where 10 means it was well managed…

Market Authority of Specific Issues

- The IESO continues to get top billing for being perceived as the "authority" on market design, operation, and enforcement. It shares evolution with the Provincial Government – although the province has lost some ground in this area to the OEB. Interestingly, the OEB appears to be making inroads in a number of areas – most notably enforcement and rule-making.
- System reliability in the short and long term was added this year. The IESO is perceived to the be primary authority in on short term reliability while the OPA is slightly ahead of the IESO when it comes to the long term.

Total Market* (% Stating)

	IESO		OEB		Prov. Govn't		OPA		OPG		Hydro One		No Authority	
	'05	'04	'05	'04	'05	'04	'05	'04	'05	'04	'05	'04	'05	'04
Market Design	49	43	26 ↑	16	31	36	10	N/A	3	1	4	3	5	5
Operation	87	81	3	8	1	5	1	N/A	-	1	8	3	1	3
Rule-Making	41	47	45 ↑	27	21	24	10	N/A	3	-	-	1	3	3
Enforcement	50	53	42 ↑	36	4	7	4	N/A	-	-	-	-	5	4
Evolution	39	32	17 ↑	8	39 ↓	52	19	N/A	4	1	4	-	5	7
System Reliability in the Short Term	73	N/A	5	N/A	4	N/A	5	N/A	4	N/A	22	N/A	1	N/A
System Reliability in the Long Term	40	N/A	1	N/A	22	N/A	44	N/A	-	N/A	6	N/A	3	N/A

Highest Rating

Second Highest Rating

Third Highest Rating

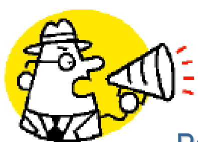
*Multiple Mentions Accepted

S2Q3. And who do you view as the authority on the Ontario electricity market in terms of….

Contribution of Wholesale Electricity Market to Success

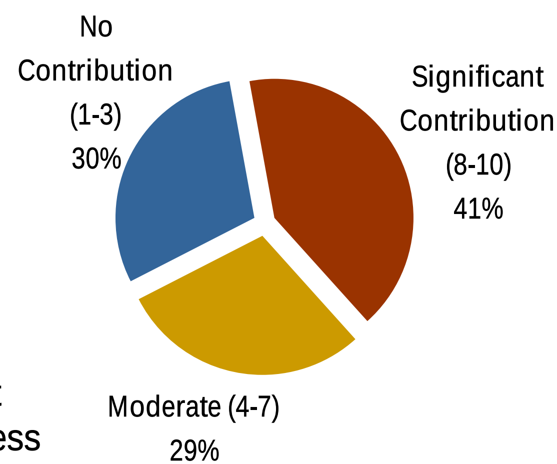
- Opinion splits three ways when market participants are asked how much the wholesale electricity market contributes to their company's success. Four in ten feel that the market has a significant contribution to their company's success. The remaining six in ten split equally between those who feel the market makes a moderate contribution and those who feel that it has no contribution at all on business success. Lack of true choice and the fact that electricity is only a small part of a business' operations are the primary reasons given to explain the low ratings.

Contribution of Wholesale Electricity Market to Company's Success



Reasons For Limited / Low Value

- The most commonly cited reasons for feeling that the market has little impact on a company's success is lack of choice and the fact the electricity accounts for only a small fraction of their total business.



2005 Average = 5.9

"We don't do any buying ourselves. The price is given to us and we have to accept it. It isn't really a market for us." (LDC)

"There is no market right now. Prices are probably higher now than they've ever been. We need a true market if it is gong to have any contribution to our company's success." (Load)

"Our operations are limited to settlement processes only. The market has no impact on us." (LDC)

"We have no opportunities in the system; so it can't contribute to our company's success. There is no ability to change." (LDC)

"Electricity doesn't represent a large portion of our operating budget. It is not hugely significant" (Load)

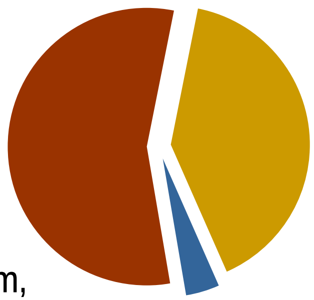
S2Q5a. How much does your ability to operate in the wholesale electricity market contribute to your company's success?
S2Q5b. IF RATING BELOW "5": Why is it of limited or no value?

Perceived Value of the Wholesale Market in Current State

- Again, we see a difference of opinion among participants when it comes to perceived value of the market. A slight majority are willing to say that the market has considerable potential. However, they feel that politics has to be removed from the equation and the market opened up to true competition.
- Four in ten participants feel that the market in its current state offers little value. Government intervention, lack of competition, complex and rigid structure are all cited as reasons to explain this perspective.

Is the market of little value or does it have considerable potential?

(%Stating)



Why Potential?

- Feel that privatization will work in the long term, but politics needs to be removed from the decision making.
- Need to get more players into the market
- Need real competition
- Need to understand coal replacement
- Need to balance generation investment and demand

"There is potential, but we need to at least go back to where we initially started. Things have gotten worse, not better. Everything has gone downhill since government got too involved. To start, we need more players. OPG continues to have the bulk of generation. The government has made long-term contracts with some generators. This isn't a market." (Load)

Why Little Value?

- Too much government intervention
- LDCs have no ability to buy from the market
- Market is not structured properly – need a long term futures market
- Not a true market
- No flexibility
- Structure is too complex

"Only 20-30% of generation is active in the market – all the rest is on contract. – thus there is no real market. Everyone is waiting for contracts from the government if there is a crisis."

S2Q6. …With the market in its current state, which position is closer to your own?

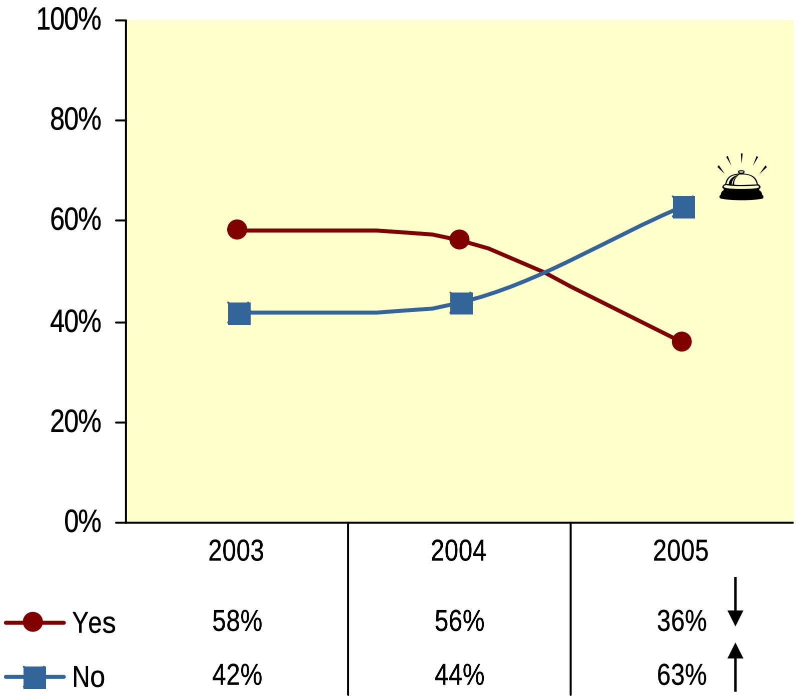
Market Evolution

Perceptions of Market Evolution

- 2005 marks a turning point for market evolution in the eyes of market participants. In this wave, a majority of participants are of the opinion that the market <u>has not</u> evolved in a positive way during the course of the year. This is a dramatic increase from 2004.

Has the Market Evolved?

(% Stating)



Evidence of Market Evolution (2005)

Among those who feel market has evolved

- Signs of "some" flexibility from IESO
- Smart metering
- Renewable RFPs and the potential standing offers
- Predictability and stability (pricing is truer and the day ahead market is coming)
- Better understanding of how the market works
- More consistency in market rules applications

Business Impact of Evolution (2005)

Among those who feel market has evolved

- Accurate billings have helped communications with the public (LDC)
- More demands on participants – especially from OEB
- Settlements more complicated
- Impact on billing systems and ramping up a demand management program (Smart Metering)

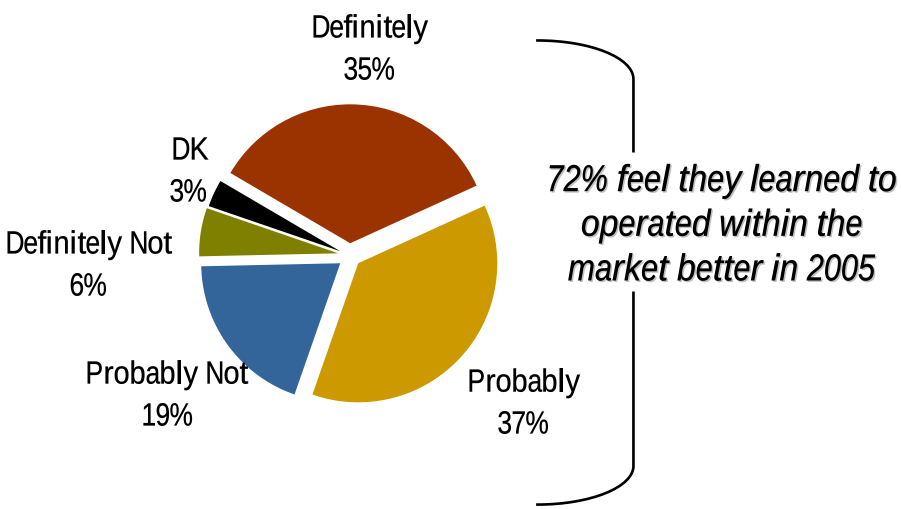
S3Q1a. Switching gears for a moment, has the electricity market evolved (in a positive way) at all in the past year?
S3Q1b/c. How? How have these changes affected your company's business?

Learning to Operate the Market Better

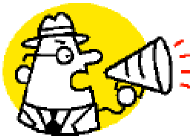
- While most feel that the market has not evolved in the past year, the majority do indicate that they are starting to feel more “at home” with the current state of things. Seven in ten feel that they have either definitely or probably learned how to operate better within the market over the course of 2005.

Learned to Operate in the Market Better in Past Year

(% Stating)



Benefits of Wholesale Market for Organization

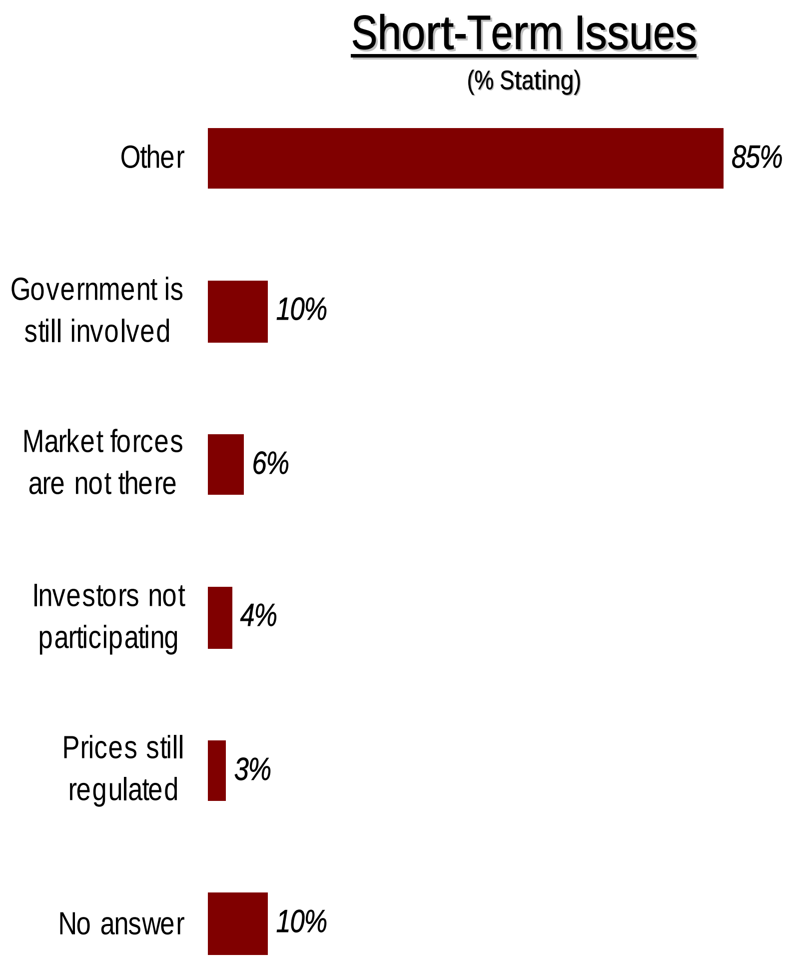


- Better managed energy costs (8%)
- Planned production based on price forecasts (6%)
- Made us smarter energy buyers (3%)
- Increased our focus on energy conservation (3%)
- Other (65%) [Includes: Bidding process better; increased revenues (LDC); more familiar with bill; more price certainty / transparency; and some NUG investments]
- No answer (27%)

S3Q2a. Would you say that your organization has learned how to operate within the market better in the past year?
S3Q2b. How specifically has the wholesale market benefited your organization?

