
INDEPENDENT ELECTRICITY SYSTEM OPERATOR

2024 Annual Report



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Message from the CEO



Ontario's electricity demand is growing even faster than previously projected. That was the takeaway from the IESO's new demand forecast released in October, which outlined how economic growth driven by data centres and electric-vehicle manufacturing facilities are among the factors contributing to a 75 per cent increase in electricity demand by 2050.

Amid a year full of new developments and successes, the revised forecast raised the urgency and importance of our work to build out our reliable, affordable and sustainable electricity grid. Since then, however, changes in global trade relations – particularly between Canada and the United States – have cast a shadow of uncertainty over Ontario's economy and, by extension, demand for electricity. Yet – tariffs or not – the IESO still sees a clear need to proceed with our planned investments given the magnitude of growth expected over the next 25 years and the number of aging and retiring assets on the system. Against this backdrop, the IESO will continue to monitor these developments, adapt accordingly and work closely with the Ministry of Energy and Mines to provide our informed advice and applied knowledge as the province formulates its plans and priorities, of which our *Annual Planning Outlook* (APO) serves a foundational role.

With a clear need for action, the IESO continued to take concrete steps last year to get new supply built. We now have about 3,000 megawatts of energy storage that will connect to the grid after concluding the largest energy storage procurement ever in Canada in May. Adding this emerging technology to our electricity system will change the dynamic of how we operate the grid, and work is underway to more effectively integrate storage into our markets.

The storage we procured was through our Long-Term 1 (LT1) Request for Proposals (RFP), which proved highly successful. By driving competition in our procurements, we secured low prices for ratepayers, fostered significant Indigenous equity participation and partnership, demonstrated strong municipal support for new projects and enabled local, regional and provincial benefits for decades to come.

We also engaged extensively throughout the year on the design of our second long-term procurement, the LT2 RFP. It will focus on meeting both energy and capacity needs in 2029 and beyond, and it will be open to all resource types to maximize competition and safeguard affordability for Ontario ratepayers. New to this procurement are incentives to build projects and boost potential opportunities in the north, while ensuring protection of prime agricultural areas as a priority, in line with government policy.

Last year also marked the end of the IESO's 2021-2024 Conservation and Demand Management Framework, which successfully reduced province-wide electricity demand while helping consumers reduce their energy costs. Peak Perks, our Save on Energy brand's residential demand response program, signed up more than 200,000 smart thermostats by the end of the year, making Peak Perks the largest virtual power plant in Canada.

In anticipation of the conclusion of this framework, the IESO worked with government to develop a new, enduring electricity demand-side management framework, which yielded a 12-year, \$10.9-billion commitment by the government to maintain existing and create new energy efficiency programs. This will provide more opportunities for communities, businesses and households to save on their energy costs, and it will offer more choice for how and when energy is consumed.

While we continued to lean on proven, cost-effective solutions, we also kept our eyes on the future. To support the integration of emerging resources into the system, in 2024, our Grid Innovation Fund issued a call for projects to demonstrate how electrification and demand management can be achieved in an innovative way that helps address Ontario's growing electricity needs in the transportation, water heating and HVAC sectors. We also received more than

\$36 million in funding support from Natural Resources Canada to tap into and integrate new and emerging technologies like storage, hybrid facilities and distributed energy resources (DERs) into the markets through our Enabling Resources Program (ERP), and to help industrial facilities improve energy efficiency through the IESO's expanded energy management program.

Government policy continues to drive progress in the sector, and throughout the year the IESO advised the government on a number of files that prepared us for the coming year: the feasibility of new-build nuclear in Ontario; building new transmission and re-contracting hydroelectricity in the north; design parameters for the LT2 RFP and a new transmitter selection framework; and recommendations for early actions for a number of bulk and regional electricity plans covering northern Ontario down into Toronto's city centre.

All of the IESO's 2024 accomplishments were underpinned by the contributions of our diverse array of external partners, including industry stakeholders, municipalities and Indigenous communities, which are increasingly playing a role in guiding our shared energy future. With the enormity of the job ahead, the IESO understands that bringing together the many voices and various perspectives across this province is essential to chart a collective path forward. This is why we were pleased to share our ongoing commitment to engagement and collaboration with the release of the IESO's External Relations and Indigenous Engagement Frameworks in November. These frameworks signal and solidify our approaches to building enduring relationships and providing opportunities for our partners to become informed, get involved and collaborate with us to support the transformation of Ontario's electricity system.

The next year promises to be a momentous 12 months for the sector, with a renewed electricity market on track to be launched; more energy storage capacity coming onto the grid starting with the Oneida Energy Storage Project scheduled to come into operation; an expanded \$10.9-billion demand-side management framework to help meet Ontario's needs and make electricity more affordable for families and businesses; and much more. These next major milestones could not be achieved without all the critical groundwork that was laid throughout 2024 to enable growth and opportunity for all who live and work in our province.

As we change and grow as an organization and sector, the IESO looks forward to working with all our partners to drive and guide the future of our sector – securing reliable, affordable and sustainable electricity for generations to come.



Lesley Gallinger
President and CEO

2024 Year in Review

A reliable, affordable and sustainable electricity system is central to the well-being of Ontario's economy and communities. With a broad mandate and vision for the sector – empowered by our Corporate Strategy – the IESO plays a vital role in ensuring the province has the energy and electricity infrastructure required to continue to support and serve as a catalyst for future economic growth throughout the province.

This Annual Report highlights the IESO's activities and accomplishments in 2024 to ensure the continued reliability, affordability and sustainability of Ontario's electricity system.



Drive and Guide the Sector's Future

The Big Build

In June, the IESO concluded the LT1 RFP to competitively acquire new electricity generation infrastructure – including Canada's largest energy storage procurement (1,784 MW) to date. This capacity further augments the significant resources secured through the 2023 Expedited Long-Term 1 RFP (E-LT1), the Same Technology Upgrades Solicitation and the procurement of the Oneida storage facility. The IESO's pioneering role in advancing energy storage was recognized by the sector and we received the 2024 Friend of Energy Storage Award by Energy Storage Canada.

While much of the focus on storage to date has been on incorporating short-duration battery resources onto the grid, the IESO has also begun monitoring progress on the pre-development work for the proposed Ontario Pumped Storage Project, near Meaford, and exploring other projects requiring long lead times to enhance the reliability and efficiency of the electricity system far into the future. To keep pace with the forecasted growth of the population and economy in Ontario, the IESO also launched a Resource Adequacy Request for Information (RFI) to gather insights from resource owners and developers on the future of current facilities and the development of new projects. Stakeholder participation in this RFI is crucial to shape future procurement design and support electricity planning.

Our work to build out the system has also helped advance government electrification and clean energy goals in Ontario. In 2024, the IESO refreshed its connection processes to better support industries making significant investments, including innovation in the steel industry, and enable further growth in Ontario's economy. The IESO also completed deliverables related to long-term infrastructure and resource projects with an eye on supporting new industrial facilities and electrifying large sectors, such as mining, steelmaking, auto manufacturing and data centres; those deliverables included execution of the Bruce "C" pre-development funding agreement – the initial step to secure the first new large nuclear project in more than 30 years – and advancement of a transmitter selection framework through feedback from stakeholders and Indigenous communities.

In the area of transmission planning, meanwhile, the IESO completed the Central-West Bulk Planning study in April, and commenced engagement for six regional electricity planning processes, including: Greater Ottawa; Toronto; East Lake Superior; York Region; Kitchener-Waterloo-Cambridge-Guelph; and GTA West, many of which are proceeding ahead of schedule to keep up with the pace of growth. We also launched engagements for Northern Ontario and South and Central Bulk Planning to foster reliable electricity supply and support decarbonization and economic growth objectives, including those set out in the province's *Powering Ontario's Growth* plan.

