IESO Core Operations 2017 Results vs Plan

2017 Key Highlights:

- Savings of $9.0 million (with $4.1 million related to Market Renewal) due to lower than expected contracted services and higher interest income
- Market Renewal savings due to slower resource ramp up and contingency not utilized
- 2017 included a number of key initiatives:
  - Market Renewal Program
  - Green Ontario Fund
  - Fair Hydro Plan
  - LTEP Implementation

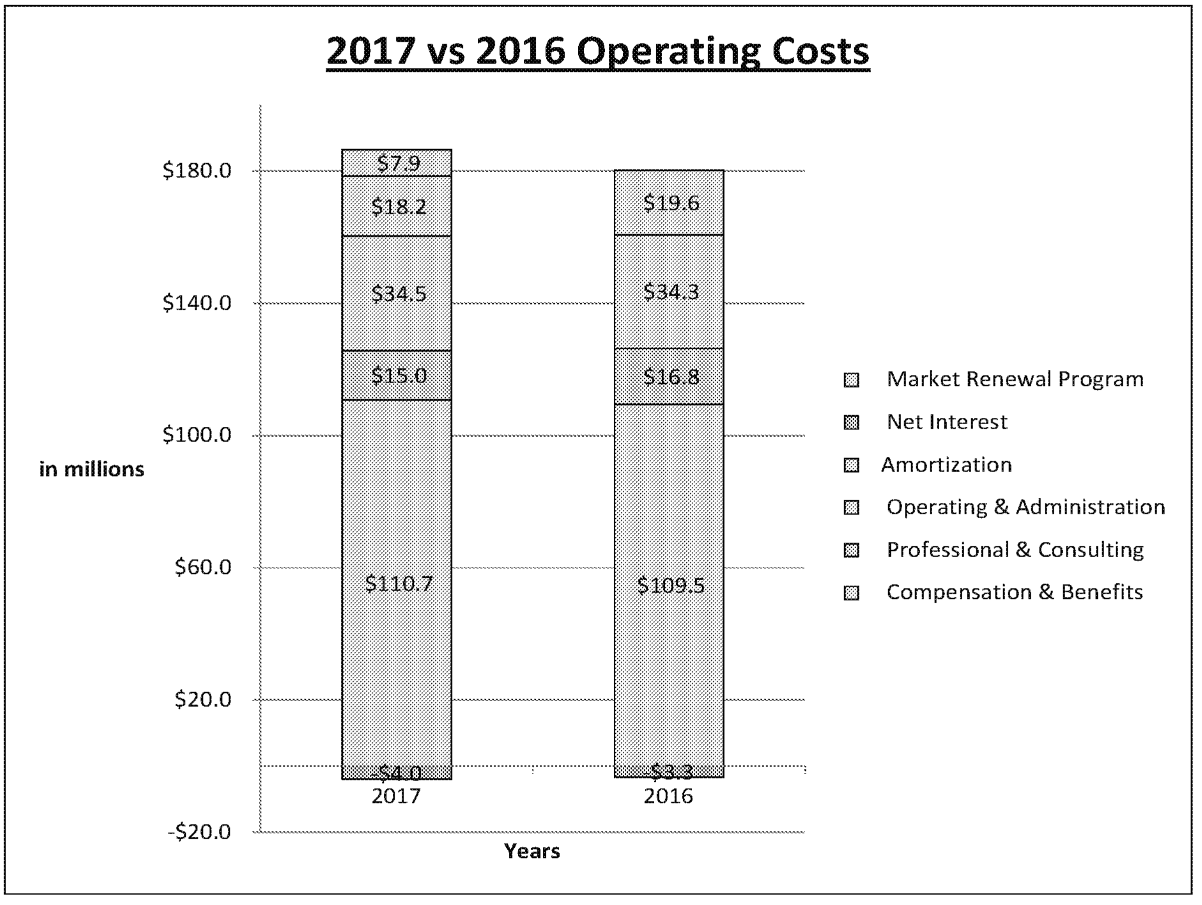
IESO Core Operations 2017 financial results versus budget
for the period of January 1 – December 31, 2017

($THOUSANDS)	Actual	Budget	Variance
Total Revenues	**178,412**	**191,364**	**(12,952)**
Compensation & Benefits Expenses	110,724	109,155	1,569
Professional & Consulting Expenses	15,033	17,753	(2,720)
Operating & Administration Expenses	34,474	35,468	(994)
Amortization Expenses	18,204	18,350	(146)
Net Interest	(3,951)	(1,362)	(2,590)
Total Operating Expenses	**174,483**	**179,364**	**(4,881)**
Market Renewal Program (MRP)	**7,928**	**12,000**	**(4,072)**
Total Operating Expenses (Incl. MRP)	**182,411**	**191,364**	**(8,953)**
Total Surplus/(Deficit) for the period	**(4,000)**	**(0)**	**(4,000)**

Summary of the 2017 vs 2016 Actuals

The 2017 expenses (excluding Market Renewal) are $2.4 million below the 2016 expense levels primarily due to:

- ($1.8 million) in lower contracted resources in core operations due to redirection of resources to MoECC activities in 2017
- ($1.4 million) in lower amortization expenses due to assets reaching the end of useful life and timing of capital asset additions
- ($0.4 million) higher interest income in 2017
- $1.2 million in higher compensation and benefit expenses due to the impact of collective agreements, lower capitalized labour due to slower than anticipated project starts and severance expenses

