
INDEPENDENT ELECTRICITY SYSTEM OPERATOR

2025 Annual Report



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Message from the CEO



Reflecting on 2025, I am reminded that change is constant. Few years have more fully embodied that reality for the Independent Electricity System Operator (IESO), our sector and the world around us. The exceptional pace of change that defined 2025 demanded agility and creativity, and the accomplishments detailed in this report show the IESO met the challenge with focus and resolve.

We continued to transform and modernize Ontario's electricity system to prepare for substantial demand growth in the decades ahead. Our progress unfolded against a backdrop of global economic uncertainty that underscored the urgency to build a more resilient, self-reliant and prosperous energy future. As energy and economic policy converge, the IESO stands at the heart of that intersection.

This role was cemented in provincial legislation with the *Protect Ontario by Securing Affordable Energy for Generations Act*, which added supporting economic growth to our mandate to reinforce the province's landmark Integrated Energy Plan (IEP), aptly named *Energy for Generations: Ontario's Integrated Plan to Power the Strongest Economy in the G7*. Developed with deep expertise from the IESO, our strategic objectives are aligned with the IEP's goal of an electricity system that underpins Ontario's economic and social well-being.

Throughout 2025, the IESO drove the expansion of a future-ready system to deliver lasting value for ratepayers. A pivotal achievement was the launch of Ontario's renewed wholesale electricity market, the culmination of nearly a decade of planning and collaboration. This milestone laid the foundation for a more dynamic and affordable electricity landscape, ensuring cost-effective use of our diverse supply mix,

fostering competition and enabling integration of emerging technologies into the grid. The expertise and experience gained through the expansive scope of the project has further positioned our organization to navigate the electricity sector's rapid changes with confidence.

The significant demand growth projected in our Annual Planning Outlook highlighted the pressing need for generational investments in electricity infrastructure. In the spring, we connected the 250-megawatt Oneida Energy Storage project, Canada's largest operational battery storage facility to date. Oneida is a testament to purposeful collaboration between the IESO, sector stakeholders and Indigenous partners. Our second medium-term procurement secured more than 3,000 megawatts of energy and capacity, leveraging existing resources to reduce costs across the system. And in June, the IESO launched the largest competitive electricity procurement ever in Ontario. This second long-term procurement is open to all resource types, driving competition to meet future demand at the best prices. With an eye farther into the future, the IESO also made progress toward launching our first-of-its-kind long lead-time procurement, which will offer 40-year contracts to new resources like large hydroelectric and innovative long-duration storage to support grid reliability for decades to come.

By the end of 2025, more than 1,800 kilometres of new and bolstered transmission lines were planned or under development, enough to stretch from Ontario's southern border to James Bay. We expedited planning cycles to support and drive new growth in communities and critical industries across the province, from the far north to Toronto, where electricity demand is projected to double by 2044. The IESO's recommendation for a new underwater transmission line will enable growth for future generations who live and work in Canada's largest city.

With a \$10.9-billion funding commitment from the Ontario government, the IESO launched a historic 12-year energy efficiency framework that will boost grid reliability and cut costs for residents, institutions and businesses of all sizes. Altogether, we expect these energy-efficiency programs to save

more than \$12 billion in system costs for ratepayers and reduce Ontario's total electricity demand by 8 per cent by 2050.

I often say that the IESO's successes depend on insights from a diversity of voices and perspectives. Throughout all of our work this year, we engaged with purpose with a growing network of stakeholders, communities and sector partners. Relationships built on mutual trust will be the foundation for the most ambitious period of electricity infrastructure development in Ontario's history.

That includes our relationships with Indigenous communities, which are playing a central role in shaping Ontario's energy future. To support those efforts, we were pleased to launch the IESO's renewed Indigenous Energy Support Program (IESP), with a significantly larger funding envelope of \$25 million annually. The IESP will help Indigenous communities increase their energy resilience, build new capacity and pursue economic development opportunities.

As the IESO drives transformation in Ontario's electricity system, we are also streamlining our own processes to better serve customers of all sizes and instill confidence that Ontario's grid is ready to sustain and spur new investments. Our refined

Corporate Strategy will ensure we keep pace with rapid shifts in the sector and leverage our culture to deliver tangible results for Ontarians. And the IESO's new three-year Business Plan is focused on ensuring the resources and tools needed to realize the bold vision of the IEP are in place.

When I look back on my nearly five years as President and CEO of the IESO, 2025 may be the most memorable of all. Through global economic upheaval and rising expectations, the IESO maintained its focus on the long term and continued to lay the groundwork for an electricity system that will be the lifeblood of a thriving economy.

With the IEP and our Corporate Strategy as touchstones, we are staying the course to ensure reliable, affordable, and sustainable electricity to power today's needs – and tomorrow's opportunities.



Lesley Gallinger
President and CEO

2025 Year in Review

Reliable, affordable, and sustainable electricity is the cornerstone of Ontario's prosperity. It powers communities and businesses, and drives new economic growth. With a broad mandate and vision for the sector, the IESO is forging ahead to build an electricity system that will ensure the province has the power it needs to thrive for generations to come.

This Annual Report showcases the IESO's initiatives, achievements, and progress in 2025 as we work to shape and secure Ontario's energy future. It is arranged under the three pillars of the IESO's refined Corporate Strategy: Drive and Guide the Sector's Future; Advance Reliability and Cost-Effectiveness in an Evolving System; and Drive Business Transformation.

Drive & Guide the Sector's Future



- 1.1 Strengthen Stakeholder and Indigenous Communities Engagement & Relationships via Purposeful, Transparent Outreach
- 1.2 Anticipate, Identify, and Respond to Changes in Economic Policy and Large Customer Needs
- 1.3 Advise on and Actively Participate in Policy and Sector Dialogue on the Configuration of the Future Energy System

Advance Reliability and Cost-Effectiveness in an Evolving System



- 2.1 Acquire Services to Maintain Reliability and Support the Evolution of the Sector
- 2.2 Continue to Evolve the Markets to Improve Market Efficiency
- 2.3 Adapt the IESO's Short- and Long-Term Planning
- 2.4 Champion Cyber Security, Situational Awareness, and Best Practices within the Sector

Drive Business Transformation



- 3.1 Leverage Our Culture to Drive Outcome Focused Performance
- 3.2 Identify, Build, and Acquire Next Generation Skills and Competencies
- 3.3 Improve the IESO's Business Processes, Technologies, and Tools



Drive and Guide the Sector's Future

A roadmap for Ontario's energy future

In the summer of 2025, the Ontario government released its first-ever Integrated Energy Plan (IEP), *Energy for Generations: Ontario's Integrated Plan to Power the Strongest Economy in the G7*, an ambitious blueprint to meet growing energy needs and drive sustained economic growth in the province. The plan brings together electricity, natural gas, hydrogen and other energy sources under a single strategy to build a more competitive, resilient, and prosperous Ontario. It highlights the central roles of the IESO and the electricity system in realizing this vision and positions the sector to expand and evolve to spur new economic development. The IESO contributed extensive strategic input into the plan's development, including insights from 10 reports to government delivered throughout 2024, as well as from the IESO's Annual Planning Outlook (APO) research and forecasting. The IESO's continued engagement ensured the IEP reflects key priorities of the electricity sector and aligns with our mandate to deliver reliable, affordable and sustainable electricity for customers today and for decades to come.

The IEP relies on significant and ongoing contributions from the IESO and the expertise of its workforce. The plan's accompanying Implementation Directive tasked the IESO with seven new comprehensive reports to government covering a broad spectrum of topics. Collectively, the report-backs reflect the range of opportunities and innovations the IESO is considering to accelerate the build out of Ontario's electricity system. These include enhancing community and Indigenous participation in regional and bulk planning processes; streamlining procurements and grid connections; and exploring mutually beneficial opportunities for expanded interties with neighbouring provinces. Together these insights aim to stimulate innovation and improvements so that Ontario's electricity system will be a catalyst for economic growth, from early planning to final customer connections. By the end of 2025, the IESO delivered six report-backs and was on track to submit the final report-back in the first quarter of 2026.

The IEP also necessitates extensive collaboration between the IESO and Ontario Energy Board (OEB) on a wide range of objectives such as planning and connection processes; coordinated electric-gas planning; the valuation and integration of Distributed Energy Resources (DER) into an evolving grid; and exploring effective models for Distributed System Operators (DSO), among others. Many teams across the IESO made notable advancements toward establishing comprehensive roadmaps on these initiatives in close coordination with OEB counterparts.

Building enduring relationships

Meeting Ontario's rising electricity demand with a future-ready grid depends on strong partnerships formed through purposeful engagement with stakeholders, municipalities, Indigenous communities and governments. As energy and economic policy increasingly converge, the IESO has worked to strengthen existing relationships while strategically broadening engagement with key industries beyond the electricity sector. The IESO's engagement approach is guided by our External Relations and Indigenous engagement frameworks, which were developed in 2024 and have proved foundational to our strategic priority of driving and guiding the sector's future through meaningful engagement.

Acknowledging the critical role that municipalities play in the build out of Ontario's electricity system, the IESO dedicated considerable resources towards strengthening relationships with the province's municipalities, including elected leaders and staff. Our teams participated in 11 municipal conferences, reaching thousands of delegates through keynote remarks, tailored presentations and information sessions, and one-on-one interactions. Municipal staff and elected officials also participated extensively in many of the 100 webinars the IESO hosted throughout the year on a wide range of topics such as regional and bulk planning, and procurements.

We also took meaningful steps to advance our commitment to reconciliation and strengthened relationships with Indigenous communities. The IESO engaged directly with Indigenous communities and leaders throughout 2025 both on a one-on-one basis, as well as through targeted participation at Indigenous conferences and events. This work was complemented by the release of the IESO's refreshed Corporate Indigenous Peoples Policy, and progress to develop an accompanying Indigenous Reconciliation Action Plan. Collectively, these initiatives reaffirm our dedication to fostering enduring relationships with Indigenous communities, and strengthen and formalize the IESO's commitment to reconciliation and partnership with Indigenous peoples.

To further support Indigenous leadership in Ontario's electricity future, the IESO launched our renewed Indigenous Energy Support Program (IESP). With a significantly larger funding envelope that increased from \$15 million to \$25 million annually, this program helps Indigenous communities build capacity to pursue economic development opportunities, increase energy resilience, and lead and partner on major energy projects. It is further augmented by a new funding stream of up to \$500,000 annually for diesel-reliant remote First Nations to work on electricity supply solutions, including grid connection.

In 2025, we welcomed 15 new members to the IESO's Strategic Advisory Committee (SAC), a forum for stakeholders and rightsholders to provide advice directly to the IESO's executive leadership team and Board of Directors. This includes a new chair and vice-chair, as well as representatives from key sectors like mining and auto parts manufacturing, ensuring the committee remains aligned with broader economic and sector evolution. The IEP identified SAC as a valuable source of timely and insightful policy advice and called on the IESO to expand its mandate and membership to reflect the accelerating pace of economic and technological change.

Results from the IESO's 2025 Stakeholder and Community Engagement Survey show our expansive engagement efforts are achieving their intended impact. The survey captured feedback from a record 764 respondents— a 36 per cent increase from 2024 —representing a broader and more diverse spectrum of audiences, including municipalities and Indigenous communities. Seventy-eight per cent of respondents said their experience with our engagements met or exceeded expectations, surpassing the IESO's corporate performance measure for the year. And overall confidence in the IESO strengthened, with about one-third of participants saying they would speak highly of the organization – a substantial six-point increase from 2024.

Streamlining the connection process

The IESO is leading Ontario's electricity sector through a rapid transformation, fuelled in part by emerging technologies, evolving customer needs and a push to leverage the province's clean energy advantage to attract investment. Complex projects like data centres and electric arc furnaces consume large amounts of power in unique ways, and the IESO's role in facilitating cost-effective and timely grid connections while ensuring reliability and value for ratepayers is more critical than ever.

Our existing processes are effective, with more than 3,000 megawatts of connection assessments for new resources and customer connections completed in 2025. However, the complexities of many new projects, rising application volumes and external economic pressures such as supply chain volatility highlight the need for a more efficient, customer-centric approach. Throughout the year, in alignment with the IEP, the IESO developed a comprehensive roadmap to modernize our processes to make it easier for new customers to connect to Ontario's grid. Some of the advancements are already in place, and ultimately the strategy will reduce the time it takes for applicants to connect; increase our effectiveness in connecting large industrial customers vital to economic growth; and streamline internal practices to better leverage existing resources. The roadmap also recognizes the changing nature of new applicants and the need for a transparent, "concierge-style" approach to efficiently guide them through the process, from initial inquiries to final connection.

Modernizing the connection process will give Ontario a sharp competitive edge as competition for grid access intensifies throughout North America, with many proponents submitting applications in multiple jurisdictions in search of the most reliable, cost-effective opportunity. Our updated approach positions the IESO to better support customers, manage emerging risks, and enable strategic investments aligned with Ontario's energy and economic goals.

Fostering innovation

The IEP emphasized the government of Ontario's interest in exploring development of a hydrogen economy in the province. In support of this objective and to ensure we are situated to harness emerging hydrogen technologies into the future, the IESO introduced our renewed 2025 Hydrogen Innovation Fund (HIF) in early October. The 2025 HIF will support pilot projects to evaluate how hydrogen technologies can enhance Ontario's electricity system reliability, affordability and sustainability, as well as broader decarbonization efforts in heavy industry and transportation. There are two \$15-million funding streams. The first supports demonstration projects focused on integrating low-carbon hydrogen into the grid to increase electricity supply, capacity, or storage. The second funds pilots directly or indirectly enabling broader applications of low-carbon hydrogen, such as new industrial and transportation sector applications including innovative hydrogen fuelling infrastructure.

