
Interim Year Business Outlook 2023-2027

Independent Electricity System Operator
September 1, 2024



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Letter from the President & CEO

The Independent Electricity System Operator (IESO) works at the heart of Ontario's electricity system ensuring electricity is available where and when needed. This responsibility includes managing the grid in real-time, planning for the province's future energy needs, enabling conservation and designing a more efficient electricity marketplace to support sector evolution – all the while working to preserve a reliable, affordable and sustainable power grid.

The IESO's expertise and sector leadership are relied upon to enable Ontario's long-term growth, and the IESO has made significant headway to prepare for this over the past year.

Since the government's *Powering Ontario's Growth* plan was released last year, the IESO has been actively moving the energy transition forward to support the province's priorities. This includes ensuring that the work required to transform the grid is done as cost-effectively as possible for ratepayers:

- Concluding the first long-term supply procurements, securing approximately 3,350 megawatts (MW) of new capacity, which includes Canada's largest ever storage procurement.
- Laying the groundwork for second medium- and long-term procurements, with engagements throughout the year and issuing requests for proposals targeted for late 2024.
- Negotiating a pre-development agreement for potential new-build reactors at Bruce Nuclear Generating Station.
- Expanding energy-efficiency offerings through Save on Energy programs.
- Initiating bulk electricity system plans to meet rising demand from electrification and economic growth.
- Engaging Indigenous communities, municipalities and industry stakeholders to develop recommendations for a Transmitter Selection Framework to be submitted to the Ministry of Energy and Electrification this fall.

These initiatives form part of the IESO's broader efforts in support of *Powering Ontario's Growth*, which are augmented by significant advancements being made to implement our overarching corporate strategy.

As the sector continues along the energy transition journey in the coming decades, the IESO's Market Renewal Program (MRP) aims to modernize the wholesale electricity market to support the integration of an increasingly diverse and decentralized supply mix. The project is on schedule for launch in May 2025. We have been progressing through major project milestones and focusing on readiness activities, which includes finalizing market rule amendments and familiarizing market participants with changes to tools and interfaces.

Meanwhile, the IESO continues to showcase sector leadership in cybersecurity and best practices. As we help move the energy sector towards embracing more stringent levels of cyber-program models and controls, we bolster the resilience of the grid.

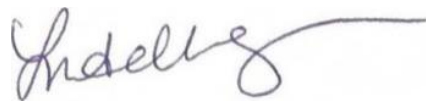
As we advance our initiatives, the IESO is also focused on ensuring that our employees have the right skills and expertise to plan for and execute a thoughtful, timely and cost-effective build-out of the

grid. And as the electricity system becomes more complex, we are adopting new processes and tools to carry out the monumental task of planning for the future of Ontario's electricity system.

During this period of unprecedented change, the IESO has been diligent in meeting the needs of the sector and driving efficiencies in all aspects of our business. For the remainder of the current 2023-2025 business cycle, the IESO will continue to be a responsible fiscal manager, seeking opportunities to reduce costs and mitigate budget deficits where possible while minimizing impacts on our ability to deliver our currently budgeted scope of work that includes *Powering Ontario's Growth*.

There are many exciting developments taking place across Ontario. The province continues to attract new businesses – including data centres and significant investments in the electric-vehicle supply chain. Emerging technologies are providing more choice to consumers while the economy pursues greater electrification.

Throughout this period of profound transformation, the IESO remains focused on driving the sector forward to support the future prosperity of the province. While this job is becoming increasingly complex and dynamic, we are confident that our business plan and corporate strategy will ensure the IESO is positioned to deliver the electricity service that Ontarians rely on each and every day.

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

Lesley Gallinger

President and CEO

2023-2027 Interim Year Business Outlook

Introduction

The IESO plays a unique and critical role in ensuring Ontario’s electricity system is ready to support the province’s fast-growing and increasingly electrified economy. As such, we are resolute in our commitment to support Ontario’s energy transition – leading change when required and facilitating leadership of other sector partners.

The *2023-2027 Interim Year Business Outlook* serves as an update to the *2023-2025 Business Plan*. This Outlook is focused on identifying any changes to the *2023-2025 Business Plan* without altering the total revenue requirement and capital budget approved by the Minister of Energy and Electrification. It also provides a high-level outlook beyond 2025.

