
Interim Year Business Outlook 2023-2026

Independent Electricity System Operator
September 1, 2023



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Letter from the President & CEO

As Ontario's electricity sector undergoes unprecedented transformation, the Independent Electricity System Operator (IESO) continues to work with stakeholders, municipalities and Indigenous communities to ensure Ontario's electricity system remains reliable, affordable and sustainable.

Economic growth, electrification and decarbonization efforts are leading to an increasing reliance on electricity, and Ontario's electricity system could need to more than double in size in response. As such, the IESO's work to drive and guide the sector during this transition continues to grow, and now includes additional work in support of the province's most recent resource development initiatives to meet growing demands and encourage new investment and economic growth.

Last year, in its 2023-2025 Business Plan, the IESO set out its priorities in a number of key areas, including: Ensuring resource adequacy, enabling new resources, fostering innovation, supporting decarbonization, and advancing market renewal. These priorities are grounded in our corporate strategy, which positions the IESO to manage the significant change underway in our sector.

The Business Plan set out the additional revenue requirements needed to support the evolution of our sector, and recently received approval from the Ontario Energy Board. Almost one year later, this Interim Year Business Outlook takes stock of what we have accomplished, and thoughtfully considers new developments in the sector and their subsequent impacts on our resourcing and expenditures.

We are currently on track to deliver on the initiatives that were laid out in the Business Plan within the approved revenue requirements. During the first year of the current three-year plan, we have seen some notable accomplishments.

The IESO completed the largest energy storage procurement ever in Canada and secured upgrades and expansions from existing natural gas generating facilities. These actions are critical to maintaining grid reliability mid-decade and beyond.

We expanded our suite of Save on Energy program offerings to provide Ontario businesses and homeowners with more options to reduce their energy bills and contribute to reliability. We also launched a pilot to integrate hydrogen into the electricity grid and implemented a new Clean Energy Credit Registry to help support corporate environmental and sustainability goals.

Yet we also recognize the impact that recent developments will have in shaping our work moving forward.

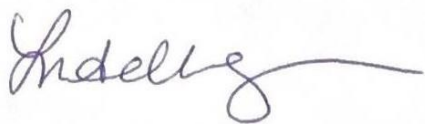
The recent release of the provincial government's *Powering Ontario's Growth* report has set out a number of specific initiatives that require IESO support. The IESO will be preparing the detailed plans and assessments needed to grow the system in an orderly, co-ordinated and cost-effective manner, work that will underpin success for the energy transformation and the continued growth of the economy. Our expertise is needed to set the stage for new non-emitting supply projects, identify the transmission necessary to carry that supply to where it is needed, and ensure that our expanding system continues to operate reliably and effectively.

As a result, concurrent to this Outlook, the IESO is issuing an amendment to its 2023-2025 Business Plan to address the specific resource requirements resulting from the implementation of *Powering Ontario's Growth*.

There are many exciting developments taking place across Ontario. The province is attracting new businesses, including significant investments in the automotive sector, emerging technologies are providing more choice to consumers, and the broader economy is pursuing electrification.

To achieve a sustainable, future-state energy system, we understand that, above all, we cannot do this without input from stakeholders and rights-holders. To this end, our efforts are grounded in working with transmitters, distributors, generators, consumers, municipalities and Indigenous communities to ensure all voices are heard and all perspectives are considered as we undertake such a significant expansion of Ontario's electricity infrastructure.

The IESO is committed to supporting the future prosperity of the province by driving and guiding the sector's future, ensuring system reliability while supporting cost effectiveness, and driving business transformation. While this job is becoming increasingly complex and dynamic, we are confident that by anchoring our work in our corporate strategy and leveraging our skilled workforce, the IESO will continue to deliver the electricity service that Ontarians rely on.

A handwritten signature in dark ink, appearing to read 'Lesley Gallinger', with a long horizontal flourish extending to the right.

Lesley Gallinger

President and CEO

2023-2026 Interim Year Business Outlook

Introduction

The IESO plays a unique and critical role in Ontario's energy ecosystem – setting a course for a future state that is decarbonized, decentralized and digitalized. Although some aspects of this journey cannot be foreseen with complete certainty, the IESO is resolute in its commitment to support Ontario's energy transition – leading change when required, but also facilitating our partners' leadership.

