
Business Plan 2026–2028

Independent Electricity System Operator
September 1, 2025



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Letter from the President & CEO

We are at a critical juncture for Ontario's electricity sector.

The pace of change is accelerating with new infrastructure being planned and built, more choice emerging for consumers to manage their energy use, economic development underway in communities across the province and electrification happening all around us. With electricity demand in the province forecast to grow significantly over the longer term, the Independent Electricity System Operator (IESO) is focused on ensuring our system remains reliable, affordable and sustainable and positioned to enable economic growth as we secure our shared energy future.

In this era of renewed global uncertainty and rising geopolitical tensions, we are navigating the ripple effects of shifting Canada-U.S. trade dynamics. Our sector and the economy are deeply intertwined, and these changes are compelling us to adapt, recalibrate and confront new challenges head-on. While ongoing complexities are part of the landscape, there are significant nation-building and energy security opportunities to be seized for Ontario and for Canada.

Energy has become a key enabler of the province's economic policy. The government's release of the province's first ever integrated energy plan, *Energy for Generations*, in June 2025 highlights this with a vision for the future of Ontario's energy system, one that will support economic growth and fuel prosperous communities and businesses. The IESO appreciates the opportunity to have provided input into the plan that aligns to our Corporate Strategy, and we are now entrusted to deliver on key initiatives in support of the government's long-term energy vision — a mandate that is foundational to this business plan.

In recognition of the increasing role energy is playing across the economy, the government has tasked the IESO with a greater role in supporting economic development. This provincial direction affirms the IESO's critical role in promoting the growth and prosperity that is key to the economic and social well-being of Ontario residents and businesses.

Recent successes demonstrate our readiness for the challenge ahead. We have just launched the second Long-Term (LT2) Request for Proposals for new capacity and energy from all resource types, the largest competitive energy procurement in Ontario to date. We have unlocked key transmission bottlenecks to serve reliability, growth in demand and economic development. We have launched Ontario's renewed electricity market, improving the way electricity is scheduled and priced across the province to make the most cost-effective use of our increasingly diverse supply mix. We have completed the largest energy storage procurement ever in Canada, ensuring Ontario's supply needs will be met this decade. We have fostered Indigenous partnerships in energy projects, strengthened relationships with municipalities and supported their engagement on electricity matters, and we continue to build new relationships with non-traditional partners.

With the renewed market now operating successfully, evolving our markets while maintaining reliability will be an ongoing effort to support the rapid expansion of Ontario's electricity system. We will be laser-focused on finding opportunities to unlock more value from storage, co-located hybrid facilities and distributed energy resources (DER) through the Enabling Resources Program (ERP). The

first deliverable for the ERP will put tools in place that will help system operators more efficiently manage storage on the grid and help storage owners more effectively participate in the market.

Keeping system costs down is key to energy affordability, a top issue for businesses and families. The IESO has a demonstrated track record of delivering cost savings to ratepayers as demonstrated by the Market Renewal Program (MRP), which has implemented a more efficient electricity market; the Small and the Northern Hydro Programs, where the IESO is negotiating more favourable terms compared with existing contracts; our medium-term procurements, which have re-committed resources at lower costs; and the Bruce Power refurbishment negotiations, where additional savings were secured as part of refurbishment plans. These actions taken to date will equate to more than \$1 billion in savings over the next decade.

The IESO accomplished a great deal during our previous business cycle, particularly related to the government's *Powering Ontario's Growth* plan that laid the groundwork for the province's recently released long-term integrated energy plan, *Energy for Generations*. With this direction in place, the IESO will continue to accelerate the Big Build and leverage the actions already in motion to attract smart investments in new infrastructure that will spur further investments across our sector and make the system future-ready. And while we increase the pace of building new infrastructure in the province, we must also avail ourselves of opportunities to do more with the system we already have in place, to find value and support industry, all while ensuring electricity remains reliable, affordable and sustainable. This means enabling short-term economic growth that optimizes existing infrastructure and drives down costs, making it easier for businesses to connect to the grid. In other words, we will work to ensure our electricity system is available and ready to support the growth of communities, as well as new investments in our province.

Additionally, as part of our core mandate to operate a reliable, affordable and sustainable electricity system, we will invest in artificial intelligence (AI) tools, cyber security technology and data governance processes that keep our systems safe in an increasingly complex operating environment. And we will continue to invest in our people and our organization to empower leaders and teams to deliver on our priorities. As we continue to foster a corporate culture that is focused on delivering outcomes for Ontarians, we will also need to deepen our talent pool, ensuring we have the skills in place not just to support our day-to-day operations, but to enable the accelerated build-out of the system of the future.

To meet this critical moment in the evolution of Ontario's energy system, we must grow as an organization in lockstep with the electricity grid and the sector. The IESO is requesting a Revenue Requirement of \$329 million in the first year, a 40 per cent increase from 2025. Three-quarters of this increase is the result of legacy pressures and previously deferred costs, including the one-time impact of Bill 124. In 2027 and 2028, the IESO is seeking to increase its Revenue Requirement to \$357 million and \$365 million, or by 9 per cent and 2 per cent year over year, respectively, with investments focused on ensuring the IESO can continue to deliver our core mandate, enable growth in the short term and accelerate the Big Build. Throughout the upcoming cycle, the IESO expects to account for just 1.2 per cent of the system cost each year, ensuring the IESO is growing and delivering outcomes in direct alignment with the growth of the system and positioning the IESO to enable the vision outlined in the integrated energy plan.

Despite the many uncertainties that lie ahead, we are confident that as we connect today and power tomorrow, we will play a key role in growing our economy as we work in partnership with businesses,

municipalities and Indigenous communities — following our shared path toward a prosperous and clean energy future. Ontario’s economic growth depends on the strength of our electricity system, and the IESO is uniquely positioned to drive and guide the sector as we build out our system for generations to come.

We are ready.

A handwritten signature in black ink, appearing to read 'Lesley Gallinger', with a long horizontal flourish extending to the right.

Lesley Gallinger, MBA, CPA, CPA (Illinois), C.Dir.

President & CEO

HIGHLIGHTING THE IESO MANDATE

At the core of its mandate, the IESO is responsible for ensuring the reliability, affordability and sustainability of Ontario's electricity system. The following initiatives demonstrate the breadth and impact of our work.



SYSTEM & MARKET OPERATIONS

Control Room supported by ~1,000 servers and 150 IT tools, many of which will need continual updates as we evolve with grid expansion and associated changes.



TRANSMISSION EXPANSION

20 transmission plans under development; 13 new transmission projects underway.



RESOURCE PROCUREMENTS

More than 10 new active procurement streams with most emphasizing competition to drive value for ratepayers; 30 new competitively procured greenfield projects underway from previous procurements.



ENGAGEMENT

Hundreds of engagements are held across the province with businesses and industry, communities and Indigenous rights-holders, to build support for the IESO's work.



ENERGY EFFICIENCY

Delivering a 12-year, \$10.9B energy efficiency framework, which includes programs for families and businesses.



PROGRAM ADMINISTRATION

Administering \$40M/yr in government grant programs ranging from innovation to Indigenous capacity enhancements.



CYBER SECURITY

Growing responsibility for a more complex cyber security environment across both the IESO and the sector.



COMPLEX PLANNING

Need to plan for rapid demand growth, the prudent and orderly sequencing of hundreds of billions in new infrastructure, and the integration of multiple energy types.



POLICY ADVICE

10 government report-backs delivered in 2024 ranging from detailed policy analysis to billion-dollar project assessments.



2026–2028 Business Plan – IESO Priorities

Introduction

A reliable, affordable and sustainable electricity system is fundamental to the economic prosperity and well-being of all Ontarians. Each and every day, they count on the IESO to ensure electricity is available where and when it is needed.

The IESO works at the heart of Ontario’s electricity system delivering an essential service to support economic growth. Through collaborative and purposeful work with market participants, municipalities, Indigenous communities, government bodies and a vast range of other partners in the energy sector and beyond, we deliver key services across the electricity sector including: managing the power system in real time, planning and procuring resources to meet the province’s future energy needs, enabling energy efficiency and demand-side management (DSM), and delivering a more efficient electricity marketplace to support sector evolution.