Looking forward: Strengthening regional collaboration to support economic growth

Early visibility into where and when major new electricity demand may emerge is essential to effective forecasting and building confidence in the IESO's planning. To strengthen that line of sight, in 2026 the IESO is introducing a Major Project Identification process, a new outcome-driven approach for collaborative planning and garnering early insights into economically significant developments — such as new mines, advanced manufacturing, housing projects and transit expansion. This process will involve representation from provincial and municipal governments, economic development agencies, electricity sector partners, and the private sector, ensuring local and regional perspectives where needed to augment the planning process..



Advance Reliability and Cost-Effectiveness in an Evolving System

A renewed market for a modern grid

The IESO successfully launched Ontario's renewed wholesale electricity market in May 2025. This watershed moment for the electricity system was enabled by nearly a decade of planning, collaboration and commitment across the IESO and broader sector to make the most efficient and cost-effective use of Ontario's diverse supply mix. Key features such as Locational Marginal Pricing and the Day-Ahead Market strengthen price signals and improve operational certainty for market participants and the IESO. The modernized market also enables greater competition, transparency, and integration of emerging technologies in Ontario's grid.

The launch of the renewed market was preceded by many months of intensive testing and preparation across the IESO and sector to ensure a smooth transition. That work included changes to systems and grid operations tools and processes, amendments to electricity supply contracts, implementation of new contract settlement models and new markets settlement charge types in support of the renewed market. The IESO continued to support market participants as they acclimated to operation of the renewed market and post-launch activities and forums are continuing to ensure the renewed market continues to function effectively. Feedback from sector stakeholders on the renewed market's launch and collaboration across the sector to support it has been overwhelmingly positive.

Building on the foundation of the renewed market, the IESO is focused on driving further market evolution and efficiency. The Enabling Resources Program (ERP) will unlock the value of existing and emerging technologies like energy storage and co-located hybrid facilities, making it easier for storage providers to participate in the market and provide additional grid services, and improve real-time visibility into available energy from storage. Throughout 2025, the IESO engaged stakeholders on new participation models and

market design enhancements for storage. These efforts better support the thousands of megawatts of battery storage – up to roughly 3,000 MW by 2028 – that have begun connecting to the grid.

Meanwhile, the ERP’s stream for DER will create opportunities for local energy solutions while contributing services that strengthen the provincial grid, increasing market competition and cost-effectiveness in an evolving system. ERP formally kicked off the DER project in late 2025 with a focus on data sharing opportunities between distribution entities and the IESO, and defining the options for expanded DER participation in the market.

Securing supply

Through a year defined by geopolitical and economic uncertainty, the IESO forged ahead with its ambitious plan to ensure reliable, affordable and sustainable electricity for consumers throughout Ontario. In June we launched the first of four planned windows for the second Long-Term Request for Proposals (LT2 RFP), the largest competitive electricity procurement ever in Ontario. LT2 was designed with the forecasted pace of demand growth in mind, featuring increased energy and capacity targets and a regular cadence of procurement windows. This first window of LT2 aimed to procure 3 TWh of new annual electricity generation and 600 MW of new capacity, with selected projects intended to begin commercial operation by 2030. Critically, LT2 is open to all forms of generation and storage resource, underscoring the IESO’s “all of the above” approach to meet future electricity demand at the most competitive prices for ratepayers. These new-build resources will help secure the supply needed to fuel population and economic growth, as well as electrification, through the 2030s and beyond. As part of the IESO’s ongoing emphasis on early and purposeful engagement between sector stakeholders and Ontario communities, all project proposals through the LT2 RFP required support resolutions from their potential host municipalities before submission.

Given the magnitude of Ontario’s projected demand growth, the IESO is also committed to optimizing existing supply and leveraging competition to reduce costs to further support economic growth. In May, we completed the second Medium-Term Request for Proposals (MT2 RFP), awarding five-year contracts to 27 existing facilities including wind, natural gas, biomass, and storage resources. This procurement secured over 3,000 MW of cost-effective supply, strengthening grid reliability into the coming decade and delivering savings for ratepayers. MT2 enabled investments into capacity-stream facilities, extending their life at costs 12 per cent lower than constructing a new energy storage facility and 65 per cent lower than new gas generation. Energy-stream projects, including nearly 1,000 MW of wind, were secured at costs about 21 per cent lower than previous contracts. The results of this procurement highlight how the IESO’s Resource Adequacy Framework is cost-effectively meeting the province’s growing needs.

With an eye on emerging needs farther into the future, the IESO engaged stakeholders on our first-of-its-kind long lead-time procurement. This procurement will offer contracts of up to 40 years to new resources with longer development timelines, such as new hydroelectric projects and long-duration storage. The energy and capacity streams will be administered through a single window and will secure up to 1 TWh and 800 MW, respectively.

Strengthening transmission

In step with these supply-side efforts, we are strengthening and expanding Ontario’s transmission system, with a focus on expedited and continuous planning to keep pace with growth. In 2025, the IESO completed multiple Integrated Regional Resource Plans (IRRP) that will help improve transmission infrastructure to drive economic growth and support decarbonization goals in all corners of Ontario. This includes IRRP for Windsor-Essex, York Region, and Greater Ottawa, as well as for Toronto, which included the IESO’s recommendation for a new underwater transmission line to enhance supply reliability for the city.

We similarly published the North of Dryden Plan and the Northern Ontario Bulk Study, which both recommended significant new high-voltage transmission lines to enable siting of new generation; bolster reliability in remote areas; enable Indigenous communities that still rely on diesel to connect to the grid; and unlock potential for new and expanded mining developments. Further bulk system planning is in-flight for eastern Ontario, north of Sudbury, and south and central Ontario, which will include assessments of transmission requirements to connect modular reactors at Darlington and the Bruce “C” nuclear site to the grid.

To build new transmission infrastructure more cost-effectively, the IESO advanced a competitive procurement framework for transmission. As a first step, we created a registry to qualify transmitters with the previous development experience, technical experience, and financial capacity to deliver on projects. The registry ensures a qualified pool of transmitters is in place to efficiently move procurements forward as new projects are identified.

Operational excellence

Complex weather events, including a polar vortex and an exceptionally hot summer, strained Ontario's electricity system in 2025. Through it all, the IESO responded to keep electricity flowing reliably to homes and businesses across the province despite changing and challenging conditions. The summer brought successive heat waves that saw 2024's peak demand surpassed on seven separate occasions, as well as the single-highest peak demand in 12 years. Maintaining grid reliability through these intense heat waves required extensive foresight, planning and operational excellence, with the IESO carefully managing planned outages and leaning on all the available resources in our diverse supply mix. Reliability also depended on critical contributions from the IESO's suite of demand response programs like the Industrial Conservation Initiative and Capacity Auction. On the residential side, Save on Energy's Peak Perks program adjusted more than 270,000 smart thermostats through 10 activations, achieving an average total load reduction of more than 200 MW per event. Taken together, consumers lowered demand by up to seven per cent over peak periods using these various mechanisms.

The extreme summer conditions also stress tested the renewed market. The Day-Ahead Market cleared over 95 per cent of Ontario's electricity needs through the heat events – providing cost stability – while remaining demand was satisfied via the real-time market. It was similarly critical for day-ahead planning, ensuring certainty on committed resources, required control actions, and necessary communications with Market Participants and neighbouring systems.

The IESO's ability to adapt and respond every second of every day is at the core of our reliability mandate. The control room that continuously monitors and directs power flows on the bulk electricity system is a critical element of the equation. To ensure continuity in our ability to reliably deliver electricity, our new Backup Control Centre (BCC) went into operation in 2025. The BCC is mission-critical infrastructure that safeguards essential capabilities during both normal and emergency conditions. It is a near-perfect replica of our primary control room, providing a seamless experience for operators who work in high-stakes environments where every design choice can impact performance. The opening of the BCC follows the successful relocation of our Backup Data Centre to a state-of-the-art "co-location" data centre in 2024. Both initiatives were completed on time and on budget and greatly enhance our business continuity and disaster-recovery capacity.

Reliability also hinges on vigorous cyber security capabilities to protect the grid from increasingly sophisticated threats. In 2025, the IESO worked in partnership with the OEB to strengthen cyber defences by requiring licensed Ontario distributors and transmitters to report incidents to the IESO, providing us with threat information that can be used for our Lighthouse program. Lighthouse is designed to provide near real-time threat intelligence and situational awareness, enabling coordinated sector-wide responses to external cyber threats for a more secure, safe, and reliable grid. Since its 2019 launch, Lighthouse has improved system resilience by enabling proactive detection, assessment, and response. In 2025, the program's success was recognized with the North American Electric Reliability Corporation's Michael Assante Award for Excellence, affirming the IESO's leadership in cyber security across the sector.

And throughout the year, the IESO continued our work to facilitate expansion of the grid, managing more than 200 grid connection changes, and executing complex system impact assessments for 1,550 MW of new supply, 1,540 MW of load and some 450 km of new transmission infrastructure that will be critical to enabling economic growth in communities across Ontario.

A historic energy efficiency framework

As electricity demand grows, energy efficiency is central to maintaining a reliable grid and helping Ontario families and businesses manage their electricity use and bills. 2025 was a landmark year for electricity Demand Side Management (eDSM) programs administered through the IESO's Save on Energy brand. In January, the IESO officially launched an enduring 12-year energy efficiency framework, supported by a historic \$10.9-billion commitment from the government of Ontario. The new eDSM Framework builds on the success of the 2021-2024 Conservation and Demand Management Framework and will be delivered across four planning cycles to ensure programs are adaptable and tailored to customer needs. Through the first year of the new framework, Save on Energy program participation was aligned with peak demand savings targets, while total energy savings were on track to exceed targets by more than 30 per cent.

A key component of the eDSM Framework is collaboration across the energy sector and various levels of government. The year saw the rollout of several offerings that demonstrate the value of those efforts. In collaboration with Enbridge Gas, Save on Energy launched the Home Renovation Savings Program, integrating electricity and natural gas efficiency programs into a seamless "one window" customer experience for residential consumers. The program offers Ontarians an opportunity to invest in their homes, save money and make a positive impact on the environment, all at one easy point of access. Elements of the program fall under the IESO's expanded mandate for beneficial electrification initiatives, a part of the new eDSM Framework. With \$38 million in funding from Natural Resources Canada, Save on Energy began supporting income-qualified customers who heat their homes with oil to switch to more efficient and affordable electric heat pumps. Additionally, Save on Energy and Local Distribution Companies (LDCs) worked collaboratively to boost participation in province-wide efficiency programs, leveraging the strengths of LDCs in local customer engagement and the IESO as an experienced program administrator.

Energy efficiency is also critical to the IESO's mandate to support economic growth while building out the electricity system. Initiatives enabling large customers to manage electricity consumption and costs promote competitiveness while preserving grid capacity for new and expanded step loads. The large-scale program offering of the eDSM Framework, Save on Energy's XRate, reflects our continued commitment to equip major consumers with solutions that drive efficiency and competitiveness. Launched after extensive engagement with stakeholders, XRate includes an increased incentive cap; more flexible timelines to better align with capital planning cycles; a streamlined application process; and new funding for feasibility studies.

Save on Energy has served Ontarians since 2011 and continues to be a trusted source for Demand Side Management opportunities and knowledge in the province. In recognition of this, the IESO was presented two 2025 ENERGY STAR awards for Energy Efficiency Administrator of the Year and Utility of the Year. Furthermore, the success of the Peak Perks program was recognized with the Fortnightly Top Innovators Maria Telkes Top Innovator in Distributed Energy Award.

Looking forward: Providing greater transparency about future system needs

Ontario's electricity system is operating in an increasingly complex world, with changes happening more rapidly than ever before. As the system planner, the IESO is focused on remaining nimble and ready to respond to shifting conditions, and to plan effectively amid greater uncertainty. In alignment with the IEP, we are evolving our planning processes to prepare for high- and low-demand scenarios, alongside the reference scenario. The alternative scenarios provide more transparency for the sector and investors into the range of system needs that could plausibly materialize in coming years. They are also a tool to stress test our resource adequacy planning and mitigate risks related to building our system as the future unfolds, ensuring the system remains reliable, affordable and sustainable, and positioned to support economic growth.



Drive Business Transformation

A refined Corporate Strategy

In 2025, the IESO undertook a mid-cycle review of our 2022-2027 Corporate Strategy to ensure it remains aligned with Ontario's rapidly evolving energy landscape. Electricity demand is rising, economic priorities are shifting, and the pace of infrastructure development is accelerating. The IESO's mandate has expanded, and our work is more complex and vital than ever before. Through the IEP, we have been tasked to move faster and think bigger to deliver for Ontarians during a transformational period. Our refined Corporate Strategy positions us to meet that challenge.

It was a purposeful refinement that builds on the IESO's strong track record of results during the first half of the strategy horizon. These successes gave the IESO confidence to sharpen, not overhaul, our strategic direction. The review was prompted by shifting external forces shaping Ontario's energy future and included input from the IESO executive leadership team, board members and senior leaders from across the organization. The strategy's overall structure remains intact, but refreshed imperatives highlight the IESO's role in supporting economic growth, advancing sector and market evolution, and streamlining internal processes. This shift reflects a progression toward an outcome-oriented mindset, one focused on delivering tangible results through agility, efficiency, and operational excellence.

