

AUGUST 4, 2021

Investing in Sector Future: 2022-2024 Business Plan Update

Barbara Anderson

CFO and Vice President, Corporate Services

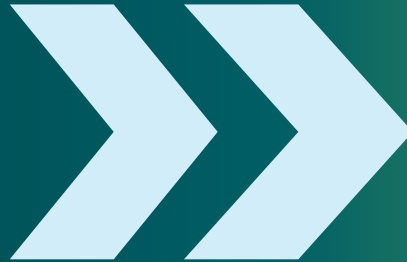
Investing in Sector Future

- IESO is focused on continued progress toward the five core strategies identified in 2020, while also mitigating related strategic risks
- As the IESO turns its strategy into action, we'll measure success through Performance Measures
- This business plan contains key initiatives that are critical to maintaining IESO's core operations and continuing to modernize Ontario's electricity sector
- Investments are required in the people, tools and processes that underpin reliable and cost-effective provision of electricity in the province and to allow IESO to deliver on initiatives that will reduce overall costs

IESO Strategic Objectives and Core Strategies

CORE STRATEGIES

- Ensure Cost-Effective System Reliability
- Enable Competition
- Advance Sector Leadership
- Prepare for the Future of the Sector
- Drive Business Transformation



IESO Strategic Objectives

- 1. AFFORDABILITY, RELIABILITY, SUSTAINABILITY:** Deliver optimized balance to ensure best overall electricity outcomes for Ontario
- 2. CULTURE & WORKFORCE TRANSFORMATION:** Align culture, mindset, skills & capabilities to deliver on strategy
- 3. STAKEHOLDER TRUST:** Enhance stakeholders' trust in IESO to operate in the best interests of Ontario

Enterprise Priorities: Continued focus from 2021

Five-Year Core Strategies

Enterprise Objectives

Ensure Cost-Effective System Reliability

- **Market Renewal Energy Program**
- **Reliability and cost effectiveness**
- **Capacity and resource acquisition**
- **Cyber security**

Enable Competition

- **Enable resources** to deliver on capacity / participate in markets

Advance Sector Leadership

- Advance **stakeholder and sector engagement** to establish mutual expectations

Prepare for the Future of the Sector

- **Establish long term plan** for ensuring resource adequacy and enabling resources to participate in electricity markets

Drive Business Transformation

- Continue **culture shift**
- Establish/prioritize **technology and data roadmap**
- Determine **office space configuration / evolve way of working**

Risks to IESO Strategic Objectives

Risk Event Description	Strategic Objective		
	Reliability, Affordability & Sustainability	Culture & Workforce Transformation	Stakeholder Trust
Stakeholders do not accept the IESO's recommended resource adequacy mechanisms.	X		X
The acquisition quantities determined by the IESO are not believed by the sector.	X		X
Undersupply of system demand in the near-term (up to 18 months).	X		
Oversupply of generation capacity to meet demand levels over the longer-term.	X		X
The conditions for market power concentration are enhanced.	X		
Delay in advancing enterprise priorities as defined in the current business plan.	X	X	X
IESO's information technology systems are subject to successful cyberattacks	X	X	X
A regulatory decision is made that impedes the delivery of enhanced competitive mechanisms.	X		X
An extreme weather event significantly damages generation or transmission assets.	X		
Critical information technology system failure impacting Control Room Operations.	X		X

Performance Measures (internal)

5-Year Strategic Objectives	Measures	5-Year Strategic Outcome (Strategic Achievement Defined)	2022 Target
Culture & Workforce Transformation	1. Employee engagement - Commitment to the execution of enterprise priorities	Annual employee pulse survey results sustain 4% increased performance.	4%
	2. Organizational Agility - Openness to Change	Annual employee survey results improve each year to a result of 71%.	65%
	3. Operational Efficiency - Percentage of Strategic Initiatives that are completed on time	90% of Strategic Initiatives are completed on time.	80%
Stakeholder Trust	4. Stakeholder Satisfaction – Engagement process	A 5-year target of 84%.	80%
Reliability, Affordability & Sustainability	5. Cost Effectiveness – Forecast accuracy	Performance target is to have annual forecast error within +/- 2.5% (actual vs. forecast).	+/- 2.25%
	6. Cost Effectiveness – Resource balance: Energy Curtailments to total production	10% improvement to 'right size' the system and achieve resource adequacy and effectiveness of meeting energy and ancillary services needs for Ontario.	1.72%
	7. Cost Effectiveness – Resource balance: annual energy / operating reserve shortage frequency	10% improvement to 'right size' the system and achieve resource adequacy and effectiveness of meeting energy and ancillary services needs for Ontario.	0.048%

Performance Measures (external)

5-Year Strategic Objectives	Measures	5-Year Strategic Outcome (Strategic Achievement Defined)	2022 Target
Reliability, Affordability & Sustainability	8. Reliability – Number of forced outages to thermal resource fleet above 250 MW	Measure of probability that thermal facilities greater than 250 MW will be unavailable due to forced outages to thermal fleet below 9.2% annually.	<9.2%
	9. Reliability – Number of extended forced outages to transmission facilities above 230 kV	Forced outages and extensions to outages over 4 hours in duration to significant transmission elements is below 334 annually which is the five year historical high.	<334
	10. Market Efficiency – Market cost/revenue transparency index	The transparency index increases by 1% and represents the proportion of revenues received by suppliers (or payments from consumers) for electricity in the wholesale market to the total costs of supplying the electricity.	19.4%

2022-2024 Business Plan

- After five years of holding rates flat, the IESO needs to move forward on key initiatives critical to maintaining its core operations and continue to modernize Ontario's electricity sector
 - \$14M of increased costs were absorbed without raising IESO's revenue requirements
 - IESO will continue to carefully review all expenditures and find efficiencies where possible, but investments are needed in the people, tools and processes that underpin a reliable system
- As a result, the 2022-2024 Business Plan will propose measured increases to ensure IESO can continue to meet Ontarians' expectations of an efficient – and resilient – electricity system

2022-2024 Business Plan

- Baseline costs to run the core business and complete existing initiatives will remain essentially flat to the existing 2021 budget, but further investment is needed on critical initiatives:
 - large scale effort to acquire resources to meet upcoming shortfalls
 - enable existing and emerging resources such as storage, hybrids and demand response to compete to meet future needs
 - aging planning and operations tools require upgrades after years of deferral
 - amortization of investments in the Market Renewal program will begin to increase annual operating costs, but is necessary to deliver over \$800M in ratepayer savings

Shift to Three-Year Approach for Business Planning

- Last year the IESO proposed to address long-standing OEB and intervenor concerns with approving IESO fees well into the year in which they apply, and move to a three year approval
- As a result of the ongoing pandemic and impacts to the approval cycle, this approach was deferred, but will be introduced for the 2023-2025 Business Plan
- The proposed 2022-2024 Business Plan will outline financial information for the three year period, but will only seek Minister and OEB approval for calendar year 2022

Question for SAC Input

1. Do you think that the IESO has captured the needs of the sector in our priorities?

Thank You

ieso.ca

1.888.448.7777

customer.relations@ieso.ca

engagement@ieso.ca



[@IESO Tweets](https://twitter.com/IESO_Tweets)



linkedin.com/company/IESO