

**MEMORANDUM OF UNDERSTANDING**

**BETWEEN  
HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF ONTARIO  
AS REPRESENTED BY THE MINISTER OF ENERGY**

**AND**

**INDEPENDENT ELECTRICITY SYSTEM OPERATOR**

**2022**



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## 1 PURPOSE OF THIS MEMORANDUM

- 1.1 The purposes of this Memorandum are,
- (a) to set out the accountability relationships between the Parties;
  - (b) to clarify the operational roles and responsibilities of the Minister and Deputy Minister of the Ministry of Energy, and the Chair, the Board of Directors and the Chief Executive Officer of the IESO, and record their mutual understanding in respect of these matters; and
  - (c) to set out the expectations for the governance, operational, administrative, communications, financial, auditing and reporting arrangements between the Ministry and the IESO.
- 1.2 This Memorandum does not affect the powers, duties or obligations of the IESO or those of individuals or entities that have powers, duties or obligations in respect of the IESO, as set out in applicable legislation, or as otherwise established by law. In the event of a conflict or inconsistency between the provisions of this Memorandum and any applicable legislation, regulations, licences, orders, codes or other instruments governing the IESO, the latter shall prevail to the extent of the conflict or inconsistency.

## 2 DEFINITIONS AND INTERPRETATION

- 2.1 In this Memorandum:

“Act” means the *Electricity Act, 1998*, as may be amended from time to time;

“Board of Directors” means the board of directors of the IESO;

“Business Plan Cycle” means:

(a) in the case of the first Business Plan Cycle, a period of three Fiscal Years, commencing on January 1, 2023; and

(b) in the case of Business Plan Cycles subsequent to the first Business Plan Cycle, a period of three Fiscal Years or such longer period as the Minister may designate in accordance with section 8.1.7, commencing January 1 following the end of the previous Business Plan Cycle;

“CEO” means the Chief Executive Officer of the IESO;

“Chair” means the Chair of the Board of Directors;

“Deputy Minister” means the Deputy Minister of the Ministry;

“Effective Date” has the meaning given to it in section 14.1;

“FIPPA” means the *Freedom of Information and Protection of Privacy Act*, as may be amended from time to time;

“Fiscal Year” means the period of January 1 to December 31, representing IESO’s fiscal year;

“Funding Program” has the meaning given to it in section 10.5.1;

“Government” means Her Majesty the Queen in right of the Province of Ontario, as represented by the Minister;

“IESO” means the Independent Electricity System Operator continued under subsection 5(1) of the Act;

“IESO Director” means a member of the Board of Directors;

“Legislative Assembly” means the Legislative Assembly of Ontario;

“MBC” means the Management Board of Cabinet;

“Memorandum” or “MOU” means this memorandum of understanding between the Parties, as it may be amended from time to time by mutual written agreement of the Parties;

“Minister” means the Minister of Energy;

“Minister’s Directive” means a directive issued by the Minister to the IESO pursuant to the Act, with the approval of the Lieutenant Governor in Council;

“Minister’s Direction” means a direction issued by the Minister to the IESO pursuant to the Act, including the Minister’s determination under section 25.34 of the Act or a request from the Minister under section 25.4 of the Act;

“Ministry” means the Ministry of Energy;

“Parties” means the Government and the IESO, and “Party” means either one of them; and

“TB” means the Treasury Board of Cabinet.

- 2.2 Any reference to the Act or any other legislation, regulations, or section therein, shall be deemed to be a reference to the current Act or legislation, regulations, or section therein, as may be amended from time to time.
- 2.3 The Parties agree and acknowledge that amended, supplemented or successive versions of the directives listed in Appendix 2 continue to apply to the IESO. Where a TB/MBC directive applies, all associated policies, procedures and guidelines (as amended, supplemented or replaced from time to time) also apply.

### **3 GUIDING PRINCIPLES**

- 3.1 The Minister recognizes that the IESO is a statutory corporation with a legislative mandate to perform specific functions in the electricity sector, as provided for under the Act, and that the IESO and the Chair exercise powers and perform duties in accordance with the Act and other applicable legislative requirements, including applicable Minister’s Directives and Minister’s Directions.
- 3.2 The Chair acknowledges that accountability is a fundamental principle to be observed in the governance, management, administration and operations of the IESO.
- 3.3 The Chair shall ensure that the IESO conducts itself according to the management principles of the Ontario government. These principles include: ethical behaviour; prudence; efficient and lawful use of public resources; fairness; high-quality service to the public and openness and transparency to the extent permissible by law and, building meaningful relationships with Indigenous communities.
- 3.4 The Parties agree that, where and when appropriate, the maximum exchange of information at the earliest possible time is of mutual benefit to them and promotes accountability.