Developing an engaged and future-ready workforce

The IESO is powered by the wide breadth of expertise, experiences, and diversity of our employees. In 2025, we took significant steps to ensure the IESO remains a distinctive and rewarding place to build a purposeful career, while positioning the organization as a top employer in a highly competitive talent marketplace.

This effort was punctuated by the introduction of our Employee Value Proposition (EVP). The EVP is a clear and authentic expression of what makes the IESO an employer of choice, grounded in our core values and the knowledge, aspirations and convictions of our employees. Developed through extensive research and employee engagement, the EVP unites employees around a shared purpose during a transformative time. The IESO's careers site, corporate LinkedIn page and job postings were updated to reflect the EVP and showcase the organization's values and culture to external candidates. Meanwhile, to further reinforce our commitment to a culture of mutual respect and support, we advanced the IESO's five-year Equity, Diversity, and Inclusion Framework with the launch of an improved Respectful Workplace Program.

Throughout the year, the IESO continued to invest in building employees' skills and competencies. For example, in September employees had an opportunity to participate in professional development opportunities during our annual Learning Month. The 2025 theme, *The Power of Integrated Thinking*, explored how holistic problem-solving can drive better organizational outcomes. Total participation grew by 36 per cent, the largest year-over-year increase since Learning Month began in 2021.

Results from the 2025 Employee Experience Survey showed employees continue to find their work meaningful, our top performing metric year after year. Employees also reported that the IESO provides learning opportunities that help them contribute to the organization's success, with scores far exceeding our target. Pride and advocacy remained strong, with "I feel proud to work at the IESO" and "I would recommend the IESO as a great place to work" scoring above their 2024 levels. The results show that the IESO's Corporate Strategy, culture, and values continue to guide our progress.

The IESO is similarly committed to cultivating the next generation of energy professionals. Building a future-ready grid depends on a future-ready workforce, and the IESO continued to invest in a robust co-op program for post-secondary students. In 2025 we welcomed 115 students, providing them with hands-on experience and critical career-building skills. Through a first-time nomination, the IESO was recognized as a Top Employer by industry as part of the Ted Rogers School of Management's Top Co-Op Employer Awards – an award that celebrates organizations that go above and beyond to provide exceptional opportunities for post-secondary students. Additionally, 2025 saw the launch of a mentorship pilot pairing directors and senior managers with mentees across the IESO.

The pilot was developed in direct response to feedback from employees and insights from the program will shape a long-term mentorship strategy to build enduring leadership capacity.

These various initiatives all contributed to the IESO being named a Greater Toronto Top Employer for the fifth consecutive year, recognition the organization proudly celebrates.

Driving efficiency

Throughout the year, the IESO continued to drive greater efficiency and innovation across our operations, including harnessing the potential of artificial intelligence (AI). In the summer, we launched our first enterprise-wide AI tool, Microsoft's Copilot Chat. So far, we estimate Copilot Chat has saved hundreds of hours of work per week by easing administrative burdens and freeing employees to focus on higher-priority work.

The IESO's Smart Metering Entity (SME) – responsible for one of the world's largest shared data platforms – integrated an AI search application into its ServiceNow® Desk search bar, allowing users to receive immediate answers without the need to open a ticket. A few months later, the SME team released their Advanced Data and Analytics Platform (ADAP) with an AI-enabled tool to help IESO employees visualize, aggregate and analyze smart metering data. The centralized platform also streamlines data requests from SME's external clients such as LDCs, the OEB and the Ministry of Energy and Mines.

These tools were deployed as the SME successfully migrated the province's Meter Data Management/Repository (MDM/R) from locally stored IT infrastructure to a fully cloud-based solution. The move enhances scalability and flexibility to meet fluctuating demand, lowers monthly operating costs by 16 per cent, and eliminates the need for costly capital projects to refresh the infrastructure. The project was completed on time and on budget.

Efficiency gains also extended to broader organizational practices. The IESO's Lean Centre of Excellence (Lean CoE) was recognized at the Operational Excellence (OPEX) World Summit in Miami, receiving the Business Transformation Leader & Team of the Year award for its achievements in continuous improvement, business innovation and process automation.

In parallel with these digital and operational improvements, the IESO also advanced efforts to modernize its physical workplace. The multiyear Future@Work initiative reached major milestones in 2025, with about 35,000-square-feet of newly renovated office space in downtown Toronto reopening to employees. The reimagined floors encourage greater collaboration, more efficient use of space and support our goals of equity, diversity, and inclusion in the design. Additional renovations to another 17,000-square-feet of office space progressed positively and are expected to be completed in 2026.

Looking forward: A new way of working

Continuously improving the IESO's processes is a central focus of our refined Corporate Strategy and we recognize that investment alone is not enough to meet the needs of the province. To support this work, the IESO is implementing an enterprise-wide efficiency initiative to make our operations smarter, simpler, and more effective to deliver better value for Ontarians. Guided by three areas of impact – financial savings, productivity gains, and external value – this effort is reshaping how we work to reduce costs, streamline processes and improve the experience of our customers, communities, stakeholders, and market participants.

Progress Toward the Achievement of Performance Measures As Set Out in the Business Plan

Ontario’s electricity sector is entering an era of rapid transformation and growth, driven by a significant rise in electricity demand projected for coming decades. Accelerating electrification of homes, businesses, and industry, evolving consumer preferences, and an emphasis on energy security are increasing the province’s reliance on electricity. The IESO’s 2023 – 2025 Business Plan and Amendment positioned the organization to support and implement the Ontario government’s initiatives and vision for the sector, as well as to continue delivering reliable, affordable, and sustainable electricity for Ontarians.

The IESO’s performance management program provides an important level of oversight for the organization and its stakeholders, and it helps to ensure accountability and course correction, as needed. It is also used as a tool by the IESO’s Board of Directors to assess organizational and management performance, designed to align objectives and incentives to the achievement of the IESO’s strategic objectives and priorities, and accordingly, may be modified should those priorities change in the course of the year.

The IESO has established forward-looking performance measures and targets that align with strategy to drive action and progress toward the achievement of the organization’s overall mandate and objectives. These measures and targets reflect the desired outcome at the end of the strategic planning period and align with the IESO’s core strategies.

Measure 1: Market Renewal Program

Market Renewal Program (MRP) delivery - Percentage of key milestones complete according to implementation plan.

Rating: Met

| Target | Result | Discussion |
|--------------------------------|--------|---|
| 100% | 100% | <ul style="list-style-type: none"> MRP successfully launched on May 1, 2025. Project close-out activities were completed by August 1, 2025. IESO Board acknowledged successful transition to the Renewed Electricity Market via Board Resolution issued on June 3, 2025. |
| Why is this measure important? | | Ontario’s wholesale electricity market, like all energy markets, has a foundational objective of maintaining reliability at the lowest cost. MRP is a transformational project to modernize our markets to address inefficiencies and establish a strong foundation for the continued transition to new and diverse supply resources. The changes MRP is making will ensure the market is more robust, transparent and competitive. |
| Measure Weight | | 20% |

Measure 2: Resource Adequacy

Maintaining Resource Adequacy - Plans in place to ensure that resource adequacy reliability standards are met for the next 5 years.

Rating: Met

| Target | Result | Discussion |
|--------------------------------|--------|--|
| 100% | 100% | <ul style="list-style-type: none"> Reliability Outlooks published for each quarter indicated adequate reserve above supply. Capacity export under Hydro-Québec swap retained for 2026/27 winter season to maintain reliability. Demand forecast scenarios completed for 2026 Annual Planning Outlook. |
| Why is this measure important? | | To ensure system reliability, it is essential that system needs are understood and clearly articulated. For the IESO to meet these needs effectively, the market (investors) needs to have a clear view of how they will be met, whether through competitive procurement, bilateral contracting or government action. |
| Measure Weight | | 10% |

Measure 3: Resource Adequacy

Resource Adequacy procurement - Supply offers (MW) in open and competitive mechanisms exceed the target capacity (MW).

Rating: Exceeded

| Target | Result | Discussion |
|--------------------------------|--------|--|
| 24% | 174% | <ul style="list-style-type: none"> Medium-Term 2 RFP was successfully completed receiving 532 MW of offers for the capacity stream target of 425 MW, and 995 MW of offers for the energy stream target of 796 MW. |
| Why is this measure important? | | To maintain resource adequacy and ensure affordability, it is essential that competitive mechanisms are in place to allow for a diverse range of supply offers to procure cost-effective energy. Competition is a central tool to ensure affordable resource adequacy outcomes. The greater the liquidity, the better the competition, which in turn confirms affordability. |
| Measure Weight | | 10% |

Measure 4: Enabling Resources Program

Enabling Resources Program (ERP) delivery - Percentage complete of program plan.

Rating: Exceeded

| Target | Result | Discussion |
|--------------------------------|--------|---|
| 75% | 100% | <p>Successfully completed all milestones identified for inclusion in the measure for 2025:</p> <ul style="list-style-type: none"> • Finalized Market Design & Delivery Approach; • Obtained ERP Management Approval of Batch 1 of Market Design Optimization; • Defined Project Solutions Architecture and Preliminary Impact Assessment; and • Defined Distributed Energy Resources (DER) Integration Scope. |
| Why is this measure important? | | <p>ERP is an integrated set of projects that will improve market effectiveness of electricity storage, hybrid and DER to provide required system services and contribute to the safe and reliable operation of the bulk power system in Ontario. ERP supports the Strategic Imperative to Renew the Real-Time Markets to Advance Energy Transformation.</p> |
| Measure Weight | | 10% |

Measure 5: Employee Pulse Survey

Employee pulse survey results for specific annual engagement areas of focus.

Rating: Exceeded

| Target | Result | Discussion |
|--------------------------------|--------|--|
| Positive Trend (≥ 70) | 77 | <p>The 2025 Employee Experience Survey shows a score of 77 for the statement “The IESO provides learning opportunities that help me contribute to its success,” surpassing the CPM target of 70.</p> <p>This strong result reflects:</p> <ul style="list-style-type: none"> • Strategic alignment of corporate learning to priority areas: sector skills, digital skills, and ways of working. • High-impact initiatives such as Learning Month, and partnerships with Coursera and Ivey Business School. • Reinforcement at the Business Unit level through targeted technical and functional skill development. • Active support from people leaders via individual development planning. • This outcome affirms that IESO’s investments in learning are effectively building future capabilities and supporting career growth. |
| Why is this measure important? | | <p>Having a highly engaged workforce will be a critical differentiator in achieving alignment of culture, mindset, skills and capabilities to deliver on strategy. The purpose of this metric is to measure engagement for specific focus areas annually and to provide robust insights. The focus area for 2025 was identified as “<i>The IESO provides learning opportunities that help me contribute to its success.</i>”</p> |
| Measure Weight | | 15% |

Measure 6: Stakeholder Engagement Survey

Effectiveness of stakeholder engagement actions through positive survey results.

Rating: Exceeded

| Target | Result | Discussion |
|--------------------------------|--------|--|
| 77% | 78% | <ul style="list-style-type: none"> The 2025 Stakeholder and Community Engagement Survey results show that 78% of respondents reported that their experience with IESO engagements met or exceeded expectations — surpassing the 2025 CPM target of 77%. This falls within the mid-range of results over the past five years from 2021 to 2025 (74% to 82%) and represents a strong outcome given the uncertain external landscape and rapid pace of change in the electricity sector over the last year. The year’s survey saw a record response rate of 764 respondents (versus 647 in 2024) and captured feedback from a broad range of stakeholders and communities, with respondents once again expressing positive impressions of the IESO’s performance and engagement activities. These results suggest that the IESO’s continued enhancements to outreach, engagement, and communication are resonating well with our growing and diverse stakeholder and community audiences. Familiarity with the IESO and trust in the organization’s ability to deliver on its three core strategic pillars remain largely stable this year, following significant gains in the previous year. Overall confidence in the IESO has strengthened, with a notable shift toward more positive perceptions of the organization. The top three reasons respondents cited IESO engagements as meeting or exceeding their expectations included the IESO’s professional and helpful staff, effective communication and engagement and the information provided to keep them informed. The positive CPM results also align with the rollout of the External Relations and Indigenous Relations Frameworks, which were launched in November 2024. In 2025, a number of enhanced processes and tools were introduced to strengthen coordination, transparency and stakeholder/community experience. |
| Why is this measure important? | | <p>Positive annual survey responses indicate that stakeholders, Indigenous communities and municipalities are confident in and satisfied with the IESO’s engagement process(es). This metric supports our commitment to building long-term trust to inform our processes and decisions. The result reflects the percentage of stakeholders, Indigenous communities and municipalities who indicate that their experience with the IESO’s engagement meets or exceeds their expectations. Given the electricity sector’s anticipated transformation, it is more important than ever that the IESO broaden its reach and understanding of stakeholders, Indigenous communities and municipalities. As an enabler to our strategy, gaining understanding of stakeholders, Indigenous communities and municipalities through engagement survey data will help the IESO meet evolving needs, ensure a reliable, affordable system, and solidify the IESO’s reputation as a trusted sector leader.</p> |
| Measure Weight | | 15% |

Measure 7: Cyber Security

Data Loss Prevention (DLP) technology implementation (percentage of completion).

