

Memorandum

To: Stakeholder Advisory Committee

From: Lia Kotic
Director, Financial Planning and Analysis

Date: January 24, 2017

Subject: IESO Business Update – 2017 Corporate Performance Measures

This memorandum pertains to the attached 2017 corporate performance measures (CPMs) which are integral in helping to focus the IESO on achieving the outcomes of its strategic goals, objectives and business plan.

The IESO has revised the CPMs as a result of:

- (i) Feedback from members of the Stakeholder Advisory Committee provided to the IESO at the August 17th discussion in which there was a desire for further clarity in the overall structure and language of the CPMs. As a result, the 2017 CPMs reflect changes that are intended to provide clarity in distinguishing between the longer term measure, defined as an outcome to achieving the strategic objective, and the target set for the upcoming year. Additionally, more specific language is being presented to several targets to provide further clarity or granularity including an update to the conservation, stakeholder engagement process and employee engagement targets; and
- (ii) The Minister's request that the IESO resubmit its 2017 - 2019 Business Plan to include impacts of Market Renewal. The request resulted in an update to the Market Renewal CPM to reflect project milestones over the course of 2017 and to ensure that the IESO is demonstrating progress on these efforts to support future price efficiencies, operability, transparency and innovation.

The IESO's work is focused on achieving the outcomes of the 2017-2019 Business Plan so that the IESO can continue providing public value, respecting and valuing our stakeholders and building corporate resilience.

2017 Corporate Performance Measures (CPMs)

CPM	2017 Target
1. The IESO executes its strategic plan	Overall progress to achievement of the 2016-2020 strategic plan
Strategic Goal: Deliver superior reliability performance in a changing environment	
2. Ontario's electricity service is reliable	100% compliance to North American Electricity Reliability Corporation high violation risk factor reliability standard requirements (including audit requirements) is self-certified by the IESO, demonstrating ability to sustain the reliability of the power system
3. The provincial power system is well planned	<p>Implementation of key recommendations in regional and bulk system power plans is on track according to their suggested timelines¹ to meet the Ontario resource and transmission assessment criteria and support the planning and management of the provincial power system, whereby:</p> <ul style="list-style-type: none"> • 100% of the 44 key recommendations for 2017 are progressing on track for the 15 Integrated Regional Resource Plans • 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
4. Operations are well co-ordinated with LDC partners	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. Cybersecurity leadership is demonstrated across the sector	<p>Cybersecurity excellence is promoted by:</p> <ul style="list-style-type: none"> • The objectives contained in the 2016 – 2017 cybersecurity forum work plan are accomplished • Supporting the OEB objectives for completion of standards development by the end of 2017 • Increasing the IESO's internal cybersecurity capabilities by implementing an advanced malware technology solution that is designed to improve our capability to detect and deter new and complex cyber-attacks and completing cybersecurity process enhancements by Q1 2017

¹ Subject to change to reflect more current information

Strategic Goal: Drive to a more efficient and sustainable marketplace

<p>6. The electricity market is efficiently delivered</p>	<p>The IESO continues to focus on price efficient outcomes via:</p> <ul style="list-style-type: none">• Design and development of a renewed market structure project built on stakeholder input that lays the foundation for improved price efficiencies, operability, transparency and innovation includes:<ul style="list-style-type: none">○ A robust, well stakeholdered cost/ benefit analysis completed by end of Q1, 2017○ Well attended, at a minimum quarterly meetings (including information sessions) with stakeholders to discuss, review and educate stakeholders on high level market design elements○ A detailed project plan developed by the end of Q3 which defines project scope (detailed design work to be undertaken), schedule and cost (including internal/external resourcing requirements)○ A project level risk assessment and Key Performance Indicators completed by end of Q3• 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 50% (3.5 TWh) of 7 TWh Conservation First target forecasted to be achieved and 46% (0.78 TWh) of the 1.7 TWh Industrial Accelerator Program (IAP) target contracted by the end of 2017
<p>7. The marketplace for electricity is innovative and competitive</p>	<p>Broader, competitive and more innovative sector participation is enabled by end of 2017 through:</p> <ul style="list-style-type: none">• Formal mid-term review of Conservation First Framework and Industrial Accelerator Program has been initiated by June 1, 2017 and on track to be completed no later than June 1, 2018• 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. Stakeholders and communities are confident with the engagement process for making informed decisions

2% improvement in satisfaction with the engagement process is achieved from the 2016 customer satisfaction survey baseline of 65%; demonstrating continuous improvement in the IESO's consideration of stakeholder input in its decisions

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

9. 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

10. IESO resources are utilized effectively and efficiently

Expanded operational capacity is realized by:

- All priorities in 2017 are being achieved within the IESO's 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