## **4 MANDATE AND GOVERNANCE FRAMEWORK**

### **4.1 Mandate**

- 4.1.1 The Government, as represented by the Minister, is responsible for the legislative, regulatory and public policy framework in which the IESO operates, while respecting the IESO's statutory role as an independent market operator in the Province.
- 4.1.2 The mandate of the IESO is embodied in Part II of the Act and in the regulations made under the Act, as well as in its licence issued by the Ontario Energy Board, and may be informed by any applicable provisions of the *Ontario Energy Board, Act, 1998*, the regulations or codes made thereunder or any applicable Ontario Energy Board orders.
- 4.1.3 The Minister may issue Minister's Directives and Minister's Directions as authorized under the Act. Such Minister's Directives and Minister's Directions shall be made public via posting on IESO's website. The Minister's Directives, Minister's Directions and any other relevant materials will be provided by the Ministry in a format that complies with the provisions of the *Accessibility for Ontarians with Disability Act, 2005*.
- 4.1.4 The IESO shall support the Government in successfully implementing the Government's energy policy and broad policy direction in a manner consistent with the IESO's objects, duties and responsibilities.
- 4.1.5 The IESO, in carrying out its duties and responsibilities may assist the Government in carrying out the Crown's duty to consult and, where appropriate, accommodate Indigenous communities in circumstances where the Government determines such duty to be triggered. The Government may delegate the procedural aspects of consultation to the IESO, where appropriate. The IESO will assist the Government in carrying out the procedural aspects of the Crown's duty pursuant to any such delegation.
- 4.1.6 The IESO also exercises its duties and responsibilities under a number of other statutes. Without limiting the generality of the foregoing, a non-exhaustive list of statutes of particular application to the IESO is set out in Appendix 1.

### **4.2 Governance Framework**

- 4.2.1 The Board of Directors shall manage and supervise the management of the business and affairs of the IESO, as set out in the Act.
- 4.2.2 In addition to the requirements under section 22 of the Act, before the Board of Directors makes a by-law under section 22(2) of the Act, the IESO shall provide to senior Ministry staff a draft of the by-law for their review.

## **5 ACCOUNTABILITY RELATIONSHIPS**

### **5.1 Minister**

- 5.1.1 The Minister is accountable to the Legislative Assembly for the IESO's fulfillment of its statutory mandate and its compliance with applicable legislation and adherence to

applicable Minister's Directives and Minister's Directions.

5.1.2 The Minister is accountable to Cabinet for:

- (a) the IESO's performance;
- (b) the IESO's compliance with applicable legislation and TB/MBC directives; and
- (c) the IESO's adherence to applicable Minister's Directives and Minister's Directions.

5.1.3 The Minister shall submit the IESO's annual report to the Lieutenant Governor in Council then table the report in the Legislative Assembly or, if the Legislative Assembly is not in session, deposit the report with the Clerk of the Legislative Assembly.

## 5.2 Chair and Board of Directors

5.2.1 The Chair, on behalf of the Board of Directors, is accountable to the Minister for the supervision and governance of the IESO and, specifically, for setting goals, objectives and strategic direction for the IESO that are within its mandate, and for carrying out the roles and responsibilities assigned to the Board of Directors under the Act, regulations made under the Act, other legislation, TB/MBC directives and this Memorandum.

5.2.2 The Chair is accountable to the Minister for ensuring timely communications with the Minister regarding any issues that affect, or could reasonably be expected to affect, the Minister's responsibilities for the IESO or the operations of the IESO.

5.2.3 The Chair is accountable to the Minister for ensuring timely input and assistance from the IESO to the Minister in relation to the development of energy policy as it relates to the IESO's duties, responsibilities, and objects, as requested by the Minister from time to time.

## 6 ETHICAL CONDUCT

6.1 Pursuant to subsection 22(2) of the Act, the IESO's Governance and Structure By-law shall deal with matters related to conflict of interest and pursuant to subsection 14(1) of the Act, the Board of Directors may establish policies, rules, guidelines and codes, including codes of conduct, applicable to the directors, officers, employees and agents of the IESO and to members of panels established by the IESO, and shall ensure that such persons are informed of the policies, rules, guidelines and codes to which they are subject.

6.2 In order to demonstrate the IESO's commitment to the highest standard of ethical conduct and governance, the IESO shall establish conflict of interest rules for,

- (a) current employees of the IESO and members of the Board of Directors; and
- (b) former senior employees and members of the Board of Directors.

6.3 The conflict of interest rules shall address post-service restrictions on the activities of

former senior employees and members of the Board of Directors.

## **7 ROLES AND RESPONSIBILITIES**

### **7.1 Minister**

Without limiting the responsibilities, duties, obligations or functions of the Minister, as set out in the Act, other applicable legislation and TB/MBC directives, the Minister is responsible for,

- (a) developing the Government's overall energy policy priorities and broad policy direction;
- (b) informing the Chair of the Government's overall energy policy priorities and broad policy direction that may impact the IESO;
- (c) reporting and responding to Cabinet and the Legislative Assembly with respect to the affairs of the IESO;
- (d) reviewing the business plan of the IESO and approving it or referring it back to the IESO for further consideration;
- (e) consulting, as appropriate, with the Chair on significant new initiatives affecting Ontario's electricity sector and/or the IESO; and
- (f) appointing or re-appointing, in a timely manner and after consulting with the Chair, as appropriate, the directors of the IESO, pursuant to the process established by the Public Appointments Secretariat.