Short-Term Issues Still Outstanding Needed for Evolution

➢ Market participants feel that there are a number of issues that are still outstanding that need to be addressed to further evolve the market. These issues are highlighted below.



Includes:

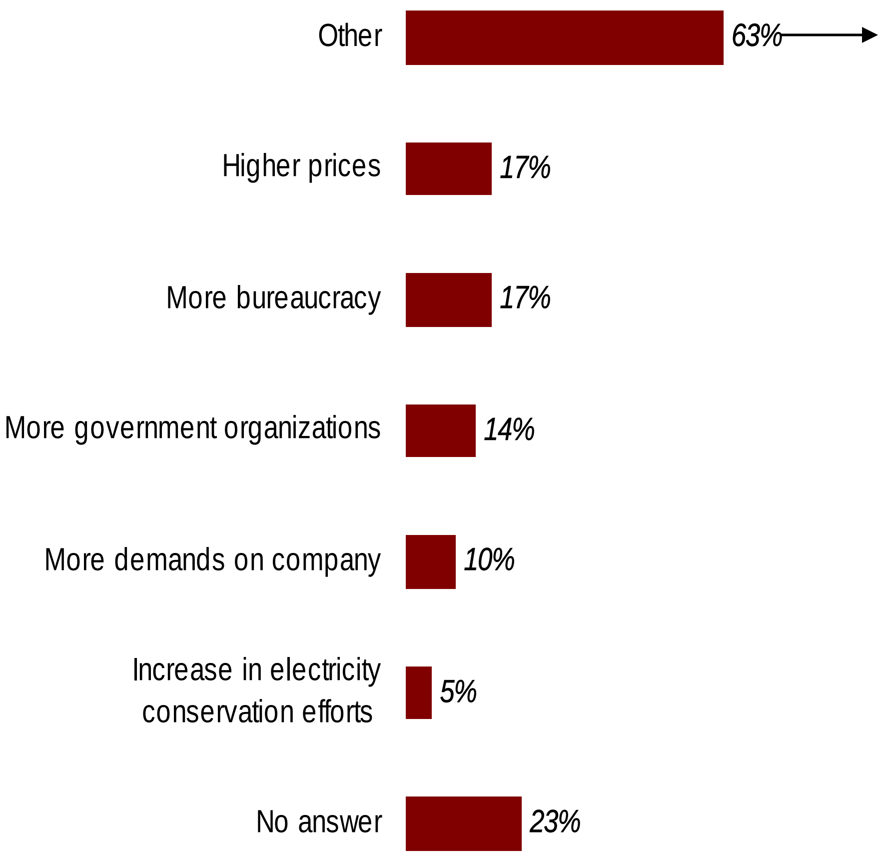
- More liquidity
- Price stability
- Environmental / NIMBY risks
- Resolution of DAM
- Sustainability / power quality
- Future of rebates
- Commitment to market
- Answer on future of cap after April 06

S3Q3. What, in your opinion, are the short-term issues (12-18 months) still outstanding that would further evolve the market?

Changes Noticed Since Introduction of Bill 100

Changes Noticed Since Bill 100

(% Stating)



Many of the "other" mentions refer to the creation of the OPA and the changing of roles for other players in the electricity market. Also mentioned is the introduction of the RFP process.

Selection of Verbatim Comments

"It was a substantial piece of legislation. It introduced the OPA and significantly changed the roles of other players including the OEB and IESO." (Load)

"Huge improvement over Bill 210. Bill 100 is a step in the right direction, but still volatile." (LDC)

"Greater accountability for LDCs." (LDC)

"It has made it more complex. There are more people involved now, more groups." (Load)

"The addition of the OPA and expansion of the OEB have resulted in more labour costs. Basically, more people to do all the newly created work. This is making the overall system more expensive." (LDC)

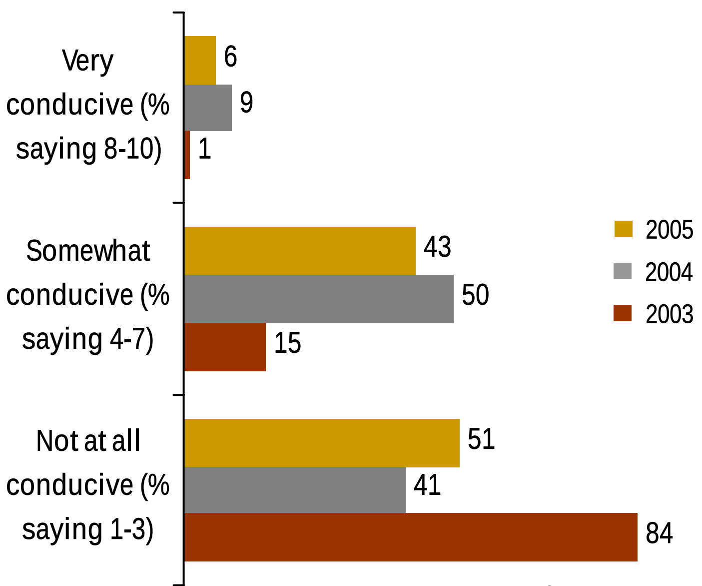
"Split the IMO into the OPA and IESO." (LDC)

S3Q4. Since the introduction of the Ontario Electricity Restructuring Act (Bill 100), what changes, if any, have you noticed in the electricity sector?

Investment Climate in Ontario Electricity Market

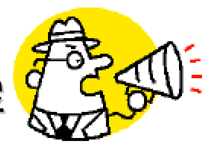
- There appears to be a softening of opinion about the investment climate for Ontario's electricity market. The average rating this of 3.8 this wave is significantly lower when compared to 2004 – although still considerably improved over 2003 levels.

Investment Climate



2005 Average = 3.8
2004 Average = 4.2
2003 Average = 2.3

Impression of Investment Climate



POSITIVE EVALUATIONS (rating of 6 or higher)

- Interested investors within areas of wind and hydro-electric energy
- Conducive because of the various RFPs.
- Opportunity with supply needs
- Investments in conservation, Smart Metering
- Paying generators good price for production
- Opportunity with government trying to replace existing power sources

NEGATIVE EVALUATIONS (rating of 4 or below)

- Government cannot be trusted (price freeze in 2002) / investors have a "stigma" about Ontario
- Market is restrictive – difficult to get in because it is cost prohibitive and complex
- Uncertainty / political interference / "political flip-flops"
- Too risky
- No incentive to invest

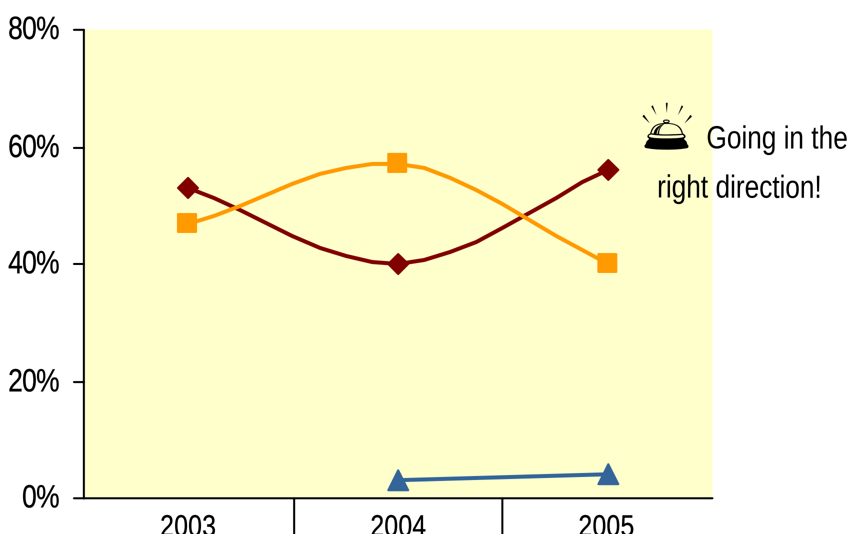
S3Q6a. How would you describe the investment climate in the Ontario electricity market? Use a 10-point scale where 10 means it is very conducive to investment….
S3Q6b. Why do you say that?

Do Participants Have an Effective "Voice" with the IESO?

- 2005 marks an improvement over the previous wave as more participants now feel that they or their company have an effective voice with the IESO in the evolution of the market. This suggests that efforts made over the past year have had a positive impact.

Effective Voice Regarding Evolution?

(%Stating)



	2003	2004	2005
Yes	53%	40%	56% ↑
No	47%	57%	40% ↓
No Opinion		3%	4%

Suggestions for Improvement

**Among those who do not believe they have an effective voice*

- Communication with the IESO is not direct – it tends to be through associations (LDC comment)
- There is some interest in having more involvement with the IESO, but organizations are pressed for human resources. They don't have the time or resources to be "engaging" with the IESO.

(See next page for some specific suggestions.)

S3Q7a. Do you believe that you / your company has an effective voice with the IESO in the evolution of the electricity market?
S3Q7b. How could this be improved?

Do Participants Have an Effective "Voice" with the IESO?

Verbatim Comments

Some suggestions and comments straight from your customers…

"We're a small player, so we're taken for granted. We do have a voice with the EDA. The IESO should be coming out here and talking to us directly. They don't understand our business. Fiscal responsibility on the part of the IESO would improve the relationship immensely. The calendar fiasco was really stupid. They give us the impression that they care about the customer, but they don't. Give us an opportunity to voice our opinion. Have some regard for the little guy."

"Arranging seminars, meetings and explaining the plans for the future. Face to face meetings better facilitate asking and answering questions."

"My IESO contact has changed 3 times – I don't know him and he doesn't know me. We need closer face-to-face communication."

"Let us know if they have a plan – tell us what they are doing."

"Yes, we do have an effective voice, but it still isn't as good as it could be. The IESO continues to be focused primarily on generation. They have a generator mentality."

"Have a distributors forum hosted by the IESO to discuss how distributors could work more closely with the IESO."

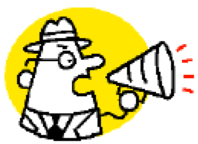
"I don't think that we're big enough for them to listen to us."

S3Q7b. How could this be improved?

Ability of Participants to Act as Advocates for Market

➢ A strong majority of participants continue to feel that they can act as advocates for the market.

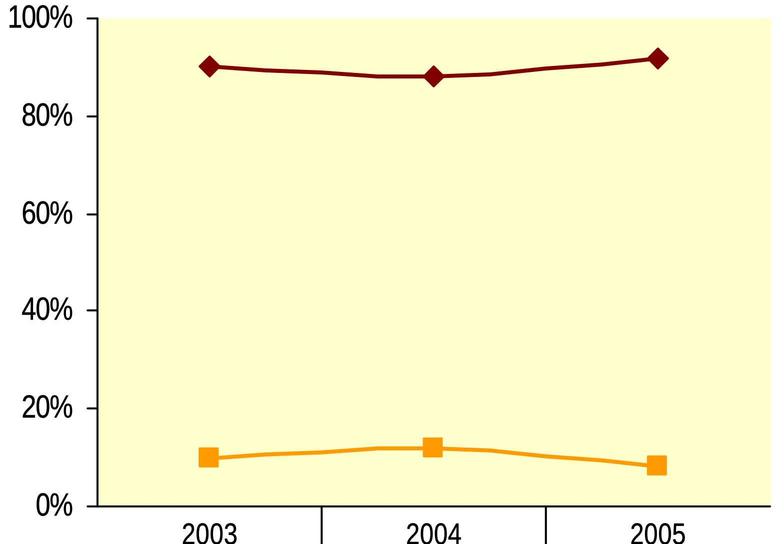
Why?



- Can participate through stakeholder input channels.
- LDCs can point out benefits of market to their customers (but it all comes down to price with consumers)
- They can pass learnings and knowledge on to others
- Market participants have the best understanding of the market – they are a good voice for it

Can Participants be Advocates

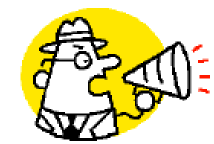
(%Stating)



	2003	2004	2005
Yes	90%	88%	92%
No	10%	12%	8%

*There are no sig. differences between 2004 and 2005

Why Not?



- We have to pay the price regardless. What we say doesn't matter.
- We just consume electricity
- We have no ability to be an advocate on an individual company basis – can act through our trade associations

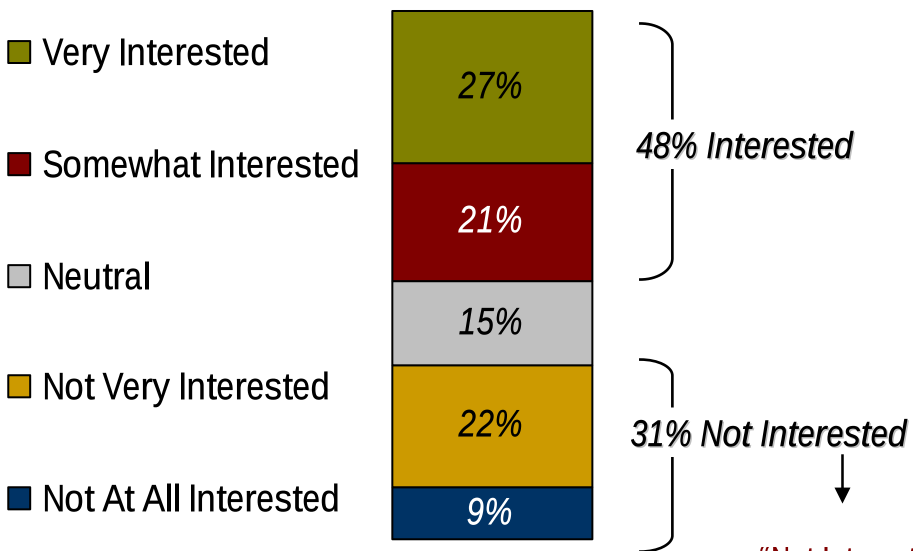
S3Q8. In your opinion, can market participants act as advocates for the market? Why or why not? Explain.