The IESO plays a unique and critical role in Ontario’s energy ecosystem — and in the province as a whole — as well as in enabling a future state that drives economic growth, delivers electricity reliability and underpins societal well-being and prosperity for generations to come. The IESO remains focused on its mandate to maintain a reliable, affordable and sustainable electricity system as well as support Ontario’s economic growth.

Since the refresh of our five-year Corporate Strategy in 2022, changes to the IESO’s operating environment have emerged, driven by government policy and regulation, public sentiment, technology and economics. In 2025, we conducted a mid-cycle review to assess our Corporate Strategy within the context of these interconnected drivers to respond to the changing energy landscape. This business plan signals how the organization is refining its strategic approach in alignment with the province’s integrated energy plan, and it adds more specificity and detail on how we plan to maintain operational excellence in an evolving electricity system while making incremental investments to support the Ontario government’s plan for economic growth in the coming years. As such, the IESO’s *2026–2028 Business Plan* has been built to deliver on this vision by:

- Ensuring we can continue to reliably operate an increasingly complex electricity system;
- Investing in opportunities to derive more value from the infrastructure in place today; and
- Accelerating our efforts to plan, engage across and beyond the sector, and develop new infrastructure for tomorrow.

Accelerating the Big Build

There is an urgent need for new electricity infrastructure to be built across the province to meet our long-term forecasts for demand growth. Meeting this demand will require the IESO to accelerate the pace of new infrastructure planning, procurement and development while maintaining affordability; as well as engagement efforts to galvanize support across governments, the electricity sector, capital markets, and with municipalities and Indigenous communities.

Communities across the province are growing, and electricity is being relied on to do more than ever, powering transportation, industry and home heating. At the same time, trade uncertainty and geopolitical tensions are posing risks to the Ontario economy, and the need to accelerate the build-out of our energy system has become even more critical to protecting Ontario's economic prosperity — and Canada's national sovereignty — for generations to come.

In response, the IESO is moving faster to build bigger, leveraging actions already in motion to make smart investments in new infrastructure and the system future-ready. One of the most important initiatives underway in support of these efforts is the LT2 RFP, the largest competitive electricity procurement ever in Ontario. With demand forecast to grow at a significant rate, the IESO has increased energy and capacity targets, as well as the frequency of procurement windows to happen on an annual basis.

While the LT2 RFP is open to all forms of large generation and storage, the IESO is also moving forward with procurements for other existing and new resources. The IESO will support the next steps in the Ontario New Nuclear Feasibility Study by working with Ontario Power Generation and Bruce Power on early planning for additional nuclear generation. This includes building on the impact assessment work for Bruce "C" to advance the next stages of new nuclear pre-development work. We have launched a Request for Information focused on long lead-time resources, in particular long-duration energy storage and new hydroelectric generation. And, in recognition of the proliferation of smaller resources located in local distribution networks, a Local Generation Program is being developed that will secure resources under 10 MW.

As new sources of generation and storage are built, and new consumers connect to the grid, an expansion of our transmission system will be critical to efficiently move electricity across the province. Major transmission infrastructure is already underway or planned across the province, with more expected in the coming years. To build transmission more cost-effectively, the IESO has just launched a transmitter registry as part of the upcoming Transmitter Selection Framework, which will encourage competition among transmitters, encourage innovation and put downward pressure on costs. It also creates new opportunities for Indigenous communities and responds to the growing leadership role they have been taking in transmission development.

Accomplishing this will also require the IESO to galvanize support for new infrastructure development across governments, the electricity sector, capital markets, municipalities and Indigenous communities. We will accomplish this by building on the strength of our relationships through purposeful, inclusive, timely, accessible, traceable and transparent engagements, as set out in the IESO's External Relations Engagement and Indigenous Engagement Frameworks. We will underpin all

this work by continuing to leverage the expertise and knowledge from our Strategic Advisory Committee, Associations Liaison Group and Technical Panel.

As we embark on this work, it means gathering input and building relationships with a broader range of non-traditional sector participants to build support for new electricity infrastructure development. Our work in this area will continue to be guided by the External Relations Engagement and Indigenous Engagement Frameworks, which have been designed to chart a collective path for the IESO, stakeholders, municipalities and Indigenous communities to work together recognizing the value of different perspectives as we collectively shape our energy future.

When considering all these initiatives to build more infrastructure, it is important to keep in mind the associated planning, contract management and engagement work and resources necessary to ensure success. As of this publication, the IESO already manages more than 33,000 contracts representing 27,000 MW of installed capacity with another 4,000 MW under development, and incremental investments will be made to administer the increasing portfolio of contracts from ongoing and future procurements.

In addition to being involved in 13 regional electricity plans and seven bulk transmission planning processes as of this publication, incremental investments will be made to undertake more complex and frequent planning assessments of our increasingly sophisticated system to manage uncertainty and support responsible investment decisions for the province. This includes assessing multiple growth scenarios; preparing for integrated gas-electric planning; and the ongoing reassessment of acquisition targets to ensure procurements are designed to provide not only the best outcomes for ratepayers, but also the best information to help potential investors in Ontario make informed and efficient business decisions. Finally, the IESO will work with the province to unlock new trade and nation-building opportunities, including assessing new and expanded transmission interconnections with our neighbours, particularly to strengthen east-west trade and create new pathways for electricity to flow across Canada.

Looking ahead, supporting the government's economic growth policies will be a main driver of the IESO's actions and initiatives. We will build on our work in 2024, when we delivered 10 reports back to government ranging from detailed policy analysis to billion-dollar project assessments. We will carry this out by driving and guiding policy and sector dialogue on the configuration of the future energy system. We will also deepen our strategic relationships across and beyond the sector to cover broader aspects of the system, including new Canadian interties, increasing co-ordination between transmission and distribution systems, continued gas-electric co-ordination, streamlined energy procurement processes and supporting Indigenous engagement in procurements. This will ensure not only confidence among those with whom we engage, but also effective co-operation of planning efforts in partnership with the Ministry of Energy and Mines and the Ontario Energy Board (OEB) as we drive and guide the sector's future to accelerate the build-out of the system.

Enabling Economic Growth in the Short Term

Alongside efforts to accelerate the Big Build and enable long-term prosperity, there is an urgent and immediate need to support businesses, industry and economic growth in Ontario. To this end, energy efficiency has been and will continue to be crucial to helping residents, businesses and communities manage their costs, while also reducing demand on the grid in the near term. With large businesses and industry making investments that are reshaping Ontario's economy, the IESO is committed to evolving our business alongside them. Through this plan, the IESO is driving to become a more customer-oriented organization, from our first engagements with a business looking to invest in the province all the way through their final connection and participation in Ontario's electricity market. As the system evolves, the IESO will advance reliability and cost-effectiveness by making investments to derive more value from infrastructure that is already in place or under development by creating further opportunities to participate in electricity markets.

While new large infrastructure is being built, there are more immediate steps the IESO is taking to support economic development. DSM tools continue to be an invaluable resource for maintaining reliability and keeping costs low, and programming is expanding. This was reaffirmed when we launched the 2025–2036 Electricity Demand Side Management Framework (eDSM Framework) at the beginning of 2025, which builds on the success of the previous framework and is the largest and longest commitment to energy efficiency programs in Ontario's history, all delivered under the trusted Save on Energy brand. This 12-year, \$10.9-billion framework will be delivered through an expanded portfolio of new and enhanced programs that reduce demand on our existing electricity infrastructure and provide continuing opportunities for families and businesses to keep their energy costs affordable.

While energy efficiency programs help all consumer segments manage their energy use and save costs, a customer-oriented approach is also needed to help new businesses connect to the grid. Ontario's reliable, affordable and sustainable electricity system continues to attract business development, and as more large businesses consider investing in our province — there are about 15,000 MW of large step loads moving through the IESO's connection process as of this publication — we need to find creative ways to make it easier for them to connect to the grid. We will build on this work by continuing to support the customer and meet them where they are at on their electricity journey. To do so, the IESO is implementing a "concierge-style" approach to ensure customers understand where and how to connect, while streamlining and simplifying our processes so that we can guide customers from start to finish.