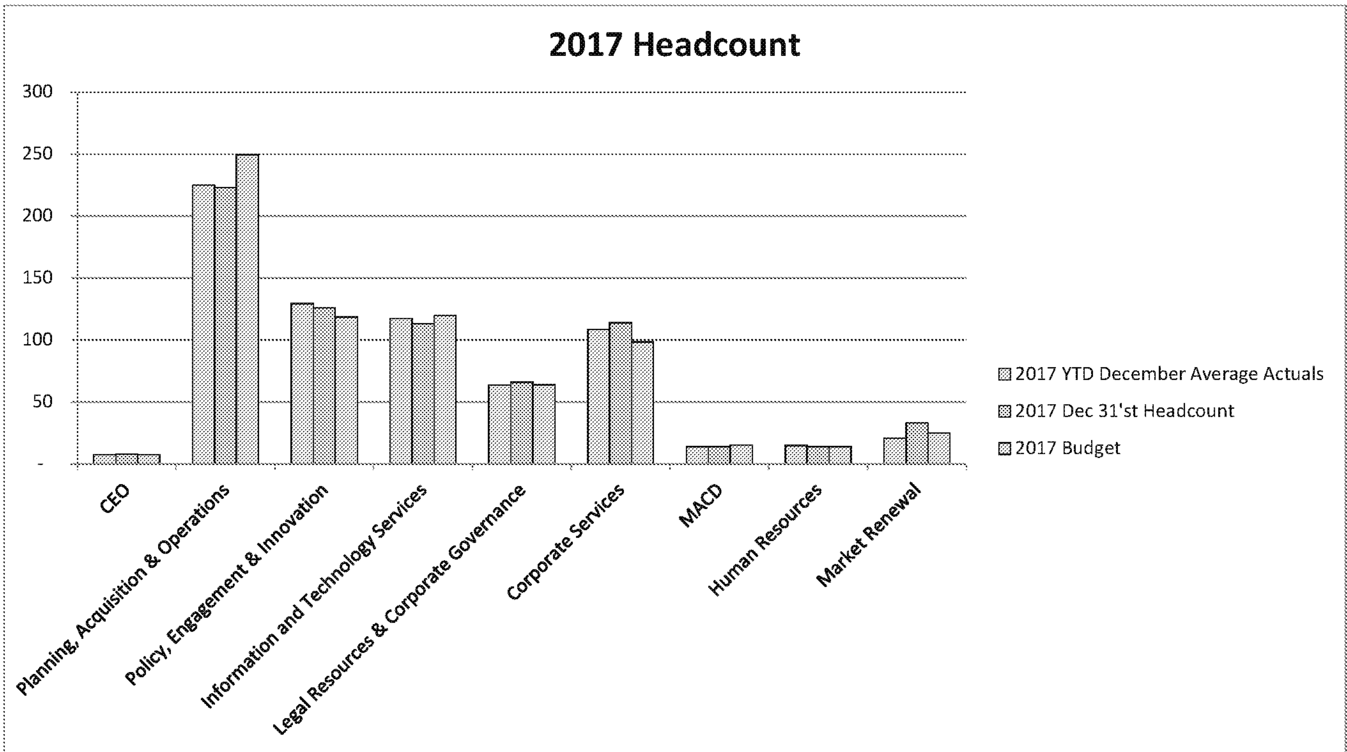


2018 Outlook

While the 2018 budget is in line with our 2017 funding levels overall, the budget contains increases in Information Technology, Market Renewal and LTEP related incremental work as well as higher staffing costs due to FTE increases and collective agreements impacts. These increases were mitigated through cost allocations such as: inclusion of conservation costs to be recovered through GAM; broadened scope of MACD expenses charged to the adjustment account, including staff resources and legal and contract services; removal of MRP contingency and further reduction of MRP budget. However, ongoing review of risks and opportunities and a rebalancing of the evolving priorities will be required throughout 2018 in order to deliver the IESO's mandate within its budget.

Staffing

Average headcount for 2017 is 701 FTEs (excluding 14 FTEs related to MoECC; these resources are funded through a recovery mechanism and have no overall impact on compensation expenses), which is 11 FTEs below budget. The December 31st headcount is 711 FTEs (again, excluding the MoECC FTEs) which is on budget.



Capital

Capital spending for the year is $15.6 million which is $9.4 million under the 2017 approved capital envelope of $25.0 million. A brief summary of capital spending by project is provided in the table below:

2017 Capital	Capital Envelope	Actuals	Variance
Operations Readiness Initiative	2,500	978	(1,522)
Identity Access Management	2,100	2,067	(33)
Enterprise Cyber Security Advanced Malware	2,000	2,845	845
Market Information Systems (MIS) Refresh	2,000	2,740	740
Corporate Web site including save-on-energy	1,500	641	(859)
Conservation Demand Management Information System	1,000	343	(657)
CRS Replacement	1,000		(1,000)
Financial Systems Improvements	1,000	214	(786)
Oracle Archtype Expansion and Oracle batch	1,000		(1,000)
Wallboard Refresh (Screens and Projectors)	1,000		(1,000)
MACD Enforcement Support Tool and related projects	1,000		(1,000)
FIT, microFIT and other upgrades	1,000	1,126	126
Othes (Misc projects under $1M)	7,900	4,665	(3,235)
Total	**25,000**	**15,618**	**(9,382)**