The IESO 2023-2025 Business Plan was the first submission under a new three-year approval process that has provided revenue certainty for the IESO to plan future years and permits flexibility to move work over the planning horizon to achieve the IESO's corporate strategies and address changing priorities.

This new multi-year approach to business planning is included in the Memorandum of Understanding (MOU) between the Minister of Energy and the IESO, which requires the IESO to submit an Interim Year Business Outlook to the Minister for each fiscal year (i.e., 2023 and 2024) during a business plan cycle for approval. As established in section 8.2.4 of the MOU, the Interim Year Business Outlook should identify any changes to the 2023-2025 Business Plan without altering the total revenue requirement and capital budget.

This year's edition is the first Interim Year Business Outlook and provides updates on how the IESO's plans are progressing towards delivering ratepayer value in Ontario in the coming years. The IESO is also submitting a revised 2023-2025 Business Plan to account for additional work that will result from the implementation of the *Powering Ontario's Growth* plan.

IESO Corporate Strategy at a Glance



Drive & Guide the Sector's Future

- 1.1** Strengthen Stakeholder and Indigenous Communities Engagement & Relationships via Purposeful, Transparent Outreach
- 1.2** Identify, Anticipate and Respond to Changes in Customer Choice and Policy
- 1.3** Advise on and Actively Participate in Dialogue on the Configuration of the Future-State Sustainable Energy System



Ensure System Reliability while Supporting Cost-Effectiveness

- 2.1** Renew the Real-Time Markets to Advance Energy Transformation
- 2.2** Adapt the IESO's Short- and Long-term Planning to Meet Evolving System Needs
- 2.3** Cost-Effectively Acquire Services to Maintain Reliability in the Evolving Sector
- 2.4** Champion Cyber Security, Situational Awareness and Best Practices within the Sector



Drive Business Transformation

- 3.1** Define and Enhance our Desired Culture and Employee Experience
- 3.2** Identify and Build Next-Generation Skills and Competencies
- 3.3** Evolve the IESO's Business Processes, Technologies and Tools

Updates from 2023-2025 Business Plan

In the first year of the 2023-2025 Business Plan, the IESO has made significant progress in supporting the realization of the energy transformation that is underway in Ontario and addressing future electricity demands driven by economic growth and electrification. In doing so, the IESO is working toward meeting the commitments made in the Business Plan, in line with our refreshed corporate strategy to drive and guide the sector's future, ensure system reliability while supporting cost-effectiveness, and drive business transformation.

Driving and guiding the sector's future

The IESO continues to prioritize the essential work of engaging traditional sector stakeholders, Indigenous communities and organizations, business and industry leaders, trade associations, academic institutions and various levels of government to connect all of our current and future activities and ensure the province's capacity and energy needs are met.

Evolving consumer preferences and choices are some of the key drivers behind the energy transition that is underway. The IESO is working to remain connected with the driving forces behind changes in customer choice and to use those insights to inform plans and initiatives that move the sector forward.

The IESO is also continuing its active participation in dialogue to help shape Ontario's future-state sustainable energy system. Given our role as system integrator, we are ensuring all voices are heard and all ideas are considered to better enable the integration of new technologies – battery storage, for example – within the current structure of our electricity market.

Ensuring system reliability while supporting cost-effectiveness

The IESO is helping to drive greater cost-effectiveness by transforming the real-time markets and pursuing competitive procurements to secure energy services.

As part of the planned implementation of the Market Renewal Program (MRP), the IESO is actively working on integrating key resources for the post-go-live period to ensure seamless management of MRP once it is launched.

Since the submission of the 2023-2025 Business Plan, the IESO has continued to secure resources, test new integration models and re-examine our systems and processes to reduce barriers to market entry to ensure we derive the greatest value from new and emerging technologies. This includes launching the Hydrogen Innovation Fund to invest in projects over the next three years to test opportunities for hydrogen and hydrogen storage to be integrated into Ontario's clean electricity system.

At the same time, we continue to adapt our planning processes to meet evolving system needs. This includes identifying and assessing distributed energy resources and other non-wires alternatives, updating our demand forecasting tools and our energy modelling system to ensure we have access to state-of-the-art technologies, as well as increasing the transparency of our transmission planning process to ensure all affected stakeholders, communities, utilities, residents and businesses know what we are contemplating – and why.