This approach also reflects how the electricity needs of large customers are evolving. Data centres and electric arc furnaces consume large amounts of power in unique ways, and a more collaborative approach is needed to ensure they can connect quickly while also maintaining grid reliability. Connecting these and other new customers will also require investing in more sophisticated system modelling and monitoring tools, technical expertise and training that will allow the IESO to more effectively and efficiently connect larger, more complex, and a growing number of customers to the system without jeopardizing reliability and safety. These types of tools are also needed to manage

the battery energy storage systems procured to date, as well as intermittent resources, like wind and solar, to be procured in the future.

Lastly, in addition to supporting economic development through energy efficiency programs and a more collaborative, customer-oriented approach, the IESO is extracting more value from existing resources and opportunities to expand participation in our markets and support reliability. With the successful rollout of the MRP now complete, we are extending the focus of our ongoing efforts to evolve the real-time markets to improve market efficiency by moving forward on the ERP. This program builds on the foundation of the renewed market and represents the next step in the IESO's planned market evolution. The immediate focus is on enhancing market and system operations to accommodate the thousands of megawatts of battery storage that are starting to connect to the grid.

As the ERP evolves, efforts will be made to develop new systems and tools to enable not just storage, but also new co-located hybrid resources and an expanding fleet of DERs to be used more efficiently and provide more value in our electricity market. The ERP will also work with distributors to improve the co-ordination of DERs that can support the distribution and bulk power systems. With projects executed under the ERP, new participation models will be in place to enable these resources to provide capacity, energy and ancillary services; and support the safe, reliable and efficient operation of the bulk electricity system.

Delivering on Our Core Mandate

Throughout the business planning period, the IESO must continue to deliver its core mandate of operating a reliable, affordable and sustainable electricity system. Accelerating the Big Build and enabling short-term economic growth are immense tasks, so it is imperative that the IESO invests in its people and processes to ensure we continue to operate the grid reliably and affordably. As our environment becomes increasingly complex, the organization will make the incremental investments that allow us to maintain operational excellence, including in our talent and new technologies.

Net new investments will be required to allow the IESO to continue to deliver its current suite of services to the province. Going forward in the 2026–2028 cycle, we already foresee a fast-changing sector with tighter operating conditions as the province grows, hundreds of new market rules and reliability standards, more cyber threats and an increasingly sophisticated suite of system software and AI-driven tools to manage. This reinforces the need for us to invest and remain focused on how we deliver our core mandate.

As the province and the grid grow, the IESO will need to manage an increasingly complex operating environment. To put the challenge in perspective, when Algoma Steel’s electric arc furnaces — of which the first was recently completed — turn on, they ramp up from 75 MW to 300 MW of load demand in less than 25 seconds and will do so up to 12 times an hour. That is the equivalent of adding a city the size of Sault Ste. Marie to the grid and then removing it up to 12 times an hour. Ensuring industrial businesses such as Algoma Steel have the confidence in the electricity system requires ongoing investment in the people, processes and tools that operate and maintain the grid. This includes increasing the number of employees operating and supporting the Control Room, new tools to manage the electricity market, and ensuring our workforce continues to have the skills needed to maintain Ontario’s world-class track record of reliability.

To maintain our reputation for reliability, we are also putting in place plans to ensure resource adequacy reliability standards are met for the next five years amid the evolving operational environment to give the market — that is, investors — a clear view of how the IESO will meet system needs, whether through competitive procurement, bilateral contracting or government action. As a sector leader, we will also ensure system reliability through adherence to North American Electric Reliability Corp. (NERC) standards.

The IESO Control Room is supported by more than 1,000 pieces of IT software and equipment that are critical to keeping the lights on 24 hours a day, 365 days a year. Many of these tools and infrastructure will reach their end of life during this planning period and will need to be updated, maintained or upgraded. The IESO will need to make investments as it manages, prioritizes and coordinates the management of its IT assets and infrastructure. This includes identifying opportunities to introduce new technologies that can enhance the effectiveness of our operations.

The development of AI and the ever-growing complexity of the electricity system have highlighted the critical importance of maintaining an IT infrastructure that provides robust and reliable data, and a cyber security program that is safe and secure. We will continue to meet these obligations by maintaining best practices that uphold the integrity of the bulk system. The growth of AI is a key

initiative to support this work to improve our business processes, technology and tools. To this end, the IESO will make new investments in AI; deepen the integration of Lean Six Sigma practices that maximize value and minimize waste across the organization; and accelerate our ability to evolve and optimize our internal processes, technologies and tools to safeguard against cyber security threats. This will also improve our organizational efficiency as we minimize red tape and streamline internal processes in alignment with our strategic goals.

Data is a critical, insightful resource the IESO relies upon in much of our work to enhance our decision-making and drive efficiency. Data governance will have significant impacts on future efficiency opportunities and cost savings through streamlining workflows and automation, and so we will also create a dedicated data governance function to help us enhance data quality and realize efficiency savings through improved productivity across the IESO. Critical to success of AI and machine-learning implementation/usage is data governance, which will enhance business efficiency, innovation and competitive advantages in multiple areas of the IESO's work, including price and demand forecasting, grid stability and energy trading. Maintaining an enhanced data governance regime will require investments to implement, upgrade and replace critical technology solutions, such as the IESO's file server platforms, which support our ability to effectively manage and govern this data as well as limit potential disruptions.

With Ontario's energy sector rapidly evolving and the modern workplace transforming at a breakneck pace, investing in learning and development to optimize our talented workforce is more important than ever. We are taking a strategic, future-focused approach to managing our talent resources, positioning the IESO as an employer of choice in a competitive and dynamic market. As our team grows, employees will be provided with meaningful opportunities to build future-ready capabilities — enhancing their technical, creative and critical-thinking skills. They will be empowered to embrace emerging technologies, lead innovation and step confidently into leadership roles that shape the future. Fostering a culture of continuous improvement will be central to our strategy to build resilience, promote retention and strengthen employee engagement and connection to the organization. To support this, the IESO has launched an Employee Value Proposition that reinforces that our people are not just part of our organization, they are the driving force behind our collective success and future impact.

Other investments to help attract, retain and support our growing number of employees will touch on different areas, from maintaining competitive compensation to attract top talent to creating a modern, technology-enabled, activity-based workplace over an optimized real estate footprint through our ongoing Future@Work project. The Future@Work project is renovating our Adelaide and Clarkson locations so that they can support our growing workforce and find more efficient, collaborative and productive approaches for employees to undertake their work. During the construction phase of this project, we are being persistent with finding schedule and cost efficiencies while minimizing disruption to both the project and IESO employees. Savings have occurred through deferred asset replacement and preventative maintenance, which has extended asset longevity overall and maximized the IESO's return on investment. The IESO remains focused on ensuring employees operate under a work model that supports a collaborative, high-performing and efficient workforce in line with industry best practices. As part of our ongoing work to enhance our corporate footprint, the IESO will continue to monitor and assess work model changes within the government, across our sector peers as well as the employment landscape more broadly.

Financial Overview

The *2026–2028 Business Plan* reflects the IESO’s commitment to supporting the province’s first ever integrated energy plan, *Energy for Generations*, with investments to deliver on the work needed to accelerate the Big Build and enable short-term economic growth. At the same time, investments are required to support our core mandate,¹ allowing the IESO to continue to successfully operate in our increasingly complex and evolving environment, and ensure Ontario’s electricity system is reliable, affordable and sustainable. This is all underpinned by a drive towards continuous improvement and operational excellence, balancing costs with affordability through internal efficiencies where possible.

To enable the IESO to support the government’s vision, ensuring we meet the increasing demand of Ontario and grow in lockstep with the sector — all while addressing legacy pressures and investing in core operations — the IESO is proposing to increase its Revenue Requirement by 40 per cent in 2026, 9 per cent in 2027 and 2 per cent in 2028. A significant portion of the 2026 increase is due to legacy cost pressures and cost deferrals from the *2023–2025 Business Plan* — driven primarily by the reversal of the cap on salary rate increases from Bill 124 — that the IESO has absorbed without passing the impacts to ratepayers. (The *2023–2025 Business Plan* had been submitted to the Minister before Bill 124 was repealed.) Despite these increases, the IESO remains consistent at 1.2 per cent of overall system costs throughout the cycle, a strong indicator that costs are aligned with overall projected system growth.

