

Memorandum

To: Stakeholder Advisory Committee

From: Barbara Anderson, Chief Financial Officer and Vice President, Corporate Services

Date: February 17, 2021

Re: Five-Year Strategic Measures and Targets Update

The following provides an update to members of the Stakeholder Advisory Committee (SAC) on the final IESO board approved five-year strategic measures and targets in support of the effective execution of the IESO's strategic plan.

Update

The IESO's strategic plan was renewed in 2020 and as part of this effort, five-year strategic measures and targets were defined to help drive organizational performance and align its strategic direction and enterprise priorities. This approach is transitional for the organization and represents an advancement in the maturity of the IESO's performance management. While the draft measures had been presented at the August 2020 SAC meeting, there remained further refinements to finalize the measures and targets by the end of 2020. As of December 2020, the IESO measures and targets have been updated and are shared in the attached **Appendix 1**.

The measures and targets have been developed in collaboration with the IESO's Executive Leadership Team, input from business units, and considers feedback from the August 2020 SAC meeting.

As the IESO is mandated to be resource agnostic and in response to feedback from SAC members, the IESO has removed the proposed measure related to greenhouse gas (GHG) emissions forecast accuracy (*target: total GHG emissions no more than 10% above forecast in each year*). While the measure itself was a performance-based measure of our forecast accuracy on GHG emissions, it could have been interpreted that the IESO was taking a position which could be viewed as preferential to certain resources in the adequacy framework. The IESO will continue to monitor and report on forecasted Total GHG emissions data as part of its Annual Planning Outlook.

SAC members also indicated a desire for greater clarity on performance measures and stretch goals. The credibility of the performance measures and targets in **Appendix 1** are promoted by the baseline values of previous year actuals or historical performance averages. These baseline performance standards informed the development of the annual targets and five-year targets. The credibility of the measures can be inferred from the incremental planned year-over-year targets identified in combination with the 5-year objective. Based on the timing of receiving actual 2020 baseline results for certain measures, we will be revisiting our targets for future years.

As part of this step change in our performance management reporting, the IESO will continually assess these measures to ensure they drive performance and track progress against strategic objectives.

Implementation of this approach provides for an expanded view of measuring and monitoring performance not just within the IESO but on a broader sector scale. This will have benefits of supporting advice to the market and in our stakeholder engagements. We expect this change to have significant advantages for aligning behaviours and driving actions for desirable long-term performance outcomes.

With regards to the stakeholder satisfaction measure, in 2020 the IESO considered moving to a new performance measure based on measuring trust, as discussed at the August 2020 SAC meeting. In discussions with our survey vendor, a strong overlap was found between the metrics of trust and stakeholder satisfaction with the engagement process, the current measure. Based on this, the IESO will continue to utilize the existing measure while further exploring the correlation between the two measures.

Appendix 1

Internal Measures

Strategic Objective: Culture and Workforce Transformation - Align culture, mindset, skills and capabilities to deliver on strategy

5-Year Measure	5-Year Strategic Outcome (Strategic Achievement Defined)	2020 (Baseline)	2021	2022	2023	2024	2025
1. Employee engagement - Commitment to the execution of enterprise priorities	Annual employee pulse survey results for specific initiatives reflect noticeable differences for employees (baseline established by previous survey) and sustain a 4% incremental achievement.	1%	4%	4%	4%	4%	4%
2. Organizational Agility - Openness to Change	Employee feedback on the Openness to Change scale from the annual survey improves each year to a result of 65%.	61%	57%	59%	61%	63%	65%
3. Operational Efficiency - Percentage of Strategic Initiatives* that are completed on time	90% of Strategic Initiatives are completed on time (i.e. within 50% of assigned schedule contingency) as established by the internal IESO Integrated Project Plan and Project Charter.	Data pending *	80%	80%	85%	90%	90%

** Strategic Initiatives are a newly defined measure attribute, therefore 2021 will be the first time this is being measured.*

Strategic Objective: Stakeholder Trust - Enhance stakeholders' trust in IESO to operate in best interests of Ontario

5-Year Measure	5-Year Strategic Outcome (Strategic Achievement Defined)	2020 (Baseline)	2021	2022	2023	2024	2025
4. Stakeholder Satisfaction – Engagement process	A 5-year target of 84% is achieved and indicates a year-over-year improvement in stakeholder's confidence in the process that the IESO uses to arrive at decisions.	81%	80%	80%	82%	83%	84%

External Measures

Strategic Objective: Affordability, Reliability, Sustainability - Deliver optimized balance to ensure best overall electricity outcomes for Ontario

5-Year Measure	5-Year Strategic Outcome (Strategic Achievement Defined)	2020 (Baseline)	2021	2022	2023	2024	2025
8. Reliability – Number of forced outages to resources above 250 MW and the length of time they are out	The performance of the thermal resource fleet, as calculated by the probability that a generating unit will not be available when required due to forced outages and forced de-ratings, is targeted to be below 9.2%. The 9.2% represents 2 standard deviations from the 5-year historical baseline average.	7.7%	<9.2%	<9.2%	<9.2%	<9.2%	<9.2%
9. Reliability – Number of extended forced outages to transmission facilities above 230 kV and length of time they are out	The performance of Bulk transmission system performance based on forced outages and extensions to outages over 4 hours in duration to significant transmission elements is below 334 which is the five year historical high.	290	<334	<334	<334	<334	<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. Performance improves as market revenues increase and non-market uplifts shrink.	19%	19.2%	19.4%	19.6%	19.8%	20%