The IESO has continued to procure resources under the Resource Adequacy Framework, which was developed to address evolving reliability needs in a cost-effective and flexible manner while balancing ratepayer and supplier risk.

Since the release of the Business Plan, the IESO has concluded the first medium-term RFP and entered into contracts, each with a five-year term beginning between 2024 and 2026, to secure more than 700 MW of capacity to the system and ensure ongoing value from previous investments in supply. It has also concluded its Same Technology Upgrades and Expedited Long-Term 1 procurements to secure almost 900 MW of new storage supply and another 600 MW in natural gas upgrades and expansions.

The IESO will take its learnings from the medium- and long-term RFPs and work to enhance its ability to operate and integrate storage facilities onto the system. This includes incorporating “state of charge” in our dispatch model, so that storage can be leveraged as a stand-alone resource, in conjunction with a generator in a hybrid setup, or within distributed energy resource participation models.

In the short term, the IESO secured through the 2022 Annual Capacity Auction 1,431 MW of supply for this summer and 1,160 MW for winter 2023-24. The IESO has also continued to leverage energy efficiency as one of the most cost-effective mechanisms to meet reliability needs. Under the 2021-2024 Conservation and Demand Management Framework, it launched new and/or enhanced programs to realize 725 MW of peak demand reduction and 3.8 TWh of energy savings by the end of 2024.

Protecting the IESO grid against threats and vulnerabilities remains a high priority, both in the physical and cyber realms. Given the rate at which cyber risks are increasing, the IESO continues to work closely with sector partners to share information and deepen situational awareness, as well as to expand the reach and effectiveness of our flagship Lighthouse program to ensure we enroll as many members of the broader electricity sector as possible. This work will carry on for the foreseeable future.

Driving business transformation

Overall, the IESO continues to drive business transformation through prioritization of employee well-being, business productivity and cost containment. To support the delivery of our strategy and mandate moving forward, work is progressing on an organizational alignment review that the IESO has begun to implement this year.

The IESO also continues to identify and build next-generation skills and competencies to position our employees for the future to deliver on our mandate. At the same time, the IESO is balancing the demographic shift we are experiencing – as is the case with many of our sector partners – with the planned retirement of some long-term employees.

This work is informing our recruitment efforts to attract and retain employees with the knowledge and skills needed to oversee the system of the future. This effort also includes working to improve the employee experience at the IESO and building on our commitment to equity, diversity and inclusion.

As with every aspect of Ontario’s electricity sector, the changes required to optimize our workforce, as well as the systems and processes that support them, are significant and wide-reaching. We

continue to leverage access to our wealth of operational electricity data and make the necessary investments to facilitate this transformation to deliver long-term value to residents, communities, businesses and institutions across Ontario.

Looking ahead: Powering Ontario's Growth

In December 2022, the IESO released the *Pathways to Decarbonization* report. This report catalyzed an important conversation within the sector about potential approaches to eliminating the remaining emissions from Ontario's power system. In response to our report, the Ministry published *Powering Ontario's Growth* in July 2023 issuing a series of action items for the IESO to advance decarbonization and meet economic development priorities.

These actions include major inputs into our long-term planning efforts. As a result, the IESO is now pursuing new planning studies and assessing options – informed by previous engagements – to enable the connection of new pumped storage facilities, additional nuclear reactors at the Darlington and Bruce generating stations, and support opportunities for Ontario Power Generation to optimize its existing hydroelectric generation fleet.

As an initial step, the IESO will work with the Ministry of Energy and Bruce Power on a proposed contractual approach to support the construction of the first full-scale nuclear plant in Ontario in three decades. It will report back to government on how to address costs and risk-sharing associated with this pre-development work in a way that minimizes the impact on ratepayers. The IESO will also work to identify transmission options to reduce reliance on natural gas in the Greater Toronto Area, as well as enable economic development in the north of the province.

Similarly, as the scheduled decommissioning of the Pickering nuclear plant approaches mid-decade, the IESO is looking at what transmission will be required to integrate new resources and expected demand from electrification. This forward-planning process will also complement the work already underway to develop a competitive transmitter selection framework for future transmission procurements.