As a not-for-profit corporate entity, this step change largely represents a one-time correction to address the structural deficit to bring the IESO back to a balanced budget for the *2026–2028 Business Plan*. For the average residential electricity bill, this would translate to a projected per month increase of 48 cents, with 44 of the 48-cent increase occurring in 2026.²

After a thorough review, staffing levels are targeted to increase by on average 3.3 per cent annually over three years to 1,068 full-time equivalents (FTE). These investments will allow the IESO to effectively execute on the government’s vision and support ongoing operations in an increasingly complex environment. The IESO has taken a three-year, phased-in approach for the staffing additions to better align resources with initiatives and mitigate expenses over the business plan period, including consideration for expected onboarding time and organizational downstream impacts. Through rigorous review, we have considered the enduring nature of the underlying work while leveraging new ways of doing things to ensure we are meeting Ontario’s needs in the most financially prudent manner.

Incremental Investments to Enable the Government’s Vision

The IESO is seeking an approximate 15 per cent incremental investment over three years in the *2026–2028 Business Plan* to effectively support the Ontario government’s economic growth policies in the coming years as well as our core work to continue delivering the organization’s existing suite of

¹ As part of its mandate, the IESO operates several programs that are funded from other sources that are not included in this business plan, including the Smart Metering Entity, market rule enforcement and education and certain energy efficiency programs.

² Rates have been calculated based on *2025 Annual Planning Outlook*.

services to the province. As highlighted in more detail in the previous section, there are three main priorities the IESO is addressing in this business planning cycle.

Accelerating the Big Build – The IESO is being asked to support the province through its work on 13 regional electricity plans and seven bulk transmission plans. The IESO is conducting ongoing programs and competitive long- and medium-term procurements for the foreseeable future to provide nearly 6 GW of capacity and 17 TWh of energy by 2034. The IESO will also be responsible for post-procurement contract management activities throughout project development and commercial operations. To achieve the plan set out in *Energy for Generations*, the IESO is investing in a significant level of engagement for planning and procurement with various partners, including different levels of governments, the electricity sector, capital markets, municipalities and Indigenous communities.

Enabling Economic Growth in the Short Term – The IESO is developing the tools and resources needed to implement the eDSM Framework which, over the first three-year period, aims to achieve at least 4.6 TWh of electricity savings, 900 MW of peak demand savings and net system savings of \$2.8 billion through programs that support cost-saving businesses and residences. Growth is also enabled by continuing to invest in evolving the real-time markets to improve market efficiency, support reliability and achieve net ratepayer savings, as we are doing with the ERP, which builds on the foundation of the renewed market and represents the first step in the IESO’s planned market evolution. In addition, the IESO is developing a Market Evolution Framework, a structured approach for planned market evolution to support the efficient utilization of existing and future resources. Lastly, the organization will need to enhance market operations and streamline connection processes to support thousands of megawatts in data centre and industrial load connection requests, the integration of \$7 billion of new transmission infrastructure into the system, the addition of thousands of megawatts of energy storage resources as well as supply mix changes.

Delivering on Our Core Mandate – As the operating environment becomes more complex, we need to make incremental investments that allow us to continue to deliver our core mandate of ensuring a reliable, affordable and sustainable electricity system. This includes investing in cyber security to protect our operations, avoid market disruptions and ensure our system and assets are safeguarded and secure; as well as devoting more resources into our system, tools and processes to keep pace with these changes. Moreover, with the growth of AI, the IESO is streamlining workflows and automating processes that will support future efficiencies and create organizational capacity for higher-priority work. In addition, continued investments in program and change management will improve internal resource efficiency, driving savings on implementation costs. Lastly, the IESO will maintain its median competitive compensation and benefit packages to ensure the organization continues to retain and attract top talent, which is critical to allow the IESO to effectively execute our mandate.

Baseline Pressures

The 2026 Revenue Requirement is driven primarily by baseline pressures, driving 32 points of the 40 per cent increase. A large portion of this increase comprises legacy cost pressures that predate 2026, including restoring the \$10-million operating reserve the IESO was compelled to expend in a 2023–2025 business cycle that is projected to run a deficit of \$41.6 million. This deficit is primarily owing to the reversal of the cap on salary rate increases from Bill 124 and the shift of the DSM funding mechanism from the Global Adjustment fee to the IESO Usage Fee; this funding shift is cost-neutral

to the overall system. The IESO was able to maintain stability to the ratepayer, with all these costs being deferred through the *2023–2025 Business Plan*.

Layered onto this are additional legacy costs that were primarily contained in 2023–2025 through diligent cost containment, higher net interest revenue and increased demand usage. With the reset of the demand projections and reduced interest rates, these costs will no longer be offset and will need to be recovered in 2026–2028 to maintain a balanced budget. These costs include increases to regulatory membership fees and ongoing Bill 124 impacts, including those driven by collective bargaining re-opener negotiations.

On a go-forward basis, the *2026–2028 Business Plan* will see incremental cost pressures relating to increases in actuarial pension expenses, a decrease in net interest revenue due to fewer investment income settlement days and reduced interest rates, wage increases from collective bargaining and non-compensation inflationary impacts. Amortization expense is expected to rise as a result of the approved capital plan, including the full-year impact of the MRP, which went live May 2025. The IESO continues to see incremental shifts towards cloud-based solutions, including replacements for our Meter Data Management System (MDMS) and Corporate and Market Financial Systems.

In light of the IESO’s mandate and the unprecedented pace of change in Ontario’s energy sector, the IESO is proposing to raise its operating reserve to \$30 million for the upcoming three-year planning cycle. The original \$10-million reserve was set under the assumption of a stable, one-year planning horizon, but in recent years, the sector has undergone transformative and rapid changes, exposing the IESO to greater, and less predictable operational and financial pressures.

In the IESO’s 2023–2025 Revenue Requirement Submission, a proposed reserve increase to \$15 million was not approved, leaving the IESO operating with insufficient reserves just as unforeseen events, such as new government directives and legislative changes (e.g., *Powering Ontario’s Growth* and Bill 124), imposed unanticipated costs. These pressures have underscored the need for enhanced financial flexibility so the IESO can swiftly and effectively respond to emerging policy requirements, sector growth and geopolitical shifts while ensuring rate stability for Ontarians. This requested increase better aligns with the realities of a three-year planning cycle and rapid sector transformation.

Overall, the baseline cost increase represents the unavoidable cost to continue delivering existing service to the province, with a significant portion a result of cost deferral from the *2023–2025 Business Plan*, which are being passed through in this business plan to maintain a balanced budget.

Efficiencies

The IESO is committed to balancing costs with affordability through internal efficiencies where possible. In addition to the efficiencies we achieved within the *2023–2025 Business Plan*, we remain committed to continuously seeking opportunities to recognize savings and mitigate costs. As a result, we have included a 1 per cent annual efficiency target through the business cycle that will be achieved by leveraging AI, minimizing red tape and streamlining internal processes in alignment with our strategic goals.

Detailed Financials

The following table outlines *2026–2028 Business Plan* operating revenues and expenses:

Pro Forma Statement of Operations
For the Year Ended December 31
(in Millions of Canadian Dollars)

