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Delivering Affordability: 2020-2022 Business Plan Update

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Delivering Affordability

- The IESO is focused on five core strategies for 2021, while also identifying a number of risks on the horizon
- As the IESO turns its strategy into action, we'll measure success through revised Corporate Performance Measures
- The business plan focuses on driving greater affordability through ongoing operational efficiencies, while maintaining the IESO's core deliverables

Delivering Affordability (continued)

- The introduction of a new three-year business plan approach ensures IESO will continue to provide transparency for stakeholders and the government, while delivering efficiencies of reduced regulatory and administrative costs borne by the IESO and others

IESO Strategic Objectives and Core Strategies

IESO Strategic Objectives

- 1. AFFORDABILITY, RELIABILITY, SUSTAINABILITY:** Deliver optimized balance to ensure best overall electricity outcomes for Ontario
- 2. CULTURE & WORKFORCE TRANSFORMATION:** Align culture, mindset, skills & capabilities to deliver on strategy
- 3. STAKEHOLDER TRUST:** Enhance stakeholders' trust in IESO to operate in the best interests of Ontario

Core Strategies

- Drive Business Transformation
- Advance Sector Leadership
- Ensure Cost-Effective System Reliability
- Enable Competition
- Prepare for the Future of the Sector

2021 Enterprise Priorities: Overview

Five-Year Core Strategies

2021 Enterprise Objectives

Drive Business Transformation

1. Continue **culture shift**
2. Establish/prioritize **technology and data roadmap**
3. Determine **office space configuration / evolve way of working**

Advance Sector Leadership

4. Advance **stakeholder and sector engagement** to establish mutual expectations

Ensure Cost-Effective System Reliability

5. **Capacity and resource acquisition**
6. **Reliability and cost effectiveness**
7. **Cyber security**
8. **Market Renewal Energy Program**

Enable Competition

9. **Enable resources** to deliver on capacity / participate in markets

Prepare for the Future of the Sector

10. Establish scope and framework for **10-year plan**

2021 Risks to IESO Strategic Objectives (1)

Strategic risks are any events that prevent achievement of or cause a deviation from strategic objectives

Risk Event Description	Strategic Objective 1: Affordability, Reliability, Sustainability	Strategic Objective 2: Culture and Workforce Transformation	Strategic Objective 3: Stakeholder Trust
The IESO's assessments of system needs and the plans to meet them do not align with sector expectations.	X		X
A significant mismatch of supply and demand over the longer-term.	X		X
The conditions for market power, such as a further increase in the concentration of ownership of generation, are enhanced.	X		
Operating in a constrained environment defers and delays advancement of key initiatives to innovate the business and electricity sector.	X	X	X

2021 Risks to IESO Strategic Objectives (2)

Strategic risks are any events that prevent achievement of or cause a deviation from strategic objectives

Risk Event Description	Strategic Objective 1: Affordability, Reliability, Sustainability	Strategic Objective 2: Culture and Workforce Transformation	Strategic Objective 3: Stakeholder Trust
Users of IESO's information technology systems are subject to cyberattacks.	X	X	X
Intentional and unintentional exfiltration of sensitive data from the IESO's information systems.	X	X	X
Diminished ability to achieve cybersecurity situational awareness and information exchange across Ontario's Electricity sector.	X		X

2021 Risks to IESO Strategic Objectives (3)

Strategic risks are any events that prevent achievement of or cause a deviation from strategic objectives

Risk Event Description	Strategic Objective 1: Affordability, Reliability, Sustainability	Strategic Objective 2: Culture and Workforce Transformation	Strategic Objective 3: Stakeholder Trust
A Government policy change diverges from market efficient outcomes required to deliver a competitive marketplace.	X		X
A regulatory decision is invoked that is contrary to the delivery of enhanced competitive mechanisms.	X		X
Non-electricity sector entrants cause significant disruption in energy market dynamics.	X		

2021 Risks to IESO Strategic Objectives (4)

Strategic risks are any events that prevent achievement of or cause a deviation from strategic objectives

Risk Event Description	Strategic Objective 1: Affordability, Reliability, Sustainability	Strategic Objective 2: Culture and Workforce Transformation	Strategic Objective 3: Stakeholder Trust
Availability of human capital with required skills is inconsistent with the IESO's need for talent in hard to fill roles.	X	X	
IESO is unable to retain critical staff or transition employees into emerging roles.	X	X	