Interest in Establishment of a Day Ahead Market

- Market participants are of two minds when it comes to the day ahead market. Almost half indicate that they are either very or somewhat interested in it, while three in ten have little interest. Interest is higher among wholesale sellers and retailers. It is lowest among transmitters.

Interest in Day Ahead Market

(%Stating)



Suggestions for Improvement

- Make it less complex (4%)
- Introduce a price guarantee mechanism (3%)
- Have more generators available (1%)
- Other (17%)
- No Answer (78%)

"Not Interested" Break-Out by Class

(*Caution: Very Small Base Sizes)

- Generators (n=13) ➔31%
- Transmitters (n=6) ➔67%
- Distributors (n=34) ➔29%
- Wholesale Consumers (n=30) ➔33%
- Wholesale Seller (n=8) ➔13%
- Retailers (n=3) ➔33%
- Financial Market (n=6) ➔33%

S3Q9. … How interested are you in establishing a day ahead market?

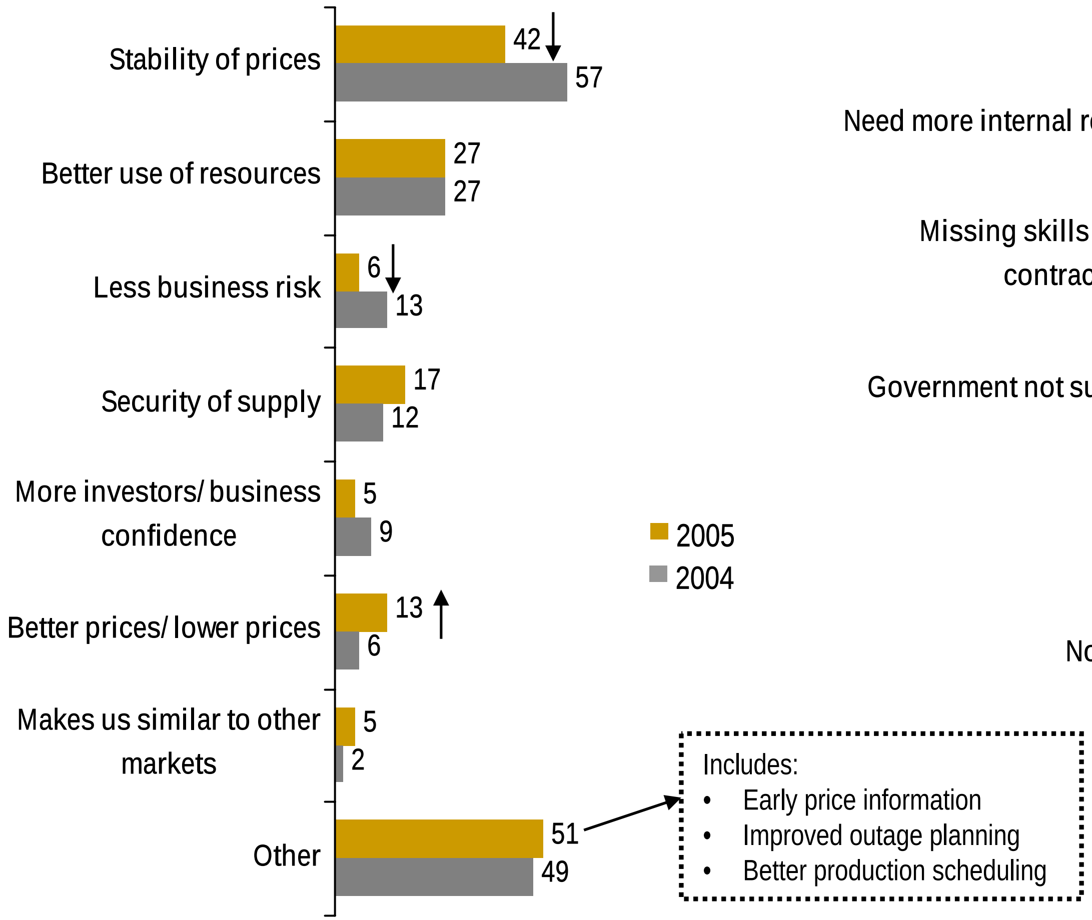
S3Q12. How do you think the proposed day ahead market could be improved? Do you have any suggestions?

IESO's Proposed Day Ahead Market System cont.

- Strengths of the DAM continue to be stability of prices and better use of resources – although the price stability argument has weakened somewhat from last wave.

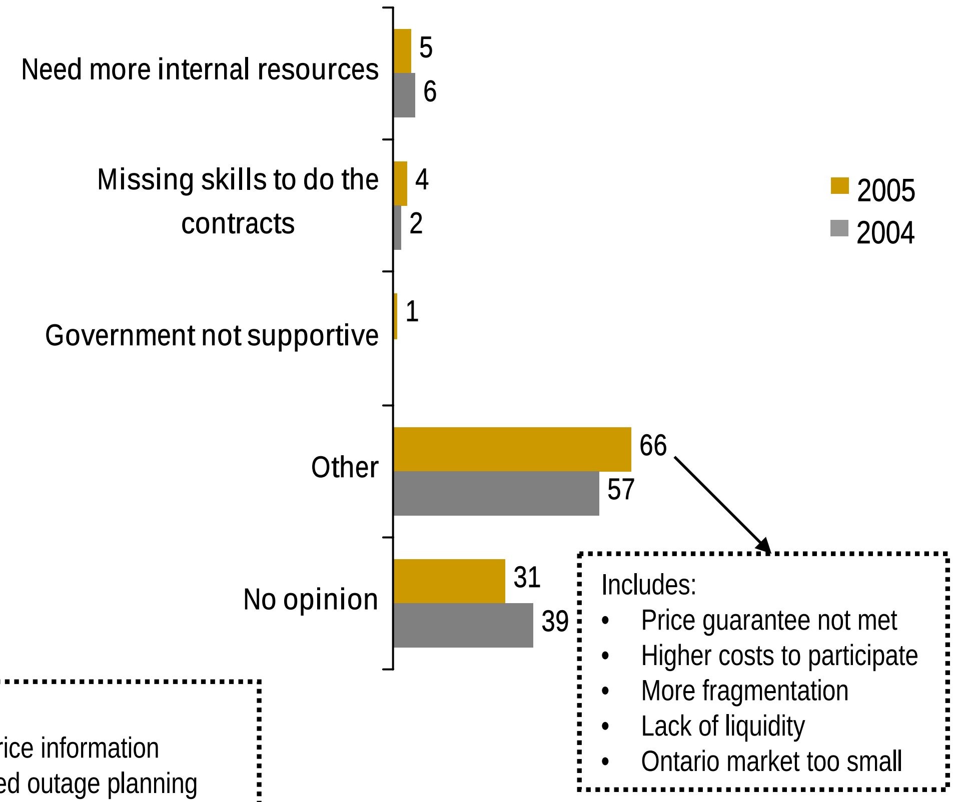
Perceived Strengths of Day Ahead Market

(%Stating)



Perceived Risks of the Day Ahead Market

(%Stating)



S3Q10. …What could you foresee being the strengths of the Day Ahead market?

S3Q11. What are the risks of moving towards a day ahead market?

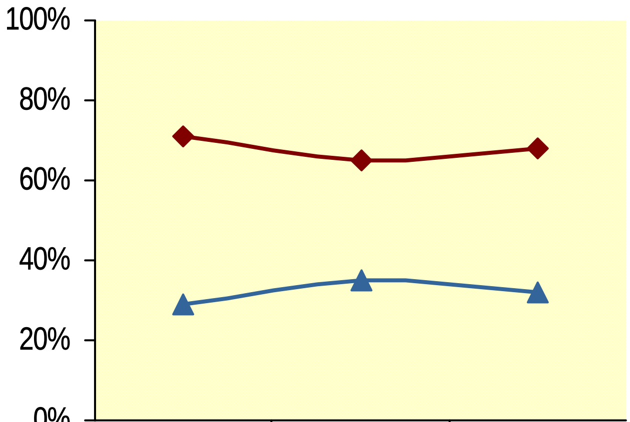
Relationship with the IESO

Perception of Customer Relationship

- Two thirds of market participants continue to feel that they are a customer of the IESO. This remains unchanged from previous years. The primary reason for considering oneself a customers appears to the the invoicing relationship – we get a bill, that makes us a customer. On the other hand, the lack of choice seems to be the main reason for not considering oneself a customer.

Perception of Relationship

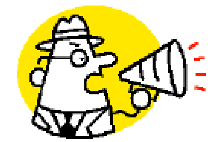
(%Stating)



	2003	2004	2005
Customer Relationship	71%	65%	68%
Not a Customer Relationship	29%	35%	32%

*There are no sig. differences between 2004 and 2005

Participant Reactions



POSITIVE

- Invoicing relationship – we pay them / they pay us
- They provide a product (i.e. electricity through their grid)
- They provide a service (i.e. market operations)
- For some, high level of interaction

"They are doing the billing and supply of power. I guess because they are our billing agent, I see myself as a customer."

NEGATIVE

- Lack of choice
- More like a "boss – subordinate" relationship – they tell us what to do, they set the rules
- More a case of "co-participants" than a supplier-client relationship

"They are the market operator. I don't think we should be considered customers. If I trade on the TSX, I wouldn't consider myself a customer of that market."

S4Q2. Do you view yourself as a "customer" of the IESO? Explain.

Unprompted Descriptions of the Role of The IESO

Verbatim Comments

- The most commonly heard descriptions of the role of the IESO include: it ensures power needs / matches supply with demand; and it is responsible for the operation of the system.

Some comments straight from your customers…

"They [IESO] are a very important player. They write the rules. The IESO is the single most important player in my opinion. They have the expertise. They aren't as authoritarian as they used to be." (LDC)

"To manage the sale and pricing of electricity in the province. They oversee generation through to sale. Its an administrative body." (Load

"They're the regulators of it all. They're managing the system." (Load)

"They are responsible for the short term supply of electricity into the market. They look after contracting for supply and delivery of it into the grid." (LDC)

"They control it. They're like the electricity Nazis." (Generator)

"Acts as a quarterback – coordinate things, what to do and when." (LDC)

"Settlements is the primary role." (LDC)

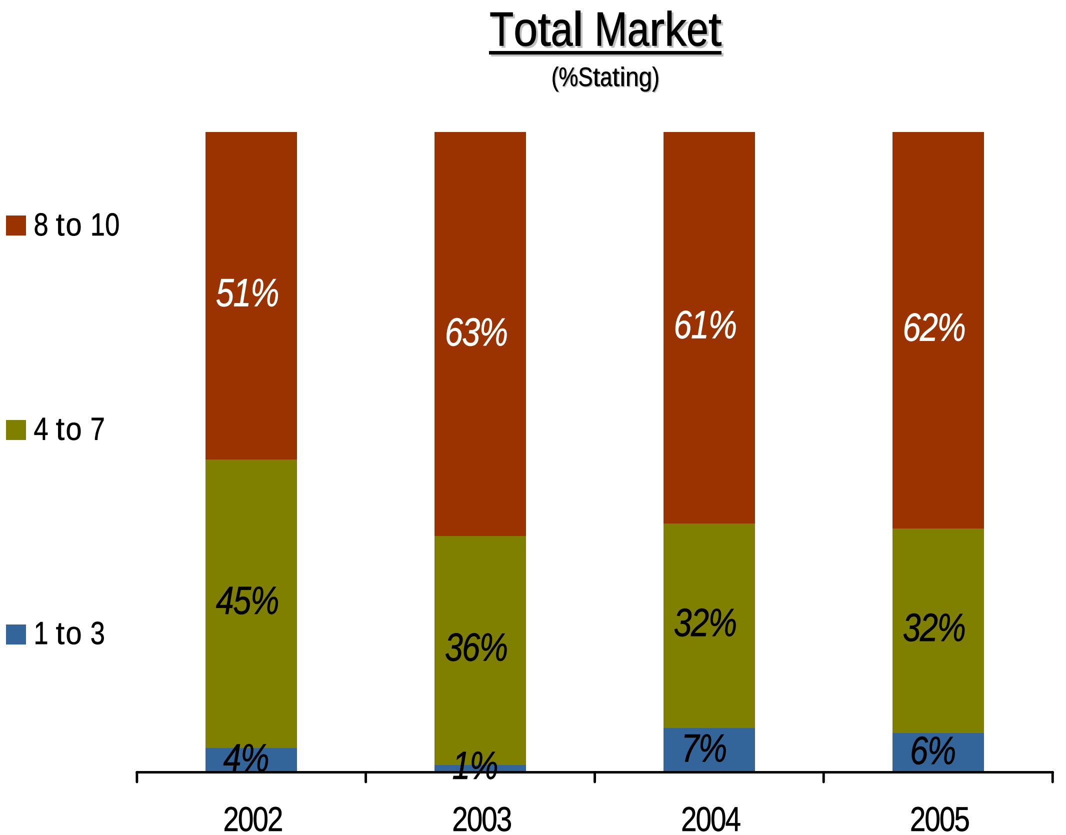
"To match demand with supply in Ontario." (LDC)

"They are the system operator. Main role is to ensure generation meets supply / loads. No longer buyers and sellers as they are no longer market operators." (Load)

S4Q1. Using your own words, how would you describe the role of the IESO in the electricity market?