| | 2025 Original Budget | 2025 Revised Budget | 2025 2nd Interim Outlook | 2026 Budget | 2027 Budget | 2028 Budget |
|--|-------------------------------------|------------------------------------|--|------------------------|------------------------|------------------------|
| Revenue | | | | | | |
| IESO Usage Fee – Annual Expenses | 229.7 | 235.1 | 235.1 | 309.9 | 338.3 | 345.6 |
| IESO Usage Fee – Reserve Restoration | - | - | - | 18.9 | 18.9 | 18.8 |
| Total Revenue | 229.7 | 235.1 | 235.1 | 328.8 | 357.2 | 364.4 |
| Expenses | | | | | | |
| Baseline Expenses | 188.6 | 194.0 | 212.9 | 230.6 | 248.2 | 254.2 |
| Accelerating the Big Build | 11.3 | 11.3 | 12.5 | 16.0 | 19.4 | 20.8 |
| <i>Resource Adequacy</i> | <i>8.1</i> | <i>8.1</i> | <i>9.0</i> | <i>10.0</i> | <i>11.1</i> | <i>12.1</i> |
| <i>Stakeholder & Rights-holder Engagement</i> | <i>3.2</i> | <i>3.2</i> | <i>3.5</i> | <i>6.0</i> | <i>8.3</i> | <i>8.7</i> |
| Enabling Economic Growth in the Short Term | 4.2 | 4.2 | 9.3 | 18.9 | 24.7 | 28.5 |
| <i>Enhanced Market Operations</i> | <i>4.2</i> | <i>4.2</i> | <i>6.0</i> | <i>14.3</i> | <i>20.7</i> | <i>24.3</i> |
| <i>Demand-Side Management</i> | - | - | <i>3.3</i> | <i>4.6</i> | <i>4.0</i> | <i>4.2</i> |
| Delivering on Our Core Mandate | 5.3 | 5.3 | 7.7 | 16.3 | 21.3 | 22.5 |
| <i>Sustaining Technology, Evolving Processes & Tools</i> | <i>2.2</i> | <i>2.2</i> | <i>2.4</i> | <i>5.3</i> | <i>6.5</i> | <i>6.5</i> |
| <i>Cyber Security</i> | <i>2.1</i> | <i>2.1</i> | <i>3.6</i> | <i>5.3</i> | <i>6.1</i> | <i>6.3</i> |
| <i>Investing in Organizational Talent & Skills</i> | <i>1.0</i> | <i>1.0</i> | <i>1.7</i> | <i>3.5</i> | <i>4.8</i> | <i>5.9</i> |
| <i>Artificial Intelligence</i> | - | - | - | <i>0.6</i> | <i>2.1</i> | <i>2.0</i> |
| <i>Info & Data Governance</i> | - | - | - | <i>1.1</i> | <i>1.3</i> | <i>1.3</i> |
| <i>Facilities Maintenance</i> | - | - | - | <i>0.5</i> | <i>0.5</i> | <i>0.5</i> |
| <i>Enhancing System & Integrated Planning</i> | - | - | - | - | - | - |
| Efficiency Target | - | - | - | (3.3) | (7.0) | (10.7) |
| Operating Expenses Sub-Total | 209.4 | 214.8 | 242.4 | 278.5 | 306.6 | 315.3 |
| Amortization | 27.0 | 27.0 | 29.2 | 37.1 | 40.4 | 40.3 |
| Net Interest | (9.2) | (9.2) | (9.0) | (5.2) | (8.4) | (9.7) |
| Registration Fee | - | - | (0.5) | (0.5) | (0.3) | (0.3) |
| Market Renewal Program | 2.5 | 2.5 | 2.5 | - | - | - |
| Total Expenses | 229.7 | 235.1 | 264.6 | 309.9 | 338.3 | 345.6 |
| Operating Reserve / Deficit | - | - | (29.5) | 18.9 | 18.9 | 18.8 |
| Accumulated Operating Reserve | | | (26.6) | (7.7) | 11.2 | 30.0 |

Year-over-Year Variance (2026 vs Revised Budget & Outlook)

40%

9%

2%

Capital

The 2026–2028 Business Plan capital envelope supports investments across the three business plan drivers (Accelerating the Big Build, Enabling Economic Growth in the Short Term and Delivering on Our Core Mandate) with commitments made on an individual basis. This approach is consistent with prior business plans and allows the appropriate level of flexibility to manage change over the business planning timeframe. Appendix 3 indicates the breakdown of investments across these three categories. The overall capital budget requirement for 2026–2028 is slightly lower than for 2023–2025, reflecting the completion of the MRP and the relocation of our Backup Control Centre in 2025, as well as a ramp-up of expenditures for the Space Needs Program and the ERP. The budget for the Future@Work project reflects a shift in spending as a result of a later-than-anticipated start of construction activities for our Adelaide and Clarkson System Control Centre locations.

Increases in the core operations portfolio reflect a significant investment in our System Control Centre’s mechanical, electrical and structural infrastructure and the replacement or upgrade of a number of critical business systems, including our Supervisory Control and Data Acquisition (SCADA)/Energy Management System (EMS), Dispatch Scheduling Optimizer (DSO), Market Information Management (MIM), Control Room phone system and wallboard infrastructure. These increases are partially offset by the need to expense other large investments such as the replacement of our MDMS and Corporate and Market Financial Systems, which will be supported by cloud-based solutions that cannot be capitalized.

| Capital Budget Request (\$ Millions) | 2025 Budget | 2025 2 nd Interim Outlook | 2026 Budget | 2027 Budget | 2028 Budget | 3-Year Total |
|--------------------------------------|---------------|--------------------------------------|---------------|---------------|---------------|----------------|
| Core Portfolio | \$27.3 | \$23.5 | \$30.5 | \$34.2 | \$30.3 | \$95.0 |
| Enabling Resources Program | \$3.3 | \$6.0 | \$9.7 | \$8.6 | \$11.4 | \$29.6 |
| Space Needs Program | | | | | | |
| Future@Work | \$13.0 | \$21.0 | \$20.2 | \$15.6 | \$9.5 | \$45.3 |
| Backup Operating Centre | - | \$2.0 | - | - | - | |
| Market Renewal Program | \$28.0 | \$16.1 | - | - | - | |
| Total Capital Envelope | \$71.6 | \$68.6 | \$60.5 | \$58.4 | \$51.1 | \$170.0 |

Full-Time Equivalent Staffing

The IESO has taken a three-year, phased-in approach for new FTEs to better align resources with initiatives and mitigate expenses over the business plan period. Over the three years, the IESO will add FTEs at an average of 3.3 per cent for each year of this business plan, for a total increase of 97

FTEs over three years compared with our 2025 Forecast.³ These additions are evenly split into each of the three main areas of incremental investment: accelerating the Big Build, enabling short-term economic growth and delivering on our core mandate.

In 2026, employees returning from supporting the MRP will be leveraged for other key project initiatives, including the ERP, a significant focus over the next several years.

Throughout the three years of the business plan, new incremental investments will be focused on work to support enhanced market operations, increased stakeholder engagement to support the integrated energy plan, continued investments in DSM and Resource Adequacy as well as resources for core work to evolve our processes and tools. Our phased-in approach to hiring allows for more seamless onboarding and organizational integration while managing costs and downstream impacts in a financially prudent manner. By 2028, the IESO will fully onboard resources, bringing the average FTE count to 1,068.

| Average Full-Time Equivalents (FTEs) | 2025 Revised Budget | 2025 2nd Interim Outlook | 2026 Budget | 2027 Budget | 2028 Budget |
|---|----------------------------|--|--------------------|--------------------|--------------------|
| Core Operations | 886 | 932 | 999 | 1,043 | 1,068 |
| Market Renewal Program | 44 | 39 | - | - | - |
| Total FTEs | 930 | 971 | 999 | 1,043 | 1,068 |

³ The 2025 Forecast is aligned to the second Interim Outlook of the 2023–2025 business cycle, *Interim Year Business Outlook 2023–2027*, where the IESO had identified a 41 FTE increase primarily due to DSM staff moving to Core Operations from Global Adjustment funding, as well as insourcing resources as per Union requirements. Refer to the *Interim Year Business Outlook 2023–2027* for more details.

Appendix 1 – IESO Performance Management – Measures and Targets

The IESO's performance management program provides an important level of oversight for the organization and its stakeholders and communities, and it helps to ensure accountability and course correction, as needed. The IESO has developed measures and targets to track and align ongoing performance to the priorities of the organization. The tracked measures within the framework are intended to support the monitoring of performance towards strategic objectives and priorities in the IESO's *2026–2028 Business Plan*.