### **7.2 Chair**

Without limiting the responsibilities, duties, obligations or functions of the Chair, as set out in the Act, other applicable legislation and TB/MBC directives, the Chair is responsible for,

- (a) providing strategic policy advice to the Minister, in writing and otherwise, and seeking strategic policy direction for the IESO from the Minister;
- (b) advising the Minister in a timely manner of any initiatives, issues or events related to the IESO that affect or could reasonably be expected to affect the Minister in the exercise of his or her duties;
- (c) reporting to the Minister on the progress of current public policy initiatives undertaken pursuant to a Minister's Directive or Minister's Direction; and
- (d) meeting with the Minister regularly, or as requested by either Party, to clarify or enhance the Parties' mutual understanding of interrelated strategic matters.

### **7.3 Board of Directors**

Without limiting the responsibilities, duties, obligations or functions of the Board of Directors, as set out in the Act, other applicable legislation and TB/MBC directives, the Board of Directors is responsible for,

- (a) supervising the activities of the IESO, including the IESO's budgeting and allocation

of resources;

- (b) overseeing and approving the strategic direction of the IESO;
- (c) appointing the Chair of the Board of Directors from among the directors;
- (d) appointing the CEO of the IESO;
- (e) ensuring the IESO's funds are used with integrity, fairness and effective controllership;
- (f) taking such steps as it considers advisable and appropriate to ensure an effective separation of functions and activities of the IESO relating to its market operations and its procurement and contract management activities, pursuant to subsection 5(4) of the Act; and
- (g) advising the Minister on appointments to the Board of Directors and, if invited by the Minister, nominating individuals for appointment to the Board of Directors by the Minister. In doing so the Board of Directors should consider the Board of Directors' overall preferred profile; and any attributes a new director(s) should possess to ensure the Board of Directors as a whole meet the overall preferred profile.

#### 7.4 **Deputy Minister**

Without limiting the responsibilities, duties, obligations or functions of the Deputy Minister as set out in the Act, other applicable legislation and TB/MBC directives, the Deputy Minister is responsible for,

- (a) discharging ministerial responsibilities with respect to the IESO that have been delegated to the Deputy Minister.
- (b) monitoring the activities of the IESO on behalf of the Minister to ensure that its mandate is being fulfilled and that it is acting in accordance with applicable TB/MBC directives;
- (c) ensuring that the IESO receives, where and when appropriate, such information and guidance as is required or requested in order to meet its responsibilities under the Act, other applicable legislation, TB/MBC directives and this Memorandum; and
- (d) meeting with the CEO on a regular and as needed basis on strategic matters of mutual importance to the Parties.

#### 7.5 **Chief Executive Officer**

Without limiting the responsibilities, duties, obligations or functions of the CEO, as set out in the Act, other applicable legislation and TB/MBC directives, the CEO is responsible for,

- (a) managing the operations of the IESO in accordance with the mandate of the IESO;
- (b) providing leadership and management to IESO employees, including financial resources management;
- (c) advising the Ministry and the Chair about issues or events related to the IESO that may affect the Minister, Deputy Minister or Chair in the exercise of their



responsibilities;

- (d) acting as the head of the IESO for purposes of the *Freedom of Information and Protection of Privacy Act* (FIPPA), subject to the delegation of any of the head's powers or duties under the Act;
- (e) fulfilling the roles, duties and obligations of a director on the Board of Directors;
- (f) ensuring adequate resources and supervision are dedicated to support and implement the Government's policy initiatives in a manner consistent with the IESO's duties, responsibilities, and objects. The CEO shall identify an executive lead to provide the necessary leadership and support within the organization to liaise regularly with the Assistant Deputy Minister responsible for the initiative at the Ministry to discuss progress in supporting and implementing that initiative, and;
- (g) attesting, reporting and responding to the Ministry on the IESO's status of compliance with this Memorandum as well as other TB/MBC and government directives and policies, IESO by-laws and policies, and mandatory requirements, as required by Government.

## **8 REPORTING AND OTHER SPECIFIC REQUIREMENTS**

### **8.1 Business Plan**

- 8.1.1 In accordance with section 24 of the Act, the IESO is required, at least 120 days before the beginning of the first Fiscal Year in a Business Planning Cycle, to submit to the Minister for concurrent approval of its proposed business plans for each Fiscal Year in the Business Planning Cycle.
- 8.1.2 Senior IESO employees and senior Ministry staff shall, during the drafting of the business plans, discuss the contents of the plans in respect of the alignment of the IESO's key initiatives with current Government policies.
- 8.1.3 The business plans shall, among other things, include and demonstrate steps that will be taken to support Government's policy priorities in a manner consistent with the IESO's duties, responsibilities and objects.
- 8.1.4 After the IESO submits the business plans to the Minister for approval, Ministry staff may request, and the IESO shall make best efforts to provide, additional information and analysis from the IESO, as considered necessary by Ministry staff for the purposes of their review of the business plans.
- 8.1.5 The IESO shall submit business plans for each Fiscal Year in the Business Plan Cycle for concurrent approval by the Minister. If the IESO's proposed business plans are approved, the Minister will provide approvals for each Fiscal Year covered by the business plans. The business plans shall include, but shall not be limited to, the following elements:
  - (a) a mandate;
  - (b) strategic directions and objectives;
  - (c) an overview of current activities;
  - (d) future programs and activities and implementation plans;

- (e) a financial budget, including revenue requirements and capital budgets, and impact on fees;
- (f) a staffing plan that includes an assessment of the impact on the business plan;
- (g) discussion of performance measures, including both outcome and output-based measures, and targets for the Business Plan Cycle; and
- (h) overview of strategic risks, risk assessment and mitigation strategies to meet the objectives of the business plan.