Many of these action items were not included in the IESO's approved 2023-2025 Business Plan; however, an amendment to the plan is being submitted concurrently with this Outlook for regulatory approval. Based on the reporting and execution timelines established by the Ministry of Energy for the IESO to complete this work, the IESO is prioritizing the following activities for 2023-25:

- Planning Transmission Network requirements; Development of Transmitters Selection Framework; Transmission Land Protection Outreach for Municipalities and Indigenous Communities
- Reporting back on Bruce Nuclear New-build Impact Assessment Cost Recovery Framework, design for the second Long-Term RFP and Clean Electricity Fund Options
- Supporting the Ministry's Consultation for CDM Program Post-2024
- Operability Studies/Market Assessments/New Technology Research
- Management of Clean Energy Credits in Support of the Future Clean Electricity Fund
- Engagement to assess Clean Electricity Fund opportunities for Indigenous Communities

Financial Outlook

The IESO is progressing well towards delivering on the key initiatives outlined in the 2023-2025 Business Plan, which are critical to maintaining its core operations and supporting the significant transformation of the electricity sector in Ontario.

The current Outlook indicates that the planned expenses included in the 2023-2025 Business Plan are tracking to budget (less than \$1 million variance) over the total three years, with higher net interest income offsetting various higher-than-expected costs, primarily for maintenance of various information technology (IT) systems and for workforce planning including building next generation skills and competencies. Market Renewal Program (MRP) operating expenses are also projected to be within the approved three-year Business Plan. The slight overspend over the three years for the expenses included in the Business Plan is expected to be managed primarily through increases in demand volumes observed as of June 2023.

In addition, the IESO's Society of United Professionals (SUP) was recently awarded – in the context of Bill 124 – salary and benefit increases that were higher than the IESO's 2023-2025 Business Plan assumptions, resulting in \$34.5 million of incremental expenses over the three-year Business Plan horizon. This amount will be managed within the IESO's approved funding inclusive of operating reserve, and any deficit balance over the planning period will be recovered in the 2026-2028 Business Plan.

Included in this Outlook is \$11 million in operating expenses for work to support the government's *Powering Ontario's Growth* plan, which has also been included for approval in the amended 2023-2025 Business Plan. These funds are necessary to develop a transmitter selection framework, a number of transmission plans to support investment projects and future lines, support for the Clean Energy Credit program, ensuring Ontario's system operability during this transition, and preparing for a new Conservation and Demand Management Framework.

Given the significance that this work has in the government achieving its policy objectives of meeting growing demand for electricity into 2030 and beyond while transitioning to a clean electricity system, the IESO decided to submit an amendment to its 2023-2025 Business Plan. Doing so ensures the impact of this incremental work is well defined, staffed and prioritized within all the other deliverables of the 2023-2025 Business Plan.

The 2026 Outlook indicates a potential 19 per cent revenue requirement increase compared with the 2025 Business Plan. This is due to the higher-than-planned salary base and benefits associated with the SUP rate updates, full-year impact of MRP amortization, incremental spending to support *Powering Ontario's Growth* and a return to funding Demand Side Management staff from the IESO usage fee in accordance with the restructuring of the conservation framework expected in 2025.

While in this year's Outlook the total expenses are projected to be higher in 2026, the IESO believes that demand volume would also have a material growth that would mitigate the impact on ratepayers. The IESO will continue to assess the incremental needs and work to find efficiencies to moderate, as much as possible, the projected expenses in future Outlook reporting.

The IESO received approval from the Ontario Energy Board to retain \$15 million as operating reserve in the 2022 Forecast Variance Deferral Account (FVDA) ending balance, and a maximum of \$10 million as the balance going forward. If the year-end balance in FVDA exceeds \$15 million for 2023 or 2024 before the 2026-2028 Revenue Requirement Submission, the IESO will rebate an amount to ratepayers to return the operating reserve balance to \$10 million.

