

IESO 2017 - 2019 BUSINESS PLAN

Presentation to Stakeholder Advisory Committee

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2017 – 2019 Business Plan Highlights

- Anticipate usage fee will remain flat through 2017 (when compared with the 2016 requested level)
- Stakeholder priorities have been considered in the development of the business plan, examples include:
 - **Education** – Enhance education and transparency efforts related to costs and conservation opportunities
 - **Gas and Electric Coordination** - Collaborate efforts among IESO, natural gas utilities and local distribution companies to look for ways to leverage common tools and opportunities (e.g., education, conservation)
 - **Market Development** - Opportune time for market renewal – focus on engagement, cost impact analysis and future opportunities
- The business plan reflects IESO's baseline operations - impacts of initiatives such as climate change, market renewal expenses (beyond benefits case), or any potential changes to IESO's mandate are not considered
- In 2017 upward pressures on expenditures will be managed
- Merger synergies are sustained over the planning cycle

Initiatives: Providing Public Value

Goals	Deliver superior reliability performance in a changing environment	Drive to a more efficient and sustainable marketplace
Strategic objectives	<ul style="list-style-type: none"> • Plan and manage the power system so Ontarians have power when and where they need it • Enhance reliability and efficiency through coordination of IESO- and LDC-controlled resources • Promote robust cybersecurity practices across the sector 	<ul style="list-style-type: none"> • Evolve the IESO markets to increase market efficiency and value for consumers • Foster an open and competitive electricity marketplace with broad participation
Example of 2017 Key Initiatives	<ul style="list-style-type: none"> • Improve operability of the power system through transparent mechanisms in three key areas (e.g., regulation, voltage control, flexibility) • Participate in engagement with remote communities to support the implementation plan to connect remote communities • A two-way exchange of information for intelligent decision making is enabled through coordination with LDCs • Participate on the OEB Cyber Security Steering Committee and OEB Cyber Security Working Group 	<ul style="list-style-type: none"> • An implementation plan is developed for Market Renewal that reflects stakeholder input • Complete or continue directed procurements • Complete mid-term review of Conservation First Framework to inform the approach for CDM for the second half of the framework and beyond • Evolve DR Auction design to grow demand side resources (e.g., enable residential customers)

Initiatives: Respecting and Valuing our Communities, Customers and Stakeholders

<p>Goals</p>	<p>Be recognized as a trusted advisor, informed by engagement</p>
<p>Strategic objectives</p>	<ul style="list-style-type: none"> • Enhance public confidence in the IESO and the sector to facilitate informed customer choice • Work effectively with government to support policy development and IESO's excellence in implementation • Seek out and respond to input from communities, customers and stakeholders to inform IESO decisions
<p>Example of 2017 Key Initiatives</p>	<ul style="list-style-type: none"> • A consolidated corporate website that provides a broad spectrum of electricity information and that serves a variety of audiences and information needs • An implementation plan post-LTEP is developed • Innovative approaches to engagement with First Nations and Métis communities and organizations are utilized

Initiatives: Building Corporate Resilience

<p>Goals</p>	<p>Invest in our people and processes to meet the needs of the sector</p>
<p>Strategic objectives</p>	<ul style="list-style-type: none"> • Strengthen the development and engagement of our employees • Attract and retain the best talent • Be a focused and flexible organization positioned to support the ongoing transformation of our industry
<p>Example of 2017 Key Initiatives</p>	<ul style="list-style-type: none"> • A robust suite of learning and organizational development programs is planned and delivered • Development and promotion of the employee value proposition and employer brand • Continue the Operations Readiness Initiative (e.g., interchange automation enhancements, operating plan re-design, human performance improvement, etc) to facilitate the evolution of the Operations Business Unit framework to provide the spring board for future change

2017 Capital Project Envelope is \$29M

- Key projects include:
 - Market Information System Refresh
 - Operations Readiness Initiatives
 - Conservation Demand Management Information System
 - Consolidation of Corporate Website
 - Cyber-security initiatives and Information Governance Program
 - Commercial Reconciliation System Replacement
- Final capital project listing/budget will be included in 2017 – 2019 Business Plan

IESO Response to SAC Input

- Price impact
 - Efficient price outcomes enabled by fostering broader market participation as well as effective and transparent execution of competitive procurements
 - Cost/benefit analysis to support market renewal decisions to improve price efficiencies
 - Cost effective delivery of LDC conservation programs within 4 cents per kWh
- More outcome based measures
 - Clearly delineated timelines and measurable results for each CPM
 - CPMs defined to align with the overall strategy
- Engaging new participants
 - Satisfying customer needs while also focusing on meaningful engagement and education of newer/smaller participants through regional planning and other initiatives

2017 Corporate Performance Measures

Corporate Performance Measures (CPMs) support the execution of the IESO's strategy and are intended to drive organizational performance toward achieving its vision, mission and strategic goals.

Overall, the IESO wants to ensure progress towards achievement of its strategic goals in each year (CPM #1).