Rating: Exceeded

| Target | Result | Discussion |
|--------------------------------|--------|---|
| 50% | 100% | <p>On-Time and Under-Budget Delivery - Delivered all core project milestones by September 30, 2025, ahead of the original January 2026 target. Key project delivery highlights include:</p> <ul style="list-style-type: none"> • Deployment and Monitoring - Deployed the DLP solution to environment. • Rigorous Testing and Defect Resolution - Project team conducted extensive testing of the DLP solution. • Process and Procedure Documentation - Completed all required process and procedure documentation on time. • Procurement and Rollout of DLP Licenses - Successfully procured DLP licenses and rolled out the solution across workstations. |
| Why is this measure important? | | <p>A Data Loss Prevention (DLP) system safeguards sensitive data from unauthorized access, loss, or misuse. Implementation of the DLP tool is a long-term strategic imperative to improve the IESO's cyber security posture. Additionally, the Ministry of Energy and Mines has a focus on this capability in discussions with the IESO.</p> |
| Measure Weight | | 10% |

Measure 8: Cyber Security

Phishing Metrics Trend (pass rate).

Rating: Exceeded

| Target | Result | Discussion |
|--------------------------------|--------|--|
| ≥97% | 98.6% | <ul style="list-style-type: none"> All simulated phishing email campaign results for unwanted interactions were reported to relevant people leaders and employees/contractors. IESO employees and contractors requiring support to further their cyber resiliency skills were provided with training. The training completion rates were monitored and shows all employees and contractors completed their assigned cyber security training. As of Q4, 2025, performance metrics for phishing campaigns — the average pass rate was 98.58% which met the 2025 target pass rate of 97%. |
| Why is this measure important? | | The IESO and the sector receives a high volume of phishing e-mails from adversaries attempting to exploit systems, data, and credentials with potential to impact business operations and strategic objectives. |
| Measure Weight | | 5% |

Measure 9: Cyber Security

Percentage of completion for development of Market Assessment Compliance Division (MACD) plan to enable enduring risk mitigation arising from cyber threats to the IESO-Administered Markets and the IESO-Controlled Grid.

Rating: Did not meet

| Target | Result | Discussion |
|--------------------------------|--------|---|
| 75% | 73% | <p>By the end of November, all milestones were delivered to maintain vigilance on cyber security threats to the IESO and the bulk power system for two market participants most impactful to reliability. As of October 31st:</p> <p>A comprehensive investigation into reliability standards breaches for one of the market participants was concluded in October with a determination of penalties and required actions to remedy deficiencies. Instead of issuing a ruling, it was decided to convey these findings to the market participant with a proposal to achieve full resolution, without the possibility of dispute, to foster immediate rectification of issues. That meeting was held on November 19th, and agreement was reached on November 26th.</p> <p>A comprehensive audit was conducted throughout the year to assess the other market participant's compliance with the same reliability standards, involving extensive review of evidence. The onsite portion of the audit, which concludes this exercise, was originally scheduled for earlier in 2025. But it was rescheduled to November due to the market participant's request for deferral of certain stages of information provision, the reasons for which MACD validated as acceptable. The audit was concluded on November 27th.</p> |
| Why is this measure important? | | <p>Absent a set of enterprise wide agreed upon and executed regulatory instruments for the IESO-governed sector (focused on both the Market Participants and the IESO) the IESO's ability to maintain reliability, confidentiality and market efficiency and integrity is at significant risk from current and growing cyber threats. Today much of the IESO-governed sector is not subject to sufficiently robust regulatory obligations to protect against cyber threats. For 2025, the measure captures MACD's intended approach to satisfy the assigned mandate with respect to auditing major market participant compliance with the NERC Critical Infrastructure Protection standards that apply to them.</p> |
| Measure Weight | | 5% |

Financial Performance Analysis

As part of the Independent Electricity System Operator (IESO) mandate, contained in Part II of the Electricity Act, 1998 (Act) and associated Ontario regulations, the IESO performs work that is funded outside of the IESO's usage fees approved by the Ontario Energy Board (OEB), namely the Smart Metering Entity (SME), the Market Sanctions and Payment Adjustments, and programs delivered on behalf of the Government of Ontario. The following financial performance analysis is focused on the 2025 results compared with the business plan of the IESO's core operations funded through the OEB-approved system fees earned on a rate per megawatt of electricity withdrawn from the IESO-controlled grid, and it excludes financial results on operations funded through other sources as they are not part of the Business Plan approved by the Ministry of Energy and Mines.

a) In the Statement of Operations and Accumulated Deficit section of the Annual Report, the IESO Core Operations revenues were \$272.3 million as of December 31, 2025, compared with a budget of \$248.4 million, a \$23.9 million variance. System fees revenues account for \$10.4 million of the variance, driven by better-than-expected demand volume, particularly from exports. The remaining \$13.5 million variance in actual revenues compared with the budget is primarily due to Other Revenue (Note 11), as investment income was \$3.2 million higher than expected, associated with higher overnight interest rates and settlement volumes, and registration fees were \$2.0 million higher than planned driven by procurements. The remaining \$8.3 million is due to various program revenues that in the budget are reported as an offset to expenses.

b) Core operation expenses of \$309.8 million (Note 12) as shown in the Statement of Operations and Accumulated Deficit section of the Annual Report, is \$61.4 million higher than the budget of \$248.4 million. This is mainly due to higher compensation and benefit costs primarily driven by the unbudgeted impact of Bill 124 for IESO staff represented by the Society of United Professionals (SUP) and the Power Workers' Union (PWU), the transition of Demand Side Management resources previously funded from Global Adjustment to core operations, an increase in cloud-computing solutions resulting in a shift from capital to operating expense, various program expenses offset by Other Revenue as well as lower than anticipated attrition rates. Other notable drivers include higher interest expense from increased debt borrowing and amortization pressures due to the timing of capital projects.

c) In the Statement of Change in Net Debt, the capital portfolio of \$53.7 million is \$19.9 million below the \$73.6 million budget. A key driver for the variance is the IESO Board's approval in September 2022 of a revised Market Renewal Program (MRP) schedule and in-service date, which resulted in a shift in the timing of MRP expenses. The favourability of \$15.0 million in fiscal 2025 is timing and is offset by unfavourability in prior fiscal years. The remaining \$4.9-million lower spend is driven by delays in overall planned expenditures and capital costs being less than estimated primarily due to a shift to cloud-computing solutions.

Management Report

Management's Responsibility for Financial Reporting

The accompanying financial statements of the Independent Electricity System Operator are the responsibility of management and have been prepared in accordance with Canadian Public Sector Accounting Standards. The significant accounting policies followed by the Independent Electricity System Operator are described in the Summary of Significant Accounting Policies contained in Note 2 in the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been prepared within reasonable limits of materiality and in light of information available up to March 10, 2026.

Management maintained a system of internal controls designed to provide reasonable assurance that the assets were safeguarded and that reliable information was available on a timely basis. The system included formal policies and procedures and an organizational structure that provided for the appropriate delegation of authority and segregation of responsibilities.

These financial statements have been examined by KPMG LLP, a firm of independent external auditors appointed by the Board of Directors. The auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles in Canada. The Independent Auditor's Report, which follows, outlines the scope of their examination and opinion.

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

On behalf of management,



Lesley Gallinger
President and
Chief Executive Officer
Toronto, Ontario
March 10, 2026



Ernest Chui
Chief Financial Officer and
Vice-President, Corporate Services
Toronto, Ontario
March 10, 2026

Independent Auditor's Report

To the Board of Directors of Independent Electricity System Operator

Opinion

We have audited the financial statements of Independent Electricity System Operator (the Entity), which comprise:

- the statement of financial position as at December 31, 2025
- the statement of operations and accumulated deficit for the year then ended
- the statement of remeasurement gains and losses for the year then ended
- the statement of change in net debt for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2025, its financial performance and its results of operations, its remeasurement of gains and losses, its changes in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "*Auditor's Responsibilities for the Audit of the Financial Statements*" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Chartered Professional Accountants, Licensed Public Accountants

Toronto, Canada
March 10, 2026

Statement of Financial Position

| As at (in thousands of Canadian dollars) | Note | December 31, 2025 | December 31, 2024 |
|---|------|-------------------|-------------------|
| | | \$ | \$ |
| FINANCIAL ASSETS | | | |
| Cash and cash equivalents | | 624 | 13,680 |
| Accounts receivable | 3 | 55,320 | 57,071 |
| Long-term investments | 4 | 137,042 | 114,400 |
| Accrued pension asset | 9 | 18,458 | 6,528 |
| TOTAL FINANCIAL ASSETS | | 211,444 | 191,679 |
| LIABILITIES | | | |
| Accounts payable and accrued liabilities | 5 | 39,159 | 46,769 |
| Deferred revenue and capital contributions | | 2,070 | 1,350 |
| Rebates due to market participants | 7 | 637 | 2,081 |
| Debt | 8 | 350,000 | 277,000 |
| Accrued liability for employee future benefits other than pension | 9 | 213,569 | 204,518 |
| TOTAL LIABILITIES | | 605,435 | 531,718 |
| NET DEBT | | (393,991) | (340,039) |
| NON-FINANCIAL ASSETS | | | |
| Tangible capital assets | 10 | 340,122 | 319,076 |
| Prepaid expenses | | 22,515 | 15,950 |
| TOTAL NON-FINANCIAL ASSETS | | 362,637 | 335,026 |
| ACCUMULATED DEFICIT | | | |
| Accumulated deficit from operations | | (66,587) | (29,082) |
| Accumulated remeasurement gains | | 35,233 | 24,069 |
| ACCUMULATED DEFICIT | 6 | (31,354) | (5,013) |

Commitments (Note 15)

Contingencies (Note 16)

See accompanying notes to financial statements

On behalf of the Board:



Ken Hartwick
Chair
Toronto, Ontario



David Collie
Director
Toronto, Ontario

Statement of Operations and Accumulated Deficit

| For the year ended December 31 (in thousands of Canadian dollars) | | Notes | 2025 | 2025 | 2024 |
|--|----|-------|-----------------|-----------------|-----------------|
| | | | Budget \$ | Actual \$ | Actual \$ |
| IESO CORE OPERATIONS | | | | | |
| System fees | | | 235,086 | 245,439 | 230,078 |
| Other revenue | 11 | | 8,048 | 21,779 | 23,214 |
| Interest and investment income | | | 5,227 | 5,043 | 5,642 |
| Core operation revenues | | | 248,361 | 272,261 | 258,934 |
| Core operation expenses | 12 | | (248,361) | (309,766) | (259,521) |
| Core operations surplus/(deficit) | | | - | (37,505) | (587) |
| SMART METERING ENTITY | | | | | |
| Smart metering revenue | | | 27,250 | 26,692 | 25,113 |
| Smart metering expenses | 12 | | (26,031) | (26,692) | (27,146) |
| Smart metering entity surplus/(deficit) | | | 1,219 | - | (2,033) |
| MARKET SANCTIONS AND PAYMENT ADJUSTMENTS | | | | | |
| Market sanctions and payment adjustments | | | 14,025 | 14,837 | 12,776 |
| Customer education and market enforcement expenses | 12 | | (14,025) | (14,837) | (12,776) |
| Market sanctions and payment adjustments surplus | | | - | - | - |
| SURPLUS/(DEFICIT) | | | 1,219 | (37,505) | (2,620) |
| ACCUMULATED DEFICIT FROM OPERATIONS, BEGINNING OF PERIOD | | | (29,082) | (29,082) | (26,462) |
| ACCUMULATED DEFICIT FROM OPERATIONS, END OF PERIOD | | | (27,863) | (66,587) | (29,082) |

See accompanying notes to financial statements

Statement of Remeasurement Gains and Losses

| For the year ended December 31 (in thousands of Canadian dollars) | 2025 | 2024 |
|---|---------------|---------------|
| | \$ | \$ |
| ACCUMULATED REMEASUREMENT GAINS, BEGINNING OF PERIOD | 24,069 | 13,633 |
| UNREALIZED GAINS/(LOSSES) ATTRIBUTABLE TO: | | |
| Foreign exchange | (28) | 19 |
| Portfolio investments | 11,192 | 10,417 |
| AMOUNTS RECLASSIFIED TO THE STATEMENT OF OPERATIONS: | | |
| Foreign exchange - other | - | - |
| NET REMEASUREMENT GAINS FOR THE PERIOD | 11,164 | 10,436 |
| ACCUMULATED REMEASUREMENT GAINS, END OF PERIOD | 35,233 | 24,069 |

See accompanying notes to financial statements

Statement of Change in Net Debt

| For the year ended December 31 (in thousands of Canadian dollars) | 2025 | 2025 | 2024 |
|---|------------------|------------------|------------------|
| | Budget \$ | Actual \$ | Actual \$ |
| SURPLUS/(DEFICIT) | 1,219 | (37,505) | (2,620) |
| CHANGE IN NON-FINANCIAL ASSETS | | | |
| Acquisition of tangible capital assets | (73,600) | (53,738) | (79,253) |
| Amortization of tangible capital assets | 27,450 | 32,692 | 25,640 |
| Change in prepaid expenses | – | (6,565) | 810 |
| Change in prepaid pension cost | – | – | – |
| TOTAL CHANGE IN NON-FINANCIAL ASSETS | (46,150) | (27,611) | (52,803) |
| NET REMEASUREMENT GAINS FOR THE PERIOD | – | 11,164 | 10,436 |
| CHANGE IN NET DEBT | (44,931) | (53,952) | (44,987) |
| NET DEBT, BEGINNING OF PERIOD | (340,039) | (340,039) | (295,052) |
| NET DEBT, END OF PERIOD | (384,970) | (393,991) | (340,039) |

