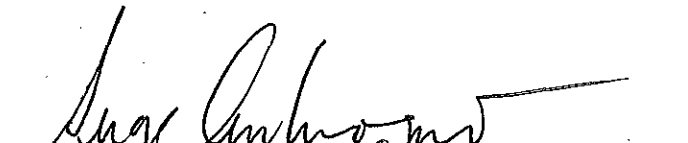
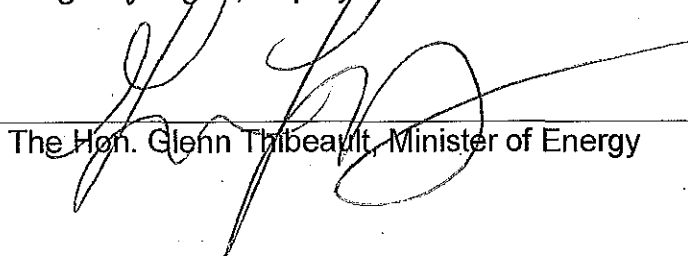


**ANNUAL REPORT:
MINISTRY SUBMISSION FORM**

CO Tracking #: (AR-2599)
EVista Tracking #: (SUB-AR-2018-01138)

Ministry of Energy**Independent Electricity System Operator
Annual Report
2017****Profile at a Glance****Governing Act:** *Electricity Act, 1998 (EA)***Classification:** Non-Provincial Agency**Requirement to table in the Legislative Assembly:** Yes, Section 25.3(3) of the Electricity Act, 1998**Public Interest:** Low**Key Stakeholder Interest:** Low**Agency Fiscal Year-end:** December 31st**Date Submitted to Ministry:** April 3, 2018
Serge Imbrogno, Deputy Minister24/04/2018
Date
The Hon. Glenn Thibeault, Minister of Energy25/04/2018
Date

2017 Highlights***Recognition of a Changing Environment***

- The IESO recognizes significant change in the electricity sector with the replacement of coal generation with renewable resources, the growing role of conservation and demand response and the increasing role of consumers in monitoring and managing their consumption.

Market Renewal Project

- Underpinning the IESO's efforts to plan and prepare for the future is the Market Renewal project, which was formally launched in 2017.
- At a high level, Market Renewal is intended to refine the way in which the IESO procures, schedules, dispatches and compensates providers of energy, capacity and other essential grid services, which will reduce overall system costs. When fully implemented, Market Renewal is expected to result in up to \$5.2 billion in efficiency improvements over a 10-year period.

Engagement

- The IESO's approach to engagement broadened in 2017, bringing a fresh set of ideas and opinions into consideration. New in-person engagement mechanisms – including, for example, five regional forums and an Indigenous Community Energy Symposium co-hosted with the Ministry of Energy – complemented existing mechanisms and initiative-specific engagements. On the digital front, the corporate website, www.ieso.ca, underwent a complete redesign and now includes a new section for content related to energy innovation known as "Powering Tomorrow."

Reliability

- New competition in the IESO's reliability services markets is also helping to drive costs down. In November 2017, the IESO announced that two new energy storage facilities had been selected through a competitive process to help support the reliability, flexibility and efficiency of the province's electricity grid. The successful parties will provide a combined 55 megawatts of regulation service, an important grid-balancing function that corrects for short-term changes in electricity use that might affect the reliability of the power system. These projects represent one of the largest reductions in per-unit regulation costs since Ontario's electricity market opened.

Conservation

- Ontario continues to make steady progress towards its 2020 conservation target of 8.7 terawatt-hours (TWh) of energy savings through the Conservation First Framework (CFF) programs and the Industrial Accelerator Program (IAP). The CFF is on target and under budget at the halfway mark, having achieved 3.85 TWh (55% of the CFF target¹) of energy savings in the first half of the framework.

Organization Realignment

- The IESO underwent an organizational realignment in the fourth quarter of 2017. The new Policy, Engagement and Innovation group aligns the various IESO resources to more effectively develop policy that reflects the broader objectives of the IESO and Ontario's electricity sector, including the need to foster innovation. This group is also responsible for leading the IESO's engagement efforts with customers and stakeholders, the energy regulator, the government and others to ensure their input is actively sought and considered as new initiatives are advanced.

Cyber Security

- In 2017, the IESO continued to play a leadership role in the field of cybersecurity by leading collaborative forums to share best practices and by hosting executive level cybersecurity briefings to share lessons from experts around the world. The IESO implemented new detection technology in 2017 to further protect confidential information and is currently expanding its cybersecurity governance framework over the next two to three years to meet the National Institute of Standards and Technology Cybersecurity Framework, which will establish effective security governance around external vendors.

Long Term Energy Plan (LTEP)

- The Minister of Energy released the government's *Long-Term Energy Plan* (LTEP) in October 2017. The IESO has since worked with stakeholders and communities to develop an implementation plan – *Putting Ontario's Long-Term Energy Plan Into Action* – that supports many of the initiatives identified in the LTEP, which touch on many of the IESO's core functions. The work described in this plan will take place over several years, requiring regular engagement and collaboration by the IESO and its partners.

Fiscal Performance

- The IESO core operations expenses have decreased by 4.2% between 2016 and 2017.

- However, core operational revenues also decreased by 1.9% between 2016 and 2017.

s. 2 Urgency

- The IESO submitted its 2017 annual report to the Ministry on April 3, 2018, 90 days after the end of its fiscal year as required by the *Electricity Act, 1998*.
- Section 25(3) of the *Electricity Act, 1998* requires that the Minister submit the annual report to the Lieutenant Governor in Council (LGIC) and then table the report in the Assembly.
- The IESO can release its annual report to the public prior to the report being submitted to LGIC. The 201 Annual Report has been posted on the IESO website at: <http://www.ieso.ca/corporate-ieso/media/publications>

s. 3 Financial Performance

Financial Highlights 2016-2017

Item (\$M)	2017 Actual	2016 Actual	\$ Change	% Change
Core Operations Revenues	186,559	190,219	3,660	(1.9)%
Core Operations Expenses	185,137	177,668	7,469	(4.2)%
Operations Surplus / (Deficit)	1,422	12,551	11,129	(88.6)%

- The IESO's revenue from market operations is earned from the recovery of wholesale operations costs through a usage fee set by the Ontario Energy Board (OEB). The approved usage fee for 2017 is \$1.2187/MWh for domestic customers and \$0.9872 for export customers.

s. 4 Public/Stakeholder Response

- It is not anticipated that there will be negative public response or issues raised by stakeholders when this annual report is tabled. The 2017 Annual Report has been posted on the IESO website.

s. 5 Background

- The IESO's mandate is established in legislation and regulations, primarily through the *Electricity Act, 1998*.
- The IESO's primary responsibilities ensure there is enough power to meet the province's energy needs in real time while also planning and securing energy for the future. It does this by:
 - Balancing the supply of and demand for electricity in Ontario and directing its flow across the province's transmission lines;
 - Planning for the Province' medium and long-term energy needs and securing clean sources of supply to meet these needs;
 - Overseeing the electricity wholesale market where the market price of electricity is set;
 - Fostering the development of a conservation culture in the province through programs such as saveONenergy.
- The IESO is also designated as the Province's Smart Metering Entity (SME). It operates the Metering Data Management Repository (MDM/R) that verifies the usage to enable the LDCs to bill consumers on time-of-use rates.
- The IESO is a not-for-profit corporate entity. It is governed by an independent Board appointed by the Government of Ontario.

Contacts and Appendices

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Contacts

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