8.1.6 The IESO may update its business plans for any upcoming Fiscal Years in a Business Plan Cycle, provided that such updated plans are submitted to the Minister at least 120 days prior to the beginning of that Fiscal Year. If the Minister believes that there has been significant financial impacts to the IESO's business plan for any upcoming Fiscal Year, the Minister may request that the IESO submit a new business plan for that Fiscal Year no later than February 1 prior to the beginning of that Fiscal Year. Sections 8.1.2 to 8.1.5 apply, with necessary modifications, to the updated business plans set out under this section.

8.1.7 The Minister may, at any time before June 1 of the calendar year immediately prior to the beginning of a Business Plan Cycle, designate a longer period of time as the length of that Business Plan Cycle by providing written notice to the IESO, provided that the period of time designated for the Business Plan Cycle does not exceed five Fiscal Years.

## 8.2 Interim Year Business Outlook

8.2.1 At least 120 days before the beginning of each Fiscal Year in a Business Plan Cycle, other than the first Fiscal Year of the Business Plan Cycle, the IESO shall submit to the Minister for approval, a business outlook for the next three Fiscal Years, or for a period of time that is equal to the length of the Business Plan Cycle as designated by the Minister in accordance with section 8.1.7, whichever is longer.

8.2.2 Within 60 days after the IESO submits a business outlook contemplated in section 8.2.1, the Minister may request further information from the IESO in respect of the information provided in the business outlook, or refer it back to the IESO for further consideration.

8.2.3 Unless the Minister has referred the business outlook back to the IESO for further consideration, the business outlook submitted by the IESO shall be deemed to be approved by the Minister upon the expiry of the 60-day period set out in section 8.2.2.

8.2.4 Without altering the total revenue requirement and capital budgets, the business outlook will identify any changes to the items set out in section 8.1.5 as previously approved by the Minister. The business outlook shall also include, but shall not be limited to, the following elements:

- (a) Overview of any adjustment to priority initiatives and operational activities;
- (b) Response to new Government policy;
- (c) Outlook into next Business Plan Cycle;

- (d) Material changes to capital projects;
- (e) Update to the Operating Reserve variance account;
- (f) Interim results on performance metrics; and
- (g) Identification of new or significantly changed risks and proposed mitigation strategies.

### 8.3 Annual Report

8.3.1 Within 90 days after the end of each Fiscal Year, the IESO shall deliver to the Minister IESO's annual report. The annual report shall include the following:

- (a) Description of activities over the Fiscal Year;
- (b) Progress towards the achievement of performance measures as set out in the business plan
- (c) Analysis of financial performance;
- (d) Description of how operational incidents and other significant factors experienced by the IESO impacted results achieved;
- (e) Names of IESO Directors, including date when first appointed, when the current term of appointment expires, and total annual remuneration of each IESO Director (not including expenses); and
- (f) Audited financial statements with actual results, variances, and explanations of the variances against estimates included in IESO's business plans. The financial statements shall be prepared in accordance with Canadian generally accepted accounting principles that is appropriate in order for the IESO's accounts to be consolidated into the Province of Ontario's Public Accounts.

8.3.2 Before the annual report is submitted to the Minister, the IESO shall provide to senior Ministry staff with drafts of the report and/or financial statements for their review.

8.3.3 Ministry staff may request, and the IESO will make best efforts to provide, additional information and analysis from the IESO as necessary for the purposes of their review.

8.3.4 Financial statements for IESO Markets, which facilitates the purchase and sale of electricity in the wholesale market between market participants and administers various government directed programs, shall be delivered within 6 months after the end of each Fiscal Year

### 8.4 Financial and Other Reports

8.4.1 The IESO shall provide to the Minister in a timely manner the IESO's financial statements and any other relevant information needed by the Ministry in relation to consolidation of the IESO's financial statements into the Province's financial documents, including but not limited to preparation of the Ontario Budget and Ontario's Public Accounts.

8.4.2 The IESO shall submit to the Minister salary information according to the *Public Sector Salary Disclosure Act, 1996*.

8.4.3 The IESO shall provide to the Minister or Deputy Minister in a timely manner, a copy

of any response to the recommendations made in a report issued by the Market Surveillance Panel. Any such response, shall in any event, be provided to the Minister or Deputy Minister within 90 days of the report being released. In addition, on an annual basis the IESO shall provide to the Minister or Deputy Minister a summary of any actions undertaken in response to recommendations made by the Market Surveillance Panel in the last 5 years and a plan to address any outstanding recommendations. Where no action has been taken on the recommendations made by the Market Surveillance Panel, a rationale is to be provided by the IESO.