Refreshed engagement approach

Engagement at the IESO continues to be guided by the refreshed External Relations Engagement Framework and new Indigenous Engagement Framework, which were released in November. The frameworks articulate our engagement commitment, the principles we will apply and the approaches we will implement to achieve meaningful outcomes through our engagement efforts.

The IESO's eighth annual First Nations Energy Symposium brought together First Nations leaders, community members and key representatives from Ontario's energy sector for two days of impactful discussion and collaboration in our shared energy future. The release of the Indigenous-focused framework at the Symposium reinforced the importance of relationships with Indigenous communities and for all engagements to be guided by the framework to ensure our interactions remain open, honest and sincere, with a focus on achieving meaningful and lasting outcomes.

As we continue to evolve our processes and tools, the IESO's engagements will continue to include a broad range of voices and perspectives as we work to create a solid foundation for strong and enduring relationships.

Ongoing collaboration between the IESO and stakeholders, municipalities and Indigenous communities has been key to our successful procurements. As part of the early implementation of our refreshed engagement approaches in late 2023, the IESO delivered tailored sessions throughout 2024 to provide information on procurements to municipal and Indigenous communities and the key roles they can play in the build-out of our province's electricity infrastructure. The results of the LT1 RFP are evidence of the IESO's efforts to build awareness, relationships and support for energy infrastructure development across Ontario – 80 per cent of project bids that were submitted to the IESO had already received a municipal council support resolution, and nine of the 10 battery storage projects selected in the RFP had significant Indigenous equity participation.

The IESO's enhanced approach to engagement not only contributed to the success of the LT1 RFP but also to the positive reception we received from those with whom we engaged. These early efforts to implement our refreshed approach have already resonated during this period of rapid change in the sector; the 2024 Stakeholder and Community Engagement survey found 82 per cent of respondents report IESO engagements met or exceeded their expectations, a significant improvement from 76 per cent in 2023.

Impactful advice

The IESO is a trusted leader that understands the driving forces behind customer choice, including technology changes, incentives, rate designs, and business models and how they affect the IESO's core mandate of reliability and cost-effectiveness. To this point, the IESO has taken proactive measures to engage in monitoring and pre-planning of resilience actions in response to potential economic and trade challenges confronting Canada and Ontario in the wake of a new federal administration in the United States. We have also played a crucial role in shaping a robust framework that empowers Ontario to effectively tackle the challenges of electrification and decarbonization.

Keeping costs down will be key to ensuring a reliable, affordable and sustainable system as we expand Ontario's electricity grid. This was central to our message to the federal government on the Clean Electricity Regulations, and it was the primary driver behind the IESO's input into the province's Electrification and Energy Transition Panel (EETP) report on preparing for Ontario's long-term growth as a clean energy economy. Among the recommendations provided by the IESO, and endorsed in the EETP report, was the key point that a diverse portfolio of resource types is the optimal way to ensure reliability while managing the build-out of the system. The EETP report also reflected the IESO's position on the necessity for close co-ordination between electricity and natural gas systems in long-term planning to support the energy transition. This is an integral component of integrated resource planning that will be required to allow for the energy system to adapt to the pace of change as customers increasingly choose to electrify, and to signal certainty for investments in energy infrastructure to support a growing and evolving economy.



Ensure System Reliability while Supporting Cost-Effectiveness

A fulsome picture

The IESO is continually improving its long-term planning processes and toolsets, incorporating the impact of new demand drivers, such as electrified steelmaking and data centres providing services for artificial intelligence systems, operational requirements, emerging technologies and evolving policies. This includes the expanded 2024 APO, which was the first edition to integrate the former Annual Acquisition Report to provide a more complete picture of future reliability needs and planned actions to meet them. The 2024 APO's messaging reinforced Ontario's future needs for new supply, the work that has been done to meet reliability needs for the 2020s and the focus on needs in the 2030s. These messages were complemented by updates to the IESO's response to the federal Clean Electricity Regulations, which included new emissions data. In October, the IESO provided a preview of the 2025 APO demand forecast, projecting 75 per cent growth by 2050, up from the 60 per cent initially projected in the 2024 APO. This update provides the context for the LT2 RFP, among other planned actions.

Preparing for market evolution

With the impending launch of the renewed electricity market in 2025, the IESO has been working closely with partners across the sector and the Ministry of Energy and Mines to prepare for a modernized Ontario market that is more competitive, efficient and accessible to market participants. In 2024, the IESO delivered a Market Renewal readiness plan, providing a comprehensive roadmap for market transition, including pre-launch preparation milestones, activities and actions, as well as the specific cutover steps and support before, during and after the launch window.

As the renewed electricity market supports the integration of an increasingly diverse and decentralized mix of resources at a higher price-efficiency level, it will also bring greater customer participation and choice to the electricity market, which in turn can minimize costs. Once implemented, the renewed market is expected to deliver \$700 million in cost savings in the first 10 years alone. The IESO is also working with local distribution companies on initiatives to foster broader participation of DERs and developing solutions for electricity distributors to support net-metering pricing.

Once the renewed market is launched, the IESO will focus its attention on the ERP to integrate storage, co-located storage and generation hybrids, and DERs into the wholesale market as the next stage in market evolution. This is one of the IESO's efforts benefiting from \$16.7 million in funding support from Natural Resources Canada. The ERP will build on our new foundation of a renewed market by developing participation models and tools for new and emerging resources to help meet Ontario's energy needs reliably and cost-effectively while advancing grid modernization.

Meeting system needs

The Resource Adequacy Framework continues to guide the IESO's procurement strategy to meet the forecasted demand growth of 75 per cent by 2050, while balancing ratepayer and supplier risks and recognizing the unique characteristics and contributions of different resource types. Through the LT1 RFP, the IESO secured nearly 2,200 MW of new capacity, including the aforementioned battery storage resources. With respect to storage, the IESO secured it at a weighted average price that represented a 24 per cent decrease from that of the E-LT1 RFP. The IESO has since been preparing for the next series of procurements – the Medium-Term 2 and LT2 RFPs – to re-commit existing resources and acquire new long-term assets to cost-effectively address future energy and capacity needs; both are scheduled to launch in 2025. All these procurements, combined with a recently formalized capacity-sharing agreement that will see the IESO and Hydro-Québec exchange 600 MW seasonally over a period of up to 10 years, will ensure that our system needs are met through the end of this decade and early into the next.

The IESO also secured supply to meet near-term needs through the annual Capacity Auction. The 2024 auction continued to demonstrate the benefits of competition, acquiring 15 per cent more megawatts (2,122.2 MW for summer 2025 and 1,524.6 MW for winter 2025/26) at prices that were lower (by 11 per cent and 6 per cent for summer and winter, respectively), compared with the 2023 auction. Furthermore, dispatchable load resources saw a 47 per cent increase in cleared capacity, compared with the year before, marking the largest increase seen among eligible Capacity Auction resource types. All told, the competitive mechanisms put in place, per the Resource Adequacy Framework, to cost-effectively procure a diverse range of supply are working as intended.

Enduring energy efficiency framework

The IESO will continue to look at energy efficiency as the lowest-cost resource to meet growing system needs. With the conclusion of the 2021-2024 Conservation and Demand Management Framework, the IESO worked with the province to develop an enduring energy efficiency framework that will enhance system reliability and enable consumers to better manage their energy bills through demand-side management programs under Save on Energy. The 2025-2036 Electricity Demand-Side Management Framework builds on the success of existing programs under the previous Conservation and Demand Management Framework, including Peak Perks, and expands offerings for all customers to reduce their consumption, save money and contribute value to the system.

This 12-year, \$10.9-billion framework also introduces changes to how residential electricity energy efficiency programs are accessed and administered in co-ordination with natural gas energy efficiency programs. Under the enduring collaborative approach that characterizes this new framework, Ontario ratepayers can now access home energy efficiency programs from a single point of access, regardless of their use of natural gas or electricity heating at home. This simplifies access to the programs, removes confusion and maximizes the potential benefits, while providing the flexibility necessary to enable collaboration with natural gas residential energy efficiency programs.