Detailed Financials

The following table outlines 2023-2026 Interim Year Business Outlook operating revenues and expenses:

For the Year Ended December 31
(Millions of Canadian Dollars)

(\$ Millions)	2023 Budget	2024 Budget	2025 Budget	3 Year Total	2023 Forecast	2024 Outlook	2025 Outlook	3 Year Total	2026 Outlook
Revenue									
IESO Usage Fee	208.4	218.4	229.7	656.5	209.3	218.4	229.7	657.4	273.2
Expenses									
Expenses Included in Business Plan	208.4	218.4	229.7	656.5	199.5	220.1	237.3	656.9	267.9
Bill 124 - Society Compensation & Benefits	-	-	-	-	21.2	6.4	6.9	34.5	-
Sub-Total	208.4	218.4	229.7	656.5	220.7	226.5	244.2	691.4	267.9
Powering Ontario's Growth	-	-	-	-	1.0	4.5	5.4	10.9	5.4
Total Expenses	208.4	218.4	229.7	656.5	221.7	231.0	249.6	702.3	273.2
Operating Deficit	-	-	-	-	(12.4)	(12.6)	(19.9)	(44.9)	-
Operating Reserve Variance Account Ending Balance	10.0	10.0	10.0	10.0	2.6	(10.0)	(29.9)	(29.9)	(29.9)

Capital

The capital envelope projection over the 2023-2025 horizon is \$12.6 million, or six per cent, higher than the approved Business Plan, primarily driven by higher spending for the IESO's Back Up Operating Centre (BOC). MRP capital costs are aligned with the approved program spending and in-service date, with a total \$2.0 million, or two per cent, variance over the three-year Business Plan due to timing of spending from 2022 shifting into future years.

The 2026 Outlook includes continuation of multi-year projects initiated within 2023-2025, new and refresh system projects, and \$10 million for Space Needs Program & Facility investments.

Back Up Operating and Data Centre Relocation Project – This project is entering the Execution Phase. Costs reflect the need to purchase and renovate a property for the BOC rather than acquire a specialized service provider that was originally assumed when developing the Business Plan. Through the planning phase, the IESO determined that over time the total cost of ownership was less than that of leasing a property to host the BOC, and the market scan revealed that there were no viable service providers to support IESO's specific operating needs. The decision to own and

operate the BOC also provides a number of operational benefits including full operational control, long-term stability and the ability to fully customize the facility to meet the IESO’s unique operational needs. The costs for the Backup Data Centre portion remain consistent with the original budget assumptions.

Capital (\$ Millions)	2023 Budget	2024 Budget	2025 Budget	3 Year Total	2023 Forecast	2024 Outlook	2025 Outlook	3 Year Total	2026 Outlook
Core Operations Initiatives	23.0	28.6	30.6	82.2	24.9	25.1	31.0	81.0	30.0
Space Needs Program & Facility Investment	7.0	10.0	13.0	30.0	0.5	12.5	17.0	30.0	10.0
Back Up Operating and Data Centre Relocation	5.0	5.0	-	10.0	8.9	10.6	2.3	21.8	-
Market Renewal Program *	43.9	28.2	28.0	100.1	37.4	36.8	28.0	102.2	-
Total Capital Envelope	78.9	71.8	71.6	222.3	71.7	85.0	78.3	235.0	40.0

*Budget revised to reflect the approved Baseline 5 schedule (including contingency)

Full Time Equivalent (FTE) Staffing

In 2023, the average FTEs (funded from the IESO usage fee) of 870 is lower than the budget by 44 FTEs, or five per cent. This is due to the higher-than-planned attrition experienced in 2022, which resulted in a greater-than-anticipated number of headcount to be hired in 2023. The IESO has taken multiple actions to intensify the acquisition of talent and ensure that the planned year-end 2023 headcount is achieved. The lower MRP FTEs has not affected the project deliverables or schedule as the IESO has been able to manage the workload by leveraging existing staff and support from third-party vendors.

Average FTEs for 2024 and 2025 are higher than planned by 37 and 63 FTEs, respectively, due to:

- Thirty additional headcount to be hired between 2023 and 2025 in support of the *Powering Ontario’s Growth* plan, with these resources also being required beyond 2025
- SUP grievance that requires the IESO to in-house, by November 2024, one of its large IT contract services for support and maintenance. This will add 16 headcount by 2024 with no material financial impact on the 2023-2026 Interim Business Outlook period
- Decision to restructure the IESO’s Security Operation, responsible for security monitoring, detection, remediation and incident response. This adds five headcount by 2024 to address the increase in cyber events, improving timeliness and efficiencies, and aligns with industry best practices
- Additional six headcount to support workforce planning including building next-generation skills and competencies
- Timing variances from the original budget, where headcount to support the Resource Adequacy Framework has been distributed evenly over 2024-2025 and MRP resources have been redistributed in accordance with the latest schedule of work

In 2026, the total FTE average is projected to decline by eight FTEs from the 2025 FTE average outlook, as MRP is completed and some resources return to core operations while others conclude

their temporary employment (as planned), as well as Demand Side Management staff returning to be funded from the IESO usage fee in accordance with the restructuring of the conservation framework.