- 8.4.4 The IESO shall provide to the Minister or the Deputy Minister an annual attestation report detailing the IESO's status of compliance with the requirements set out in this Memorandum. The report shall be provided to the Deputy Minister in writing within 90 days after the end of each Fiscal Year
- 8.4.5 The IESO shall provide to the Minister or Deputy Minister such reports and information as the Minister or Deputy Minister may, from time to time, request.
- 8.4.6 Where the reports or information requested under section 8.4.5 is considered confidential, the Ministry shall use such reports or information solely for the purpose of supporting the Ministry's responsibilities in oversight, planning and policy development. The Ministry shall use all reasonable efforts to keep such information confidential in a manner consistent with its statutory obligations, and shall not disclose it to third parties without providing reasonable advance notice to the IESO.
- 8.4.7 The IESO will provide, in a timely manner, pertinent updates to the Ministry that could impact the Ministry's cost forecasting for the Government's rate mitigation programs.
- 8.4.8 Upon request from the Minister, the IESO shall deliver a technical report on the adequacy and reliability of electricity resources with respect to anticipated electricity supply, capacity, storage, reliability and demand and any other related matters the Minister may specify. Before the report is submitted to the Minister, IESO shall provide a draft of the report to senior Ministry staff.
- 8.4.9 A summary of some of the key requirements for IESO governance reporting to the Minister or Ministry are listed in Appendix 3.

## **8.5 Stakeholder and Indigenous Community Input**

- 8.5.1 The IESO shall establish one or more processes by which consumers, distributors, generators, transmitters, Indigenous communities, and other persons who have an interest in the electricity industry may provide advice and recommendations for consideration by the IESO.
- 8.5.2 The IESO shall establish a Stakeholder Advisory Committee to provide policy level input to the Board of Directors and senior executives of the IESO. The Stakeholder Advisory Committee shall meet regularly and shall be composed of persons who represent a range of perspectives from interested stakeholders and Indigenous communities.
- 8.5.3 The IESO and the Ministry shall, as and when appropriate, consult with each other on key stakeholder and Indigenous community engagement issues that may affect the Ministry or the IESO.
- 8.5.4 Where the IESO provides stakeholder and/or Indigenous community engagement materials to the Ministry for review in advance of their public release, the IESO shall

make best efforts to provide the materials at least three business days in advance of the public release date so as to ensure the Ministry has sufficient time to review them.

## 8.6 Labour Negotiations

- 8.6.1 In advance of commencing discussions for the renewal of its collective agreements with its unions, the IESO shall seek advice from the Ministry on Provincial policy direction and relevant fiscal considerations affecting labour negotiations in the broader public and/or energy sectors.
- 8.6.2 The IESO shall present any bargaining mandates to the Ministry. The Ministry will advise the IESO on process for obtaining Treasury Board approval, as applicable.
- 8.6.3 The IESO shall provide regular updates to the Ministry on the status of the collective bargaining negotiations, as appropriate, and prior to finalising any collective agreement. When requested by the Ministry, the IESO shall provide reports and analyses relating to proposed increases, offsets and any impacts on its budget and delivery of its services.
- 8.6.4 When a collective agreement has been negotiated, the IESO shall inform the Ministry of the results and details of the collective agreement prior to ratification. The Ministry will advise the IESO on process for obtaining Treasury Board approval, as applicable.
- 8.6.5 When a collective agreement has been ratified, the IESO shall inform the Ministry of the results and details in a timely manner.

## 9 PUBLIC POSTING REQUIREMENTS

- 9.1 The IESO will ensure that the following approved governance documents are posted in an accessible format on the IESO website within the specified timelines:
  - (a) This Memorandum – 30 calendar days of the Effective Date
  - (b) Business plans – 30 calendar days of Minister's approval
  - (c) Annual report – 30 calendar days of submission to Minister
  - (d) IESO administered market financial statements – 30 calendar days after submission to Minister; and
  - (e) Minister's Directions and Minister's Directives – 10 calendar days of the date the Minister's Direction or Minister's Directive is issued to the IESO
- 9.2 Posted governance documents shall not disclose: personal information, sensitive employment and labour relations information, solicitor-client privileged information, Cabinet confidential information, trade secrets or scientific information, information that would prejudice the financial or commercial interests of the IESO in the marketplace, and information that would otherwise pose a risk to the security of the facilities and/or operations of the IESO. The IESO shall redact such information as required prior to posting.
- 9.3 The IESO will ensure that the expense information for IESO Directors and senior management staff are posted on the IESO's website, in accordance with the requirements of the MBC Travel, Meal and Hospitality Expenses Directive.

## **10 PERFORMANCE EXPECTATIONS**

### **10.1 Performance Standards**

10.1.1 The IESO shall establish performance standards and a system for measuring its performance against those standards.