Measures have been developed to assess progress against each of the strategic goals:

- **Deliver superior reliability performance in a changing environment (CPM #2-5)**
- **Drive to a more efficient and sustainable marketplace (CPM#6, 7)**
- **Be recognized as a trusted advisor, informed by engagement (CPM#8)**
- **Invest in our people and processes to meet the needs of the sector (CPM# 9, 10)**

Strategic Goal: Deliver superior reliability performance in a changing environment

2. Reliability of Ontario's power system is sustained by the IESO's ability to self-certify its compliance with 100% of North American Electricity Reliability Corporation high violation risk factor reliability standard requirements (including audit requirements)
3. Implementation of key recommendations in regional and bulk system power plans is on track according to their suggested timelines to meet the Ontario resource and transmission assessment criteria and support the planning and management of the provincial power system, whereby:
 - 100% of the 38 key recommendations for 2017 are progressing on track for the twelve Integrated Regional Resource Plans (includes one interim plan)
 - 100% of the five priority and key transmission projects in Northwest Ontario from provincial plan(s) (2013 Long Term Energy Plan) are progressing on track, along with associated milestones with timelines in 2017

Deliver superior reliability performance in a changing environment continued

4. One major LDC is actively engaged in two-way communication by end of 2017, including sharing of operational data to support coordinated and consistent operation decision making; discussion underway with additional two LDCs
5. Cyber security excellence is promoted by:
 - The objectives contained in the 2016 – 2017 cyber-security forum work plan are accomplished
 - Supporting the OEB objectives for completion of standards development by the end of 2017
 - Increasing the IESO's internal cyber security capabilities by implementing an advanced malware technology solution and completing cyber security process enhancements by Q1 2017

Strategic Goal: Drive to a more efficient and sustainable marketplace

6. The IESO continues to focus on price efficient outcomes via:
 - A robust, well stakeholdered and supported cost/ benefit analysis being completed in Q1 2017, to support decisions on market renewal to improve price efficiencies, operability, transparency and innovation
 - Directed procurements (FIT and microFIT) are completed through transparent, consistent and efficient processes with posted standard contract, rules and prices. The processes are validated by a Fairness Commissioner to be executed with consistency and integrity. The costs are at or below the government's cost projections included in the 2013 LTEP
 - Cost-effective delivery of LDC conservation programs undertaken within 4 cents/kWh. LDC and direct-connect customer program progress is in line with achieving the 2020 energy savings target of 8.7 TWh, with 48% (3.4 TWh) of 7 TWh Conservation First target achieved and 46% (0.78 TWh) of the 1.7 TWh Industrial Accelerator Program (IAP) target contracted by the end of 2017

Drive to a more efficient and sustainable marketplace continued

7. Broader, competitive and more innovative sector participation is enabled by end of 2017 through:
 - Completion of mid-term review of the Conservation First Framework and Industrial Accelerator Program that informs advice to government and results in cost-effective, customer-centric conservation and demand-side management resources to meet the province's conservation goals for the 2018-2020 period and beyond
 - At least \$50M (3%) of the Conservation First Framework Conservation and Demand Management Plan budget committed to full deployment of innovative new programs
 - The demand response (DR) auction enables the participation of a broad range of participants, including residential DR by the end of 2017, and meets the objectives of the DR working group
 - The SME will enhance the value of electricity data by expanding the type of access to smart meter data received by the IESO's systems

Strategic Goal: Be recognized as a trusted advisor, informed by engagement

8. Using the September 2016 customer satisfaction survey results, stakeholder and community interviews and/or surveys indicate a 2% improvement in satisfaction with the engagement process and that the IESO demonstrated its consideration of stakeholder input in decisions

Strategic Goal: Invest in our people and processes to meet the needs of the sector

9. Employee engagement increases by 2% from the baseline set in 2016 and all business units successfully implement their action plans resulting from the survey
10. Expanded operational capacity is realized by:
 - The IESO achieving its priorities in 2017 within its approved budget
 - 80% of priority change initiatives progressing according to their approved business case, on time and budget and completed projects meeting all of their defined business objectives
 - 100% of the Operations Readiness Initiatives (ORI) progressing according to their approved business case, meeting all of their defined business objectives to achieve a headcount reduction of six FTEs by end of 2018

Key 2017 Risks

- 1 The breadth and pace of change of Ontario's evolving energy environment challenges the IESO's ability to maintain grid reliability and efficiently integrate new entrants and technologies into the operation of the grid
- 2 Grid requirements for regulation, voltage control and flexibility lead to challenges in maintaining grid reliability and achieving efficient market operations
- 3 A significant cyber security event occurs that disrupts the operation of the IESO
- 4 Current workforce capacity and allocation does not support the IESO's ability to effectively execute its mission, strategy and expanding responsibilities
- 5 Market rule and reliability standard violations significantly impact markets and reliability
- 6 The volume, complexity, length and financial materiality of contracts under IESO's management exposes the organization to contract compliance and litigation risks that could erode public confidence in the IESO and in the sector
- 7 Insufficient support from key stakeholders impedes the IESO's ability to effectively pursue key initiatives
- 8 Failure of critical Control Room tools challenges our ability to effectively manage grid reliability and market operations

Timeline of 2017 – 2019 Business Plan Activities

Activity	Timeline
SAC identifies priorities for 2017 – 2019 Business Plan cycle	March 5
SAC 2017 Corporate Performance Metrics Update and Discussion	March 23
Engage Ministry of Energy	Ongoing
Consult SAC on 2017 – 2019 Business Plan	August 17
IESO Board review of 2017 – 2019 Business Plan	August 30/31
Submit 2017 – 2019 Business Plan to Minister	September 2
Engage intervenors	September
2017 Revenue Requirement Submission	30 days after Business Plan is approved