

IESO MANAGEMENT UPDATE

To: Stakeholder Advisory Committee

From: JoAnne Butler, VP Market and Resource Development

Date: March 5, 2015

Subject: **Effective Separation Assurance**

Information Item

Effective Separation Assurance Framework

Legislation amalgamating the IESO and OPA, which came into effect on January 1, 2015, contains statutory obligations on the IESO with respect to separation of functions and activities of the IESO relating to (a) its market operations; and (b) its procurement and contract management activities.

The requirement for effective separation of market operations and contract and procurement activities stems from the concern that market-related decision-making could be affected by contract or procurement related information. The IESO has assured stakeholders that the dispatch of resources will continue to be based on the merits of market participants' submitted information such as bids and offers, in accordance with the Market Rules or applicable Market Manuals, and will not be affected or influenced by information contained in a procurement contract.

IESO Management has reviewed the information flows for market operations, noting that market-related decision-making is almost entirely made through automated computer algorithms, based on participants' submitted information such as bids and offers. In addition, established control room procedures are in place to guide the operators' actions where intervention into the dispatch process is necessary to address reliability-related conditions that cannot practically be incorporated into automated computer algorithms. Further, both predecessor organizations have policies in place that both: a) restrict access

to information - with the associated governing controls being based on the principle that access is only provided to those who need the information to perform their assigned work; and b), restrict access to and the sharing of confidential information.

Management recently submitted to the IESO Board a framework for Effective Separation Assurance, encompassing the following elements:

- Formalize and ensure that controls are documented through harmonized/enhanced policies, standards, processes and procedures;
- Harmonize existing access controls including:
 - Password based database controls restricted to user group access,
 - Network files restricted to permissions relevant to the user group,
 - Key access to files/file rooms;
- Maintain a culture of ethical behaviour, reinforced through employee training and awareness ;
- Reporting and Auditing:
 - Schedule periodic internal review and reports for IESO Board
 - Schedule periodic external review for assurance to market participants and stakeholders
- Access to existing processes for complaints/disputes:
 - Dispute resolution provisions of the Market Rules
 - External: Ontario Energy Board, and potentially, Judicial Review

The IESO Board has endorsed this framework and will regularly review progress. As implementation proceeds, ongoing opportunities will be provided at SAC for stakeholders to be updated and to raise any issues for the attention of IESO management and Board.