10.1.2 The system for measuring performance standards shall include, but shall not be limited to, the following:

- (a) measuring the IESO's achievements that align with the strategic objectives identified in its business plans or business outlooks;
- (b) measuring the IESO's progress with respect to implementing the Minister's Directives, and Minister's Directions; and
- (c) measuring the IESO's achievement of ongoing efficiencies in operations with cost benefits to ratepayers.

10.1.3 The IESO shall utilize its Enterprise Risk Management framework to ensure that it is able to meet its mandate and the strategic objectives identified in its business plans or business outlooks and that it is able to comply with applicable TB/MBC directives.

### **10.2 Financial and Regulatory Responsibilities**

10.2.1 The IESO shall operate on a financially sustainable basis and operate efficiently and cost-effectively, and deliver optimal value to Ontario's rate payers, respecting the requirements of its mandate as an independent market operator.

10.2.2 Following the Minister's approval of the IESO's business plans for each Fiscal Year in a Business Plan Cycle, the IESO shall submit to the Ontario Energy Board its proposed expenditure, revenue requirements and the fees it proposes to charge for each Fiscal Year for review and approval, in accordance with subsection 25(1) of the Act.

10.2.3 The IESO shall adhere to any applicable legislation that affects or constrains the manner by which the IESO must establish executive and other compensation levels.

10.2.4 Notwithstanding section 10.2.3, but subject to applicable legislation, the IESO's compensation policies shall reflect, as appropriate, current Government policies, as communicated to the IESO or to electricity sector entities generally, as well as any relevant fiscal considerations for or relating to public sector compensation.

10.2.5 The IESO shall make financial decisions in a prudent and accountable manner and, in doing so, shall have regard to the value for and the impact of its decisions on ratepayers.

### **10.3 Operational Responsibilities**

10.3.1 The IESO shall carry out its responsibilities in accordance with section 4.1 of this Memorandum.

### **10.4 Separation of Functions**

10.4.1 The IESO shall not conduct the operations of the IESO-administered markets in any manner that unjustly advantages or disadvantages any market participant or any class of market participants or is inconsistent with the Act.

10.4.2 The Board of Directors shall ensure that appropriate procedures are established and maintained so that confidential information that is in the possession or control of any officers or employees of the IESO, or any agent or third party working on its behalf, is

not inappropriately communicated. However, where possible and appropriate, the IESO will seek to attain optimisation and synergies for the benefit of rate-payers and to support and facilitate enhanced efficiency in the operation of the grid.

## **10.5 Funding Program Administration**

- 10.5.1 “Funding Program” means any program or initiative administered directly or indirectly by the IESO under which payments are made to third parties without:
- (a) receiving goods or services in return, as would occur in a purchase or sales transaction;
  - (b) expecting to be repaid in the future, as would be expected in a loan; or
  - (c) expecting a financial return, as would be expected in an investment.
- 10.5.2 Without limiting the generality of the foregoing, Funding Programs also include those programs that were previously provided by the IESO or its predecessors under which payments continue to be made to third parties.
- 10.5.3 The IESO shall integrate a risk-based approach into its management of the Funding Programs. In so doing, the IESO shall adopt the Transfer Payment Accountability Directive principles and process set out in Appendix 4.
- 10.5.4 The IESO shall implement appropriate governance structures and accountability processes to provide effective oversight, administration and management of such Funding Programs and the performance of third parties engaged in connection with the administration or management of such Funding Programs.
- 10.5.5 The IESO shall ensure that any third parties mentioned in sections 10.5.1 and 10.5.2 comply with sections 10.5.3 and 10.5.4 (substituting the third parties in place of the “IESO” in such sections and in Appendix 4) as applicable to the performance of their obligations to the IESO in relation to such Funding Programs.
- 10.5.6 Notwithstanding the above, the IESO and Ministry shall make best efforts to ensure Funding Programs are accessible to target recipients, including clear and transparent program materials, requirements and other program aspects, as applicable.
- 10.5.7 The IESO and Ministry shall make best efforts to meet regularly to review overall goals and objectives of Funding Programs, including targeted recipients.
- 10.5.8 Ministry staff may request, and the IESO shall provide, reporting on the status and performance of the Funding Programs, including on how the Transfer Payment Accountability Directive principles and process set out in Appendix 4 are being implemented. It may also include cost-benefit information and analysis as may be necessary to support Ministry decision-making concerning future Funding Programs to be delivered through the IESO or a third party.

## **11 COMMUNICATIONS**

- 11.1 The Chair and the Minister recognize that the timely exchange of information and effective consultation between the Parties, as and when appropriate, are essential to discharging their respective responsibilities.
- 11.2 Where an event or issue could have an imminent or significant impact on system reliability, the environment, safety or community well-being, the Parties shall inform each other

immediately.