Overall Relationship with The IESO

- Most participants, six in ten, rate their relationship with the IESO at “8-10”. This has been consistent since tracking began in 2002.



*There are no significant differences among participant classes in 2005

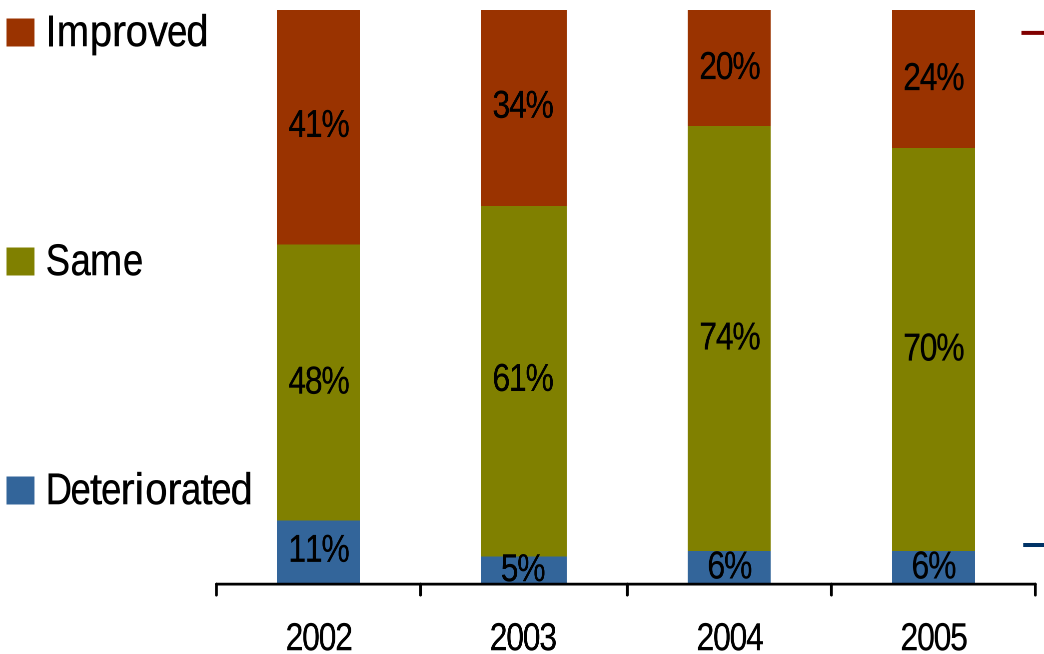
*There are no sig. differences between 2004 and 2005

S4Q3. Based on your company’s experience, how would you rate your company’s overall relationship with the IESO? Please use a 10-point scale where 10 means excellent and 1 means poor.

Change in Relationship (Past Year)

- Most continue to say that their relationship with the IESO has stayed the same over the course of 2005.

Change in Relationship



*There are no sig. differences between 2004 and 2005

Reasons Relationship Improved

- All players are becoming more knowledgeable
- Good account representative relationship / front line people
- Things are getting smoother; IESO is becoming slightly less rigid
- Showing a willingness to listen

Reasons Relationship Deteriorated

- Disagreement on rules – felt IESO was being too stringent
- Lack of flexibility

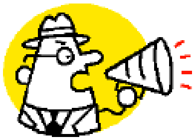
S4Q4a. Would you say that your company's relationship with the IESO has improved, stayed the same, or deteriorated in the past 12 months?
S4Q4b. Why do you say that? Please explain.

Incidence of Noting Changes in how IESO Operates

- Four in ten participants feel that they have noticed a change in how the IESO operates or carries out its functions during the past year. For the most part, these changes focus on improved communications.

Noticed IESO Changes in Past Year

(%Stating)



Nature of Changes

Among those noticing changes

- More communications from them both through information to the public and to participants.
- Name change (IMO to IESO) and a coinciding reduction of responsibilities
- Increase customer focus orientation
- React quicker
- Better forecasting and better notifications

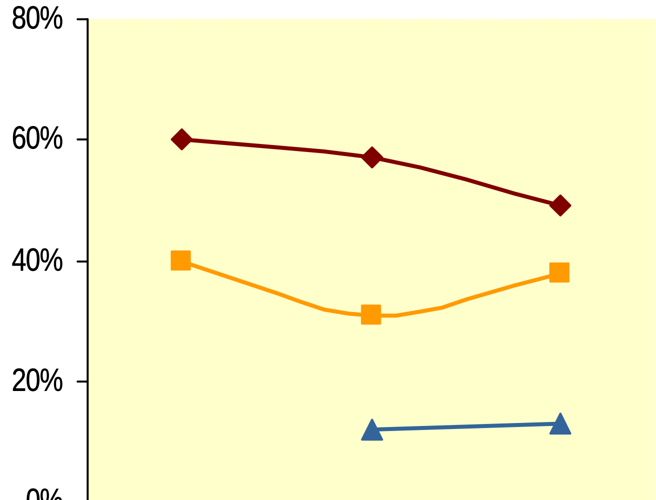
S4Q5. In the past year, have you noticed any changes in the way that the IESO operates or carries out its functions? Explain nature of changes.

Undue Influence in IESO Decision Making

- Most participants continue to believe that some classes receive undue influence in IESO decision making. Generators continue to be the class most frequently accused of having undue influence.

Undue Influence

(%Stating)

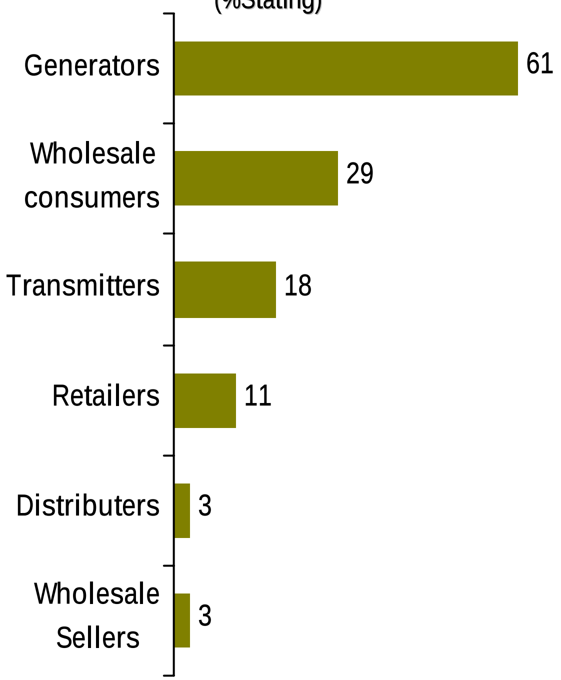


	2003	2004	2005
Some classes given undue influence	60%	57%	49%
All classes equal	40%	31%	38%
No Opinion		12%	13%

*There are no sig. differences between 2004 and 2005

Who Receives Undue Influence?*

(%Stating)



<u>2004 Ratings:</u> generators 54%, wholesale consumers 30%, retailers 11%, transmitters 9%, distributors 9%

**Among those who feel some classes are given undue attention*

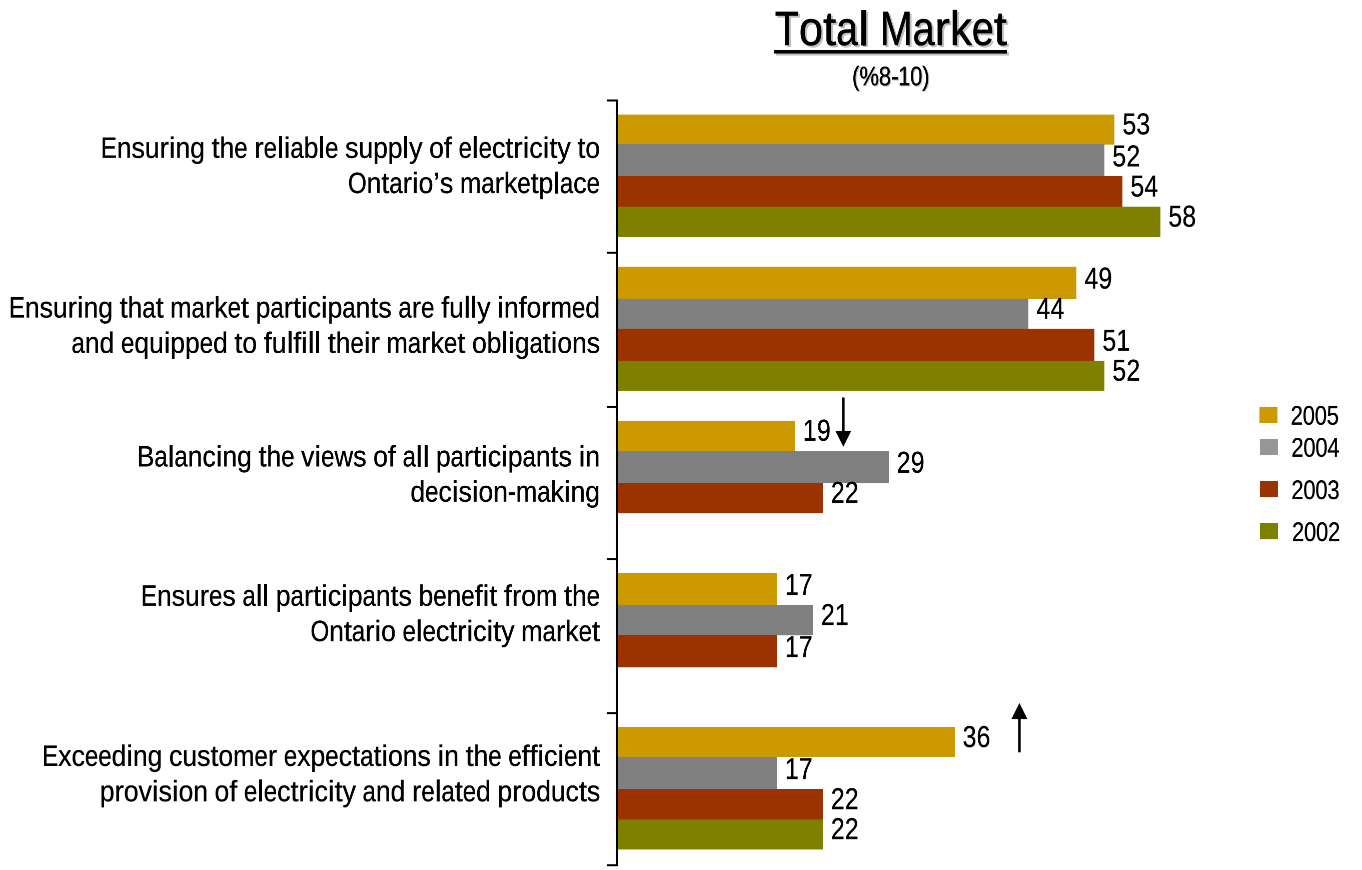
S4Q12a. Do you believe the needs or views of some participant classes in the market are given undue influence in IESO decision-making?

S5Q12b. Which participant classes are given undue influence? Why do you think this is?

Performance of The IESO

Delivery on Vision and Mission

- The IESO continues to receive the highest scores for ensuring a reliable supply of electricity and ensuring that market participants are fully informed and equipped to fulfill their obligations. This wave marks a strong improvement over 2004 in the area of exceeding customer expectations in the efficient provision of electricity and related products.
- The two weakest areas are in balancing the views of all participants (this suffers a marked decline from last wave) and ensuring that all participants benefit from the market.



S4Q7. How satisfied are you with the IESO's performance on the following elements? Please rate the IESO sing a 10-point scale where a 10 means extremely satisfied and a 1 is not at all satisfied.

Fulfillment of Business Priorities

	PERCENTAGE RATING 8 - 10			
	2005	2004	2003	2002
Focusing on its core business, namely the operation of the wholesale market	54	51	61	49
Being a valuable source of electricity market information for all stakeholders	50	45	55	40
Factoring experiences of other deregulated markets into the Ontario market	22	29	30	21
Being committed to building a customer /participant centered mindset	27	25	28	22
Being a contemporary and innovative workforce	18	23	21	12
Effectively managing its financial resources	32 ↑	21	21	8
Aligning IESO business processes with current participant needs	17	21	15	11
Providing a menu of products and services to participants	19	16	17	6
Showing flexibility in how the wholesale market should operate	14	15	16	10
Providing simpler / transparent rules and processes for participants	10	11	4	7

- The IESO continues to receive strong scores for focusing on its core business and for being a valuable source of electricity market information.
- Showing flexibility and providing simpler / transparent rules continue to be the two weakest areas for the IESO in terms of fulfilling their business priorities.
- The only notable change from last year is an improvement in the score for effectively managing its financial resources. This improvement may be a by-product of the announced fee reductions and rebates.