Sector recognition

Since its launch in 2011, Save on Energy has served as a trusted source for energy efficiency opportunities and knowledge in Ontario. Our work in encouraging energy efficiency and demand-side management across the province through Save on Energy programs continues to be recognized by the sector, and in 2024 we were awarded the ENERGY STAR Canada Award for Energy Efficiency Program Administrator of the Year, along with the Peak Load Management Alliance's Pacesetter Program award in recognition of our success in building Peak Perks, Canada's largest virtual power plant to date, in just six months. Our efforts to support energy efficiency in the industrial sector also received a significant injection in October, when the IESO was awarded \$20 million from Natural Resources Canada to provide industrial facilities with enhanced opportunities to improve energy performance, cut costs and reduce emissions through the IESO's expanded energy management program that launched in January 2025, designed and delivered by Save on Energy.

Operational excellence

Ontario's system saw several major events throughout 2024 that presented operational challenges requiring detailed planning, collaboration and quick responses in real time to changing conditions. Through it all – a total solar eclipse in April; several geomagnetic disturbances throughout the year; multiple heatwaves, including a three-day heat dome in June; significant flooding of a transformer station in the summer in Toronto; and executing more than 14,500 planned and unplanned outages in tight operating conditions – the IESO maintained grid reliability while demonstrating operational excellence and the value of our work at the heart of Ontario's electricity system.

As managing grid transformation grows increasingly complex given transmission constraints, new technologies and newcomers to the market, the IESO has undertaken initiatives to streamline the connection process, increase external training and enhance the customer experience. We also continued to facilitate the expansion of the grid, managing more than 400 requests for changes to the system throughout the year, and we played a crucial role in enabling economic growth, electrification and decarbonization by completing complex system impact assessments and developing innovative grid connection solutions to ensure timely integration of critical projects into the system. This enabled the development and integration of crucial electrical infrastructure, including a total of 1,640 MW of new resources, 1,177 MW of which were battery energy storage systems to be in service no later than 2026, 118 kilometres of transmission lines to prepare the system for future needs and 736 MW of new load connections.

Maintaining a reliable grid and energy infrastructure means not only ensuring that everyone in Ontario has access to the power they need, when and where they need it – it also depends on making the electricity system resilient to cyber threats by building robust cyber security capabilities. Since 2019, as part of its commitment to reducing cyber risks posed by emerging threats, the IESO has been providing the Lighthouse program. Lighthouse is offered to all licensed Ontario distributors and transmitters at no cost, providing near-real-time analysis of potential external threats, as well as providing sector-specific threat intelligence products, services and training. By 2024, the number of organizations participating in Lighthouse encompassed about 99.75 per cent of all Ontario ratepayers/customers.

As a further safeguard against disruptions to Ontario's electricity system, the IESO's Backup Data Centre is now fully operational at a new, managed service facility. This strategic initiative to house our Backup Data Centre, which involved the seamless transfer of all critical data and infrastructure, was completed on schedule and within budget. The relocation of our Backup Control Centre to a custom-renovated, IESO-owned facility is also well underway and on track to be operational in Q1 2025. These new facilities enhance our business continuity and disaster-recovery capabilities, and they provide scalable resources to support future system growth. These achievements underscore our commitment to operational excellence and resilience, positioning the IESO to better serve our stakeholders and communities, and maintain uninterrupted service delivery.



Drive Business Transformation

Preparing for Market Renewal

The IESO's preparations for a renewed electricity market to go live in 2025 have necessitated extensive education for both market participants and IESO staff. Throughout 2024, the IESO developed and promoted Market Renewal Program (MRP) readiness resources, including an educational program that supported awareness and understanding of Market Renewal. Through a series of e-learning modules, staff and market participants are equipped with the foundational concepts and more detailed information about specific changes related to the renewed market and what they mean for each IESO business unit and participants.

The IESO also updated the Market Education program, which helps consumers recognize the value of electricity wholesale markets, to align with upcoming changes from MRP and to support cost-effectiveness. The program's focus throughout 2024 was on raising awareness of the value of markets and the changes to how electricity prices will be determined under MRP, which is targeted to come into service in 2025.

IESO staff and market participants alike also participated in testing their ability to interact with the tools and processes that have been updated as part of MRP, while the IESO Board of Directors approved the full suite of market rules required to operationalize MRP, marking the completion of a major milestone in this multi-year effort with the sector to advance toward a renewed electricity market.

Supporting inclusion

In keeping with the IESO's commitment to fostering a workplace culture where all employees are valued and respected, the organization continued its efforts to raise awareness of initiatives and resources that support an inclusive and welcoming environment. These efforts included executive communications, targeted employee learning opportunities and a dedicated series of intranet profiles showcasing the diverse experiences and perspectives within the IESO community. Our 2024 work in creating a workplace where all employees feel valued, respected and empowered to contribute their best, culminated in the September release of the IESO's Five-Year Equity, Diversity and Inclusion Framework. The framework builds on the organization's previous strategy and identifies key actions to further advance the IESO's culture in support of the needs of the businesses and communities that rely on us. Meanwhile, the IESO's Supplier Diversity Program is building momentum through its partnership with various Canadian procurement councils and engagement with Indigenous- and minority-owned businesses, bringing insights, perspectives and value-added services into the enterprise through external vendors.

Building an engaged workforce

The IESO also provided employees with multiple opportunities to hear directly from leadership on the organization's strategic direction, the work underway to support it and developments in the wider sector through monthly CEO Connect sessions and Quarterly Strategic Updates hosted by the Executive Leadership Team. Throughout 2024, these sessions were well-attended and consistently garnered a 90 per cent or higher approval rating among staff. CEO Connect sessions were also followed by "IESO 101" webinars designed to foster enterprise-wide awareness and understanding of major strategic initiatives, such as the APO and MRP, and the refreshed engagement frameworks. These efforts, as demonstrated by the two-point increase in the 2024 employee engagement index, indicate that the IESO continues to build momentum with employees after the full employee survey in 2023 showed improvements on all questions repeated from the year before. The 2024 results were driven by IESO staff feeling a strong connection to their meaningful work, our corporate values and the IESO's Corporate Strategy. The IESO was also recognized as one of Greater Toronto's Top Employers.

Future@Work reaches milestone

Construction officially began in October at the IESO's Toronto office, marking the start of a phased approach to creating our future workplace. Meanwhile, the layout design and budget for our Mississauga (Clarkson) location was approved at the end of 2024, and construction is scheduled to begin in the summer of 2025. Once completed, the redesign will dramatically improve the physical environment and provide a more functional and efficient workspace that supports improved collaboration and enables employees to do their best work. Future@Work will remain focused on investing in the employee experience and our shared success.

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

Ontario's electricity sector is undergoing unprecedented transformation and is witnessing a significant rise in demand for electricity that has not been seen in decades. Evolving consumer preferences, economic growth, electrification and decarbonization efforts are all leading to an increased reliance on electricity. The IESO's 2023-2025 Business Plan and Amendment position the organization well to implement the Ministry of Energy and Mines' vision of an affordable energy future, which builds on steps already taken since the release of the province's *Powering Ontario's Growth* plan to decarbonize the economy, as well as to continue delivering the reliable, resilient and efficient grid and market on which Ontarians rely.

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.