- 11.3 The IESO and the Ministry shall, as and when appropriate, consult with each other, on key communications issues that may affect the Ministry or the IESO. The Parties shall be prepared to provide all necessary background information on the issue to each other where appropriate.
- 11.4 If the IESO or Ministry provides materials to the other party for review in advance of its public release, the IESO or Ministry shall make best efforts to provide the materials at least three business days in advance of the public release date.
- 11.5 Without limiting the generality of the foregoing, the IESO shall provide the Ministry with reasonable advance notice before publicly releasing statements about significant new developments concerning IESO's business or program activities, or initiatives.
- 11.6 The IESO shall provide to the Deputy Minister timely information and reports, as appropriate, regarding major governance and policy initiatives that may affect the Ministry or ratepayers. The Minister's and Deputy Minister's staff should be briefed appropriately on IESO initiatives to ensure they align with Ministry policy objectives.
- 11.7 The IESO and the Ministry shall share with each other on a timely basis, as and when appropriate, information related to contentious or highly sensitive matters, anticipated major developments or issues that may affect the IESO or the interests of the Government, and shall take appropriate measures to protect the confidentiality of such information.
- 11.8 In all other respects, the IESO shall communicate with Government ministries, agencies and the public in a manner that is clear, open and reliable, and as is appropriate for a statutory corporation operating in the public interest.
- 11.9 The IESO shall provide information in accordance with this Memorandum to the Government in a manner that is consistent with ensuring fairness in its procurement processes and with its contractual obligations.
- 11.10 The obligations that apply to the IESO regarding French language services are set out in section 9 of the Act.

## **12 AUDITING ARRANGEMENTS**

- 12.1 The IESO shall appoint one or more auditors licensed under the *Public Accounting Act, 2004* to audit annually the accounts and transactions of the IESO, pursuant to section 25.2 of the Act.
- 12.2 IESO is subject to periodic review and audits by the Auditor General of Ontario under the Auditor General Act or by the Ontario Internal Audit Division of Treasury Board Secretariat.
- 12.3 The Ontario Internal Audit Division may also carry out an internal audit, if approved to do so by the Ministry's Audit Committee.
- 12.4 Regardless of any previous or annual external audit, the Minister may direct that the IESO be audited at any time.
- 12.5 IESO will promptly provide a copy of every report from any audit of the IESO contemplated under section 12.2 to the Minister and the Minister of Finance/President of Treasury Board. The IESO will also provide a copy of its response to the audit report and any recommendations therein. The IESO will advise the Minister annually on any outstanding audit recommendations.



## **13 ADMINISTRATIVE ARRANGEMENTS**

### **13.1 Applicable Administrative Directives**

- 13.1.1 The IESO is subject to certain TB/MBC directives, including the directives listed in Appendix 2 of this Memorandum, which may be amended or updated or replaced from time-to-time. The IESO is also subject to the Transfer Payment Accountability Directive principles and process set out in Appendix 4.
- 13.1.2 In the event of a conflict between the directives listed in Appendix 2 of this Memorandum (or the Transfer Payment Accountability Directive principles and process set out in Appendix 4) and the provisions of the Act or the regulations made under the Act, the latter shall prevail.
- 13.1.3 TB/MBC may, from time to time, add or amend directives, operational policies and guidelines that apply to the IESO and the IESO shall comply with all TB/MBC directives, operational policies and guidelines to which it is subject.
- 13.1.4 The Deputy Minister shall promptly inform the CEO of any new, updated or amended TB/MBC directives, policies and guidelines to which the IESO is subject.
- 13.1.5 The CEO shall ensure that any relevant by-laws, administrative policies and internal processes of the IESO comply with applicable TB/MBC directives.

### **13.2 Freedom of Information and Protection of Privacy**

- 13.2.1 The CEO of the IESO is the head of the IESO for the purposes of FIPPA and the IESO is an institution for the purposes of FIPPA.
- 13.2.2 The IESO shall respond to access requests and privacy investigations and shall fulfill all requirements under FIPPA in a timely manner.
- 13.2.3 The CEO is responsible for ensuring that corporate policies, guidelines and training programs are in place to ensure process efficiency in responding to requests under FIPPA.

### **13.3 Creation, Collection, Maintenance and Disposition of Records**

- 13.3.1 The CEO is responsible for ensuring that there is a system in place for the creation, collection, maintenance and disposal of records in accordance with corporate policies, guidelines and best practices.
- 13.3.2 The CEO is responsible for ensuring that information and records are managed strategically, cost-effectively and transparently to support public accountability.

## **14 TERM OF THIS MEMORANDUM**

- 14.1 This Memorandum becomes effective on the date it is signed by the Minister as the last party to execute it ("Effective Date") and continues in effect until it is revoked or replaced by a subsequent Memorandum signed by the Parties.
- 14.2 As of the Effective Date, this Memorandum replaces the Memorandum of Understanding between the Parties that took effect on May 15, 2017.
- 14.3 If a new Minister or Chair takes office, that individual must affirm in writing, within six (6) months after taking office, that this Memorandum will continue in force by attaching a signed letter to that effect to the Memorandum; or alternatively, may propose a process to review and to revise the Memorandum and sign a new Memorandum within six (6) months

after taking office.

- 14.4 Either the Minister or the Chair, on behalf of the Board of Directors, may initiate a review of this Memorandum by written request to the other.
- 14.5 Any amendments to this Memorandum shall be done in writing and signed by the Parties.
- 14.6 At a minimum, this Memorandum will be reviewed at least once every 5 years, to ensure it is current and consistent with Government expectations.