See accompanying notes to financial statements

Statement of Cash Flows

| For the year ended December 31 (in thousands of Canadian dollars) | 2025 | 2024 |
|---|-----------------|-----------------|
| | \$ | \$ |
| OPERATING TRANSACTIONS | | |
| Deficit | (37,505) | (2,620) |
| Changes in non-cash items: | | |
| Amortization | 32,692 | 25,640 |
| Unrealized foreign exchange (losses) / gains for the period | (28) | 19 |
| Pension expense | (11,930) | (9,412) |
| Other employee future benefits expense | 9,051 | 6,527 |
| | 29,785 | 22,774 |
| Changes in non-cash balances related to operations: | | |
| Change in accounts payable and accrued liabilities | (4,456) | 22 |
| Change in accounts receivable | 1,751 | (4,839) |
| Change in rebates due to market participants | (1,444) | (2,113) |
| Change in prepaid expenses | (6,565) | 810 |
| | (10,714) | (6,120) |
| Cash (applied to) provided by operating transactions | (18,434) | 14,034 |
| CAPITAL TRANSACTIONS | | |
| Acquisition of tangible capital assets | (53,738) | (79,253) |
| Change in accounts payable and accrued liabilities related to tangible capital assets | (1,714) | 4,003 |
| Change in deferred revenue and capital contributions | (720) | (468) |
| Cash applied to capital transactions | (56,172) | (75,718) |
| INVESTING TRANSACTIONS | | |
| Purchase of long-term investments | (11,450) | (13,626) |
| Cash applied to investing transactions | (11,450) | (13,626) |
| FINANCING TRANSACTIONS | | |
| Debt borrowing | 73,000 | 74,000 |
| Cash provided by financing transactions | 73,000 | 74,000 |
| DECREASE IN CASH | (13,056) | (1,310) |
| CASH – BEGINNING OF PERIOD | 13,680 | 14,990 |
| CASH – END OF PERIOD | 624 | 13,680 |

See accompanying notes to financial statements

Notes to Financial Statements

(Tabular amounts in thousands of Canadian dollars unless otherwise indicated)

1. NATURE OF OPERATIONS

The Independent Electricity System Operator (IESO) is a not-for-profit, non-taxable corporation established pursuant to Part II of the *Electricity Act, 1998* (the Act). As set out in the Act, the IESO operates pursuant to a licence granted by the Ontario Energy Board (OEB).

The objects of the IESO are contained in the Act and associated Ontario regulations. The IESO ensures the reliability of the province's power system on behalf of all Ontarians, leveraging its expertise and purposeful engagement to advance energy policy that cost effectively achieves this goal. As part of its mandate, the IESO operates Ontario's electricity grid in real time, governs electricity markets, prepares for the future to ensure electricity will be available when and where it is needed, and helps inform the decisions that will be critical to shaping the future of the sector.

The IESO operates the IESO-administered markets and the OEB has regulatory oversight of electricity matters in Ontario. In 2007, the IESO was designated the Smart Metering Entity (SME) by Ontario statute. In its role as the SME, the IESO maintains and operates the province's smart metering data repository, the central hub for processing, storing and protecting electricity consumption data used for consumer billing by local distribution companies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Financial Statement Preparation

The accompanying financial statements have been prepared on a going-concern basis and in accordance with Canadian Public Sector Accounting Standards (PSAS) and reflect the following significant accounting policies.

These financial statements do not include the financial accounts and Government transfers for the IESO-administered markets as the IESO is an intermediary to facilitate the settlement of these transactions. A separate and distinct set of financial statements is prepared for the IESO-administered markets. The IESO-administered markets are as prescribed by the Act and associated Ontario regulations.

b) Revenue Recognition

System fees earned by the IESO are based on rates approved by the OEB for each megawatt of electricity withdrawn from the IESO-controlled grid. System fees are recognized as revenue at the time the electricity is withdrawn.

The SME's charge is based on rates approved by the OEB for each installed smart meter in the province. Revenue is recognized by charging the OEB-approved rate per smart meter per month.

Other revenue represents amounts that accrue to the IESO relating to investment income on funds passing through market settlement accounts, program revenue, application fees, and the sale of clean energy credits. Investment income is recognized monthly. Program revenue and application fees are recognized when service is provided. Clean energy credits are recognized as revenue when credits are transferred.

Interest and investment income represents realized interest income and investment gains or losses on cash, cash equivalents, short-term investments and long-term investments.

Government transfers are recognized as revenue in the financial statements in the period in which the events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be made.

Market sanctions represent funds received to offset payments disbursed related to penalties, damages, fines and payment adjustments. Such revenue is recognized when settlement disputes are resolved.

c) Financial Instruments

The IESO records cash and cash equivalents, long-term investments and foreign currency exchange forward contracts at fair value. The cumulative change in fair value of these financial instruments is recorded in accumulated deficit as remeasurement gains and losses and is included in the value of the respective financial instrument shown in the Statement of Financial Position and the Statement of Remeasurement Gains and Losses. Upon disposition of the financial instruments, the cumulative remeasurement gains and losses are reclassified to the Statement of Operations and Accumulated Deficit, and all other gains and losses associated with the disposition of the financial instrument are recorded in the Statement of Operations and Accumulated Deficit. Transaction costs are charged to core operations expenses as incurred.

Cash and cash equivalents comprise cash, term deposits and other short-term, highly rated investments with original maturity dates of less than 90 days.

The IESO records accounts receivable, accounts payable and accrued liabilities, rebates due to market participants and debt at amortized cost.

d) Tangible Capital Assets

Tangible capital assets are recorded at cost, which includes all amounts directly attributable to the acquisition, construction, development or betterment of the asset.

The estimated service lives of tangible capital assets are subject to periodic review. The effects of changes in the estimated lives are amortized on a prospective basis. The most recent review was completed in fiscal 2025.

An impairment loss on tangible capital assets is recognized when conditions indicate that the asset no longer contributes to the IESO's ability to provide services, or that the value of the future economic benefit associated with the tangible capital asset is less than its net book value.

Assets under construction generally relate to the costs of physical facilities, information technology hardware and software; and includes costs paid to vendors, internal and external labour, consultants and interest related to funds borrowed to finance the project. Costs relating to assets under construction are not available for use and, therefore, not subject to amortization. The IESO capitalizes applicable interest as part of the cost of tangible capital assets.

The capital cost of tangible capital assets is amortized on a straight-line basis over their estimated service lives.

The estimated service lives, in years, from the date the assets were acquired are:

| Class | Estimated Average Service Life 2025 | Estimated Average Service Life 2024 |
|--|-------------------------------------|-------------------------------------|
| Facilities and leasehold improvements | 4 to 50 | 4 to 50 |
| Market systems and applications | 3 to 20 | 3 to 12 |
| Information technology hardware and other assets | 2 to 10 | 3 to 10 |
| Meter data management / repository | 3 to 4 | 3 to 4 |

Gains and losses on sales or premature retirements of tangible capital assets are charged to Statement of Operations and Accumulated Deficits.

e) Pension, Other Post-Employment Benefits and Compensated Absences

The IESO's post-employment benefit programs include pension, group life insurance, health care, long-term disability and workers' compensation benefits.

The IESO accrues obligations under pension and other post-employment benefit plans and the related costs, net of plan assets. Pension and other post-employment benefit expenses and obligations are determined annually by independent actuaries using the projected benefit method and management's best estimate of expected return on plan assets, salary escalation, retirement ages of employees, mortality and expected health-care costs. The discount rates utilized to value liabilities as at the measurement date of September 30, 2025, are based on the expected rate of return on plan assets for the registered pension plan and the IESO's estimated cost of borrowing for the supplemental employee retirement and other post-employment benefit plans.

The expected return on plan assets is based on management's long-term best estimate using a market-related value of registered pension plan assets. The market-related value of plan assets is determined using the average value of assets over three years as at the measurement date of September 30, 2025.

Pension and other post-employment benefit expenses are recorded during the year in which employees render services. Pension and other post-employment benefit expenses consist of current service costs, interest expense on liabilities, expected return on plan assets and the cost of plan amendments in the period. Actuarial gains (losses) arise from, among other things, the difference between the actual rate of return on plan assets for a period and the expected long-term rate of return on plan assets for that period or from changes in actuarial assumptions used to determine the accrued benefit obligations.

Actuarial gains (losses) are amortized over the expected average remaining service life of the employees covered by the plan.

The IESO sick-pay benefits accumulate but do not vest. The IESO accrues sick pay benefits based on the expectation of future utilization and records the accrual within accounts payable and accrued liabilities.

f) Foreign Currency Exchange

Transactions denominated in foreign currencies are converted into Canadian dollars at the rate of exchange prevailing on the date of the transaction. Items on the Statement of Financial Position denominated in foreign currency are converted to Canadian dollars at the rate of exchange as at the date of the financial statements. The cumulative unrealized foreign currency exchange gains and losses of items continuing to be recognized on the Statement of Financial Position are recorded in the Statement of Remeasurement Gains and Losses. Upon settlement of the item denominated in a foreign currency, the cumulative remeasurement gains and losses are reclassified to the Statement of Operations and Accumulated Deficit, and all other gains and losses associated with the disposition of the financial instrument are recorded in the Statement of Operations and Accumulated Deficit.

g) Use of Estimates

The preparation of the financial statements in conformity with Canadian PSAS requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent assets and liabilities as at the date of the financial statements. The IESO's accounts that involve a greater degree of uncertainty include the determination of useful lives of tangible capital assets, determination whether conditions indicate that a tangible capital asset may be impaired, accrued pension liability and accrual for employee future benefits other than pensions.

h) Future Changes in Accounting Standards

The Conceptual Framework for Financial Reporting in the Public Sector

The new Conceptual Framework provides a meaningful foundation for formulating consistent financial reporting standards. The Conceptual Framework will replace current guidance in Section PS 1000 and Section PS 1100. A Conceptual Framework is a coherent set of interrelated concepts underlying accounting and financial reporting standards. It prescribes the nature, function and limits of financial accounting and reporting. It is the foundation on which standards are developed and professional judgment is applied. While the impact of any changes on the IESO is not reasonably determinable at this time, the IESO intends to implement the Conceptual Framework effective December 31, 2027.

Section PS 1202 – Financial Statement Presentation

The new standard provides updated guidance on the general and specific requirements for the presentation of information in general purpose financial statements. Section PS 1202 will replace Section PS 1201. While the impact of any changes on the IESO is not reasonably determinable at this time, the IESO intends to implement the Conceptual Framework effective December 31, 2027.

3. ACCOUNTS RECEIVABLE

Accounts receivable comprise the following:

| As at December 31 | 2025 | 2024 |
|---------------------------|---------------|---------------|
| | \$ | \$ |
| IESO-administered markets | 40,777 | 46,816 |
| Other | 14,543 | 10,255 |
| Total | 55,320 | 57,071 |

4. LONG-TERM INVESTMENTS

Long-term investments in pooled funds are valued by the pooled funds manager at \$136,118 thousand (2024 – \$113,476 thousand). As at December 31, the market value allocation of these long-term investments was 71.0% equity securities and 29.0% debt securities (2024 – 70.9% and 29.1%, respectively). In addition to the portfolio of pooled funds, the IESO has a long-term cash balance with the Canada Revenue Agency (CRA) in the amount of \$924 thousand (2024 – \$924 thousand) pertaining to the Retirement Compensation Arrangements Trust (Note 8).

| As at December 31 | 2025 | 2024 |
|--|----------------|----------------|
| | \$ | \$ |
| Opening balance – pooled funds | 113,476 | 89,433 |
| Purchase of investments | 11,450 | 13,626 |
| Change in fair value | 11,192 | 10,417 |
| Sub-total – Portfolio of pooled funds' closing balance | 136,118 | 113,476 |
| Cash held by CRA | 924 | 924 |
| Total | 137,042 | 114,400 |

Fair value measurements of long-term investments are categorized using a fair value hierarchy that reflects the significance of inputs used in determining the fair values.

- Level 1: unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for assets and liabilities that are not based on observable market data.

There were no transfers from Level 1, Level 2, or Level 3 during fiscal 2025 or during fiscal 2024.

The following tables illustrate the classification of the long-term investments within the fair value hierarchy as at year-end:

Fair value as at December 31, 2025

| | Level 1 | Level 2 | Level 3 | Total |
|------------------|------------|----------------|----------|----------------|
| | \$ | \$ | \$ | \$ |
| Cash held by CRA | 924 | – | – | 924 |
| Pooled Funds | – | 136,118 | – | 136,118 |
| | 924 | 136,118 | – | 137,042 |

Fair value as at December 31, 2024

| | Level 1 | Level 2 | Level 3 | Total |
|------------------|------------|----------------|----------|----------------|
| | \$ | \$ | \$ | \$ |
| Cash held by CRA | 924 | – | – | 924 |
| Pooled Funds | – | 113,476 | – | 113,476 |
| | 924 | 113,476 | – | 114,400 |

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities comprise the following:

| As at December 31 | 2025 | 2024 |
|-------------------------------------|---------------|---------------|
| | \$ | \$ |
| Relating to operations | 32,892 | 37,348 |
| Relating to tangible capital assets | 6,267 | 9,421 |
| Total | 39,159 | 46,769 |

6. ACCUMULATED DEFICIT

The IESO's regulatory deferral account balance is subject to OEB orders. In 2023, the IESO received a decision and order by the OEB to maintain the regulatory deferral account at a maximum of \$10,000 thousand for 2025 (2024 – \$10,000 thousand) and established a rebate threshold of \$15,000 thousand.