While the Board relies upon these measures as a starting point for assessing management's performance, the final assessment will also reflect the Board's judgement as to the IESO's performance in light of circumstances that unfolded over 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 strategic 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

Percentage of key milestones complete according to implementation plan

Rating: Exceeded

Target	Result	Discussion
90%	95%	<p>As of November 2024, 19 out of 20 planned milestones were completed on time.</p> <p>Since the mid-year update, the Market Renewal Program's (MRP) focus has been on the following:</p> <ul style="list-style-type: none">▪ Addressing change requests and defects that came out of system integration testing, user acceptance testing, business process integration testing and market trials.▪ Planning for registration launch, inclusive of tabletop exercises and dry runs.▪ Planning for remaining settlement solution development efforts and testing.▪ Planning for market participant end-to-end testing.▪ Planning for go-live launch.▪ The MRP team is focused on identifying and assessing risk events that may impact go-live launch.▪ The MRP team is assessing the program's overall budget and contingency usage.
What it means		<p>Ontario's wholesale electricity market, like all energy markets, has a foundational objective of maintaining reliability at the lowest cost. The 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.</p>

Measure 2: Resource Adequacy

Plans in place to ensure resource adequacy reliability standards are met for the next five years

Rating: Achieved

Target	Result	Discussion
100%	100%	<ul style="list-style-type: none"> 2024 <i>Annual Planning Outlook</i> published in March. Report updated to contain planned actions, replacing former Annual Acquisition Report. <i>Reliability Outlook</i> released in December. Report updated to cover the next 18 months. Capacity Auctions running on an annual basis.
What it means		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 3: Resource Adequacy

Supply procurement offers in open and competitive mechanisms exceed the target capacity

Rating: Exceeded

Target	Result	Discussion
22%	174%	<p>Long-Term 1 RFP received 6,419.92 MW of storage proposals for a target of 1,600 MW for the storage stream (301%). For the non-storage stream, 491.81 MW of proposals were received for a target of 918 MW (-46%).</p> <p>The IESO continues to design/evolve its resource adequacy mechanisms in a manner that ensures it drives interest and potential development in Ontario.</p> <p>The cadence of the procurements is key to driving greater participation and liquidity to deliver cost-effective outcomes.</p> <p>The IESO continues to encourage participation of potential future proponents through engagement initiatives including speaking at conferences and hosting engagement sessions.</p>
What it means		To maintain resource adequacy and ensure affordability, it is essential 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 4: Enabling Resources Program (ERP)

Completion of ERP delivery plan

Rating: Achieved

Target	Result	Discussion
55%	75%	<p>During 2024, the Enabling Resources Program (ERP) transitioned from concept to planning phase. The measure this year captured milestone work on the program's design elements to help prepare for future implementation phases.</p> <p>Program governance realignment took place in mid-2024 and the ERP Business Case was approved on August 23. Two projects – (1) storage and hybrid integration and (2) distributed energy resource integration – are planned under the ERP.</p> <p>ERP Design Vision, delivered in mid-2024, outlines key design decisions made to date with the associated rationale and context for those decisions, and initial assessments of IT solutions and process impacts.</p> <p>Internal engagement on the storage and hybrid market design commenced on August 28. The design is foundational for future business design work, IT solutions impact assessment and requirements gathering, and stakeholder engagement.</p> <p>Initiated approval of the Planning Phase Project Charter for the storage and hybrid integration project on September 16. The Charter reflects cost and schedule estimates to carry out further planning, leading to cost and schedule estimates with a high degree of certainty for project completion for future execution phase release of funds.</p>
What it means		<p>The ERP is an integrated set of projects that will improve market effectiveness of electricity storage, hybrid and DERs to provide required system services and contribute to the safe and reliable operation of the bulk power system in Ontario. The ERP supports the Strategic Imperative to Renew the Real-Time Markets to Advance Energy Transformation.</p>

Measure 5: Employee Pulse Survey

Employee pulse survey results for specific annual engagement areas of focus

Rating: Did not meet

Target	Result	Discussion
Positive trend	69 (-1 from 2023)	<p>In analyzing the engagement survey results, a common theme that was prevalent was employees' awareness around availability of resources and programs to build skills of the future; however, current workloads have made it challenging for them to fully utilize the resources. Steps taken this year to deliver on this measure included:</p> <ul style="list-style-type: none">▪ Survey review and action planning meetings held with each Business Unit.▪ 2024 objectives established for leaders and employees to build awareness of future skill needs and begin to develop those skills with leaders and employees having joint accountability to have discussions and develop action plans.▪ Office hours were held for all leaders at the objective setting stage of performance management that workshopped the corporate performance measure and provided specific activities that leaders at all levels could consider taking to achieve the objective.▪ Strong encouragement provided to all leaders at each stage of the performance management process to work with employees on developing individualized learning and development plans tied to developing skills for the future (more than 65% of employees have a development plan).▪ A road show was held to engage employees in discussions on what future skills will be needed to support sector transformation. More than 900 employees participated in discussions and identified future skills in the areas of sector transformation, digital trends and ways of working.▪ Employees leveraged the Coursera platform to invest in future skills development. More than 550 employees are currently enrolled in at least one course on the platform. Coursera was promoted regularly through internal communications channels, including profiling employees who took training.▪ The 2024 Learning Month programming was based on the theme "Building Skills for the Future." The program was promoted regularly through internal communications channels with more than 950 participants (365 unique employees) attending Learning Month sessions and provided an average feedback rating of 4.7 on a five-point scale.

Target	Result	Discussion
		<ul style="list-style-type: none"> ▪ A refreshed future skills-based learning catalogue was rolled out to employees in September 2024. ▪ Quarterly strategic updates provided to employees to highlight changes in the sector and at the IESO in alignment with the five-year strategy. ▪ Webinars conducted after CEO Connect sessions on strategic initiatives that will affect the future of the electricity sector. ▪ Engagement days held with employees with a “trade show” component where employees could discuss the core strategies with the team Directors. Sessions also focused on sector trends and telling the IESO’s story (linked to sector transformation and ways of working).
What it means		<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 2024 was identified as “I feel the IESO is taking steps to support me in building skills for the future.”</p>

Measure 6: Stakeholder Engagement

**Effectiveness of stakeholder engagement actions through positive survey results
(within -2% tolerance range)**

Rating: Exceeded

Target	Result	Discussion
76%	82%	<ul style="list-style-type: none"> Based on the 2024 Stakeholder and Community Engagement survey results, the majority of respondents have indicated their experience with the IESO engagements has either met or exceeded their expectations. This result exceeds the 2024 target of 76% by a significant margin (six points). The survey includes feedback from stakeholders, Indigenous communities and municipalities. The 2024 result is the highest since 2019; it represents the second consecutive year of improvement in the measure after three years of declining values and is also the largest year-over-year increase/change since the measure was implemented in 2016. The top three reasons respondents indicated IESO engagements have met or exceeded their expectations are: 1) the IESO's effective communication/engagement; 2) professional/helpful staff; and 3) good information/felt informed. This substantial improvement in results is likely attributable to the changes made to the IESO's engagement approaches that are consistent with the organization's refreshed External Relations Engagement Framework. Additional data and insights analysis will be undertaken to further explore the connection between the IESO's enhanced efforts this year and their impact on participants' perceptions and experiences as measured and articulated via the survey. The External Relations Engagement Framework was officially publicized and shared with stakeholders, Indigenous communities and municipalities in November 2024. The IESO will continue its work to implement the framework through new plans, processes and tools in 2025 and beyond.
What it means		<p>Positive annual survey responses indicate stakeholders, Indigenous communities and municipalities are confident in and satisfied with the IESO's engagement process(es). This metric supports our commitment to build long-term trust to inform our processes and decisions. The result reflects the percentage of stakeholders, Indigenous communities and municipalities who indicate 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 this increased 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 7: Cyber Security

Data Loss Prevention technology implementation

Rating: Achieved

Target	Result	Discussion
33%	33%	<p>For this multi-year project, there are six milestones used in calculating percentage of completion.</p> <p>The final milestone for this year was the approval by the Project Steering Committee of Project Charter, version 2, which moved the project from the planning phase to the execution phase.</p> <p>Achievements year-to-date include:</p> <ul style="list-style-type: none">▪ Project Charter, version 1 finalized with defined scope and measurement of success.▪ Engaged Microsoft for product review and demonstration.▪ Use-case development in progress. <p>“QA” test strategy in progress.</p>
What it means		<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 8: Cyber Security

Phishing metrics trend

Rating: Exceeded

Target	Result	Discussion
>96%	98.4%	<ul style="list-style-type: none"> ▪ Issuance of quarterly enterprise and divisional simulated email phishing campaign results to all People Leaders with the aim to provide oversight on our corporate phishing resiliency. ▪ Follow-up with employees who require skill development in this area and communication of repeat responders with People Leaders for 1:1 coaching. ▪ Monitoring of mandatory training compliance and phishing metrics to inform areas for training opportunities and focus for IESO employees.
What it means		The IESO and the electricity sector in general receive a high volume of phishing emails from adversaries attempting to exploit systems, data and credentials with potential to affect business operations and strategic objectives. This measure tracks internal awareness to identify and report potentially malicious email.

