

IESO 2018 - 2020 Business Plan

Presentation to Stakeholder Advisory Committee

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Changing Environment for Business Planning

The environment in which the IESO is planning its activities for the 2018 - 2020 period is quickly evolving as a result of:

- Rapid technological advancement
- Increasing consumer engagement
- Growth in both renewable and distributed energy resources
- Climate change policies
- Evolving mandate of the IESO
- New operating challenges

2018 – 2020 Business Plan Highlights

The 2018-2020 Business Plan is intended to proactively respond to and plan for this changing business environment while prudently managing costs to the public.

Highlights of the draft Business Plan include:

- Continued focus on Market Renewal
- Implementation of Long-Term Energy Plan (LTEP) initiatives
- Best-in-class in cybersecurity and cross-sector leadership
- Mid-term review of the Conservation First Framework
- Collaboration with the Ministry of Environment and Climate Change (MoECC) in support of the Green Ontario Fund
- Plan to enhance the value of smart meter data
- Holding the IESO's revenue requirement for 2018 at 2017 approved budget levels (\$190.8 million)

Stakeholder Priorities

- Stakeholder priorities for consideration by IESO (May 2017)
- Stakeholder priorities have been considered in the development of the 2018-2020 business plan, examples include:
 - **Planning and DERs** - The IESO will explore opportunities for policy development and innovation for the sector
 - **Climate Change Action Plan** - Collaborate with MoECC to support the Green Ontario Fund
 - **Market Renewal** – Working with stakeholders, the IESO remains committed to putting in place a framework designed to support better coordination, integration and issue resolution

Capital Initiatives

The business planning process establishes an appropriate capital envelope for core operating initiatives with commitments approved individually on an ongoing basis. Key areas of focus include:

- Infrastructure Refresh
- Commercial Reconciliation System Replacement & Migration
- Operations Readiness Initiatives
- Unified Communications

In late 2018, Market Renewal is expected to start the implementation phase of the program whereby many costs will be classified as capital.

Capital (\$ Millions)	2017	2018	2019	2020
Core Operations Initiatives	25.0	22.6	24.1	17.5
Market Renewal	-	4.0	30.0	44.0
Total Capital Envelope	25.0	26.6	54.1	61.5

2018 Corporate Performance Measures

Corporate performance measures (CPMs) and targets defined for 2018 are intended to:

- Translate the IESO's strategic direction into action
- Drive organizational performance towards the achievement of key strategic and business planning initiatives
- Provide a means for monitoring and assessing performance towards meeting desired outcomes
- Establish more stringent targets to advance performance from previous year, where the measure is similar
- Achieve public value expectations of stakeholders

2018 CPM Development and Evolution

2018 CPMs' continuous evolution is shaped in part by feedback from the SAC to be more specific and outcome oriented as well as needing to focus more on strategic outcomes.

New and/or higher levels of performance targets for 2018 include:

- Cybersecurity thought leadership and metrics
- Progress toward 2020 energy savings targets
- Market renewal high level designs
- Smart metering data third party access implementation plan
- LTEP implementation
- Innovation strategy
- Higher levels of stakeholder engagement

2018 CPMs – Energy Utilization

CPM	2018 CPM Target
Ontario's electricity service is reliable	<ul style="list-style-type: none"> • 100% compliance to North American Electricity Reliability Corporation high violation risk factor standard requirements (including audit requirements)
Robust cybersecurity leadership and practices are demonstrated across the sector	<ul style="list-style-type: none"> • By end of 2018, the IESO establishes itself as a cyber security thought leader in Ontario and North America by expanding the executive Cyber Security briefings to more fully engage industry executives, work with the OEB to meet the needs of the Cyber Security Framework by formally expanding the scope of the Cyber-Security Forum and develop a relevant metrics model to share with industry and establish a common mode of measuring security effectiveness
Conservation is an effective resource to produce efficiencies in the electricity system, drive industry innovation, and support the achievement of climate change policy goals	<ul style="list-style-type: none"> • Cost-effective delivery of 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 66% (5.7 TWh) of 8.7 TWh target forecasted to be contracted by the end of 2018

2018 CPMs - Resource Acquisition

CPM	2018 CPM Target
The electricity market evolves, enabling the province to have the appropriate sources of electricity at a more competitive market price	<ul style="list-style-type: none">• Draft high level designs are complete for the Market Renewal Program (MRP) energy, and capacity work streams by the end of 2018
Broader participation in the electricity market is enabled by enhancing and expanding the value of Smart Meter Data	<ul style="list-style-type: none">• By end of 2018, the Third Party Access Implementation Plan will be completed

2018 CPMs - Policy, Business Innovation and Engagement

CPM	2018 CPM Target
Public confidence is enhanced by the IESO's excellence in implementing the effective execution of policy	2017 LTEP Implementation is on track to schedule based on the Minister-approved Implementation Plan
Enhanced reliability and efficiency through co-ordination of resources with sector partners is fostered	The mid-term review (MTR) of the Conservation First Framework and Industrial Accelerator Program is completed no later than June 1, 2018, with the IESO implementing any outcomes of the MTR starting in Q3
Energy system innovation advances future grid modernization and supports interoperability	By Q4, the IESO will develop an Innovation Strategy that engages a broad range of industry partners and customers to drive innovation across all aspects of IESO business
Stakeholders and communities are confident with the engagement process for making informed decisions	A 2% improvement in satisfaction with the stakeholder engagement process is achieved from the 2017 customer satisfaction survey baseline of 67%

2018 CPMs - Corporate Resources

CPM	2018 CPM Target
IESO resources are utilized effectively and efficiently	<ul style="list-style-type: none">• 2018 priorities are achieved within the IESO's approved budget
Employees are engaged towards delivering the IESO's mandate	<ul style="list-style-type: none">• A 4% increase in employee engagement is achieved from the baseline of 71% set in 2016
IESO effectively executes enterprise wide change to enable a consistent, focused and common purpose for the business	<ul style="list-style-type: none">• By the end of 2018, IESO's organizational realignment is progressing on track and key milestones identified for 2018 are met, including the establishment of the new enterprise change mandate by end of Q1 to centralize and enhance IESO project delivery capability

CPMs – Looking Ahead

IESO's new leadership, organizational realignment and focus are expected to result in further refinements to CPMs.

In 2018, the IESO will seek to:

- Develop guiding principles to support outcome-based measurement of progress in key priorities
- Set annual targets that are specific, outcome-based and meaningfully reflect achievement of identified priorities
- Focus on tracking organizational effectiveness and efficiency
- A commitment for continuous improvement
- Engage the SAC on developing CPMs for the 2019-2021 Business Plan

2018 Key Risks

	Key Risks
Energy Utilization	A significant cyber security event occurs that disrupts the operation of the IESO for extended periods of time.
Energy Acquisition Policy, Business Innovation and Engagement	Stakeholder actions and a lack of attainable capabilities have an adverse effect on the Market Renewal Program
Energy Utilization	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
Corporate Resources	Lower than desired employee engagement impedes the efficient and effective execution of initiatives and priorities
Corporate Resources	Current workforce capacity and allocation does not support the IESO's ability to effectively execute its new mission, strategy and expanding mandate
Energy Utilization	Failure of critical Control Room tools challenges our ability to effectively manage grid reliability and market operations

Next Steps

Activity	Timeline
Consult SAC on 2018 – 2020 Business Plan	November 29
IESO Board review of 2018 – 2020 Business Plan	December 6
Submit 2018 – 2020 Business Plan to Minister	Mid-December
Engage intervenors	Early 2018
2018 Revenue Requirement Submission	30 days after Business Plan is approved