The performance measures and targets allow for measurement of the IESO's performance with regard to service delivery, reliability and meeting the needs and expectations of stakeholders and communities over time.

| Business Plan Vision | Business Plan Priority | Measure | Targets | | |
|---|----------------------------------|--|---------------------------|------------------------------------|---------------------------|
| | | | 2026 Thresholds | | |
| | | | Below Expectations | Meets | Exceeds |
| Delivering on Our Core Mandate | Resource Adequacy – Short Term | 1. Short-term (day-ahead) forecast accuracy (within tolerance) | +/- 2.5% | +/- 2.25% | +/- 2.0% |
| | System Operations | 2.(i) Plans in place to ensure that resource adequacy reliability standards are met for the next 5 years | - | 100% | - |
| | | 2.(ii) Number of Potential Non-Compliance “PNCs” with NERC high-risk reliability standards | >1 | 1 | 0 |
| | Market Performance | 3. Alignment between energy price signals and system needs | 0-1 of 6 LMPs Pass | 2-4 of 6 LMPs pass | 5-6 of 6 LMPs pass |
| | Employee Experience | 4. Composite index score of employee experience questions supporting the achievement of the IESO’s organizational strategy | ≥2 points below 2025 base | ≤1 points below or above 2025 base | ≥2 points above 2025 base |
| Enabling Economic Growth in the Short Term | System and Transmission Planning | 5. Enhancing and improving the interconnection process to connect more energy – weighted average of normalized time to connect (system impact assessment + registration) | >17 mths | 14-17 mths | <14 mths |
| | Demand Side Management (DSM) | 6. Percentage achieved of target DSM electricity savings (reductions) | <90% | 90%-105% | >105% |
| Accelerating the Big Build | Resource Adequacy – Long Term | 7. Generation capacity procurement effectiveness – ratio of awarded (MW) to target (MW) within tolerance | <80% | 80%-120% | Board Discretion |
| Driving Operational Excellence | Sector Trust in Strategy | 8. Composite survey index for the sector’s trust in the IESO to deliver its Corporate Strategy | <67% | 67%-74% | >74% |
| | Strategic Project Delivery | 9. Strategic initiatives’ progress according to their approved schedule | <83% | 84%-86% | >88% |
| | Financial | 10. Percentage variance from the OEB-approved budget (actual vs. budget within tolerance range) | +/- 6% | +/- 5% | +/- 4% |

| Business Plan Vision | Business Plan Priority | Measure | Targets | | |
|---|----------------------------------|--|----------------------------|-------------------------------------|----------------------------|
| | | | 2027 Thresholds | | |
| | | | Below Expectations | Meets | Exceeds |
| Delivering on Our Core Mandate | Resource Adequacy – Short Term | 1. Short-term (day-ahead) forecast accuracy (within tolerance) | +/- 2.5% | +/- 2.25% | +/- 2.0% |
| | System Operations | 2.(i) Plans in place to ensure that resource adequacy reliability standards are met for the next 5 years | - | 100% | - |
| | | 2.(ii) Number of Potential Non-Compliance “PNCs” with NERC high-risk reliability standards | >1 | 1 | 0 |
| | Market Performance | 3. Alignment between energy price signals and system needs | 0-1 of 6 LMPs Pass | 2-4 of 6 LMPs pass | 5-6 of 6 LMPs pass |
| | Employee Experience | 4. Composite index score of employee experience questions supporting the achievement of the IESO’s organizational strategy | ≥2 points below 2026 score | ≤1 points below or above 2026 score | ≥2 points above 2026 score |
| Enabling Economic Growth in the Short Term | System and Transmission Planning | 5. Enhancing and improving the interconnection process to connect more energy – weighted average of normalized time to connect (system impact assessment + registration) | >16 mths | 13-16 mths | <13 mths |
| | Demand Side Management (DSM) | 6. Percentage achieved of target DSM electricity savings (reductions) | <90% | 90%-105% | >105% |
| Accelerating the Big Build | Resource Adequacy – Long Term | 7. Generation capacity procurement effectiveness – ratio of awarded (MW) to target (MW) within tolerance | <80% | 80%-120% | Board Discretion |
| Driving Operational Excellence | Sector Trust in Strategy | 8. Composite survey index for the sector’s trust in the IESO to deliver its Corporate Strategy | <67% | 67%-74% | >74% |
| | Strategic Project Delivery | 9. Strategic initiatives’ progress according to their approved schedule | <86% | 87%-89% | >90% |
| | Financial | 10. Percentage variance from the OEB-approved budget (actual vs. budget within tolerance range) | +/- 6% | +/- 5% | +/- 4% |

| Business Plan Vision | Business Plan Priority | Measure | Targets | | |
|---|----------------------------------|--|----------------------------|-------------------------------------|----------------------------|
| | | | 2028 Thresholds | | |
| | | | Below Expectations | Meets | Exceeds |
| Delivering on Our Core Mandate | Resource Adequacy – Short Term | 1. Short-term (day-ahead) forecast accuracy (within tolerance) | +/- 2.5% | +/- 2.25% | +/- 2.0% |
| | System Operations | 2.(i) Plans in place to ensure that resource adequacy reliability standards are met for the next 5 years | - | 100% | - |
| | | 2.(ii) Number of Potential Non-Compliance “PNCs” with NERC high-risk reliability standards | >1 | 1 | 0 |
| | Market Performance | 3. Alignment between energy price signals and system needs | 0-1 of 6 LMPs Pass | 2-4 of 6 LMPs pass | 5-6 of 6 LMPs pass |
| | Employee Experience | 4. Composite index score of employee experience questions supporting the achievement of the IESO’s organizational strategy | ≥2 points below 2027 score | ≤1 points below or above 2027 score | ≥2 points above 2027 score |
| Enabling Economic Growth in the Short Term | System and Transmission Planning | 5. Enhancing and improving the interconnection process to connect more energy – weighted average of normalized time to connect (system impact assessment + registration) | >15 mths | 12-15 mths | <12 mths |
| | Demand Side Management (DSM) | 6. Percentage achieved of target DSM electricity savings (reductions) | <90% | 90%-105% | >105% |
| Accelerating the Big Build | Resource Adequacy – Long Term | 7. Generation capacity procurement effectiveness – ratio of awarded (MW) to target (MW) within tolerance | <80% | 80%-120% | Board Discretion |
| Driving Operational Excellence | Sector Trust in Strategy | 8. Composite survey index for the sector’s trust in the IESO to deliver its Corporate Strategy | <67% | 67%-74% | >74% |
| | Strategic Project Delivery | 9. Strategic initiatives’ progress according to their approved schedule | <89% | 90%-92% | >92% |
| | Financial | 10. Percentage variance from the OEB-approved budget (actual vs. budget within tolerance range) | +/- 6% | +/- 5% | +/- 4% |

Appendix 2 – Enterprise Risk Management

At the IESO, risk management is an integrated discipline that supports informed decision-making throughout the organization. We recognize the pivotal role it plays in balancing strategic planning with business execution and compliance. This facilitates informed decision-making and a conscious evaluation of the upside opportunity and downside aspect of risk.

Our integrated approach to managing risk recognizes the need for clear, timely direction and support from our Board of Directors and senior business unit and functional management.

Our starting point for managing risk is our strategic planning process, from which relevant external and internal threats and opportunities are derived and key risks are identified. Risks and opportunities are identified by observing, analyzing and anticipating trends along with macroeconomic, industry-specific, regional and local developments. Senior management assesses the risks to achieving our strategic objectives and incorporates measures into corporate and operating plans to mitigate these risks if they exceed our target risk levels.

The IESO uses a risk management ranking methodology to assess the key risks specific to our achieving our strategic and business plan objectives. Our top strategic risks, aligned with the IESO's strategic objectives and their associated residual risk assessment, are as follows:

| Risk | Risk Assessment: Critical |
|---|---|
| | Mitigating Actions |
| <p>Material undersupply of capacity and energy at a provincial and regional level in the near-term timeframe (2027–2029).</p> <p>Medium-term timelines are becoming more critical within our strategic planning time horizon. As the province’s reliability co-ordinator, the IESO must comply with, oversee and enforce reliability standards and processes that are set by several regulatory bodies within and outside of Ontario. The concern on undersupply arises from not having sufficient time to address given long lead times needed to build infrastructure and ability to respond to changes in demand.</p> | <ul style="list-style-type: none"> • Advance initiatives under the Resource Adequacy Framework to design and execute procurements for acquisition of committed and contracted resources • Ensure transmission planning programs integrate climate change considerations and account for new capacity connection • Enhance planning and forecast tools with medium- and long-term energy supply considerations • Timely delivery of Annual Planning Outlooks as a tool to provide stakeholders with much-needed insights into opportunities for existing and emerging resources • Align with government to overcome potential barriers to procurements and challenges to new facility development • Deliver the Enabling Resources Program roadmap to introduce new grid-connected resources |