S4Q9. As the IESO continues to evolves as business entity in the Ontario marketplace, how would you rate its progress on the following priorities? Please rate the IESO using a 10-point scale where a 10 means excellent and a 1 is poor.

Delivering on Current Product & Services

- All results for delivery of current products and services are consistent with 2004 findings.
- The IESO continues to score particularly well on directing the reliable supply and delivery of electricity, operating the various IESO markets, and effective handling of billings, settlements and funds administration. Ensuring adherence to market rules and improving market participant transactions continue to be the two weakest areas for the IESO.

		PERCENTAGE RATING 8 - 10			
		2005	2004	2003	2002
Very Strong Scores (Majority say "Excellent")	Directing the reliable supply and delivery of electricity	68	59	67	64
	Operating the various IESO markets, including determining a market clearing price and dispatching resources on the 5-minute interval	54	56	55	37
	Effectively handling billings, settlements, and funds administration between buyers and sellers	57	53	50	41
Strong Scores (4 in 10 say "Excellent")	Directing the operation of the electricity market through effective rule making	42	35	45	27
	Providing customer services to help Participants understand the market and its associated systems and products	39	39	36	33
Weaker Scores (Less than 1/3 say "Excellent")	Conducting market development, assessment and compliance to ensure adherence to market rules	33	27	33	26
	Improving market participant transactions, including authorization and dispute resolution	21	28	22	11

*There are no sig. differences between 2004 and 2005

S5Q3. I am going to read you seven current services provided by the IESO to market participants. Please rate the IESO's performance on each of these elements using a 10-point scale where a 10 means excellent and a 1 is poor.

Delivering on Market Operations

- Two of the weaker areas from 2004 have seen improvement this year. There has been a significant increase in satisfied scores for responding to advice from participants on market changes. This may be a result of enhanced communications and stakeholdering activities. There has also been a marked increase in scores for promoting conservation. This is likely a result of IESO appeals issued to address reliability during the summer of 2005.

	PERCENTAGE RATING 8 - 10		
	2005	2004	2003
Ensuring supply adequacy	45	36	32
Creating contingency planning in terms of reliability	40	43	32
Maintaining independence in the current market	39	37	36
Creating contingency planning in terms of supply	37	43	30
Having a vision for Ontario's energy future	31	25	25
Providing accurate price forecasts	19	24	12
Responding to advice from participants on market changes	19 ↑	11	17
Promoting conservation	18 ↑	3	7
Creating investor confidence	10	7	9

S4Q8. How satisfied are you with the IESO's performance on the following elements? (10 means extremely satisfied and 1 means not at all satisfied.)

Focus on Corporate Values

- “Adaptable” and “Flexible” are the two adjectives that participants have the hardest time fitting with their perception of the IESO. In fact, “adaptable” ratings have fallen significantly from 2004. The only other rating that has changed significantly from the previous wave is “objective”, which has increased.

	PERCENTAGE RATING 8 - 10			
	2005	2004	2003	2002
Knowledgeable	68	69	71	
Trustworthy	65	63	75	58
Honest	65	63	72	67
Reliable	64	61	66	53
Capable	64	67	61	53
Expert	63	67	59	
Respectful	60	56	61	49
Consistent	58	57	50	56
Confident	51	53	45	49
Credible	51	48	54	47
Objective	44	33	43	30
Accountable	41	32	38	29
Equitable	40	37	42	30
Supportive	37	37	37	30
Customer-focused	35	29	28	26
Forward-thinking	33	35	40	26
Independent	33	29	32	33
Adaptable	15	24	18	10
Flexible	15	11	18	8

Very Strong Scores (Majority say “Describes IESO Completely”)

Strong Scores (4 in 10 say “Describes IESO Completely”)

Weaker Scores (Less than 1/3 say “Describes IESO Completely)

S4Q6. Several key values define the IESO. Please evaluate the extent to which each of the following describes the IESO as a key participant in the Ontario electricity market using a 10-point scale where a 10 means the statement describes the IESO completely and a 1 means it does not describe the IESO at all.

Value for Dollar

- In terms of overall value for dollar, roughly one third of participants give top scores to the IESO.
- Participants continue to give high scores for the "value" that they place on most IESO deliverables.
- The deliverables considered to be of lesser value to participants include: offering foresight on market issues, being an industry leader and creating innovation.
- There have been a few changes from the previous tracking period including:
  - A decrease in 8-10 ratings for operating a reliable system and for being an industry leader; and
  - An increase in 8-10 ratings for ensuring accessibility.

	PERCENTAGE RATING 8 - 10			
	2005	2004	2003	2002
Overall value	32	29	32	15
Operating a reliable system	85 ↓	92	71	
Ensuring quality service	77	72	76	63
Ensuring staff competency	77	69	80	56
Providing quality information	71	75	84	67
Ensuring fairness in the market	71	72	86	60
Ensuring accessibility	71 ↑	61	67	58
Maintaining balance among participants in the industry	58	61	67	40
Balancing market regulation and market change	56	53	59	37
Offering foresight on market issues	47	37	58	34
Being an industry leader	33 ↓	47	51	30
Creating innovation	35	37	53	21

S5Q4. How would you rate the IESO in terms of overall value for dollar? Please use a 10-point scale where a 10 means excellent value and a 1 means poor value.

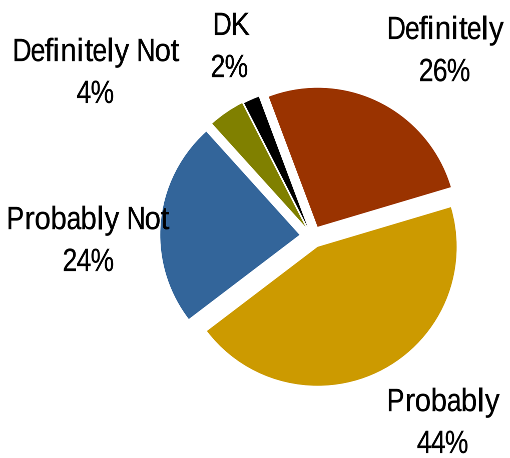
S5Q6. What value as a participant do you place on the IESO's delivery on the following elements? (10=great deal of value; 1=little value)

Impact of IESO Fee Reduction / Rebate

- The fee reduction and rebate seem to have a positive impact on demonstrating that the IESO is sensitive to managing its finances prudently. Recall that earlier we saw in increase in “excellent” scores for effectively managing its financial resources.
- While a significant number of participants (58%) indicate that this reduction increased their sense of value for dollar, recall that we did not see a corresponding increase for the overall value for dollar rating.

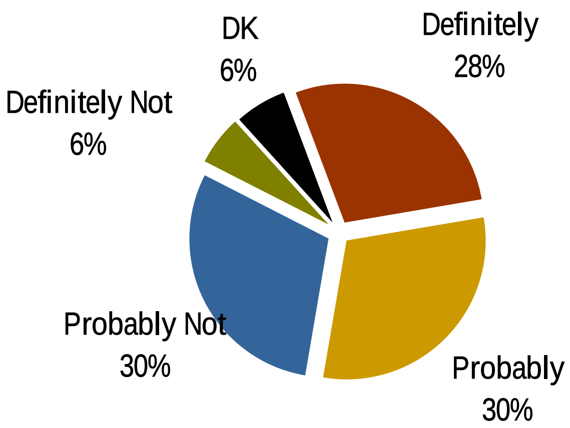
Fee Reduction / Rebate Indicates Sensitivity of IESO in Managing Its Finances Prudently

(%Stating)



Does Reduction / Rebate Increase Sense of Value for Dollar

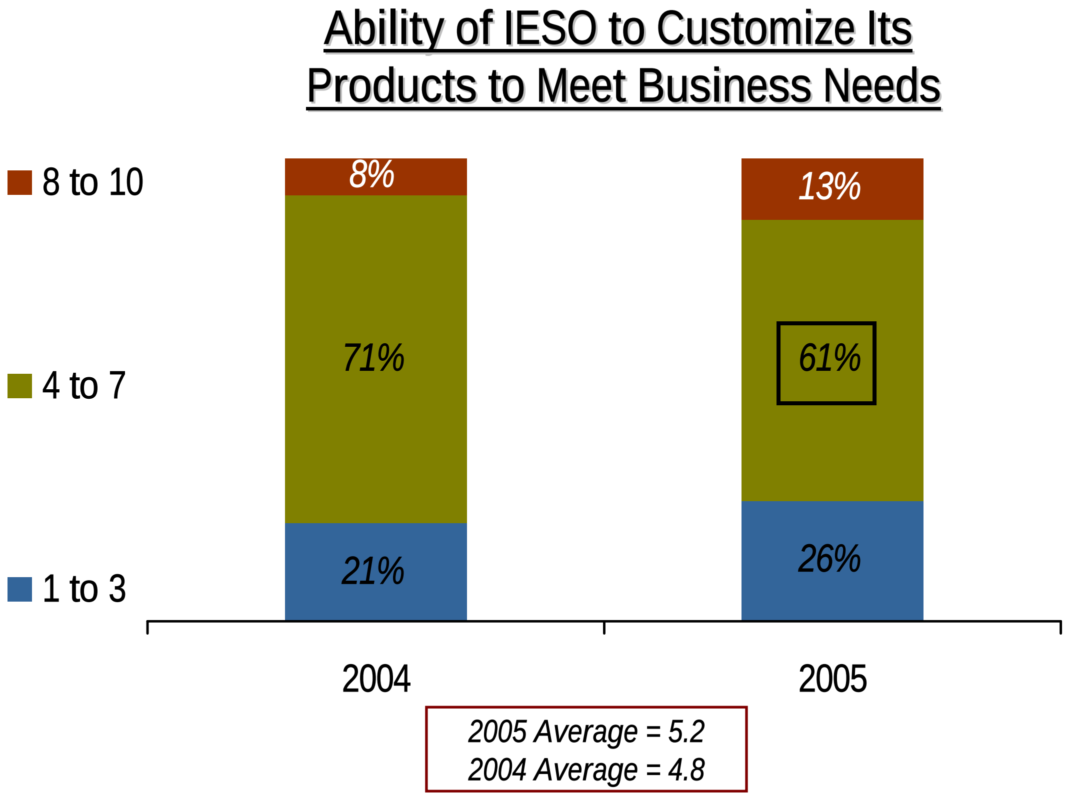
(%Stating)



S5Q5a. As you may be aware the IESO is planning to reduce its fees by 5% in 2006-07. This will include a rebate this year to market participants. Does this indicate a sensitivity on the part of the IESO to managing its finances prudently?
S5Q5b. And, does it increase your sense of value for dollar that you receive from the IESO?

Effectively Meeting Participant's Organizational Needs

- Most continue to believe that the ability of the IESO to customize their products is limited.

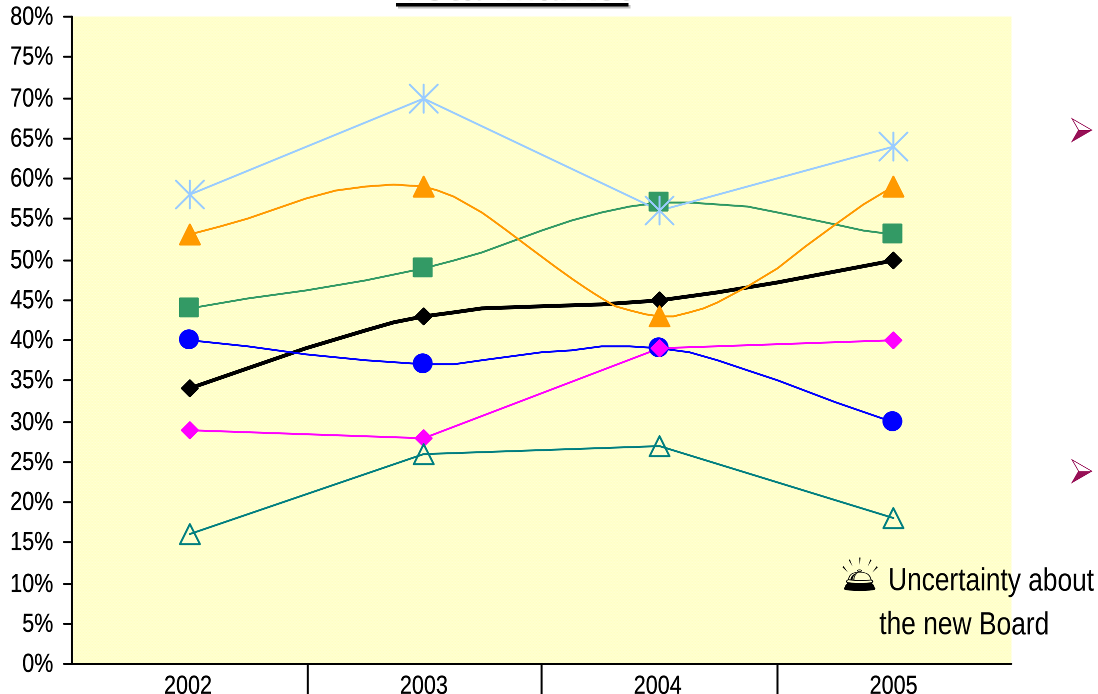


S4Q11. Please rate the IESO's ability to customize its products / services to meet the unique needs of your organization using a 10-point scale where 10 means excellent and 1 means poor.