As at December 31, the components of the accumulated deficit were as follows:

Total – Accumulated Deficit

| As at December 31 | 2025 | 2024 |
|--|-----------------|----------------|
| | \$ | \$ |
| Regulatory deferral account (a) | (34,421) | 6,342 |
| Smart Metering Entity (b) | 2,000 | 2,000 |
| Accumulated market sanctions and payment adjustments (c) | – | – |
| Remeasurement gains (d) | 31,089 | 19,925 |
| PSAS transition items (e) | (30,022) | (33,280) |
| Accumulated deficit – end of year | (31,354) | (5,013) |

a) Regulatory Deferral Account – Accumulated Surplus/(Deficit)

| As at December 31 | 2025 | 2024 |
|--|-----------------|--------------|
| | \$ | \$ |
| Accumulated surplus – beginning of year | 6,342 | 10,187 |
| Core operation revenues (net of adjustments/rebates) | 272,261 | 258,934 |
| Core operation expenses | (309,766) | (259,521) |
| Recovery of annual PSAS transition items* | (3,258) | (3,258) |
| Accumulated (deficit)/surplus – end of year | (34,421) | 6,342 |

b) Smart Metering Entity Account – Accumulated Surplus

| As at December 31 | 2025 | 2024 |
|--|--------------|--------------|
| | \$ | \$ |
| Accumulated surplus – beginning of year | 2,000 | 4,033 |
| Smart metering charge (net of rebates) | 26,692 | 25,113 |
| Smart metering expenses | (26,692) | (27,146) |
| Accumulated surplus – end of year | 2,000 | 2,000 |

c) Market Sanctions and Payment Adjustments – Accumulated Surplus

| As at December 31 | 2025 | 2024 |
|--|----------|----------|
| | \$ | \$ |
| Accumulated surplus – beginning of year | – | – |
| Market sanctions and payment adjustments | 14,837 | 12,776 |
| Customer education and market enforcement expenses | (14,837) | (12,776) |
| Accumulated surplus – end of year | – | – |

d) Remeasurement Gains

| As at December 31 | 2025 | 2024 |
|--|---------------|---------------|
| | \$ | \$ |
| Accumulated remeasurement gains – beginning of year | 19,925 | 9,489 |
| Net remeasurement gains | 11,164 | 10,436 |
| Accumulated remeasurement gains – end of year | 31,089 | 19,925 |

e) PSAS Transition Item – Accumulated Deficit

| As at December 31 | 2025 | 2024 |
|---|-----------------|-----------------|
| | \$ | \$ |
| Accumulated deficit – beginning of year | (33,280) | (36,538) |
| Recovery of annual PSAS transition items* | 3,258 | 3,258 |
| Accumulated deficit – end of year | (30,022) | (33,280) |

* Effective January 1, 2011, the IESO adopted Canadian PSAS with a transition date of January 1, 2010. The adoption of PSAS was accounted for by retroactive application with restatement of prior periods subject to the requirements in Section PS 2125, First-time Adoption by Government Organizations. The corresponding change to pension and other-post employment benefits resulted in previously unrecognized actuarial losses and past service costs of \$98,832 thousand at the date of transition being charged to the PSAS Transition Item's accumulated deficit. Each year, the IESO recovers a portion of the PSAS Transition Item's deficit through the IESO's annual system fees revenue. The annual amount recovered is transferred from the Regulatory Deferral Account to the PSAS Transition Item accumulated deficit each year.

7. REBATES DUE TO MARKET PARTICIPANTS

In 2025, the IESO recognized \$637 thousand (2024 – \$2,081 thousand) in rebates due to market participants regarding the SME in accordance with an OEB order. The OEB has ordered that the SME can accumulate up to a maximum operating reserve balance including certain OEB-approved adjustments and timelines. The OEB will regularly order the SME to rebate to market participants any amount that exceeds \$2,000 thousand (2024 – \$2,000 thousand), representing the maximum operating reserve balance, with the rebate being returned to market participants by August of the following year.

In 2025, the IESO recognized \$nil (2024 – \$nil) in rebates due to market participants regarding system fees. The OEB ordered in 2023 that Core Operations can accumulate up to a maximum operating reserve balance of \$10,000 thousand (2024 – \$10,000 thousand) and established a \$15,000 thousand (2024 – \$15,000 thousand) threshold for annual rebates.

8. DEBT

| As at December 31 | Maturity | Interest rate | 2025 | 2024 |
|---------------------|-----------|------------------|----------------|----------------|
| | | % | \$ | \$ |
| Note payable (a) | June 2026 | 4.784 | 120,000 | 120,000 |
| Credit Facility (b) | June 2026 | Floating + 0.250 | 230,000 | 157,000 |
| Total debt | | | 350,000 | 277,000 |

(a) Note payable to Ontario Financing Authority (OFA)

The IESO has a note payable with the OFA of \$120,000 thousand (2024 - \$120,000 thousand), maturing June 30, 2026. The note with the OFA is unsecured, bears interest at a fixed rate of 4.784% per annum and is payable in arrears semi-annually in June and December.

For the year ended December 31, 2025, the interest expense on the note payable with the OFA was \$5,741 thousand (2024 – \$5,741 thousand).

(b) Credit facility with the OFA

The IESO has an unsecured credit facility with the OFA of \$290,000 thousand (2024 – \$290,000 thousand) maturing June 30, 2026. Advances and rollover amounts are payable at a variable interest rate equal to the Province of Ontario’s cost of borrowing for a similar term plus 25 basis points.

For the year ended December 31, 2025, the interest expense on the credit facility with the OFA was \$5,511 thousand (2024 – \$5,169 thousand).

(c) Retirement Compensation Arrangements Trust

In July 2013, the IESO established a Retirement Compensation Arrangements Trust to provide security for the IESO’s obligations under the terms of the supplemental employee retirement plan for its employees. As at December 31, 2025, the IESO has provided the Retirement Compensation Arrangements’ trustee with a bank letter of credit of \$44,297 thousand (2024 – \$37,835 thousand) the trustee can draw upon if the IESO is in default under the terms of this plan.

(d) Workplace Safety and Insurance Board – Ontario

During 2025, the IESO provided the Workplace Safety and Insurance Board with a bank letter of credit of \$20 thousand (2024 – \$20 thousand) for the IESO’s obligation under the *Workplace Safety and Insurance Act*.

9. POST-EMPLOYMENT BENEFIT PLANS

The IESO provides pensions and other employee post-employment benefits, comprising group life insurance, long-term disability and group medical and dental plans, for the benefit of current and retired employees.

Pension plans

The IESO provides a contributory defined benefit, indexed, registered pension plan. In addition, the IESO provides certain non-registered defined benefit pensions through an unfunded, indexed, supplemental employee retirement plan.

Other employee future benefits

The group life insurance, long-term disability and group medical and dental benefits are provided through unfunded, non-registered defined benefit plans.

Summary of accrued benefit obligations and plan assets

| As at December 31* | 2025 Pension Benefits | 2024 Pension Benefits | 2025 Other Benefits | 2024 Other Benefits |
|--|--------------------------|--------------------------|------------------------|------------------------|
| | \$ | \$ | \$ | \$ |
| Accrued benefit obligation | (804,952) | (740,303) | (164,217) | (159,992) |
| Fair value of plan assets | 919,260 | 815,725 | - | - |
| Funded status | 114,308 | 75,422 | (164,217) | (159,992) |
| Employer contribution after measurement date | 4,200 | 3,044 | 799 | 794 |
| Deferred asset loss/(gain) | (60,874) | (50,778) | - | - |
| Unamortized actuarial loss/(gain) subject to amortization** | (100,050) | (21,160) | (50,151) | (45,320) |
| Accrued asset/(liability) recognized in the statement of financial position | 18,458 | 6,528 | (213,569) | (204,518) |
| Market-related value of plan assets | 858,386 | 764,947 | | |

* Based on measurement date, unless otherwise noted

** The unamortized actuarial loss/(gain) to be amortized in 2026 for pension benefits and other benefits is a gain of \$2,562 thousand and \$2,859 thousand, respectively. The expected average remaining service life of employees covered by the pension plan for amortization is 15.3 years (2024 - 14.3 years) and other post-employment benefit plan is 17.5 years (2024 - 16.3 years).

Registered pension plan assets

The one-year actual return on the registered pension plan's assets as at September 30, 2025, was a gain of 13.0% per annum (2024 – a gain of 17.9% per annum).

As at the measurement date of September 30, the proportion of the fair value of registered pension plan assets held in each asset class was as follows:

| | 2025 | 2024 |
|----------------------------|--------------|--------------|
| | % | % |
| Canadian equity securities | 11.1 | 10.5 |
| Foreign equity securities | 43.2 | 39.6 |
| Canadian debt securities | 25.8 | 29.2 |
| Global infrastructure | 11.2 | 10.9 |
| Canadian real estate | 8.0 | 8.9 |
| Cash equivalents | 0.7 | 0.9 |
| | 100.0 | 100.0 |

Principal assumptions used to calculate benefit obligations at the end of the year are determined at that time and are as follows:

| As at September 30 | 2025 Registered Pension Benefits | 2024 Registered Pension Benefits | 2025 Supplemental Pension Benefits | 2024 Supplemental Pension Benefits | 2025 Other Benefits | 2024 Other Benefits |
|-------------------------------|---|---|---|---|---------------------------|---------------------------|
| | % | % | % | % | % | % |
| Discount rate | 6.0 | 6.0 | 5.0 | 4.7 | 5.0 | 4.7 |
| Expected rate of return | 6.0 | 6.0 | | | | |
| Rate of compensation increase | 4.0 | 3.5 | 4.0 | 3.5 | 4.0 | 3.5 |
| Rate of indexing | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |

The assumed prescription drug inflation was 4.91% in 2025, grading down to an ultimate rate of 4.05% per year in 2040. Dental costs are assumed to increase by 6.36% per year in 2025, grading down to 4.05% per year in 2040.

Benefit costs and plan contributions for pension and other plans are summarized as follows:

| As at September 30 | 2025 Pension Benefits | 2024 Pension Benefits | 2025 Other Benefits | 2024 Other Benefits |
|---|--------------------------|--------------------------|------------------------|------------------------|
| | \$ | \$ | \$ | \$ |
| Current service cost (employer) | 13,476 | 13,582 | 7,266 | 5,699 |
| Interest cost | 44,446 | 42,031 | 7,786 | 7,212 |
| Expected return on plan assets | (45,789) | (43,164) | – | – |
| Amortization of past service cost | – | – | – | 950 |
| Amortization of net actuarial (gain)/loss | (1,477) | (2,285) | (2,789) | (4,269) |
| Benefit cost | 10,656 | 10,164 | 12,263 | 9,592 |

| As at September 30 | 2025 Pension Benefits | 2024 Pension Benefits | 2025 Other Benefits | 2024 Other Benefits |
|--|--------------------------|--------------------------|------------------------|------------------------|
| | \$ | \$ | \$ | \$ |
| Employer contribution/other benefit payments | 21,430 | 21,799 | 3,207 | 3,009 |
| Plan participants' contributions | 14,598 | 12,639 | - | - |
| Benefits paid | (39,634) | (32,584) | (3,207) | (3,009) |

The most recent actuarial valuation of the IESO registered pension plan for regulatory funding purposes was completed as at January 1, 2025.

10. TANGIBLE CAPITAL ASSETS

Tangible capital assets consist of the following:

Cost of Tangible Capital Assets

| | As at December 31, 2024 | Additions | Disposals | As at December 31, 2025 |
|--|----------------------------|----------------|-----------------|----------------------------|
| | \$ | \$ | \$ | \$ |
| Facilities and leasehold improvements | 61,500 | 17,408 | (54) | 78,854 |
| Market systems and applications | 166,186 | 210,873 | (45,084) | 331,975 |
| Information technology hardware and other assets | 44,590 | 11,340 | (2,190) | 53,740 |
| Meter data management/repository | 22,147 | – | – | 22,147 |
| Total cost | 294,423 | 239,621 | (47,328) | 486,716 |

Accumulated Amortization

| | As at December 31, 2024 | Amortization Expense | Disposals | As at December 31, 2025 |
|--|----------------------------|-------------------------|---------------|----------------------------|
| | \$ | \$ | \$ | \$ |
| Facilities and leasehold improvements | (32,580) | (2,334) | 54 | (34,860) |
| Market systems and applications | (107,050) | (25,139) | 45,084 | (87,105) |
| Information technology hardware and other assets | (35,047) | (5,087) | 2,190 | (37,944) |
| Meter data management/repository | (21,825) | (132) | – | (21,957) |
| Total accumulated amortization | (196,502) | (32,692) | 47,328 | (181,866) |

Net Book Value

| | As at December 31, 2025 | As at December 31, 2024 |
|--|----------------------------|----------------------------|
| | \$ | \$ |
| Facilities and leasehold improvements | 43,994 | 28,920 |
| Market systems and applications | 244,870 | 59,136 |
| Information technology hardware and other assets | 15,796 | 9,543 |
| Meter data management/repository | 190 | 322 |
| Total net book value | 304,850 | 97,921 |
| Assets under construction | 35,272 | 221,155 |
| Net tangible capital assets | 340,122 | 319,076 |

Interest capitalized to assets under construction during 2025 was \$3,023 thousand (2024 – \$8,255 thousand).