Measure 9: Cyber Security

Progress on the development of Market Assessment Compliance Division (MACD) plan to enable enduring risk mitigation from cyber threats to the IESO-administered markets and the IESO-controlled grid

Rating: Exceeded

Target	Result	Discussion
90%	100%	MACD completed its plan by identifying all of the elements of the framework needed to enable enduring risk-mitigation arising from cyber threats.
What it means		Absent a set of enterprise-wide, agreed-upon, 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. The North American Electricity Reliability Corporation's Critical Infrastructure Protection standards may be a low bar targeting only a subset of operational assets. Development of an enduring compliance and enforcement framework to at least address these standards that are already in place will contribute to strengthening important elements of the sector's cyber security practices. The IESO participated in the initial meeting of the Energy Cybersecurity Working Group, of which MACD will attend in the future.

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 2024 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 Electrification.

- a) In the Statement of Operations and Accumulated Deficit section of the Annual Report, the IESO Core Operations revenues were \$258.9 million as of December 31, 2024, compared with a budget of \$236.3 million, a \$22.6-million variance. System fees revenues account for \$7.2 million of the variance, driven by better-than-expected demand volume, particularly from exports. The remaining \$15.4-million variance in actual revenues compared with the budget is primarily due to Other Revenue (Note 11), as market investment income was \$10.2 million higher than expected, associated with higher overnight interest rates and settlement volumes, and \$5.0 million of various program revenues that in the budget are reported as an offset to expenses.
- b) The core operation expenses of \$259.5 million (Note 12) shown in the Statement of Operations and Accumulated Deficit section of the Annual Report, is \$23.2 million higher than the budget of \$236.3 million. This is mainly driven by salary and benefit increases awarded – in the context of Bill 124 – to IESO staff represented by the Society of United Professionals (SUP) and the Power Workers' Union (PWU) as well as an increase in cloud-computing solutions, net of savings in professional and consulting expenses.
- c) In the Statement of Change in Net Debt, the capital portfolio of \$79.2 million is \$6.4 million above the \$72.8-million budget. A key driver for the variance is the IESO Board's approval in September 2022 of a revised MRP schedule and in-service date, which resulted in a shift in the timing of MRP expenses. The unfavourability of \$21.1 million in fiscal 2024 is timing and is offset by favourability in other fiscal years. The remaining \$14.7-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 7, 2025.

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

Chief Executive Officer and President
Toronto, Ontario
March 7, 2025



Ernest Chui

Chief Financial Officer and
Vice-President, Corporate and Market Services
Toronto, Ontario
March 7, 2025

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, 2024,
- 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, 2024, 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.

Other Matter – Comparative Information

The financial statements for the year ended end of December 31, 2023, were audited by another auditor who expressed an unmodified opinion on those financial statements on March 8, 2024

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 7, 2025

Statement of Financial Position

As at (in thousands of Canadian dollars)	Note	December 31, 2024	December 31, 2023
		\$	\$
FINANCIAL ASSETS			
Cash and cash equivalents		13,680	14,990
Accounts receivable	3	57,071	52,232
Long-term investments	4	114,400	90,357
Accrued pension asset	9	6,528	-
TOTAL FINANCIAL ASSETS		191,679	157,579
LIABILITIES			
Accounts payable and accrued liabilities	5	48,119	44,562
Rebates due to market participants	7	2,081	4,194
Debt	8	277,000	203,000
Accrued pension liability	9	-	2,884
Accrued liability for employee future benefits other than pension	9	204,518	197,991
TOTAL LIABILITIES		531,718	452,631
NET DEBT		(340,039)	(295,052)
NON-FINANCIAL ASSETS			
Tangible capital assets	10	319,076	265,463
Prepaid expenses		15,950	16,760
TOTAL NON-FINANCIAL ASSETS		335,026	282,223
ACCUMULATED DEFICIT			
Accumulated deficit from operations		(29,082)	(26,462)
Accumulated remeasurement gains		24,069	13,633
ACCUMULATED DEFICIT	6	(5,013)	(12,829)
Commitments (Note 15)			
Contingencies (Note 16)			
<i>See accompanying notes to financial statements</i>			

On behalf of the Board:



William (Bill) Sheffield
Chair
Toronto, Ontario



Peter McMullen
Director
Toronto, Ontario

Statement of Operations and Accumulated Deficit

For the year ended December 31
(in thousands of Canadian dollars)

	Notes	2024	2024	2023
		Budget \$	Actual \$	Actual \$
IESO CORE OPERATIONS				
System fees		222,928	230,078	218,385
Other revenue	11	8,527	23,214	24,270
Interest and investment income		4,866	5,642	3,576
Core operation revenues		236,321	258,934	246,231
Core operation expenses	12	(236,321)	(259,521)	(242,786)
Core operations (deficit) / surplus		-	(587)	3,445
OTHER GOVERNMENT PROGRAMS				
Government transfer		-	-	(905)
Government transfer expenses	12	-	-	905
Government transfer surplus		-	-	-
SMART METERING ENTITY				
Smart metering revenue		26,980	25,113	22,032
Smart metering expenses	12	(27,701)	(27,146)	(26,867)
Smart metering entity (deficit)		(721)	(2,033)	(4,835)
MARKET SANCTIONS AND PAYMENT ADJUSTMENTS				
Market sanctions and payment adjustments		14,042	12,776	11,645
Customer education and market enforcement expenses	12	(14,042)	(12,776)	(11,645)
Market sanctions and payment adjustments surplus		-	-	-
(DEFICIT)/SURPLUS		(721)	(2,620)	(1,390)
ACCUMULATED DEFICIT FROM OPERATIONS, BEGINNING OF PERIOD		(26,462)	(26,462)	(25,072)
ACCUMULATED DEFICIT FROM OPERATIONS, END OF PERIOD		(27,183)	(29,082)	(26,462)

See accompanying notes to financial statements

Statement of Remeasurement Gains and Losses

For the year ended December 31 (in thousands of Canadian dollars)

	2024	2023
	\$	\$
ACCUMULATED REMEASUREMENT GAINS, BEGINNING OF PERIOD	13,633	5,097
UNREALIZED GAINS/(LOSSES) ATTRIBUTABLE TO:		
Foreign exchange	19	(2)
Portfolio investments	10,417	8,538
NET REMEASUREMENT GAINS FOR THE PERIOD	10,436	8,536
ACCUMULATED REMEASUREMENT GAINS, END OF PERIOD	24,069	13,633