Confidence in The IESO

Confidence in Parties Within the IESO

Total Market



	2002	2003	2004	2005
The IESO Overall	34%	43%	45%	50%
Billing & Settlements	44%	49%	57%	53%
System & Market Operations	58%	70%	56%	64%
Market Participant Support	53%	59%	43%	59% ↑
Senior Management	40%	37%	39%	30%
Market Surveillance Staff	29%	28%	39%	40%
Board of Directors	16%	26%	27%	18% ↓

- Overall confidence in the IESO remains largely unchanged with 50% rating it at 8-10.
- Of note this wave is a significant decrease in confidence with the Board. There seems to be some uncertainly about the effectiveness of the new independent board – it still needs to prove itself.
- On a positive note, marked improvements are evident when it comes to confidence in Market Participant support (Customer Relations / Help Centre). After a drop in confidence last year, this unit has pulled itself back up to levels recorded in 2003 and 2002.

S4Q10. How confident are you in different groups within the IESO to effectively operate and oversee the wholesale electricity market in Ontario? Please rate each body of the IESO using a 10-point scale where a 10 means you have complete confidence and a 1 means you are not at all confident.

Setting Future Priorities

- IESO continues to stand out for its role in ensuring a reliable electricity market. Three in four market participants strongly agree that this is the most critical role for the IESO.
- Otherwise, patterns are consistent with previous years. Challenges continue to include the provision of products and services the meet market participant needs and proving flexible and adaptable in the operation of the wholesale market

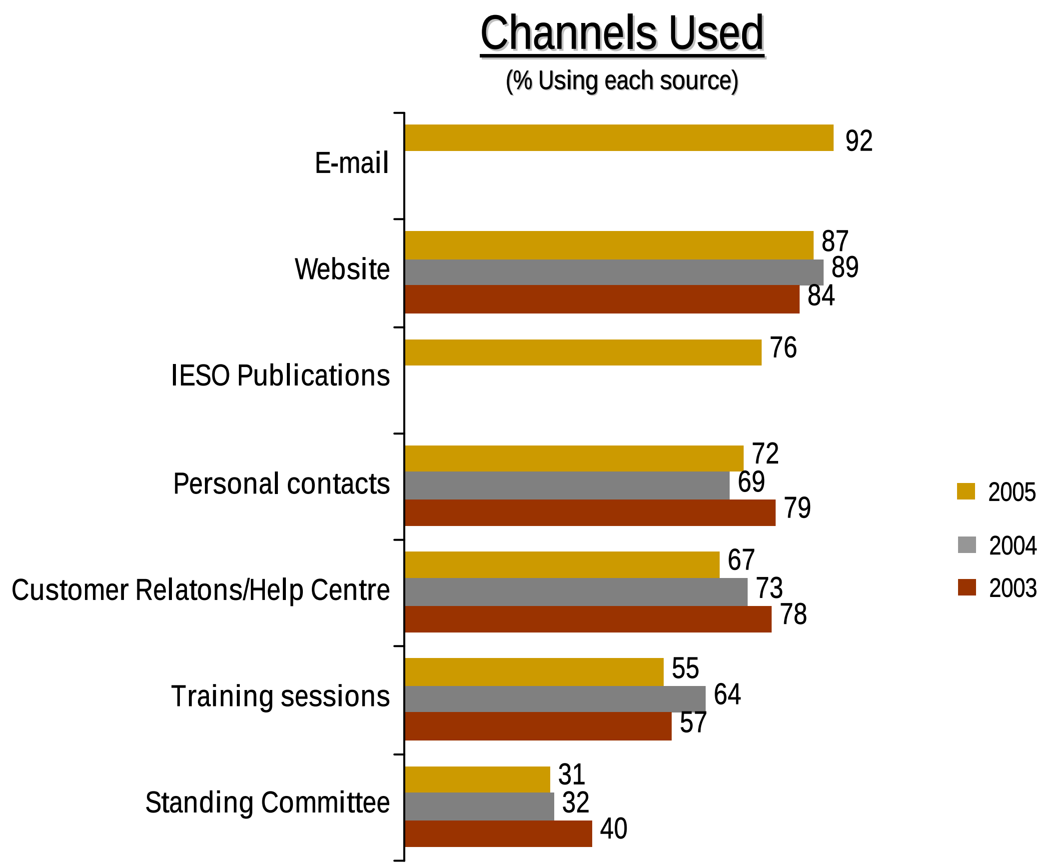
		PERCENTAGE RATING 8 - 10			
		2005	2004	2003	2002
Very High Agreement	The IESO is critical in ensuring a reliable electricity market	76	75	79	64
Moderate Agreement	The IESO has clearly communicated its expectations in terms of market rules and requirements	46	40	43	36
	The IESO effectively communicates information that impacts my company	42	41	43	32
	The IESO effectively communicates how I can get help for various issues	41	43	46	40
	The IESO provides participants with the opportunity to provide input on processes, procedures and services	41	33	40	
Low Agreement	The IESO has been effective in its policing role of market surveillance and compliance	35	36		
	The IESO provides products and services that meet my business needs	26	32	34	22
	The IESO has proven flexible and adaptable in response to the operation of the wholesale electricity market	18	19	26	12

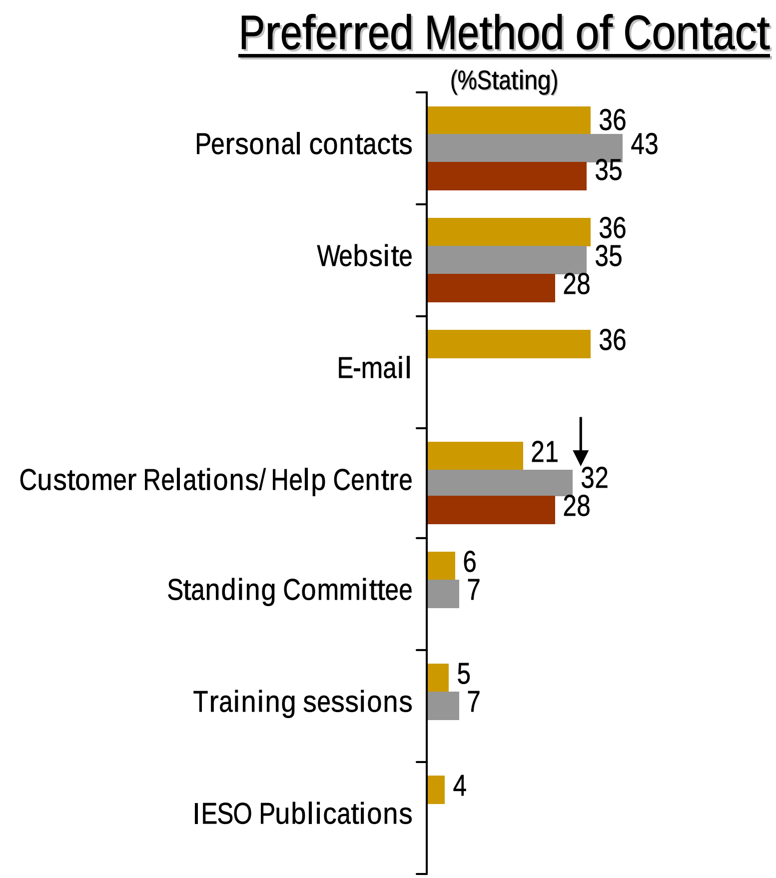
S5Q2. Please rate the degree to which you agree with the following statements about the IESO's delivery on several of the organization's key objectives. Once again, use a 10-point scale where a 10 means you agree completely and a 1 means you completely disagree.

Communications with the IESO

Methods of Communicating with the IESO

- A few new additions this wave to the list of communications channels have resulted in some changes. Clearly, e-mail emerges as the most common channel used to communicate with the IESO. While e-mail is the most common form, it does not emerge as the "clear" winner when it comes to preferred channels. Participants split between personal contacts, the IESO website and e-mail as their preferred communication channels.
- This wave marks a decrease from last year in the number of market participants preferring to communicate via customer relations.

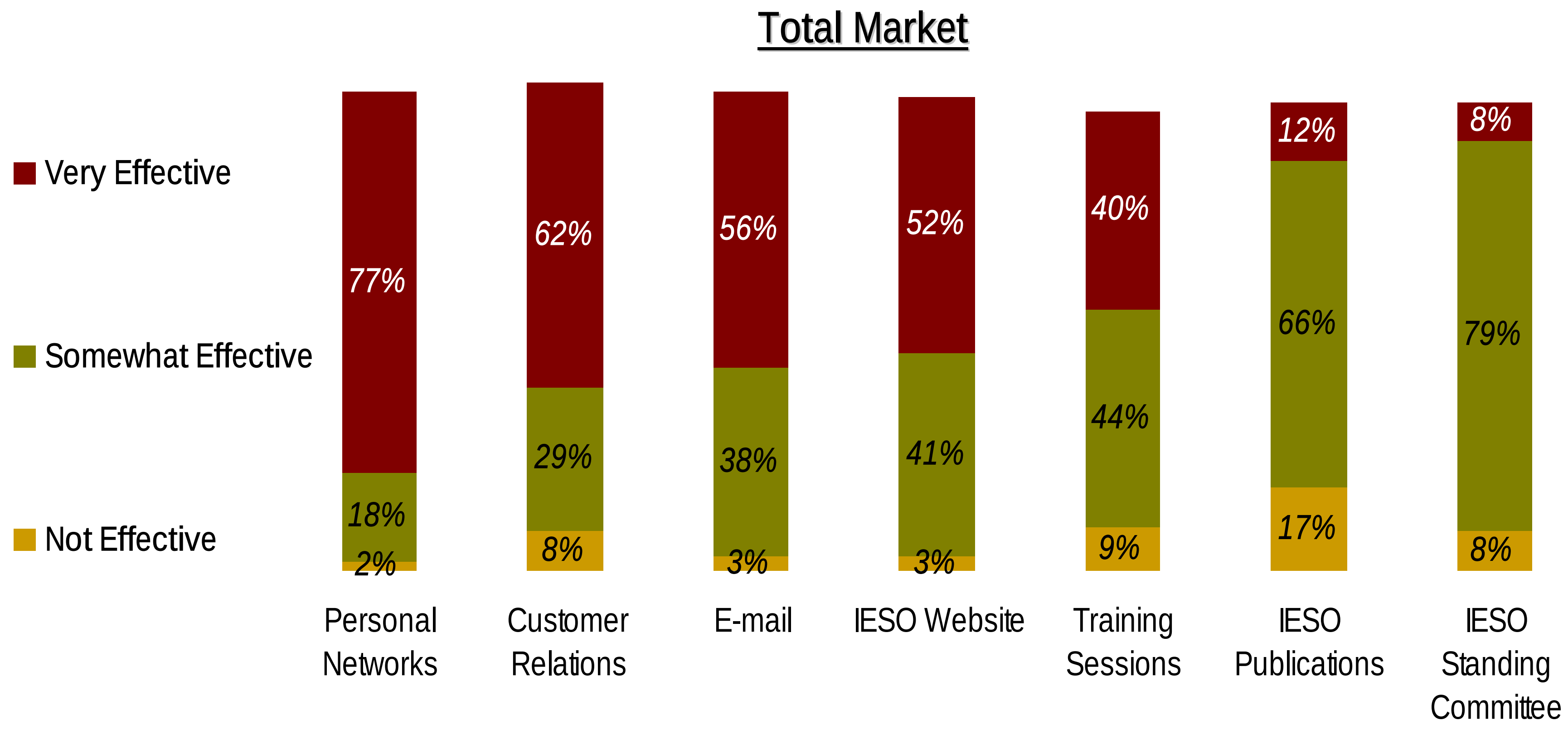




S6Q1a. The IESO communicates with market participants through a number of channels. Have you ever communicated with the IESO…?
S6Q1. Of these, which did you find most useful?