| Risk | Risk Assessment: Medium |
|--|---|
| | Mitigating Actions |
| <p>IESO actions to identify and address supply shortfalls not seen as credible by the stakeholder community.</p> <p>The stakeholder community in effect authorizes the IESO to take action and provide the resources necessary to create value towards the achievement of cost-effective reliability. Not having credibility with the stakeholder community can impede what may be the right approach to deliver optimized balance needed.</p> | <ul style="list-style-type: none"> • Advance initiatives under the Resource Adequacy Framework to design and execute procurements to the acquisition of new supply • Deliver Enabling Resources Program roadmap to introduce new grid-connected resources • Develop a mindful engagement approach for stakeholders, Indigenous communities and municipalities • A climate adaptation and resiliency (CAR) multi-year road map is being developed and will consider physical climate risks in planning and procurement. A governance structure has been established, and action plans are being refined based on available resourcing. |
| Risk | Risk Assessment: High |
| | Mitigating Actions |
| <p>The IESO’s information technology systems and data are disrupted by cyber security threats.</p> <p>Cyberattacks on the IESO’s technology system and data can be highly disruptive to reliability, business systems and data protection through exploiting vulnerabilities across people, processes, and technology. These threats arise from malicious intent, financial motivation, ignorance, complacency, domestic and nation-state threat actors. This risk needs to be monitored to protect the business, employees, and safeguard critical data, systems, and facilities from being compromised.</p> | <ul style="list-style-type: none"> • Promote a culture of cyber security awareness through policies, training • Improve incident response capabilities and communications • Implement targeted solutions to help better identify and mitigate malicious threat actors from launching successful attacks • Enhance Security Operations Centre, threat intelligence capabilities and upgrade network architecture, data management and security controls |

| Risk | Risk Assessment: High Mitigating Actions |
|---|---|
| <p>Malicious actors, through cyber and physical attacks, impacting non-IESO owned assets required for operating the IESO-controlled grid.</p> <p>Cyber and physical attacks targeting critical infrastructure are on the rise that necessitates a concerted sector response from government, regulatory bodies, market participants and the IESO to augment prevention and response efforts. A holistic view and understanding of market participants’ cyber security postures and program objectives is required to develop an informed and co-ordinated approach to cyber resiliency for the Ontario electricity sector.</p> | <ul style="list-style-type: none"> • Maintain robust reliability practices and contingency plans to respond to significant disruptions • Support and work with the OEB on rolling out mandatory incident reporting for transmission and distribution entities to promote cyber information sharing and situational awareness across the sector • Leverage the IESO’s influence, regulatory tools, and authority to ensure compliance and cyber resilience • Conduct sector-wide threat assessments to identify vulnerabilities • Support external activities through development of playbooks and participation in broader groups and forums |
| Risk | Risk Assessment: Medium Mitigating Actions |
| <p>A regulatory decision or recommendation is made that impedes the ability to advance strategic priorities.</p> <p>Many aspects of the IESO’s strategic priorities will appear before the OEB for approval or review, and while the OEB is typically aligned with IESO direction on the sector’s future, this may not always be the case. If the OEB makes a decision that is counter to IESO direction, it can impede our ability to accomplish priority initiatives or decrease the benefits of those initiatives.</p> | <ul style="list-style-type: none"> • Participate in long-term energy planning framework consultations with the OEB and the provincial government • Execute a refreshed regulatory strategy to provide ongoing thought leadership on regulatory matters |

| Risk | Risk Assessment: High |
|---|---|
| | Mitigating Actions |
| <p>Culture, people, processes and tools misaligned to the IESO’s role in leading the sector.</p> <p>Meeting the demands of transformation is a complex process involving alignment of leadership, practices and culture. To deliver the organization’s shared goals and meet the demands of sector transformation, the IESO will need to transform. Evolved maturity of the IESO’s culture, people, processes and tools will all be enabled by having established the necessary pre- and co-requisite change readiness supports.</p> | <ul style="list-style-type: none"> • Acquire business and grid control tools to support transformation • Implement roles and accountabilities framework that aligns with organizational design and support reorganizations/new-builds for current and future states. • Develop future resource capability considering employee skillsets, available technology, business learnings, and succession planning • The IESO’s Future@Work project, focused on implementing an employee-centric, activities-based workplace, is expected to complete construction at the IESO’s Adelaide location in Q1 2026 and at the Clarkson location in Q1 2028. • A Change Management Centre of Excellence (COE) has been established with a mandate to standardize change management methodology across the organization and dedicated resources have been assigned to several large impactful projects in the 2026–2028 timeframe, including the Enabling Resources Program and the Future@Work project. • Project Delivery Working Group was established to advance work activities and achieve improved project performance, delivery of more projects on time and budget, improve visibility to project progress, risks and interdependencies, and drive greater accountability across project efforts |

| Risk | Risk Assessment: High |
|---|--|
| | Mitigating Actions |
| <p>Ineffective processes for acquiring, developing and deploying talent with key and hard to find skills and capabilities.</p> <p>Given structural changes in the post-pandemic labour market and a rapidly evolving electricity system towards a decarbonized future, it is imperative that the IESO develops forward-looking talent strategies to attract, retain and train. Talent constraint concerns arise from not having a thorough understanding of the unique skill sets required to implement the IESO's Corporate Strategy.</p> | <ul style="list-style-type: none"> • Activate Employee Value Proposition (EVP), a clear expression of what makes the IESO an employer of choice and defines the unique experience of working at the organization • Advance workforce planning initiatives to provide an enterprise framework that aligns resourcing with prioritization of business objectives |

| Risk | Risk Assessment: Medium |
|---|--|
| | Mitigating Actions |
| <p>New large load connection requests, introduce material vulnerabilities to maintaining reliability standards in regions where tight system conditions already exist.</p> <p>Acceleration of economic development and decarbonization initiatives are increasing demand for large load connections to Ontario’s grid. It will be challenging to connect all of the volume of expected new large load and adhere to mandatory reliability standards where regional transmission constraints already exist. The operability of the grid will be further challenged by these proposed changes. Delays in connecting large load or connecting loads where it will aggravate existing system limitations could result in undesirable reliability and reputational impacts to the IESO.</p> | <ul style="list-style-type: none"> • Continue to provide advice to the Ministry of Economic Development, Job Creation and Trade (MEDJCT) on suitable sites for new industrial customers • Updating Market Manual (MM) 1.4 & Ontario Resource and Transmission Assessment Criteria (ORTAC) • Advance in-house development of analytical tools to monitor system voltages and enable operation of the grid at higher limits • Enhance communications on the IESO’s connection assessment and approval (CAA) process for customers • Implement a connection process dashboard to create awareness of large load connection requests • Improve collaboration with a significant transmission provider on customer connection queue to obtain information on large load customers that may apply to the IESO for a system impact assessment |

| Risk | Risk Assessment: High |
|--|---|
| | Mitigating Actions |
| <p>Inverter-Based Resources (IBRs) disconnecting from the grid unnecessarily and unexpectedly</p> <p>The increasing pace of decarbonization is driving significant growth in the adoption of renewable inverter-based resources (IBRs), primarily wind, solar, and battery energy storage. The rapid proliferation of IBRs pose substantial challenges to grid stability and reliability due to their inherent characteristics, potential interactions, and high dependability on software parameters. Power oscillations and the tendency to disconnect during system events can lead to system instability, cascading failures, and widespread blackouts.</p> | <ul style="list-style-type: none"> • Develop Electromagnetic Transient Simulation (EMT) Tools to assess IBR reliability performance. These advanced software tools can mimic the real-world control software. • Dedicated EMT team was set up to maintain EMT tools, develop IBR models, perform equipment-level and system-level reliability studies, and validate the simulation models to mimic IBR performance. • Advance the Phasor Measurement Unit (PMU) project, which when implemented in Q4 2027 will enhance the accuracy of IBR models in operational and planning studies by leveraging PMU data from the IESO Model Validation Process |