Based on the 2023 approved amendment to the *2023-2025 Business Plan*, which included a number of new *Powering Ontario’s Growth* initiatives assigned to the IESO by the government, the IESO is neither altering the total revenue requirement nor materially changing the capital portfolio of the three-year business plan. As such, this second Interim Year Business Outlook provides updates on how the IESO is executing its plans and offers an early estimate of what the *2026-2028 Business Plan* submission may contain.

Updates from 2023-2025 Business Plan

The IESO continues to execute the government's long-term *Powering Ontario's Growth* plan to facilitate economic development while ensuring the energy transition is done as cost-effectively as possible for ratepayers. This is in line with the *Amendment to 2023-2025 Business Plan* that the IESO submitted at the same time as the first Interim Year Business Outlook, on August 31, 2023.

Enabling the energy transition

The IESO has sought to acquire new electricity resources cost-effectively in order to maintain reliability as the province grows. This has been achieved by running long-term procurements for new resources and re-procuring existing resources via medium-term RFPs. By adopting a cadenced approach to doing so, the IESO has the flexibility needed to adapt to new and changing system needs.

The first long-term procurements that concluded in spring 2024 included more than 2,650 MW of storage capacity, marking a historic moment for Ontario's electricity system. The IESO has been holding engagements throughout 2024 on the Long-Term 2 Request for Proposals and has started engagements on the Medium-Term 2 RFP for resources with contracts that expire between 2026 and 2029. The IESO has also implemented the Small Hydro Program to provide new contracts for existing hydroelectric facilities with installed capacities of up to 10 MW. Work has also begun to design a Northern Hydro Program for facilities with capacity greater than 10 MW.

The IESO is focused on delivering energy-efficiency programs to help customers reduce electricity costs and demand. For example, it has launched energy-efficiency programs such as Peak Perks, the fastest growing residential demand response program in North America, which helps reduce pressure on the grid during peak periods. To enhance these energy-efficiency savings, the IESO has proposed a new enduring framework to begin in 2025 that would continue optimizing the value of demand-side management programs to the system and deliver savings to ratepayers.

As electricity demand grows, the IESO is making sure the resources to meet future needs are in place, that the transmission system is prepared to serve additional load, and that the development of new clean energy projects and/or programs are well-supported. This includes submitting two reports to government, at the end of 2023, on the options for a Future Clean Electricity Fund that could be used to support new clean energy in Ontario, as well as proposing contractual approaches related to pre-development work on a potential new reactor at Bruce Nuclear Generating Station.

The IESO is also undertaking assessments of new transmission options to serve the Greater Toronto Area and enable development in northern Ontario. In support of these assessments, the IESO is developing a competitive Transmitter Selection Framework to introduce more cost effective and equitable approaches to developing new transmission infrastructure, supporting a feasibility study and developing a business case for future nuclear generation in the province. These reports and inputs are scheduled for submission to the Ministry of Energy and Electrification by the end of 2024.

The IESO has also been taking steps to co-ordinate planning between gas and electric services – one of the key IESO recommendations to the Electrification and Energy Transition Panel.

Additionally, as distributed energy resources (DERs) prepare to enter the market in the next few years and the electricity system becomes more decentralized, the IESO is advising the province on future business and operating models around the local distribution of electricity. To shape the evolving sector in other ways, the IESO has developed the Enabling Resources Program to better enable emerging

resources such as storage and hybrid, as well as small and aggregated DERs, to contribute to Ontario's future electricity needs.

The IESO also continues to work with and advance its position to the federal government that the proposed Clean Electricity Regulations need to be shaped in a manner that does not risk the reliability of the Ontario system and supports an orderly phase-out of natural gas generation.

Finally, the Market Renewal Program is being prepared to launch in May 2025. The program is in the final stages of testing and training with market participants. Once launched, the renewed market will enable a more efficient operation of our electricity system and set the foundation for the future integration of emerging resource types.

Strengthening IESO people and processes

During this period of unprecedented change, the IESO has been diligent in meeting the needs of the sector because of its talented workforce and strong internal processes.

The IESO is driving change from informed positions, which reflects insight gained from engaging stakeholders as well as cultivating and strengthening relationships with municipalities and Indigenous communities. By working with partners across the sector – and relying on the experiences and perspectives of customers and partners to foster mutual understanding – real progress is being made towards meaningful outcomes. The IESO is also striving to make its engagement processes more purposeful, transparent, traceable and accessible through a refreshed approach to engaging sector stakeholders and communities.