See accompanying notes to financial statements

Statement of Change in Net Debt

For the year ended December 31 (in thousands of Canadian dollars)	2024	2024	2023
	Budget \$	Actual \$	Actual \$
(DEFICIT)/SURPLUS	(721)	(2,620)	(1,390)
CHANGE IN NON-FINANCIAL ASSETS			
Acquisition of tangible capital assets	(72,800)	(79,253)	(72,616)
Amortization of tangible capital assets	22,209	25,640	24,067
Change in prepaid expenses	-	810	(1,995)
TOTAL CHANGE IN NON-FINANCIAL ASSETS	(50,591)	(52,803)	(50,544)
NET REMEASUREMENT GAINS FOR THE PERIOD	-	10,436	8,536
CHANGE IN NET DEBT	(51,312)	(44,987)	(43,398)
NET DEBT, BEGINNING OF PERIOD	(295,052)	(295,052)	(251,654)
NET DEBT, END OF PERIOD	(346,364)	(340,039)	(295,052)

See accompanying notes to financial statements

Statement of Cash Flows

For the year ended December 31 (in thousands of Canadian dollars)

	2024	2023
	\$	\$
OPERATING TRANSACTIONS		
(Deficit)/Surplus	(2,620)	(1,390)
Changes in non-cash items:		
Amortization	25,640	24,067
Unrealized foreign exchange (losses) / gains for the period	19	(2)
Pension expense	(9,412)	(8,907)
Other employee future benefits expense	6,527	22,263
	22,774	37,421
Changes in non-cash balances related to operations:		
Change in accounts payable and accrued liabilities	22	(35,711)
Change in accounts receivable	(4,839)	20,884
Change in rebates due to market participants	(2,113)	(16,445)
Change in prepaid expenses	810	(1,995)
	(6,120)	(33,267)
Cash provided by operating transactions	14,034	2,764
CAPITAL TRANSACTIONS		
Acquisition of tangible capital assets	(79,253)	(72,616)
Change in accounts payable and accrued liabilities related to tangible capital assets	3,535	(3,296)
Cash applied to capital transactions	(75,718)	(75,912)
INVESTING TRANSACTIONS		
Purchase of long-term investments	(13,626)	(11,219)
Cash applied to investing transactions	(13,626)	(11,219)
FINANCING TRANSACTIONS		
Debt borrowing	74,000	83,000
Cash provided by financing transactions	74,000	83,000
DECREASE IN CASH	(1,310)	(1,367)
CASH - BEGINNING OF PERIOD	14,990	16,357
CASH - END OF PERIOD	13,680	14,990

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.

In 2018, the IESO's licence was amended to require the organization to provide and promote centralized cybersecurity information services in conjunction with licensed transmitters and distributors. Under the amendment, these services include providing situational awareness of potential threats that may affect the electricity sector and developing an information exchange mechanism for sharing cybersecurity best practices to improve sector understanding of associated risks and solutions.

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 and application fees. Investment income is recognized monthly. Program revenue and application fees are recognized when service is provided.

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 all other gains and losses associated with the disposition of the financial instrument are recorded in the Statement of Operations. 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 2024.

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 2024	Estimated Average Service Life 2023
Facilities and leasehold improvements	4 to 50	5 to 50
Market systems and applications	3 to 12	3 to 12
Information technology hardware and other assets	3 to 10	3 to 10
Meter data management / repository	3 to 4	4 to 10

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, 2024, 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, 2024.

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, 2025.

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, 2025.

3. ACCOUNTS RECEIVABLE

As at December 31	2024	2023
	\$	\$
IESO-administered markets	46,816	46,885
Other	10,255	5,347
Total	57,071	52,232

4. LONG-TERM INVESTMENTS

Long-term investments in pooled funds are valued by the pooled funds manager based on published price quotations at \$113,476 thousand (2023 – \$89,433 thousand). As at December 31, the market value allocation of these long-term investments was 70.9% equity securities and 29.1% debt securities (2023 – 69.3% and 30.7%, 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 (2023 – \$924 thousand) pertaining to the Retirement Compensation Arrangements Trust (Note 8).

As at December 31	2024	2023
	\$	\$
Opening balance – pooled funds	89,433	69,676
Purchase of investments	13,626	11,219
Change in fair value	10,417	8,538
Sub-total – Portfolio of pooled funds' closing balance	113,476	89,433
Cash held by CRA	924	924
Total	114,400	90,357

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 2024 or during fiscal 2023.

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, 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

Fair value as at December 31, 2023

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Cash held by CRA	924	-	-	924
Pooled Funds	-	89,433	-	89,433
	924	89,433	-	90,357

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at December 31	2024	2023
	\$	\$
Relating to operations	37,348	37,326
Relating to tangible capital assets	10,771	7,236
Total	48,119	44,562

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 2024 (2023 - \$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	2024	2023
	\$	\$
Regulatory deferral account (a)	6,342	10,187
Smart Metering Entity (b)	2,000	4,033
Accumulated market sanctions and payment adjustments (c)	-	-
Remeasurement gains (d)	19,925	9,489
PSAS transition items (e)	(33,280)	(36,538)
Accumulated deficit - end of year	(5,013)	(12,829)

a) Regulatory Deferral Account - Accumulated Surplus

As at December 31	2024	2023
	\$	\$
Accumulated surplus - beginning of year	10,187	10,000
Core operation revenues (net of adjustments/rebates)	258,934	246,231
Core operation expenses	(259,521)	(242,786)
Recovery of annual PSAS transition items*	(3,258)	(3,258)
Accumulated surplus - end of year	6,342	10,187

b) Smart Metering Entity Account - Accumulated Surplus

As at December 31	2024	2023
	\$	\$
Accumulated surplus - beginning of year	4,033	8,868
Smart metering charge (net of rebates)	25,113	22,032
Smart metering expenses	(27,146)	(26,867)
Accumulated surplus - end of year	2,000	4,033

c) Market Sanctions and Payment Adjustments - Accumulated Surplus

As at December 31	2024	2023
	\$	\$
Accumulated surplus - beginning of year	-	-
Market sanctions and payment adjustments	12,776	11,645
Customer education and market enforcement expenses	(12,776)	(11,645)
Accumulated surplus - end of year	-	-

d) Remeasurement Gains

As at December 31	2024	2023
	\$	\$
Accumulated remeasurement gains – beginning of year	9,489	953
Net remeasurement gains/(losses)	10,436	8,536
Accumulated remeasurement gains – end of year	19,925	9,489

e) PSAS Transition Item – Accumulated Deficit

As at December 31	2024	2023
	\$	\$
Accumulated deficit – beginning of year	(36,538)	(39,796)
Recovery of annual PSAS transition items*	3,258	3,258
Accumulated deficit – end of year	(33,280)	(36,538)

* 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 2024, the IESO recognized \$2,081 thousand (2023 – \$4,194 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 (2023 – \$2,000 thousand), representing the maximum operating reserve balance, with the rebate being returned to market participants by August of the following year.

In 2024, the IESO recognized \$nil (2023 – \$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 (2023 – \$10,000 thousand) and established a \$15,000 thousand (2023 – \$15,000 thousand) threshold for annual rebates.

8. DEBT

Note payable to Ontario Financing Authority (OFA)

On June 30, 2023, the IESO repaid the note payable with the OEFC in full and subsequently entered into a note payable with the OFA. The note with the OFA is unsecured, bears interest at a fixed rate of 4.784% per annum and is repayable in full on June 30, 2026. Interest accrues daily and is payable in arrears semi-annually in June and December of each year. As at December 31, 2024, the note payable to the OFA was \$120,000 thousand (2023 – \$120,000 thousand).

For the year ended December 31, 2024, the interest expense on the note payable with the OFA was \$5,741 thousand (2023 – \$3,550 thousand).

Credit facility with OFA

The IESO has an unsecured credit facility with the OFA of \$290,000 thousand maturing June 30, 2026. On December 31, 2024, the credit facility was amended to increase the maximum principal amount from \$190,000 thousand to \$290,000 thousand. 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 0.25% per annum. As at December 31, 2024, the credit facility payable to the OFA was \$157,000 thousand (2023 – \$83,000 thousand).

For the year ended December 31, 2024, the interest expense on the credit facility with the OFA was \$5,169 thousand (2023 – \$1,932 thousand).