Corporate Performance Management (1)

Translating strategy into action: driving progress on the IESO's Business Plan

Five-Year Strategic Objective: Culture and Workforce Transformation

Metric	Five-Year Target
1. Employee engagement - Meaningful increases in survey results for specific engagement areas that are selected based on the IESO's annual budgets and priorities	• 4% annual increase from baseline as established by previous survey
2. Agility - Employee feedback on the Openness to Change	• 65% positive employee feedback on the Openness to Change scale
3. Efficiency - Percentage of Strategic Initiatives that are completed on-time	• 90% of strategic initiatives are completed on time as established by the integrated project plan and project charter

Corporate Performance Management (2)

Translating strategy into action: driving progress on the IESO's Business Plan

Five-Year Strategic Objective: Affordability, Reliability, Sustainability

Metric	Five-Year Target
4. Cost Effectiveness – Accuracy of the hourly day-ahead market forecasts to actual demand	<ul style="list-style-type: none">• Annual forecast error is within +/- 2.5% (actual vs. forecast)
5. Cost Effectiveness - Forecast reserve margin, including IESO resource (energy, capacity and ancillary services) and conservation acquisition plans, above/below requirement in 5 years	<ul style="list-style-type: none">• Over/under supply deviation of 0.9 is achieved, where a measure of 1 indicates right-sized over/under supply of services
6. Reliability – Number of forced outages to resources above 250 MW and the length of time they are out of service	<ul style="list-style-type: none">• Measures the performance of the resource fleet• Measurement methods and targets will be confirmed by December 4, 2020

Corporate Performance Management (3)

Translating strategy into action: driving progress on the IESO's Business Plan

Five-Year Strategic Objective: Affordability, Reliability, Sustainability (continued)

Metric	Five-Year Target
7. Reliability – Number of extended forced outages to transmission facilities above 230 kV and length of time they are out of service	<ul style="list-style-type: none">• Measures the performance of bulk transmission system performance beyond four hours in duration• Measurement methods and targets will be confirmed by December 4, 2020
8. Market Efficiency – Transparency Index assessing share of system costs flowing through the market	<ul style="list-style-type: none">• Improve index by 1% by 2024
9. Sustainability – Total greenhouse gas (GHG) emissions from electricity production	<ul style="list-style-type: none">• Total GHG emissions no more than 10% above forecast in each year

Corporate Performance Management (4)

Translating strategy into action: driving progress on the IESO's Business Plan

Five-Year Strategic Objective: Stakeholder Trust

Metric	Five-Year Target
10. Stakeholder Satisfaction - Survey result	<ul style="list-style-type: none">84% of stakeholders indicate that their experience with IESO's engagement meets or exceeds their expectations by 2024
11. Stakeholder Trust – Survey result	<ul style="list-style-type: none">Measurement methods and targets will be confirmed by December 31, 2020

Shift to Three-Year Approach for Business Plan (1)

- IESO submission to Minister for approval will occur every 3 years, starting with the 2020-2022 Business Plan, filing revenue requirements for 3 years with OEB
 - Full plan submitted to Minister for approval in year 1; in years 2 and 3, financial outlook with any adjustments to programs/activities submitted within funding level approved in year 1
- A financial outlook will be provided to the Minister in years 2 and 3 to give an update on any changes or adjustments to the approved plan within the approved revenue requirement

Shift to Three-Year Approach for Business Plan (2)

- This change addresses long-standing OEB and intervenor concerns with approving IESO fees well into the year in which they apply
- New process will provide efficiency savings, maintain Minister's annual oversight, provide flexibility for IESO to adapt to policy change, and enable similar annual reporting expectations to the Stakeholder Advisory Committee

COVID-19 and Adjustments to Funding Levels (1)

- Original 2020-2022 Business Plan was not approved in the regular cycle, leaving the IESO flexibility to adapt to changes in external environment
- In response to COVID-19 impacts in Q1, IESO reduced its revenue requirement by 1.5%, inclusive of one-time pandemic-related expenses

COVID-19 and Adjustments to Funding Levels (2)

- In its upcoming filing submission to the Minister, the IESO proposes a return to pre-COVID funding levels for 2021, consistent with 2017-2019 levels – a proposed one per cent increase for 2022 represents the first increase since 2017
- Further, the IESO continues focus on affordability and to identify potential operating efficiencies within the 2020-2022 planning period