As the operator of Ontario's electricity system, it is important that the IESO engages in best practices in information technology (IT) and cybersecurity, as they are critical to maintaining grid operations. To this end, the IESO remains proactive through mitigation of technical vulnerabilities, upgrades, patching, threat landscape monitoring and a myriad of other measures to increase sector cyber-resiliency, which includes introducing auditing compliance with critical infrastructure protection reliability standards. The IESO is continuing its work to bring the Security Operations Centre in-house, and it is poised to release an AI and machine-learning strategy to enhance analysis of the wealth of its operational electricity data.

At the end of June, the IESO launched a new, enhanced platform for the Transmission Rights Auction. This platform reduces the risk of cyber-events, improves the user experience and creates efficiencies. This high-value opportunity to enhance the market was unanimously supported by stakeholders seeking flexibility to the process that the new platform and accompanying market rule amendments have now enabled.

Over the years, the IESO has been working with communities across the province to inform our planning assessments, leveraging feedback and data. The IESO continues to work towards providing as complete a picture of future needs as possible in its planning assessments. To that end, in 2024, the IESO integrated the previously separate *Annual Acquisition Report* into the *Annual Planning Outlook*. Together, this provides a more integrated view of future reliability needs and planned actions to meet them, including leveraging technological advances and the associated cost reductions. The IESO has also updated its energy modelling tools to better capture storage dispatch data to inform emissions and cost forecasts as the grid decarbonizes.

While the IESO continues to build on its strengths, ensuring system reliability and adequacy in real-time remains a core accountability. The system is currently going through a period of tight operating conditions, which requires a significant amount of external planning and co-ordination as well as internal knowledge and expertise. There are learnings and efficiencies that will need to be sought and incorporated into tools and processes to prepare for the next couple years where operating conditions will be even tighter.

Continuously leveraging new knowledge and learnings is a must in order for the IESO to maintain its reputation as a sector leader. It is why, as part of the organization's corporate strategy implementation plan, the IESO has been working to increase its agility and ability to efficiently evolve internal competencies based on emerging threats and opportunities to stay on top of changes as well as to capitalize on insights gained. Over the past year, we have incorporated skills development as part of IESO employees' learning objectives for 2024, with organization-wide discussions on future skills leading to a significant increase in enrolment on IESO-provided learning platforms. This bodes well for the IESO as staff enhance the skills they need to continue to help the organization move the sector forward.

As the energy transition continues to gather momentum and new resources come online, the IESO must adapt and be able to operate the system reliably with new connections to the grid. Requests from large loads and new non-emitting resources – such as Algoma Steel's electric arc furnaces and the Oneida battery storage project – and increased interest from data centres to operate in Ontario pose new challenges when assessing and testing connections to ensure new facilities do not adversely impact the grid. As a result, the IESO has been developing new tools, processes and study approaches to facilitate these connections.

Data remains a central aspect of the IESO's work to prepare for the electricity system of the future. This includes leveraging staff insights to drive business transformation from within the organization itself. Over the past year, the IESO has been implementing and transitioning its Backup Data Centre and Backup Operating Centre to new facilities, by spring 2025, which will maintain and enhance critical capability for years to come.

The IESO is also undertaking its Future@Work project to renovate its Adelaide and Clarkson locations to optimize the use of IESO space across the two locations, reduce annual leasing costs and allow critical building systems updates to be made at the IESO Control Centre.

An unprecedented period

Over the past year, the IESO was impacted by several external developments that have resulted in a material change to its approved budget, per the original *2023-2025 Business Plan*, including: 1) the release of *Powering Ontario's Growth*; 2) the overturning of Bill 124; and 3) the proliferation of cloud-computing technology.

Through the *Powering Ontario's Growth* report, the IESO was issued a series of action items to advance decarbonization and support economic development opportunities for the province. Many of these initiatives were not included in the IESO's original *2023-2025 Business Plan*, resulting in an *Amendment to 2023-2025 Business Plan* that was approved by the Ministry in 2023.

The impact of higher labour costs arising from the repealed Bill 124 legislation that had sought to impose a three-year "moderation period" of capped salary increases, significantly exceeds the IESO's

approved business plan and operating reserve. The IESO intends to recover any residual deficit associated with these uncontrollable expenses in the *2026-2028 Business Plan*.