Average Full Time Equivalents (FTEs)	2023 Budget	2024 Budget	2025 Budget	2023 Forecast	2024 Outlook	2025 Outlook	2026 Outlook
Included in the Business Plan	914	926	900	869	941	933	925
Powering Ontario's Growth	-	-	-	1	25	30	30
Total FTEs	914	926	900	870	963	963	955

IESO Interim Performance Metrics Results

Provided below is an interim progress update on each of the corporate performance measure. Full-year performance metrics results will be available towards the end of the year, upon receipt of complete data sets.

Strategic Alignment – Outcomes		
<ul style="list-style-type: none"> • Drive and guide the evolution of the system to ensure long-term reliability • Maintain affordability via competition and other mechanisms • Effectively respond to changes in policy and customer choices 		
Measure	2023 Target	Key actions taken to support the measure (Interim Progress)
1. Market Renewal Program delivery: Percentage of key milestones complete according to implementation plan	80%	All 14 of the milestones planned for the first half of 2023 have been completed. These milestones cover work in a number of areas including engagement on Market Rule amendments, market participant readiness and IT solution development and testing.
2. Maintaining Resource Adequacy: Plans in place to ensure that resource adequacy reliability standards are met for the next five years	100%	<ul style="list-style-type: none"> • IESO-led procurements are in flight as per Minister directives (Expedited Long-Term 1 procurement, Long-Term 1 Procurement); • 2022 Annual Planning Outlook was published in December 2022; • 2023 Annual Acquisition Report is currently in development; • Capacity Auctions running on an annual basis; • Actively coordinating nuclear refurbishment outages with facility operators.
3. Resource Adequacy procurement: Supply offers (MW) in open and competitive mechanisms exceed the target capacity (MW)	20%	<ul style="list-style-type: none"> • The sequencing of the E-LT RFP and the LT-1 RFP is outlined in a manner that drives greater participation and liquidity in order to deliver cost-effective outcomes; • The 2022 Capacity Auction offers for both Winter and Summer exceeded target capacity; • The E-LT RFP received more than 3,550 MW in offers for a target capacity of 1,500 MW. In particular, the offers for storage resources was more than 3,100 MW for a 900 MW storage target. The offers for non-storage resources were 416 MW for a 600 MW target.
4. Enabling Resources Program delivery: Percentage complete of program plan	33%	<ul style="list-style-type: none"> • As of the end of March 2023, Enabling Resources Program (ERP) has an overall completion of 27% and continues to progress according to plan; • DER design document and stakeholdering is complete as planned. <p>In addition, we have received funding from Natural Resources Canada’s (NRCan) Smart Renewables and Electrification Pathways (SREP) Program for up to \$16.7 M or 50% of total IESO staff, consultant, IT upgrade and other project costs. We are seeking approval to redeploy resources that are currently allocated to foundational ERP projects in order to implement the enhanced ERP models by or before 2027.</p>

Descriptions have been revised for measures #1 and #3 for readability. The measures and data used to calculate achievement of targets has not changed.

Strategic Alignment – Enablers

- Evolve the IESO’s culture enabled by people, tools, and processes to promote a high-performing organization
- Effectively tell the IESO’s story to strengthen stakeholders and community connections

Measure	2023 Target	Key actions taken to support the measure (Interim Progress)
5. Employee pulse survey results for specific annual engagement areas of focus	4% average increase	<p>The IESO Director community and the Executive Leadership Team selected the following question as the area of focus for 2023: “I feel a sense of belonging at the IESO”.</p> <p>Key Updates:</p> <ul style="list-style-type: none"> • Offered dedicated, focused sessions in January to provide employees an overview of survey results; • Offered workshops in March on the leader’s role in facilitating conversations with teams and connecting actions to employee feedback; • An employee communications campaign and a dedicated internal webpage / resources have been developed to highlight actions the organization has taken in response to employee feedback and in support of an inclusive work environment.
6. Effectiveness of stakeholder engagement actions through positive survey results (within -2% tolerance range)	80%	<ul style="list-style-type: none"> • To strengthen our engagement activities via purposeful and transparent outreach, the Stakeholder and Community Engagement team is undertaking an external relations engagement framework reset to determine how we can most effectively engage and communicate with our diverse set of customers, communities and stakeholders; • The refreshed framework will be socialized in summer 2023.