Cost of Tangible Capital Assets

| | As at December 31, 2023 | Additions | Disposals | As at December 31, 2024 |
|--|----------------------------|---------------|-----------------|----------------------------|
| | \$ | \$ | \$ | \$ |
| Facilities and leasehold improvements | 59,538 | 2,058 | (96) | 61,500 |
| Market systems and applications | 233,735 | 12,547 | (80,096) | 166,186 |
| Information technology hardware and other assets | 44,875 | 2,962 | (3,247) | 44,590 |
| Meter data management/repository | 21,835 | 322 | (10) | 22,147 |
| Total cost | 359,983 | 17,889 | (83,449) | 294,423 |

Accumulated Amortization

| | As at December 31, 2023 | Amortization Expense | Disposals | As at December 31, 2024 |
|--|----------------------------|-------------------------|---------------|----------------------------|
| | \$ | \$ | \$ | \$ |
| Facilities and leasehold improvements | (31,082) | (1,594) | 96 | (32,580) |
| Market systems and applications | (169,934) | (17,212) | 80,096 | (107,050) |
| Information technology hardware and other assets | (33,593) | (4,701) | 3,247 | (35,047) |
| Meter data management/repository | (19,702) | (2,133) | 10 | (21,825) |
| Total accumulated amortization | (254,311) | (25,640) | 83,449 | (196,502) |

Net Book Value

| | As at December 31, 2024 | As at December 31, 2023 |
|--|----------------------------|----------------------------|
| | \$ | \$ |
| Facilities and leasehold improvements | 28,920 | 28,456 |
| Market systems and applications | 59,136 | 63,801 |
| Information technology hardware and other assets | 9,543 | 11,282 |
| Meter data management/repository | 322 | 2,133 |
| Total net book value | 97,921 | 105,672 |
| Assets under construction | 221,155 | 159,791 |
| Net tangible capital assets | 319,076 | 265,463 |

11. OTHER REVENUE

In its administration of the IESO-administered markets, the IESO directs the investment of market funds in investments throughout the IESO-administered markets settlement cycle. The IESO is entitled to receive the investment income and investment gains, net of investment losses earned on funds passing through the IESO-administered markets settlement accounts. The IESO is not entitled to the principal on IESO-administered markets investments.

| As at December 31 | 2025 | 2024 |
|----------------------------|---------------|---------------|
| | \$ | \$ |
| Investment Income | 11,286 | 18,230 |
| Program Fees | 4,790 | 3,343 |
| Government Transfers* | 3,637 | 1,667 |
| Application Fees/(Rebates) | 1,991 | (26) |
| Clean Energy Credits | 75 | - |
| Total Other Revenue | 21,779 | 23,214 |

*Government transfers relate to cost reimbursement agreements for enhancements to the IESO's markets, operations and information technology solutions. As of December 31, 2025, \$1,547 thousand (2024 - \$647 thousand) was recognized in accounts payable, related to tangible capital assets for the completion of the project funded by the government transfer.

12. EXPENSES BY OBJECT

Expenses by object for 2025 comprise the following:

| | Core Operations | Smart Metering Entity | Market Sanctions & Payment Adjustments | Total |
|------------------------------|-----------------|--------------------------|---|----------------|
| | \$ | \$ | \$ | \$ |
| Compensation and benefits | 196,474 | 4,767 | 10,663 | 211,904 |
| Professional and consulting | 19,036 | 520 | 2,009 | 21,565 |
| Operating and administration | 53,835 | 21,273 | 2,165 | 77,273 |
| Amortization | 32,560 | 132 | - | 32,692 |
| Interest | 8,417 | - | - | 8,417 |
| Foreign exchange (gain)/loss | (249) | - | - | (249) |
| Less: Recoveries | (307) | - | - | (307) |
| Total Expenses | 309,766 | 26,692 | 14,837 | 351,295 |

Expenses by object for 2024 comprise the following:

| | Core Operations | Smart Metering Entity | Market Sanctions & Payment Adjustments | Total |
|------------------------------|-----------------|--------------------------|---|----------------|
| | \$ | \$ | \$ | \$ |
| Compensation and benefits | 170,153 | 4,350 | 9,538 | 184,041 |
| Professional and consulting | 19,996 | 744 | 1,140 | 21,880 |
| Operating and administration | 47,946 | 19,919 | 2,098 | 69,963 |
| Amortization | 23,507 | 2,133 | – | 25,640 |
| Interest | 2,770 | – | – | 2,770 |
| Foreign exchange (gain)/loss | 102 | – | – | 102 |
| Less: Recoveries | (4,953) | – | – | (4,953) |
| Total Expenses | 259,521 | 27,146 | 12,776 | 299,443 |

13. RELATED PARTY TRANSACTIONS

The Province of Ontario controls the IESO by virtue of its ability to appoint the IESO's Board of Directors.

The IESO has several related parties as a result of its common control by the Province of Ontario, transactions between significant related parties and the IESO are outlined below.

All related party transactions were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

- a) The IESO holds a note payable and an unsecured credit facility agreement with the OFA (Note 8). Interest payments made by the IESO in 2025 for the note payable with the OFA was \$5,741 thousand (2024 – \$5,741 thousand) and for the credit facility were \$5,511 thousand (2024 – \$5,169 thousand). As at December 31, 2025, the IESO had an accrued interest payable balance with the OFA of \$345 thousand (2024 – \$299 thousand).
- b) Under the Ontario Energy Board Act, 1998, the IESO incurs registration and licence fees. The total of these transactions with the OEB was \$2,654 thousand in 2025 (2024 – \$2,316 thousand). Total invoices issued in 2025 was \$82 thousand (2024 – \$5 thousand). As of December 31, 2025, the IESO had \$nil receivable balance with the OEB (2024 – \$5 thousand).
- c) The IESO procures short circuit studies and protection impact assessments as part of connection assessments, approvals and meter services on IESO-owned interconnected revenue meters from Hydro One. In 2025, the IESO incurred \$263 thousand (2024 – \$298 thousand) for these services. The IESO performed connection and bulk electric system impact assessments for Hydro One in 2025, and invoiced Hydro One \$400 thousand (2024 – \$325 thousand). As of December 31, 2025, the IESO had a net receivable balance with Hydro One of \$51 thousand (2024 – \$63 thousand).

14. FINANCIAL RISK MANAGEMENT

The IESO is exposed to financial risks in the normal course of its business operations, including market risks resulting from volatilities in equity, debt and foreign currency exchange markets, as well as credit risk and liquidity risk. The nature of the financial risks and the IESO's strategy for managing these risks has not changed significantly from the prior year.

a) Market Risk

Market risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate to cause changes in market prices. The IESO is primarily exposed to three types of market risk: currency risk, interest rate risk and equity risk. The IESO monitors its exposure to market risk fluctuations and may use financial instruments to manage these risks as it considers appropriate. The IESO does not use derivative instruments for trading or speculative purposes.

i) Currency Risk

The IESO conducts certain transactions in U.S. dollars, primarily related to vendors' payments, and maintains a U.S. dollar-denominated bank account. The IESO may occasionally utilize forward contracts to purchase U.S. dollars for delivery at a specified date in the future at a fixed exchange rate. In addition, the IESO utilizes U.S. dollar spot rate purchases in order to satisfy any current accounts. As at December 31, 2025, the IESO did not have any outstanding forward purchase contracts (2024 – \$nil).

ii) Interest Rate Risk

The IESO is exposed to movements or changes in interest rates primarily through its short-term variable rate credit facility, cash equivalents and long-term investments. Long-term investments include investments in a pooled Canadian bond fund. The potential impact to the securities' value had the prevailing interest rates changed by 25 basis points, assuming a parallel shift in the yield curve with all other variables held constant, is estimated at \$1,542 thousand as at December 31, 2025 (2024 – \$1,289 thousand).

iii) Equity Risk

The IESO is exposed to changes in equity prices through its long-term investments. Long-term investments include investments in pooled equity funds. A 30% change in the valuation of equities as at December 31, 2025, would have resulted in a change for the year of approximately \$28,971 thousand (2024 – \$24,126 thousand). The fair values of all financial instruments measured at fair value are derived from quoted prices (unadjusted) in active markets for identical assets.

b) Credit Risk

Credit risk refers to the risk that one party to a financial instrument may cause a financial loss for the other party by failing to meet its obligations under the terms of the financial instrument. The IESO is exposed directly to credit risk related to cash equivalents and accounts receivable, and indirectly through its exposure to the long-term investments in a Canadian bond pooled fund. The IESO manages credit risk associated with cash equivalents' securities through an approved management policy that limits investments to primarily investment-grade investments with counterparty-specific limits. The accounts receivable balance as at December 31, 2025, included no material items past due and substantially all of the balance is expected to be collected within 60 days from December 31, 2025. The long-term Canadian bond pooled fund is comprised of primarily investment-grade securities.

c) Liquidity Risk

Liquidity risk refers to the risk that the IESO will encounter financial difficulty in meeting obligations associated with its financial liabilities when due. The IESO manages liquidity risk by forecasting cash flows to identify cash flow and financing requirements. Cash flows from operations, short-term investments, long-term investments and maintaining appropriate credit facilities help to reduce liquidity risk. The IESO's long-term investments are normally able to be redeemed within two business days; however, the investment manager of the pooled funds has the authority to require a redemption in-kind rather than cash and has the ability to suspend redemptions if deemed necessary.

The maturities for accounts payable and accrued liabilities generally range between 30 days to 365 days, and the maturities of other financial liabilities are provided in the notes to financial statements related to these liabilities.

15.COMMITMENTS

Operating commitments

The obligations of the IESO with respect to non-cancellable operating leases over the next five years and thereafter are as follows:

| | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 and thereafter | Total |
|-----------------------------|-------|-------|-------|-------|-------|---------------------|--------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Operating Lease Commitments | 6,885 | 6,840 | 6,269 | 4,718 | 4,606 | 36,603 | 65,921 |

16.CONTINGENCIES

The IESO is subject to various claims, legal actions and investigations that arise in the normal course of business. While the final outcome of such matters cannot be predicted with certainty, management believes that the resolution of such claims, actions and investigations will not have a material impact on the IESO's financial position or results of operations.

Executive Compensation at the IESO

Program Objectives

The IESO compensation program for executives was designed to attract, retain and motivate the calibre of executives required to support the achievement of the IESO's statutory mandate, business objectives and corporate vision. Accordingly, the compensation philosophy and programs were built on the following objectives:

- To focus executives on meeting the IESO's business objectives;
- To attract and retain qualified employees needed to carry out the IESO's mandate and strategy;
- To have the flexibility to reward results and demonstrated competencies; and
- To have compensation levels that are reasonable, responsible and in compliance with provincial regulations.

The philosophy underlying these objectives is that total compensation for executives should enable the IESO to recruit and retain strong leaders with the skills and competencies necessary to carry out the organization's mandate.

Program Governance

The IESO Board of Directors establishes the compensation objectives for the following year's program. It delegates the responsibility to thoroughly review the compensation objectives, policies and programs to the Human Resources and Governance Committee of the Board (HRGC), which makes recommendations to the full Board for approval.

The Board comprises seven independent, external Directors, who are appointed by the Minister of Energy and Mines, and the President and Chief Executive Officer of the IESO. The Board has broad experience in the electricity industry and public sector organizations, as well as in dealing with human resource matters, including the setting and implementation of compensation policies and programs.

In carrying out its mandate, the Board has access to management's analysis, as well as the recommendations of expert consultants in the compensation field. These programs are reviewed annually regarding business needs, program objectives and design, industry compensation trends, internal compensation relativities, and external market relativities.

The Board also assesses risks associated with the establishment and implementation of compensation policies and programs. Each year, the Board presides over and approves the IESO's Business Plan. An important component of this process is consideration of, and the implementation of, mitigating actions associated with Enterprise Risk Management. This overarching process includes the assessment of all significant risks to the IESO, including risks associated with its compensation policies and programs.

In addition to the formal governance and oversight structure in place for compensation matters, the IESO discloses compensation levels annually for staff earning \$100,000 or more as part of its public sector salary disclosure. For the IESO, a further level of public review and assurance is provided through a statutorily required annual review of the IESO's expenditures, revenue requirements and fees. Information related to compensation matters, including executive/management compensation and market relativities, is subject to Ontario Energy Board review. A range of intervenors, including small and large consumers, assisted by their legal and professional advisors, are represented in these public proceedings.

Market Comparisons

The IESO reviews the competitiveness of executive compensation levels in relation to a peer group of Canadian organizations and general industry companies every other year. The objective is to compare IESO executive compensation levels with those in the marketplace, particularly in relation to the median of the market. The IESO uses the Hay job evaluation methodology for both the executive and management group. The most recent review was completed in 2022.

The comparator group to benchmark the executive jobs represents a range of industries, core business activities and roles that are similar to IESO: electricity, energy, asset management, financial services, infrastructure procurement, engineering and large-scale, complex IT functions.

To comply with the 2016 Executive Compensation Framework, the job evaluation was independently conducted by the Korn Ferry Hay Group using its point system. The Korn Ferry Hay Group evaluated the vice-president positions based on the job documents and additional information gathered from the CEO. Based on the evaluation points, a salary structure was developed, and executive positions were mapped into it.

Using the market information from the Canadian Public Sector peer group, the maximums for each executive salary grade were determined as the market price point for comparison purposes. The maximums of the salary ranges are defined as the total direct cash compensation (annual base salaries plus annual short-term and long-term target incentive awards) of the target market's price point at the 50th percentile for each salary grade. The minimums and maximums of each salary range are calculated using typical salary range spreads at executive levels.