Effectiveness of Communication Channels

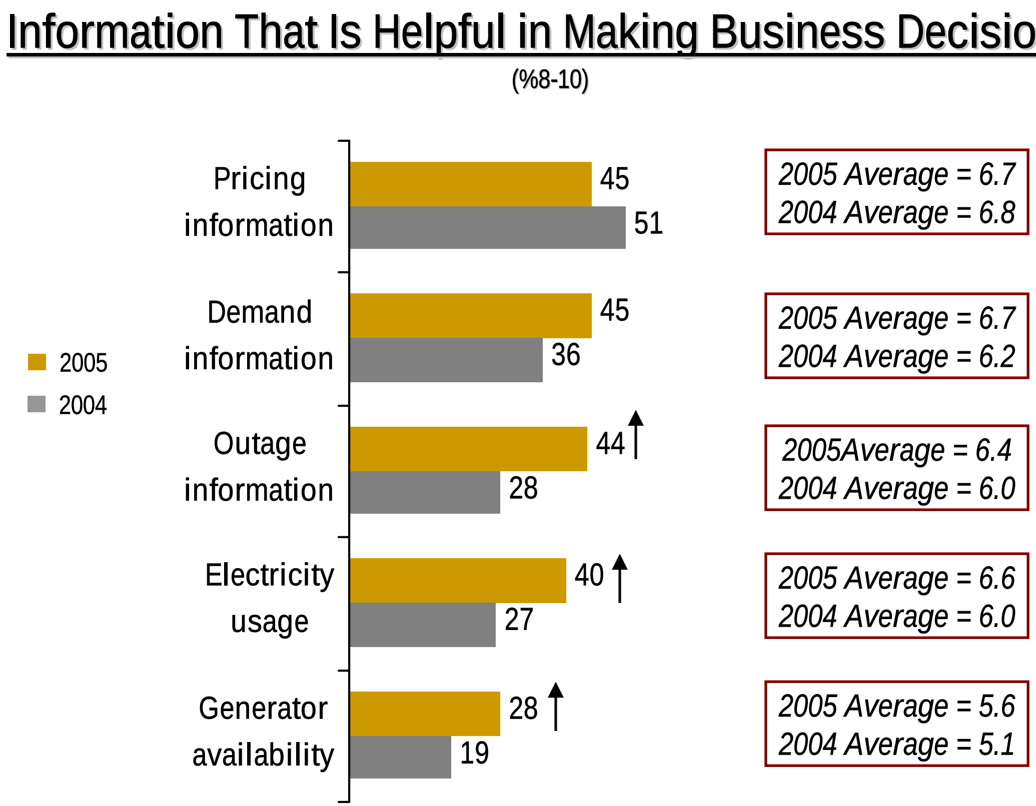
- While preference for using Customer Relations may have dropped from last wave, most do feel that it is an effective channel of communication with the IESO. In fact it trails only personal networks which are perceived to the single most effective channel.
- IESO publications, and the IESO Standing Committee are the two channels that receive the worst effectiveness ratings among the channels tested.



S6Q1c. … How effective are each of the following as a means of getting information to you?

Helpful Information Provided by IESO

- There has been a marked improvement this year in the "value" attached to a number of different kinds of IESO information; including outage information, electricity usage, and generator availability.

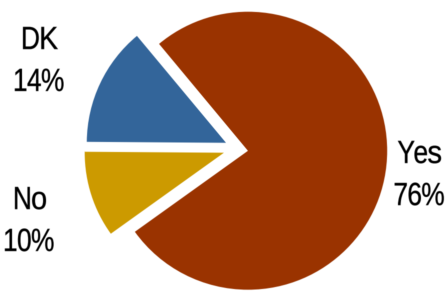


S6Q3. For each type of information, please rate how helpful it is to your organization in making business decisions?
(10=very helpful; 1=not at all helpful)

Drill Down on Account Manager Function

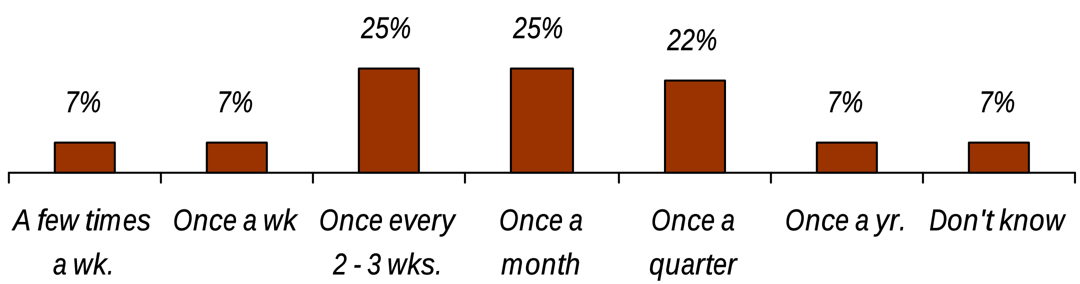
- A series of new questions was added in 2005 to gain a better understanding of the account manager relationship. Most participants, three in four, are aware of the account manager function. Typical contact with the account manager ranges anywhere from once every 2-3 weeks to once a quarter. For the most part, participants appear quite satisfied with the account manager function. Seven in ten who have an account manager describe their relationship as "excellent."

Have an Account Manager



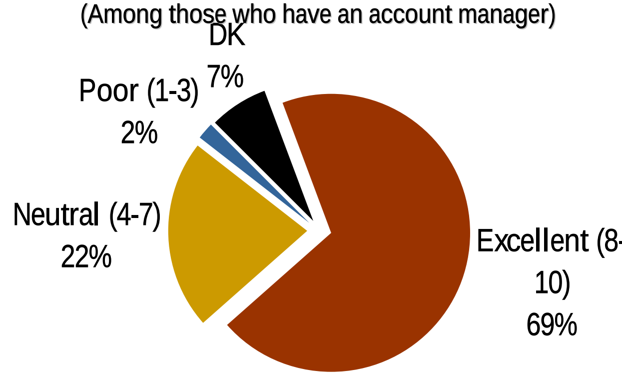
Frequency of Contact

(Among those who have an account manager)



Rating Relationship with Account Manager

(Among those who have an account manager)



S6Q2a. Do you have an account manager at the IESO?
S6Q2b. How frequently are you in contact with your account manager?
S6Q2c. How would you rate the relationship you have with your account manager? (10=excellent; 1=poor)

Suggestions to Improve IESO Communications

Most market participants are of the opinion that "communications with the IESO are not broken, so not in need of repair." Consequently, they were unable to offer suggestions for improvement.

Some, however, did feel that improvements could be made. The most commonly cited recommendation is to increase "personal" forms of communications, and decrease the heavy reliance on e-mail communiqués. A secondary theme is a desire to see information distilled – essentially making it more relevant to specific market participant classes. Some are finding that the IESO is "dumping" too much information on them, and they are sinking.

"The volume of information from the IESO isn't the problem. Its finding the nugget that is pertinent to my company. Maybe if they could separate it by topics / issues. Otherwise there is too much information to sort through – especially for someone busy and impatient like me."

"More regular meetings with our representatives would be helpful. A twice annual face-to-dace meeting would be good. They could bring us up to speed on what is going on, and give us a sense of the issues that they see on the horizon. Overall , it would help us to distil the volume of information we receive.

"Too much electronic information. I mean – what the hell is all this? I'd like them to be a little more discerning in what they send to me."

"Chop down the data. Make it more usable, accessible. Distil it to cut down the sheer bulk and make it more relevant for us."

"Access to our metering and billing processes is very slow – speed it up. Certificates are a pain in the ass – what's the point of them?"

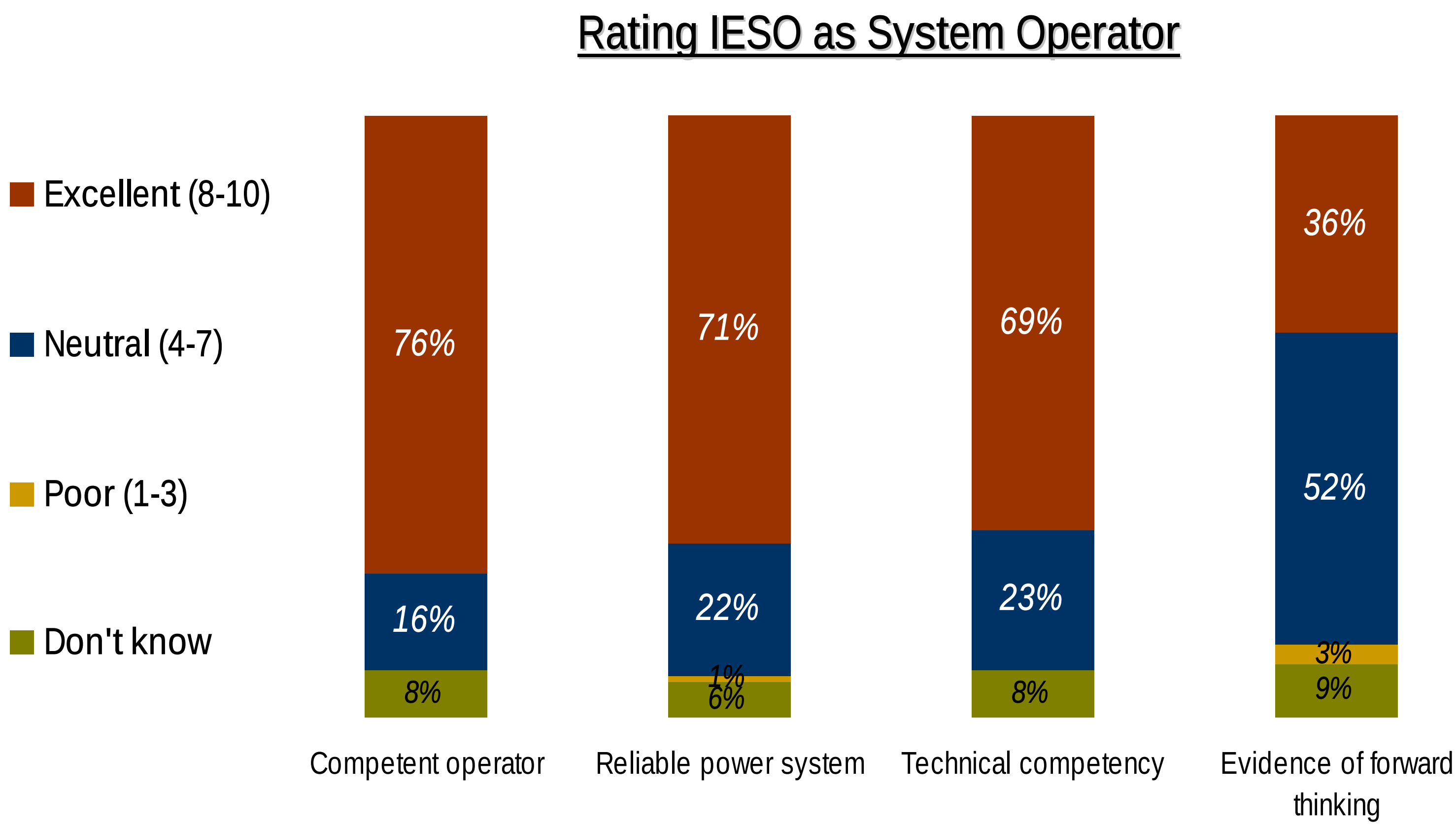
"Some personal contact is needed – visit us. Have a distributors forum or something."

S6Q4. In your opinion, how could communications with the IESO be improved?

Focus on Reliability Issues

IESO Performance as System Operator

- The IESO gets top scores for its performance as system operator. Strong majorities see the IESO as doing a particularly strong job in being a competent operator, operating a reliable power system, and demonstrating technical competency. The one weak area is perceived to be forward thinking when it comes to operating the system.



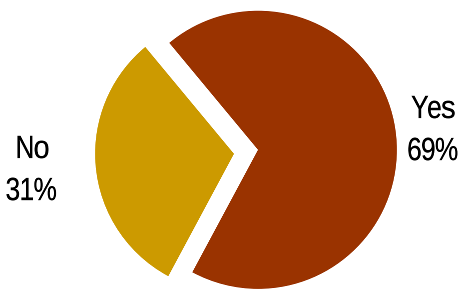
2005 Average =	8.3	8.1	8.2	7.1

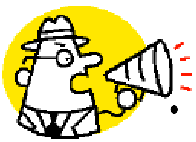
S7Q1. Thinking of the IESO as the operator of Ontario's electricity system, please rate its performance on the following attributes using a 10-point scale where 10 means excellent and 1 means poor.

Impact of Summer 2005 Electricity Issues

➢ Seven in ten market participants indicate that the electricity issues of the summer of 2005 had an impact on their business. This consisted mainly of voltage reductions impacting machine efficiencies, customer complaints, and lost profit.

Impact on Business





Nature of Impact

**Among those who felt an impact*

- Voltage reductions caused machines to run inefficiently (22%)
- Customers were negatively impacted / complaints (22%)
- Lost profit / increased costs (20%)
- Need to issue appeals – LDCs (17%)
- Reduced profitability (13%)
- Plant closures (9%)
- Brown outs / Black outs (7%)
- Other (56%) [Includes: loss of sales; increased revenue (LDC); price increases; more distribution outages; need for product re-runs]

Measures Taken for Protection

- More back up generation (10%)
- Improved emergency preparedness (9%)
- Contingency planning (6%)
- Installed more protective equipment (3%)
- Built up inventories of fuel, product (1%)
- Other (51%) [Includes: more conservation programs; shifted supply out of Ontario; shifted load to evenings and weekends; and reduced run rates]
- No answer (40%)

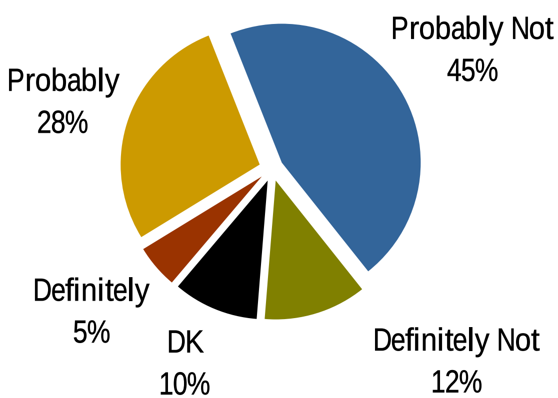
S7Q2a. Did the electricity issues of the summer of 2005 have any impact on your business?
S7Q2b. What was the impact?
S7Q3. What, if anything, has your company done to protect itself from supply difficulties like the ones encountered this past summer?