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, 2024, the IESO has provided the Retirement Compensation Arrangements' trustee with a bank letter of credit of \$37,835 thousand (2023 – \$36,986 thousand) the trustee can draw upon if the IESO is in default under the terms of this plan.

Workplace Safety and Insurance Board – Ontario

During 2024, the IESO provided the Workplace Safety and Insurance Board with a bank letter of credit of \$20 thousand (2023 – \$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*	2024 Pension Benefits	2023 Pension Benefits	2024 Other Benefits	2023 Other Benefits
	\$	\$	\$	\$
Accrued benefit obligation	(740,303)	(693,877)	(159,992)	(129,352)
Fair value of plan assets	815,725	687,742	-	-
Funded status	75,422	(6,135)	(159,992)	(129,352)
Employer contribution after measurement date	3,044	5,267	794	738
Deferred asset loss/(gain)	(50,778)	30,725	-	-
Unamortized actuarial loss/(gain) subject to amortization**	(21,160)	(32,741)	(45,320)	(69,377)
Accrued asset/(liability) recognized in the statement of financial position	6,528	(2,884)	(204,518)	(197,991)
Market-related value of plan assets	764,947	718,467	-	-

* Based on measurement date, unless otherwise noted

** The unamortized actuarial loss/(gain) to be amortized in 2025 for pension benefits and other benefits is a gain of \$1,477 thousand and \$2,789 thousand, respectively. The expected average remaining service life of employees covered by the pension plan for amortization is 14.3 years (2023 - 14.3 years) and other post-employment benefit plan is 16.3 years (2023 - 16.3 years).

Registered pension plan assets

The one-year actual return on the registered pension plan's assets as at September 30, 2024 was a gain of 17.9% per annum (2023 - a gain of 7.5% 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:

	2024	2023
	%	%
Canadian equity securities	10.5	10.1
Foreign equity securities	39.6	42.6
Canadian debt securities	29.2	24.1
Global infrastructure	10.9	11.9
Canadian real estate	8.9	10.8
Cash equivalents	0.9	0.5
	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	2024 Registered Pension Benefits	2023 Registered Pension Benefits	2024 Supplemental Pension Benefits	2023 Supplemental Pension Benefits	2024 Other Benefits	2023 Other Benefits
	%	%	%	%	%	%
Discount rate	6.00	6.00	4.70	5.40	4.70	5.40
Expected rate of return	6.00	6.00				
Rate of compensation increase	3.50	3.50	3.50	3.50	3.50	3.50
Rate of indexing	2.00	2.00	2.00	2.00	2.00	2.00

The assumed prescription drug inflation was 4.91% in 2024, 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 2024, 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	2024 Pension Benefits	2023 Pension Benefits	2024 Other Benefits	2023 Other Benefits
	\$	\$	\$	\$
Current service cost (employer)	13,582	12,874	5,699	5,654
Interest cost	42,031	39,509	7,212	5,892
Expected return on plan assets	(43,164)	(41,979)	-	-
Amortization of past service cost	-	3,635	950	17,272
Amortization of net actuarial (gain)/loss	(2,285)	(4,120)	(4,269)	(3,396)
Benefit cost	10,164	9,919	9,592	25,422

As at December 31	2024 Pension Benefits	2023 Pension Benefits	2024 Other Benefits	2023 Other Benefits
	\$	\$	\$	\$
Employer contribution/other benefit payments	21,799	18,713	3,009	3,176
Plan participants' contributions	12,639	9,964	-	-
Benefits paid	(32,584)	(32,296)	(3,009)	(3,176)

The most recent actuarial valuation of the IESO registered pension plan for regulatory funding purposes was completed as at January 1, 2022.

10. TANGIBLE CAPITAL ASSETS

Net tangible capital assets consist of the following:

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

Interest capitalized to assets under construction during 2024 was \$8,255 thousand (2023 - \$4,566 thousand).

Cost of Tangible Capital Assets

	As at December 31, 2022	Additions	Disposals	As at December 31, 2023
	\$	\$	\$	\$
Facilities and leasehold improvements	55,726	3,846	(34)	59,538
Market systems and applications	267,212	51,211	(84,688)	233,735
Information technology hardware and other assets	41,344	4,542	(1,011)	44,875
Meter data management/repository	21,735	100	-	21,835
Total cost	386,017	59,699	(85,733)	359,983

Accumulated Amortization

	As at December 31, 2022	Amortization Expense	Disposals	As at December 31, 2023
	\$	\$	\$	\$
Facilities and leasehold improvements	(29,649)	(1,467)	34	(31,082)
Market systems and applications	(240,468)	(14,154)	84,688	(169,934)
Information technology hardware and other assets	(29,647)	(4,957)	1,011	(33,593)
Meter data management/repository	(16,213)	(3,489)	-	(19,702)
Total accumulated amortization	(315,977)	(24,067)	85,733	(254,311)

Net Book Value

	As at December 31, 2022	As at December 31, 2023
	\$	\$
Facilities and leasehold improvements	26,077	28,456
Market systems and applications	26,744	63,801
Information technology hardware and other assets	11,697	11,282
Meter data management/repository	5,522	2,133
Total net book value	70,040	105,672
Assets under construction	146,874	159,791
Net tangible capital assets	216,914	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.

The IESO recognized investment income earned in the settlement accounts of \$18,230 thousand in 2024 (2023 - \$17,931 thousand).

The IESO also recognized a reimbursement of application fees of \$26 thousand in 2024 (2023 - collection of \$1,137 thousand) and program revenue of \$5,010 thousand (2023 - \$5,202 thousand).

12. EXPENSES BY OBJECT

Expenses by object for 2024 comprise the following:

	Core Operations	Other Government Programs	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 loss	102	-	-	-	102
Less: Recoveries	(4,953)	-	-	-	(4,953)
Total Expenses	259,521	-	27,146	12,776	299,443

Expenses by object for 2023 comprise the following:

	Core Operations	Other Government Programs	Smart Metering Entity	Market Sanctions & Payment Adjustments	Total
	\$	\$	\$	\$	\$
Compensation and benefits	166,189	52	4,176	8,382	178,799
Professional and consulting	18,712	7	836	1,366	20,921
Operating and administration	41,714	19	18,366	1,897	61,996
Amortization	20,578	-	3,489	-	24,067
Interest	1,040	-	-	-	1,040
Foreign exchange gain	(148)	-	-	-	(148)
Contract cancellation costs	-	(983)	-	-	(983)
Less: Recoveries	(5,299)	-	-	-	(5,299)
Total Expenses	242,786	(905)	26,867	11,645	280,393

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 2024 for the note payable with the OFA was \$5,741 thousand (2023 - \$2,871 thousand) and for the credit facility were \$5,169 thousand (2023 - \$1,527 thousand). As at December 31, 2024, the IESO had an accrued interest payable balance with the OFA of \$299 thousand (2023 - \$3,099 thousand).
- b) The IESO repaid in full its note payable and unsecured credit facility agreement with the OEFC on June 30, 2023 (Note 8). Interest payments made by the IESO in 2023 for the note payable with the OEFC was \$679 thousand and for the credit facility was \$405 thousand.
- c) Under the Ontario Energy Board Act, 1998, the IESO incurs registration and licence fees. The total of the transactions with the OEB was \$2,316 thousand in 2024 (2023 - \$2,032 thousand). As at December 31, 2024, the IESO had a receivable balance with the OEB of \$5 thousand (2023 - \$192 thousand).
- d) The IESO performed connection and bulk electric system impact assessments for Hydro One in 2024, and invoiced Hydro One \$325 thousand (2023 - \$690 thousand). 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. As at December 31, 2024, the IESO had a net receivable balance with Hydro One of \$63 thousand (2023 - \$127 thousand).
- e) In 2018, under the directive from the Ministry of Energy and Electrification (MOEE), the IESO exercised its termination rights under certain renewable energy contracts that had not yet reached an advanced stage in their development. The IESO and the MOEE entered into agreements in which the MOEE would compensate for the related costs to support the termination of these contracts. These agreements were concluded in 2024, the IESO had no accrued amount from the MOEE (2023 - \$905 thousand) and as of December 31, 2024, the IESO had a net balance with the MOEE of \$nil (2023 - net payable balance of \$1,938 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, 2024, the IESO did not have any outstanding forward purchase contracts (2023 - \$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 \$1,289 thousand as at December 31, 2024 (2023 - \$1,086 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, 2024, would have resulted in a change for the year of approximately \$24,126 thousand (2023 - \$18,583 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, 2024, included no material items past due and substantially all of the balance is expected to be collected within 60 days from December 31, 2024. 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:

As at December 31	2025	2026	2027	2028	2029	2030 and thereafter	Total
	\$	\$	\$	\$	\$	\$	\$
Operating Lease Commitments	6,321	3,650	3,449	2,843	1,858	22,520	40,641

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.