Cloud computing is proliferating as a technology solution, given the flexibility, security and potentially lower costs relative to traditional IT systems that are owned and operated on site. This also impacts how costs are reported, as the development costs of these types of technologies need to be recognized as incurred – rather than accumulating over time until the solution is completed and amortized over the useful life of the asset – as is required by most accounting standards. As a result, the IESO is seeing a shift in how cloud-computing solutions costs are recorded from the planned capital portfolio to operations. This trend was confirmed in a November 2023 KPMG report issued to the Ontario Energy Board (OEB).

The IESO has been keenly focused on managing these incremental costs, without impeding necessary work over the remainder of this business planning cycle. To this end, the IESO continues to seek efficiencies in all aspects of its business operations, and to prioritize work while looking for opportunities to manage costs and avoiding impacts on the organization’s ability to deliver on its core mandate.

Even as the IESO maintains best efforts to manage within the current approved funding envelope, having the right people with the skills and expertise necessary to plan for and execute a thoughtful and cost-effective build-out of the grid is critical. With a large number of projects underway impacting all aspects of the system, the IESO requires highly skilled employees to carry out detailed technical work, engage with customers and stakeholders, and ensure a robust process is in place to plan for the future of Ontario’s electricity system.

Financial Outlook

Almost two years into the *2023-2025 Business Plan*, the IESO continues to advance actions to drive and guide the transition of the electricity sector in Ontario to ensure a reliable, affordable and sustainable energy future while managing the approved budget in a fiscally responsible manner.

In this second Interim Year Business Outlook, the IESO projects the total three-year planned expenses, including MRP operating expenses, to remain aligned with the approved *2023-2025 Business Plan* (less than \$1-million variance). Cost pressures from various IT system maintenance, the transition from global adjustment funding of demand-side management (DSM) work as the current conservation framework ends in 2024, and other unexpected expenses will continue to be controlled through active and prudent management of spending along with upside in net interest income.

The projected financial deficit over the three-year plan horizon is primarily a result of salary and benefit increases in the context of Bill 124 (\$39.4 million) and planned capital projects with cloud-computing solutions being expensed as incurred, rather than over a longer timeframe in accordance with the use of the asset (\$5.7 million).¹ The impact of these uncontrollable expenses is somewhat offset by an upside in revenues owing to higher-than-expected demand volumes between January 2023 and June 2024 (\$4.3 million); however, these expenses still exceed the IESO's approved operating reserve, resulting in a projected \$26.6-million deficit by 2025.

The IESO has limited ability to absorb this level of deficit through prioritization or efficiencies without significantly affecting the achievement of initiatives critical to support Ontario's growing electricity needs. Nevertheless, the IESO continues to seek opportunities to reduce the deficit as much as possible before the next business planning cycle, at which time the IESO will seek to recover any remaining balance over the course of the *2026-2028 Business Plan*.

The 2026 and 2027 financial outlook is predicated on work currently underway to support the IESO's current five-year strategic plan and to deliver on the *Powering Ontario's Growth* plan to the point of implementation. Potential incremental work resulting from *Powering Ontario's Growth* implementation, unintended impacts post-MRP go-live or the shift of capital project costs to operating expenses once a technology solution is determined to be cloud-based,¹ are not included in this Outlook but identified as potential cost pressures that will be assessed as they become more certain.

The Outlook indicates a potential 18 per cent revenue requirement increase in 2026 compared with 2025, and a year-over-year increase of five per cent in 2027. Most of the increase in 2026 is driven by unavoidable costs due to the higher-than-planned salary base and benefits associated with Bill 124 updates, full-year impact of MRP amortization, funding of DSM work from the IESO usage fee, the cost of owning the Backup Operating Centre (BOC) instead of acquiring a service provider as anticipated in the business plan, and the ongoing higher IT system maintenance costs. In 2027, the increase is aligned to assumed compensation and benefit escalations. The IESO believes that demand

¹ The Public Sector Accounting Board, which is the standard followed by the IESO, is still developing a Canadian Public Sector Accounting Standard (PSAS) for intangible assets and cloud-computing arrangements; however, the IESO accounting treatment for cloud computing is in alignment with guidance from the Office of the Auditor General of Ontario.

volumes growth in the next three-year business plan will contribute to mitigating the impact of these increases on ratepayers.