IESO's Handling of Reliability Issues

- Most market participants are of the opinion that the IESO could not have handled the reliability issues better during the summer of 2005. That being said, one third do feel that it could have been better handled primarily by better supply planning.

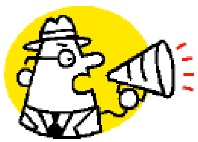
Could IESO Handled Reliability Issues Better in 2005?

(%Stating)



Could have done better 33%

Could NOT have done better 57%



How?

**Among those who felt IESO could have handled it better*

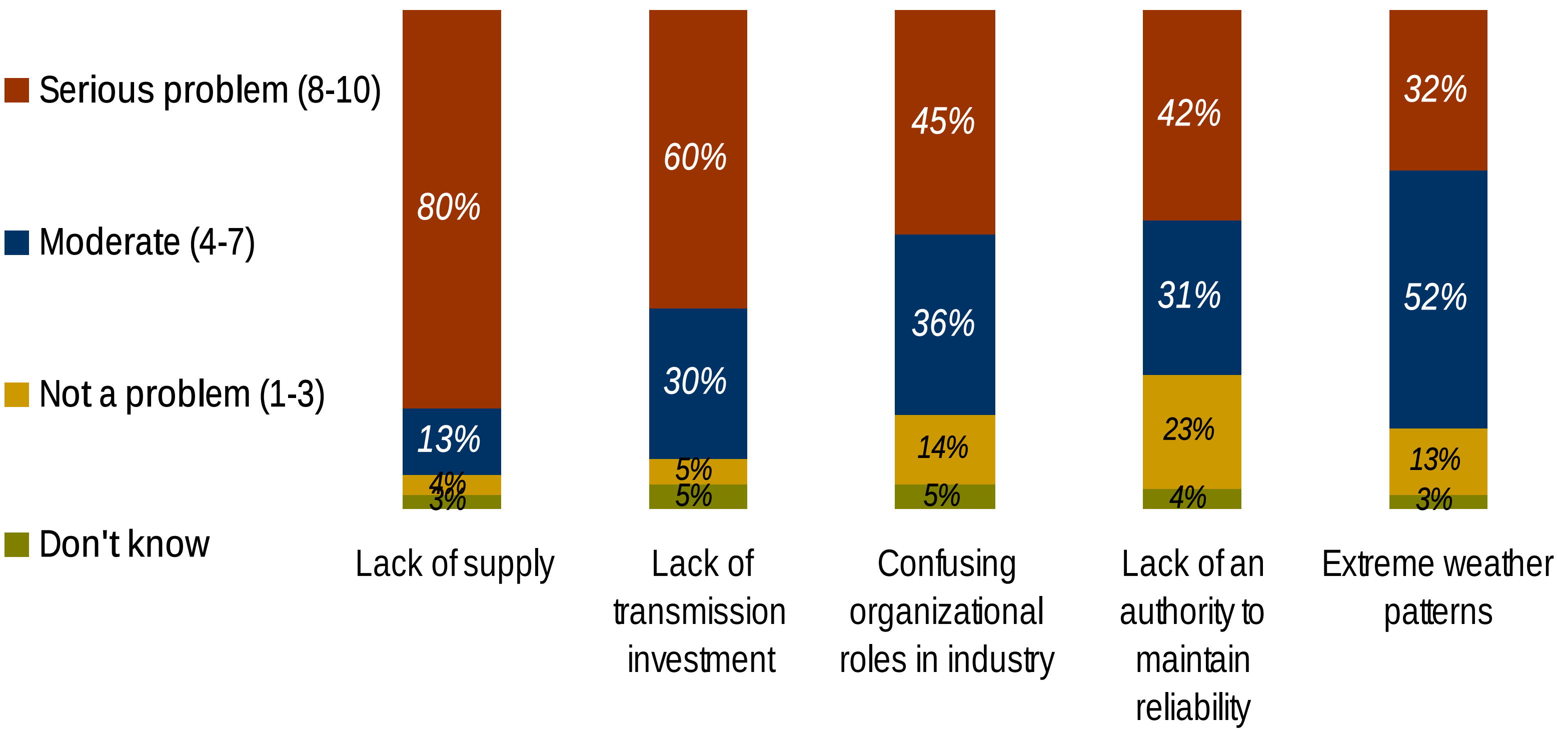
- Better supply planning (35%)
- Worked with generators more closely (8%)
- Focused more on system operations rather than market (4%)
- Other (61%) [Includes: DAM; more information on generator reliability]
- No answer (12%)

S7Q4a. As the system operator, do you think the IESO could have handled the reliability problems of this past summer better?
S7Q4b. How could it have better handled the situation?

Factors Contributing to Reliability Issues in Ontario

- Lack of supply is seen to be the primary factor contributing to reliability issues in Ontario. A majority also believe that the lack of transmission investment is a serious factor contributing to the current situation.

Factors Contributing to Reliability Issues in Ontario



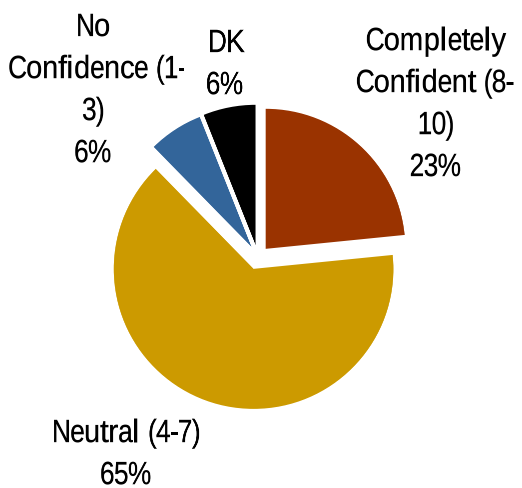
2005 Average =	*8.6*	*7.7*	*6.8*	*6.3*	*6.4*

S7Q5b. …Please rate how serious a problem you personally feel each is for Ontario's electricity market. (10=serious problem; 1=not a problem)

Confidence in IESO to Address Issue of Reliability

- For the most part, market participants assign luke-warm ratings to describe how confident they are in the IESO's ability to address the issue of reliability. The problem does not appear to be a lack of know-how or skills – for the IESO is seen as a very technically competent organization. The problem seems to be that the IESO is just one part of the reliability equation. To effectively address the issue of reliability, the IESO needs to be given the authority and responsibility to actually do something.

Confidence in IESO to Address Reliability



Earlier we saw that 64% of market participants cited the IESO as the organization best suited to deal with near term reliability. When we focus on how these people answer this question, we see that responses are the same (24% rate 8-10, 64% rate 4-7, 8% rate 1-3 and 4% say "don't know").

This emphasizes the fact that it isn't so much a question of confidence in IESO, but rather an issue of the current delineation of responsibilities in the market and the fact that as currently structured no one organization can address reliability.

Reasons for being Confident

- They have the expertise to operate the grid
- They have the ability to deal with the issue, but they need to be given the authority and responsibility as well as required resources to get it done.
- Have a good track record

Reasons Lacking Confidence

- *"Reliability is not all within their purview to control. The IESO is just one part of overall system reliability."*
- *"They don't have any sway…any method to enforce it."*
- *"They lack the political leverage."*

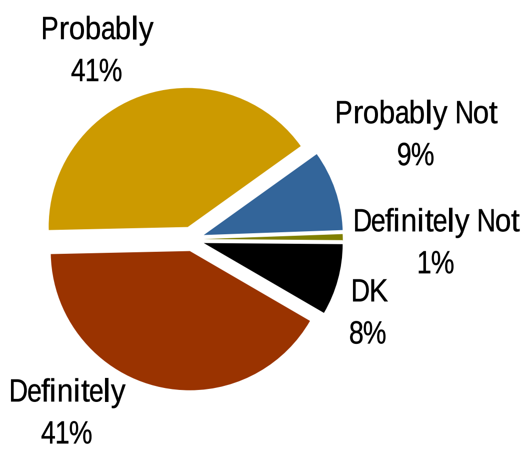
S7Q6a. How much confidence do you have in the IESO's ability to address the issue of reliability? (10=completely confident; 1=not at all confident)
S7Q6b. Why are / aren't you confident in the IESO's ability to address the issue of reliability?

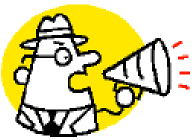
Perception that IESO Gives Proper Attention to Reliability

- Most participants, 82%, either definitely or probably feel that the IESO gives reliability the proper amount of attention.

Is the IESO Giving Proper Attention to Reliability?

(%Stating)





What is lacking?

**Among those who feel IESO is not giving reliability the proper attention*

"There are not enough resources devoted to reliability, so it can't be a priority."

"The IESO is limited in what they can do in terms of adding capacity or closing plants."

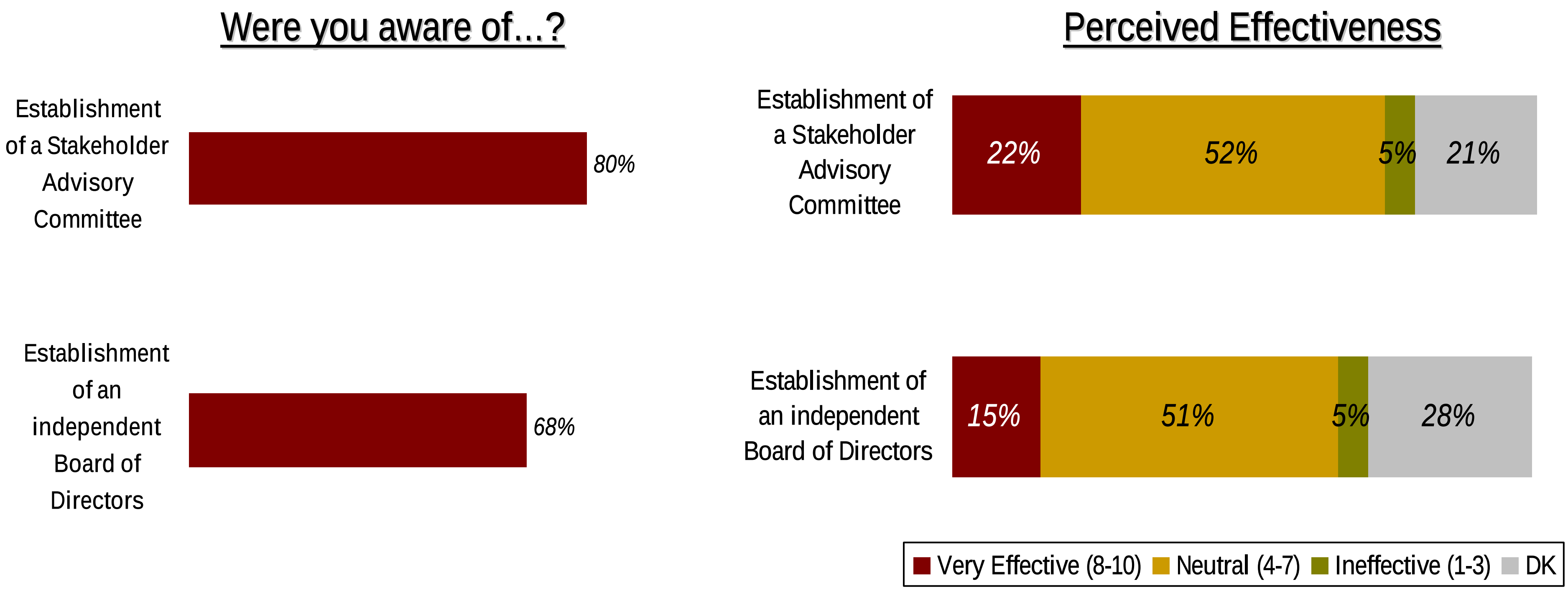
"The IESO does not have the authority to force investment at this time."

S7Q7a. And, in your opinion, do you feel that the IESO gives the issue of reliability the proper amount of attention in its business priorities?
S7Q7b. What is lacking?

Focus on Stakeholder Engagement

Stakeholder Engagement – Awareness & Effectiveness

➢ While awareness of the establishment of a Stakeholder Advisory Committee and an independent Board of Directors is high, the jury is still out concerning the perceived effectiveness of these two initiatives.



S8Q1. The IESO has made a number of changes to improve stakeholder engagement. Were you aware of…?
S8Q2. How effective do you feel the Stakeholder Advisory Committee will be in improving IESO decision-making? And the independent board?