Strategic Alignment – Key Risks

- Maintain vigilance on cyber security threats to the IESO and the system, and adapt as required

Measure	2023 Target	Key actions taken to support the measure (Interim Progress)
7. Cyber threat intelligence technology implementation	90%	<ul style="list-style-type: none"> • Procurement of tool is underway; we are currently at the contract negotiation stage of the process with the vendor; • There is the possibility that the current vendor and other applicant proponents may not be able to meet our requirements on product utilization; • The team is accelerating to conclusion negotiation to inform next steps which could entail sole sourcing as an option.
8. Phishing Metrics Trend	<5%	<ul style="list-style-type: none"> • Issuance of quarterly enterprise and divisional phishing metrics report for all people leaders to help provide oversight on our corporate phishing resiliency and to follow-up with staff who require development in this area • Monitoring of training compliance and phishing metrics to inform training opportunities and focus for IESO staff
9. Determine pathway for assessment of appropriate regulatory instrument for system cyber risk mitigation	Substantial Completion	<p><i>Context – This is about setting up the "pathway for assessment" and NOT creating the regulatory instrument(s). Any instrument development would occur beyond the 2023 horizon.</i></p> <p>The goal of this measure is to report observable actions, controlled by the IESO, that will, in the post-2023 timeframe, enable pathways for assessment under either:</p> <ol style="list-style-type: none"> a) tracking of audit effectiveness under NERC CIP standards; or b) pursuing development of new rules within the IESO’s mandate or advocating for other entities to do so. <p>For 2023, the deliverable for this measure will be to assess which path to develop – better enforcement of current rules, or development of better rules (followed by good enforcement of those).</p> <p>2023 Actions:</p> <p>In-progress</p>

- Identify regulatory partners relevant to this measure. (Government of Canada, Federal Energy Regulatory Commission; North American Electric Reliability Corp., Northeast Power Coordinating Council; Ontario Energy Board, Canadian Nuclear Safety Commission).

Planned

- Working with regulatory partners, catalogue existing and emerging frameworks (i.e. OEB – Ontario Cyber Security Framework, Federal Government – Bill C24);
- Commence sector gap analysis to identify and prioritize strengths and weaknesses and needed regulatory tools and relationships (Rule, and program strength and weakness analysis across the sector);
- Begin to define and plan IESO-specific actions to enable cyber-security framework (Awareness, support resources, rule, audit programs, etc.);
- Map out sector engagement strategy to facilitate the introduction of necessary changes.

IESO Enterprise Risk Update

New Risk: Ineffective talent strategy responses to post-pandemic labour market

Risk Assessment: High	Mitigating Actions
<p>Given structural changes in the post-pandemic labour market and a rapidly evolving electricity system towards a decarbonized future, it is imperative that the IESO develops forward-looking talent strategies to attract, retain and train. Talent constraint concerns arise from not having a thorough understanding of the unique skill sets required to implement the IESO’s corporate strategy.</p>	<ul style="list-style-type: none"> • Activation of Employee Value Proposition (EVP) in 2024, aligned with the development of IESO’s Corporate Brand • Implement tactics to reach the IESO’s full 2023 staffing complement • Executive Leadership Team led Enterprise-wide meetings to gain insights into attrition trend and identification of meaningful actions • Management Total Rewards Program Refresh • Expansion of Space Needs Program across all IESO locations to improve employee experience

Removed Risk: Competitive mechanisms not working as intended impairs the IESO’s efficiency mandate (page 24 of the Business Plan document)

Completed the mitigation actions or covered them though other risks; the material impact of this risk was reduced as a result of the development and execution of resource adequacy mechanisms

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