Appendix 3 – Capital Spending

Summary of 2026–2028 Capital Spending

| Change Initiatives/Projects (\$Millions) | 2026 Budget | 2027 Budget | 2028 Budget |
|---|---------------|---------------|---------------|
| Accelerating the Big Build | | | |
| Capacity Auction Enhancement | \$1.2 | \$0.7 | \$0.7 |
| Other Initiatives/Projects (Less than \$1 million) | \$0.9 | \$0.3 | \$0.3 |
| Accelerating the Big Build Total | \$2.2 | \$1.0 | \$1.0 |
| Enabling Economic Growth in the Short Term | | | |
| Enabling Resources Program (ERP) | \$9.7 | \$8.6 | \$11.4 |
| Commercial Reconciliation System Improvements | \$0.9 | \$0.9 | \$0.9 |
| DLRT - Dynamic Limits in Real Time Program - Project 2 | \$0.6 | \$0.6 | \$0.6 |
| Contract Settlement Solution | \$0.4 | \$1.3 | - |
| Online IESO Enhancement | \$1.3 | - | - |
| Other Initiatives/Projects (Less than \$1 million) | \$2.1 | \$0.7 | - |
| Enabling Economic Growth in the Short Term Total | \$15.0 | \$12.0 | \$12.8 |
| Delivering on Our Core Mandate | | | |
| Space Needs Program Phase 3 - Future @ Work | \$20.2 | \$15.6 | \$9.5 |
| Facilities Maintenance Program 2026–2028 | \$5.5 | \$8.4 | \$3.8 |
| SCADA/EMS AND PSS Upgrade | - | \$0.9 | \$5.5 |
| Network Upgrade Program | \$1.3 | \$1.3 | \$5.9 |
| DSO and SMDP Upgrade | - | \$2.5 | \$4.6 |
| DDMS and MPIS Upgrade | \$1.7 | \$5.0 | - |
| Network Security Program | \$0.4 | \$0.9 | \$2.8 |
| Adopt Buy Model For User Computers | \$0.6 | \$0.6 | \$0.5 |
| Data Centre Capacity Program | \$0.7 | \$1.1 | \$0.7 |
| Wallboard Video Wall Display Replacement | \$0.6 | \$2.3 | - |
| MIM Replacement Project | \$0.4 | \$1.2 | \$0.7 |
| Data Governance Program Projects | - | \$0.6 | \$0.6 |
| ADCS and MFT Replacement | \$1.4 | - | - |
| Backup System Refresh | \$1.3 | - | - |
| Network WAN Infrastructure | \$1.1 | - | - |
| Data Warehouse Optimization | - | \$1.1 | - |
| Customer Interaction Center (CIC) Replacement | \$1.1 | - | - |
| Other Initiatives/Projects (Less than \$1 million) | \$7.1 | \$3.7 | \$2.8 |
| Delivering on Our Core Mandate Total | \$43.3 | \$45.3 | \$37.3 |
| Total for all Investment Categories | \$60.5 | \$58.4 | \$51.1 |

2026–2028 Capital Plan Details

| Project Name | Project Description |
|---|---|
| Capacity Auction Enhancement | This project will enable the IESO to engage with stakeholders on meaningful improvements to the auction, ensuring it supports the IESO’s ability to maintain real-time reliability and continues to serve as a dependable revenue stream for its diverse group of suppliers. |
| Online IESO Enhancement | This project will streamline interactions with market participants and within the IESO during the connection process, improving the customer experience and allowing the IESO to more effectively enable new/modified connections to the power system. |
| Commercial Reconciliation System Improvements | This project will enhance the Commercial Reconciliation System and related business procedures that were introduced in 2023. While the new system has delivered notable improvements in functionality and flexibility, several targeted enhancements will ensure that it continues to meet evolving operational demands and business requirements efficiently. |
| DLRT - Dynamic Limits in Real Time Program - Project 2 | The Dynamic Limits in Real Time (DLRT) Program will develop the capability to calculate system operating limits as close as possible to real time, and to automate the implementation of those limits in the tools used to monitor system security and to dispatch resources. This second Project in the Program will continue to develop processes and tools for further Control Room integration of real-time limits. |
| Contract Settlement Solution | Given the amount of contract settlements being calculated annually, the end-user computing tools that have been in place for 10+ years will no longer effectively accommodate the Contract Settlements team’s business needs. This project will introduce new tools to manage this increased volume of contract settlements. |
| Space Needs Program Phase 3 - Future @ Work | Phase 3 of the Space Needs Program — “Future@Work” — will result in renovated office spaces across an optimized footprint and the implementation of a number of building enhancements and improvements. The project will create a modern, activity-based workspace that meets the needs of its evolving business and workforce. This project represents the most significant investment in the IESO’s facilities since the IESO’s Control Centre was built in the late 1980s. |
| Facilities Maintenance Program 2026–2028 | As part of a broader 10-year plan to mitigate operational, financial and safety risks, this program will replace and upgrade critical mechanical, structural and electrical systems at the IESO’s System Control Centre. |
| Supervisory Control and Data Acquisition (SCADA)/Energy Management System | This project will upgrade the IESO’s SCADA/EMS and PSS systems, which are used to monitor and manage the IESO-controlled grid. By upgrading this critical infrastructure, which is reaching end of support, the IESO will |

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| (EMS) and Power System Simulator (PSS) Upgrade | enhance system performance, improve real-time monitoring capabilities, and ensure continued effective grid management. |
| Network Upgrade Program | This program and associated projects will future-proof the IESO's network by ensuring upgrading aging components such as the Wide-Area Network (WAN), Load Balancers, Corporate PBX, and user access infrastructure. These upgrades will enhance scalability and prevent service disruptions resulting from hardware nearing end of life. |
| Dispatch Schedule Optimization (DSO) and Settlement Mitigation Data Preparation (SMDP) Upgrade | The DSO and SMDP solutions are integral to the operation of the IESO-administered market and require ongoing support and renewal to ensure operational continuity post Market Renewal Program (MRP) go live. This project will update the underlying software and infrastructure to maintain system stability and performance. |
| Dispatch Data Management System (DDMS) and Market Power Information System (MPIS) Upgrade | This project will maintain the sustainability, scalability, and security of these critical IESO systems by integrating modern technologies, improving system performance, and enabling greater flexibility to meet evolving energy market needs. |
| Network Security Program | This program and its associated projects will upgrade critical cyber security components across the IESO to defend against evolving threats and align with modern security standards to ensure continuity, resilience, and regulatory compliance. |
| Adopt Buy Model For User Computers | By adopting a purchase model versus the existing lease model, the IESO can more cost-effectively manage its user computing needs. |
| Data Centre Capacity Program | Regular capacity assessments have revealed constraints in the IESO's data centre due to aging hardware, limited infrastructure scalability, and increased requests for system capacity. This program will ensure long-term operational sustainability of the IESO's IT infrastructure. |
| Wallboard Video Wall Display Replacement | To maintain critical situational awareness in the IESO control rooms, this project will replace end-of-life display wall units at both the Primary and Backup Control Centres. The new solution will ensure continued operational reliability and compliance, supporting the IESO's 24/7 grid monitoring capabilities. |
| Market Information Management (MIM) Replacement Project | The current MIM solution is reaching end-of-support from the current vendors. The IESO will take the opportunity of the MIM system upgrade to bring these capabilities in house, reducing costs and increasing agility. This initiative will enable the IESO to gain full control over the solution, |

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| | foster internal expertise, and ensure continued operational efficiency by modernizing the underlying technology. |
| Data Governance Program Projects | The Data Governance Program and associated projects will allow the IESO can keep pace with the fast-moving advances in data management by developing advanced Data Architecture and leverage more advanced technologies to realize benefits for the organization and industry. |
| ADCS and MFT Replacement | This project will replace the core technologies, Automated Document Creation Service (ADCS) and Managed File Transfer (MFT), that support our reporting infrastructure used by market participants to access both public and private reports. The project will provide a more integrated, flexible, modernized, and future-proof solution meeting the evolving needs of the IESO and market participants. |
| Backup System Refresh | This project will replace the IESO's legacy Commvault servers with modern, supported infrastructure to address risks related to hardware failure, performance, and cyber threats. The project will also introduce enhanced cyber security features such as ransomware protection and isolated recovery environments, while migrating existing backup data. |
| Network Wide-Area Network (WAN) Infrastructure | The IESO's WAN connects all IESO locations and facilitates communication with market participants via a dedicated WAN provider. Much of the current WAN infrastructure is approaching end of life and requires replacement to maintain reliable and secure connectivity. This project will modernize the WAN environment to support ongoing operations and future scalability. |
| Data Warehouse Optimization | This project will invest in and update the IESO's data analytics procedures and infrastructure. The organization will benefit from improving the management, efficiency, and use of information and data that drives decisions. |
| Customer Interaction Centre (CIC) Replacement | The CIC system provides phone functionality that enables voice communication for the IESO's Control Room. This project will replace aging hardware and software to maintain secure, stable, and modernized operations and introduce enhanced resilience and voice performance. |

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