Program Description

The IESO program includes fixed and variable compensation, core and flex benefit plans, and pension provisions. The IESO's Human Resources participate in and review results from various compensation surveys and monitor economic trends (such as inflation and unemployment rates) that affect compensation, as well as internal compensation relativities. Based on this data and the IESO business priorities, Human Resources develop recommendations on compensation programs. External specialized compensation, benefit and pension consultants are engaged to ensure accurate, representative market compensation data is obtained and current industry compensation trends are being considered, as well as to provide insight and recommended adjustments to current programs.

Program Description – Fixed Compensation

Within the IESO salary ranges, individuals are assessed relative to an established competency model with the following areas of focus: shaping our future; energizing our people; and delivering our mandate. This model consists of behavioural competencies, such as anticipating the future and demonstrating thought leadership, building organizational capability and aligning to strategic priorities, driving change and continuous improvement, strategic agility, bridging diverse perspectives to facilitate collaboration, and leading with vision and shared purpose. Performance assessments are based upon demonstrated competencies.

Program Description – Variable Compensation

To promote a results orientation, the variable pay plan forms part of the total executive compensation package. The IESO Board annually establishes a robust set of performance measures, which are evaluated each year.

The IESO Board assesses corporate performance and the CEO's individual performance results. Under the plan, having assessed the results against target, the Board has discretion in determining the final performance rating. The Board considers the assessed results, which have been verified through an internal audit process, to award variable compensation.

The variable compensation award for the CEO and Vice-Presidents is capped at 10 per cent of fixed compensation. The plan provides for awards at or below the capped amount depending on the performance results achieved.

Program Description – Group Benefits

The group benefit plan provides a core level of health and dental benefits, life insurance, disability coverage and vacation, which can be adjusted by individual employees through a flexible component within the plan. This element gives executives and all other non-represented employees the flexibility to adjust their benefits to meet their individual/family needs.

Program Description – Pension Plan

A defined benefit pension plan provides annual retirement income calculated as two per cent of pensionable earnings during the highest paid 60 consecutive months of service multiplied by years of service (36 months for the pension earned prior to January 1, 2017, by the former IESO executives), to a maximum of 35 years. The pension formula is integrated with the Canada Pension Plan (CPP) to provide a level income stream before and after age 65, when the IESO pension is reduced to reflect benefits from CPP. The Plan also has early retirement provisions, as well as commuted value, pension deferral and reciprocal transfer options.

The Plan provides a maximum benefit of 70 per cent of highest paid, pre-retirement pensionable earnings. As the Canada Revenue Agency limits the amount of pension payable from a registered plan, the IESO has a secured supplemental employee retirement plan to provide required pension income to meet the commitments of the Plan above that payable from the registered plan.

The Plan also provides other options, including member's life only or joint and survivor pensions, as well as pre-retirement death benefits for surviving spouses or beneficiaries.

Performance Measures and Impact on Compensation

The IESO establishes corporate performance measures aligned with its business priorities during its annual business planning process. These are approved, monitored and assessed by the Board each year. Individual performance measures supporting one or more corporate performance measures are also developed for each executive. As outlined previously, the corporate results achieved each year impact each executive's variable pay.

For 2025, the Board assessed the corporate results and determined that, overall, the IESO exceeded expectations for the measures and targets specified. In addition to the corporate measures, each executive had an individual set of measures and targets aligned with the corporate performance objectives and the IESO's business priorities, which were similarly assessed. The Board assessed the results of the CEO, and the CEO assessed the performance of the Vice-Presidents, which were reviewed with the Board.

Other Considerations

Compensation decisions may at times be impacted by market factors such as the recruitment of an executive with specialized skills/competencies or possessing unique talents within the industry. To this end, if required, approval of individual arrangements relating to terms of employment may be sought and established.

Compensation Restraints

The IESO executive compensation has been significantly impacted by the compensation restraint legislation in Ontario since 2010. The *Broader Public Sector Accountability Act* (BPSAA) imposed a general freeze on designated executives' salary, variable pay and benefits and subject to very limited exceptions.

The BPSAA was superseded by the *Broader Public Sector Executive Compensation Act, 2014* (BPSECA). The 2016 Executive Compensation Framework Regulation under the BPSECA came into effect for the IESO in February 2018 and permitted retroactive compensation adjustments to Sept. 1, 2017. Subsequently, the government repealed this framework regulation and replaced it with the 2018 Compensation Framework Regulation, which imposed a freeze on executive base salaries. This regulation further restricted our ability to position executives appropriately within their salary ranges based on competencies and introduced limits on the amount of variable pay that can be awarded annually (capped below target).

As a result of the restrictions imposed by the Regulation, the IESO's ability to attract and retain executive leadership has been identified as a risk to the IESO being able to deliver on its mandate. This regulation has also introduced significant barriers and restrictions that limit the Board's ability to govern and manage executive compensation effectively. As a result, the Board cannot fully exercise its oversight responsibilities or implement compensation strategies that align with organizational needs and market realities.

Executive Compensation Statement

The 2025 Summary Compensation Table details the annual compensation for the year ended December 31, 2025, for the executives listed.

2025 Summary Compensation Table

| Name and Position | Base Salary (2025 earnings) | Variable Pay Awarded | Other Annual Compensation ¹ | Total Cash Compensation ² |
|---|--------------------------------|-------------------------|---|---|
| | \$ | \$ | \$ | \$ |
| Lesley Gallinger President and CEO | 630,000 | 55,684 | 22,635 | 708,319 |
| Chuck Farmer EVP, Power System Development | 378,350 | 31,800 | 17,859 | 428,009 |
| Robby Sohi EVP, Markets and Reliability and COO | 385,000 | 32,770 | 7,946 | 425,716 |
| Carla Y. Nell EVP, Corporate Relations, Engagement & Strategy | 360,859 | 31,403 | 19,446 | 411,708 |
| Alex Foord EVP, Information and Technology Services and CIO | 363,959 | 31,611 | 6,544 | 402,114 |
| Michael Lyle EVP, Legal Resources and Corporate Governance | 353,705 | 28,661 | 5,500 | 387,866 |

¹ Represents remaining flex benefit credits, paid out at year end as taxable income

² These amounts will be reported as "Salary Paid" under the Annual Public Sector Salary Disclosure

2025 Summary Board of Directors Compensation Table

Current Board Members as at December 31, 2025

| Name | Title | Appointment Date | Current Term Expiry | 2025 Remuneration |
|----------------|---|-------------------|---------------------|----------------------|
| | | | | \$ |
| Ken Hartwick | Board Chair | January 11, 2025 | October 31, 2027 | 16,199.09 |
| Simon Chapelle | Director | March 28, 2019 | April 23, 2027 | 48,100.00 |
| Robert Wong | Markets Committee Chair | December 15, 2021 | December 14, 2027 | 50,766.67 |
| Tom Mitchell | Director | January 25, 2024 | January 24, 2026 | 59,831.41 |
| David Collie | Human Resources and Governance Committee Chair | August 19, 2024 | August 18, 2026 | 78,808.58 |
| Frank Fazzari | Audit Committee Chair | January 28, 2025 | January 27, 2027 | 38,349.61 |
| Wendy Landry | Director | October 9, 2025 | September 9, 2027 | 14,025.00 |

Lesley Gallinger, President and CEO of the IESO, also sits as a Board member .

Executive Leadership Team, Board of Directors and Advisory Committees to the Board*

Executive Leadership Team

Lesley Gallinger
President and Chief Executive Officer

Ernest Chui
Chief Financial Officer and
Vice-President, Corporate Services

Chuck Farmer
Executive Vice-President,
Power System Development

Alex Foord
Chief Information Officer and
Executive Vice-President,
Information and Technology Services

Sue Gagne
Vice-President, Human Resources

Michael Lyle
Executive Vice-President, Legal
Resources and Corporate Governance

Glenn McDonald
Vice-President,
Market Assessment and Compliance

Carla Y. Nell
Executive Vice-President, Corporate
Relations, Engagement and Strategy

Jessica Savage
Vice-President, Markets,
Settlements and Sector Development

Robby Sohi
Chief Operating Officer and
Executive Vice-President, Markets
and Reliability

Board of Directors

Ken Hartwick
Chair of the Board of Directors
*Former president and CEO, Ontario
Power Generation*

Simon Chapelle
Director
Associate Chair, Ontario Parole Board

David Collie
Human Resources and Governance
Committee Chair
*Former chair, Electrification and
Energy Transition Panel*

Frank Fazzari
Audit Committee Chair
*Founder and Managing Partner,
Fazzari + Partners LLP*

Lesley Gallinger
President and CEO,
*Independent Electricity System
Operator*

Wendy Landry
Director
*Vice-President of Indigenous
Leadership, Strategies, and
Partnerships, Confederation College
Mayor, Municipality of Shuniah*

Tom Mitchell
Director
*Former chair, World Association of
Nuclear Operators*

Robert Wong
Markets Committee Chair
Principal, Hesketh Sloane Advisory

* As of December 31, 2025

Strategic Advisory Committee*

Amanda Klein (Chair)

President and CEO
Elexicon Energy
Representing: Distributors and Transmitters

Michael Di Lullo (Vice-Chair)

Chief Administrative Officer
Corporation of Haldiman County
Representing: Ontario Communities

Colin Anderson

President and CEO
Association of Power Producers of Ontario
Representing: Generators

Cory Basil

Regional Senior Vice-President,
Canada and U.S. Northeast EDF
Renewables North America
Representing: Generators

Heidi Bredenholler-Prasad

Vice-President, Commercial, Strategy
and Business Development
Enbridge Gas
*Representing: Energy-Related
Businesses and Services*

Ryan Docherty

Executive Vice-President, Capital
Portfolio Delivery
Hydro One Networks Inc.
*Representing: Transmitters and
Distributors*

Josie Erzetic

President and CEO
Electricity Safety Authority (ESA)
Representing: ESA

David Fell

President and CEO
Kingston Hydro and Utilities Kingston
*Representing: Transmitters and
Distributors*

Jacqueline French

Board Member
First Nations Major Projects Coalition
Representing: Ontario Communities

Dr. Monica Gattinger

Professor, School of Political Studies
University of Ottawa
Representing: Ontario Communities

Paul Grod

President and CEO
Rodan Energy
*Representing: Energy-Related
Businesses and Services*

Tom Heintzman

Senior Vice-President, Enterprise
Strategy and Energy Markets
Ontario Power Generation
Representing: Generators

Dave Landers

Chief Administrative Officer
City of Timmins
Representing: Ontario Communities

Kim Lauritsen

Senior Vice-President, Enterprise
Strategy and Growth
Ontario Power Generation
Representing: Generators

Tonja Leach

Executive Director
QUEST Canada
Representing: Ontario Communities

Michael Lyle

Executive Vice-President of Legal
Resources and Corporate Governance
Independent Electricity System
Operator
Representing: IESO

Chief R. K. Joe Miskokomon

Chief
Chippewas of the Thames First Nation
Representing: Ontario Communities

Carla Y. Nell

Executive Vice-President, Corporate
Relations, Engagement and Strategy
Independent Electricity System
Operator
Representing: IESO

Paul Norris

President
Ontario Waterpower Association
Representing: Generators

James Nowlan

Executive Director, Environment,
Climate and Forestry Division
City of Toronto
Representing: Ontario Communities

Justin Rangooni

President and CEO
Energy Storage Canada
*Representing: Energy-Related
Businesses and Services*

Bonnie Rose

President and CEO
Technical Standards and Safety
Authority (TSSA)
Representing: TSSA

Priya Tandon

President
Ontario Mining Association
Representing: Consumers

Lauren Tedesco

Chief Operating Officer
Automotive Parts Manufacturers'
Association
Representing: Consumers

Greg Woodhouse

Vice-President, Professional Services
North America
Brookfield Global Integrated
Solutions
Representing: Consumers

Steve Zucchet

Managing Director, Infrastructure
Ontario Municipal Employees
Retirement System
*Representing: Energy-Related
Businesses and Services*

* As of December 31, 2025

Technical Panel*

Michael Lyle (Chair)

Executive Vice-President, Legal Resources and Corporate Governance
Independent Electricity System Operator

Representing: IESO

Jason Chee-Aloy

Managing Director
Power Advisory LLC

Representing: Renewable Generators

Matthew China

Sales Manager, Eastern Canada
Direct Energy

Representing: Energy-Related Businesses and Services

Rob Coulbeck

Special Advisor
Nexus Energy Canada

Representing: Importers/Exporters

David Forsyth

Technical Specialist
Association of Major Power Consumers in Ontario

Representing: Market Participant Consumers

Jennifer Jayapalan

Director, Energy Markets, Operations and Strategy

Workbench Energy

Representing: Energy Storage

Forrest Pengra

Director of Strategic Initiatives Seguin Township

Representing: Residential Consumers

Michael Pohlod

Director, Energy Markets

Voltus

Representing: Demand Response

Robert Reinmuller

Vice-President, Transmission System Planning and Large Customer Accounts

Hydro One Networks Inc.

Representing: Transmitters

David Short

Senior Director, Enabling Resources Program Delivery

Independent Electricity System Operator

Representing: IESO

Vlad Urukov

Director, Market Compliance

Ontario Power Generation

Representing: Market Participant Generators

Technical Panel Secretariat*

Trisha Hickson

Senior Advisor, Sector Engagement Services

Independent Electricity System Operator

Representing: IESO

* As of December 31, 2025

Independent Electricity

System Operator

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ieso.ca