**15 SIGNATURES**

HER MAJESTY THE QUEEN IN RIGHT  
OF THE PROVINCE OF ONTARIO,  
AS REPRESENTED BY THE MINISTER  
OF ENERGY

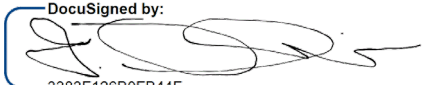


April 27, 2022

By: \_\_\_\_\_  
Honourable Todd Smith  
Minister of Energy

Date \_\_\_\_\_

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

DocuSigned by:  


April 26, 2022

By: \_\_\_\_\_  
Joe Oliver  
Chair  
Independent Electricity System Operator

Date \_\_\_\_\_

## **APPENDIX 1: STATUTES OF PARTICULAR APPLICATION**

*Auditor General Act*

*Accessibility for Ontarians with Disabilities Act, 2005*

*Broader Public Sector Accountability Act, 2010*

*Broader Public Sector Executive Compensation Act, 2014*

*Business Corporations Act (as provided for in O. Reg. 610/98)*

*Corporations Act (as provided for in O. Reg. 610/98)*

*Electricity Act, 1998*

*Environmental Bill of Rights, 1993*

*Freedom of Information and Protection of Privacy Act*

*Ontario Energy Board Act, 1998*

*Ontario Rebate for Electricity Consumers Act, 2016*

*Ombudsman Act*

*Public Sector Expenses Review Act, 2009*

*Public Sector Salary Disclosure Act, 1996*

## **APPENDIX 2: APPLICABLE TB/MBC DIRECTIVES**

*Accounting Advice Directive*

*Broader Public Sector Compensation Information Directive*

*Perquisites Directive Travel, Meal and Hospitality Expenses Directive*

*Procurement Directive (applicable to IESO in part as an Other Included Entity)*

Note: Amended, revised or successive versions of the directives listed above continue to apply to the IESO. Where a directive applies, all associated policies, procedures and guidelines also apply.

**APPENDIX 3: SUMMARY OF KEY GOVERNANCE REPORTING**

<b>REPORT/ DOCUMENT</b>	<b>DUE DATE</b>	<b>NOTES</b>
Public Sector Salary Disclosure (PSSD)	Annually, around February to March	PSSD related information and analysis due to the Ministry, PSSD reporting due to Ministry of Finance
Annual attestation report on the status of compliance with this Memorandum	Annually, 90 days after the end of the Fiscal Year (by March 31)	For review by the Ministry
Annual report, including audited financial statements	Annually, 90 days after the end of Fiscal Year (by March 31)	For acceptance by the Minister and tabling in the Legislative Assembly
Report on Market Surveillance Panel recommendations	Annually	For review by Ministry
Audited financial statements and related information	Annually, around May – June	Submit to the Ministry for consolidation in the Public Accounts
Business Plans	120 days before the beginning of the first Fiscal Year in a Business Plan Cycle	Business Plans for each Fiscal Year in a Business Plan Cycle submitted for approval by the Minister
Business Outlook	Annually, at least 120 days before the beginning of each Fiscal Year in a Business Plan Cycle, other than the first Fiscal Year in the Business Plan Cycle	For review and approval by Ministry
Financial information for Multi-year Planning, Estimates Committee and any other financially related activities.	Annually, around October – December	Submit to the Ministry for review and inclusion in the Ministry's submission(s)
Governance and Structure by-law and amendments	After the by-law is made by the Board of Directors	For approval by the Minister in writing
Other Reports and information requests	At the request of the Minister, Deputy Minister or designated staff	As requested by the Ministry for the purpose of oversight, planning and policy development

## **APPENDIX 4:                   TRANSFER PAYMENT ACCOUNTABILITY DIRECTIVE PRINCIPLES AND PROCESSES APPLICABLE TO THE IESO'S ADMINISTRATION OF FUNDING PROGRAMS**

A key to the IESO's management of the Funding Programs is the overlay of a risk-based approach. Risk management practices provide the opportunity to establish the optimum level of oversight, control and discipline enabling the IESO to manage risk in changing environments and help provide the proper level of assessment that program objectives are being met.

The IESO shall integrate a risk-based approach into managing Funding Programs. This will include the following process:

### 1. Defining Expectations

- Considering the Funding Program environment, confirm and, if necessary, clarify:
  - program objectives
  - performance measures and targets
- Identify risks to meeting the program objectives
- Measure, assess and prioritize risks
- Plan and take action, e.g., risk management strategies

### 2. Agreements

- Enter into agreements with Funding Program recipients before payments are made
- Clearly document expectations in these agreements including program objectives, performance measures and risk management provisions

### 3. Monitoring and Reporting

- Monitor, report and assess expenditures and results (including risk reviews and value-for-money considerations), while managing risk, based on mandatory requirements and expectations in the agreement

### 4. Corrective Action

- Take action, based on mandatory requirements and the risk assessment results
- Results/actions will inform upcoming plans/expectations and, where applicable, can be addressed in the next agreement for continuous improvement