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Memorandum

To: THE EXECUTIVE LEADERSHIP TEAM
Of the Independent Electricity System Operator

From: Lia Kosic
Director, Financial Planning & Analysis

Date: August 17, 2017

Re: Q2-2017 Risk and CPMs

Progress on the enterprise risk mitigation plans and achievement towards the corporate performance targets for 2017 continue to advance as discussed in the highlights below and detailed in the enclosed.

Additional items for the consideration and/or approval of the Audit Committee, as discussed in detail below, relate to the replacement of the employee engagement performance measure as well as recommending a CPM quarterly report format.

Enterprise Risk Q2 Highlights

Progress is on track for key risk mitigation plans to the end of Q2, 2017 and management believes risk exposure continues to be effectively managed. Progress on mitigation plans is provided in greater detail in the attached.

Highlights of work in support of risk mitigation include the approval of the Advanced Malware Technology Project and technologies selected for purchase, continued active engagement with government to provide information, advice and support for the Ministry of Energy's 2017 Long Term Energy Plan, issuance of the Regulation RFP to procure an additional 50MW of Regulation Scheduled capacity, extensive communications initiatives in support of the organization wide employee engagement action plan including CEO listening tour, as well as robust competency-based Learning and Development programs put in place to develop key skills, behaviours and abilities contributing to building organizational capability.

Corporate Performance Q2 Highlights

Key accomplishments to the end of Q2, 2017 as highlighted below, demonstrate progress on the IESO's overall strategic goals, as also provided in greater detail in the attached.

- Reliability enhancements for the benefit of the sector continue to be undertaken via data sharing for aggregated distributed generation plants with Alectra while the IESO also continued its support of the Ontario Energy Board objectives for completion of cybersecurity standards development.
- Work in support of achievement of a more efficient and sustainable marketplace was demonstrated by the cost-effectiveness of the Conservation First Framework portfolio being undertaken at 3.3 cents/kWh (below the 4 cents/kWh target) as well as the completion of the initial Market Renewal Program (MRP) risk identification and assessment and the establishment of a CEO roundtable for MRP.
- Data pertaining to satisfaction with the stakeholder engagement process is forthcoming and expected to be available before October.
- Effective and efficient use of IESO resources continues to be demonstrated with change initiatives progressing according to their approved business cases.

Finally, as a result of feedback from the April Audit Committee meeting and desire for a more visual 'dashboard' depiction of corporate performance results, an additional quarterly report format is attached for consideration and recommended as the format going forward unless the more detailed version continues to be preferred.

Employee Engagement Corporate Performance Measure

The employee engagement survey planned for 2017 is not expected to be executed this Fall in light of recent change in CEO resulting in a shift in focus toward assessing the current and future state of the organization primarily via a 'listening tour' for staff feedback and a strategy review. Given this shift in direction, management will be proposing an alternative to the following 2017 corporate performance target.

Corporate Performance Measure	2017 Target
IESO employees are engaged	A two point increase in employee engagement is achieved from the baseline of 71% set in 2016 and all business units successfully implement their action plans resulting from the survey

Plans are under development to conduct an employee engagement survey in the first half of 2018 and develop targets relative to the 2016 baseline survey.

Thanks,

Lia Kosic
Director, Financial Planning & Analysis

Initials LK

Enclosed Q2-2017 CPM update_FINAL.pdf
2017 CPM Report (Dashboard with Targets).pdf
Q2 2017 Risk Update FINAL.pdf
Organization Wide Employee Engagement Action Plan -July2017.pdf