The IESO may be liable under additional terminated renewable energy contracts to a maximum of \$1,157 thousand; however, the likelihood or amount of any liability under these contracts cannot be reasonably determined and therefore no liability has been accrued in these financial statements.

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 nine independent, external Directors, who are appointed by the Minister of Energy and Electrification, 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 with regard to 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 the 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. Each individual is awarded a fixed compensation level within their band based upon their assessed 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 Jan. 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 2024, 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. Subsequent to this, the government repealed this framework regulation and replaced it with the 2018 Compensation Framework Regulation, which imposed a compensation freeze on executive compensation at the levels in effect on Aug. 13, 2018. 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.

Executive Compensation Statement

The 2024 Summary Compensation Table details the annual compensation for the year ended Dec. 31, 2024, for the executives listed.

2024 Summary Compensation Table

Name and Position	Base Salary (2024 earnings)	Variable Pay Awarded	Other Annual Compensation ¹	Total Cash Compensation ²
	\$	\$	\$	\$
Lesley Gallinger President and CEO	630,000	52,232	28,616	710,848
Ernest Chui VP, Corporate and Market Services and CFO	295,000	23,709	939	319,648
Robby Sohi VP, Markets and Reliability and COO	385,000	31,268	414	416,682
Chuck Farmer VP, Planning, Conservation and Resource Adequacy and CETO	378,350	30,808	6,437	415,596
Alex Foord VP, Information and Technology Services and CIO	318,000	25,692	0	343,692

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

2024 Summary Board of Directors Compensation Table

Current Board Members as at December 31, 2024

Name	Title	Appointment Date	Current Term Expiry	2024 Remuneration
				\$
William Sheffield	Board Chair	June 6, 2023	June 5, 2025	109,742.47
Simon Chapelle	Director	March 28, 2019	April 24, 2025	52,013.93
Peter McMullen	Audit Committee Chair	April 26, 2021	May 25, 2025	52,600
Robert Wong	Director	December 15, 2021	December 14, 2025	49,400
Marni Dicker	Director	June 29, 2023	June 28, 2025	43,700
Fiona Blondin	Director	August 2, 2023	August 1, 2025	42,100
Fiona Oliver-Glasford	Director	June 29, 2023	June 28, 2025	48,600
Tom Mitchell	Markets Committee Chair	January 25, 2024	January 24, 2026	38,499
David Collie	Human Resources & Governance Committee Chair	August 19, 2024	August 18, 2026	27,450

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

Chief Executive Officer and President

Ernest Chui

Chief Financial Officer and Vice-President, Corporate and Market Services

Chuck Farmer

Chief Energy Transition Officer and Vice-President, Planning, Conservation and Resource Adequacy

Alex Foord

Chief Information Officer and Vice-President, Information and Technology Services

Sue Gagne

Vice-President, Human Resources

Michael Lyle

Vice-President, Legal Resources and Corporate Governance

Glenn McDonald

Vice-President, Market Assessment and Compliance

Carla Y. Nell

Vice-President, Corporate Relations, Engagement and Strategy

Jessica Savage

Program Delivery Executive, Market Renewal Program

Robby Sohi

Chief Operating Officer and Vice-President, Markets and Reliability

Board of Directors

William (Bill) Sheffield

Chair of the Board of Directors
Former CEO and interim president, Hydro One; former CEO, Sappi Fine Papers

David Collie

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

Peter McMullen

Audit Committee Chair
Proprietor, Peter L. McMullen Professional Corporation

Tom Mitchell

Markets Committee Chair
Chair, World Association of Nuclear Operators

Fiona Blondin

Director
Senior Vice-President, Strategy and Business Development, Sterling Ridge Group

Simon Chapelle

Director
Corporate Director, The Chapelle Group

Marni Dicker

Director
Chief Legal Officer and Executive Vice-President, Infrastructure, Canadian Premier League

Lesley Gallinger

CEO and President, Independent Electricity System Operator

Fiona Oliver-Glasford

Director
Chief Strategy Officer & Vice-President, Regional Pathways, The Transition Accelerator

Robert Wong

Director
Principal, Hesketh Sloane Advisory

* As of December 31, 2024

Strategic Advisory Committee*

James Scongack (Chair)

Chief Operating Officer
and Executive Vice-President
Bruce Power
Representing: Generators

Amanda Klein (Vice-Chair)

Chief Legal Officer and Executive
Vice-President, External Affairs
and Corporate Development
Toronto Hydro
*Representing: Distributors
and Transmitters*

John Avdoulos

CEO and President
Essex Power
*Representing: Transmitters
and Distributors*

Heidi Bredenholler-Prasad

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

Michael Di Lullo

Chief Administrative Officer
Municipality of Middlesex Centre
Representing: Ontario Communities

Dr. Monica Gattinger

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

Ed Gilbert

Corporate Manager
Aamjiwnaang First Nation
Representing: Ontario Communities

Bala Gnanam

Vice-President, Sustainability,
Advocacy and Stakeholder Relations
BOMA Canada
Representing: Consumers

Paul Grod

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

Frank Kallonen

CEO and President
Greater Sudbury Hydro
*Representing: Distributors
and Transmitters*

Dave Landers

Chief Administrative Officer
City of Timmins
Representing: Ontario Communities

Kim Lauritsen

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

Tonja Leach

Executive Director
QUEST Canada
Representing: Ontario Communities

Michael Lyle

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

Scott McFadden

Former Mayor, Township of Cavan
Monaghan
Representing: Ontario Communities

Chief R. K. Joe Miskokomon

Chief
Chippewas of the Thames
First Nation
Representing: Ontario Communities

Carla Y. Nell

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

Paul Norris

President
Ontario Waterpower Association
Representing: Generators

Mark Passi

Manager, Energy
Glencore
Representing: Consumers

Annette Verschuren

Chair and CEO
NRStor Inc.
*Representing: Energy-Related Businesses
and Services*

Agnieszka Wloch

Representing: Consumers

* As of December 31, 2024

Technical Panel*

Michael Lyle (Chair)

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

Lukas Deeg

Director, Regulatory and
Environmental Policy
Capital Power

Representing: Generators

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

Indra Maharjan

Director, Energy and Infrastructure
City of Hamilton

Representing: Consumers

Forrest Pengra

Director, 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

Joe Saunders

Vice-President, Regulatory
Compliance and Asset Management
Burlington Hydro

Representing: Distributors

David Short

Senior Director, Power System
Assessments

Independent Electricity System
Operator

Representing: IESO

Vlad Urukov

Director, Generation Revenue and
Planning

Ontario Power Generation

*Representing: Market Participant
Generators*

Technical Panel Secretariat*

Trisha Hickson

Senior Advisor, Stakeholder
Engagement

Independent Electricity

System Operator

Representing: IESO

* As of December 31, 2024

**Independent Electricity
System Operator**

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