The IESO received approval from the OEB to retain \$15 million as operating reserve in the 2022 Forecast Variance Deferral Account (FVDA) ending balance, maintain a maximum of \$10 million as the balance going forward and establish a rebate threshold of \$15 million. Based on the December 2023 FVDA balance of \$10.8 million and the projected in-year deficits, it is unlikely that the IESO would issue any rebate to market participants in this *2023-2025 Business Plan* cycle but rather end with a deficit balance; therefore, the IESO will seek to recover any remaining deficit balance over the next *2026-2028 Business Plan* and restore the approved \$10-million FVDA balance on top of that. Preliminary estimates suggest that the impact of this recovery would represent an increase between 15 cents and 22 cents on the average annual residential electricity bill, depending on the final deficit level and demand volumes.

Detailed Financials

The following table outlines *2023-2027 Interim Year Business Outlook* operating revenues and expenses:

For the Year Ended December 31
(Millions of Canadian Dollars)

(\$ Millions)	2023 Budget	2024 Budget	2025 Budget	3 Year Total	2023 Actual	2024 Forecast	2025 Outlook	3 Year Total	2026 Outlook	2027 Outlook
Revenue										
IESO Usage Fee	208.4	222.9	235.1	666.4	213.4	222.2	235.1	670.7	277.0	290.4
Expenses										
Included in Business Plan	208.4	222.9	235.1	666.4	196.3	218.3	252.6	667.2	268.0	281.1
Bill 124 - Compensation & Benefits	-	-	-	-	21.9	9.2	8.3	39.4	8.6	8.9
Cloud computing	-	-	-	-	-	2.0	3.7	5.7	0.4	0.4
Total Expenses	208.4	222.9	235.1	666.4	218.2	229.5	264.6	712.3	277.0	290.4
Operating Deficit	-	-	-	-	(4.8)	(7.3)	(29.5)	(41.6)	-	-
Operating Reserve (Forecast Variance Deferral Account) Ending Balance	10.0	10.0	10.0	10.0	10.2	2.9	(26.6)	(26.6)	(26.6)	(26.6)

Capital

The capital envelope projection over the 2023-2025 horizon is \$1.9 million, or one per cent, higher than the approved business plan, primarily driven by the timing of MRP planned spending from 2022 shifting into this planning cycle, as the lower capital core initiatives and delayed start of the Space Needs Program are offset by the unplanned BOC costs. The 2026 and 2027 outlook include continuation of multi-year projects initiated within 2023-2025, including the Space Needs Program and Enabling Resources Program, as well as core business projects to refresh or replace critical business systems.

Core Operations Initiatives – The lower-than-budgeted three-year forecast is primarily driven by a shift in reporting projects based on cloud-computing solutions to operating expenses. In addition, there are various other smaller projects with a delayed start that will have costs spill over into the next three-year planning cycle. Projects completed to date include the Replacement Settlement System, Operating Security Limit Refresh and CDM-IS Enhancements.

Space Needs Program – Future@Work – This project to deliver a more flexible, technology-enabled workspace for IESO staff and achieve leasing cost savings into the future is in the planning phase. Due to the additional time required to finalize the designs for the Clarkson and Adelaide office locations, the start of the execution phase is behind schedule.

Backup Operating and Data Centre Relocation – This project is in the execution phase and the variance to budget reflects the need to purchase and renovate a property for the BOC rather than to acquire a specialized service provider that was originally assumed when developing the business plan. The decision to own and operate the BOC was determined by a market scan indicating no viable service providers available to support the IESO’s specific operating needs, the lower cost of ownership after 15 years compared with that of leasing a property to host the BOC, and several operational benefits, including full operational control, long-term stability and the ability to fully customize the facility to meet the IESO’s unique operational needs. The costs for the Backup Data Centre portion remain consistent with the original budget assumptions.

Market Renewal Program – While overall spending is aligned to the approved program spending of \$233.3 million, the previously approved spending for 2022 for implementation of change requests following completion of functional testing spilled into 2023 actual spending, thus driving a variance in this 2023-2025 planning cycle compared with the budget.

Capital (\$ Millions)	2023 Budget	2024 Budget	2025 Budget	3 Year Total	2023 Actual	2024 Forecast	2025 Outlook	3 Year Total	2026 Outlook	2027 Outlook
Core Operations Initiatives	23.0	28.6	30.6	82.2	24.2	17.9	29.5	71.6	35.1	37.6
Space Needs Program – Future@Work	7.0	10.0	13.0	30.0	0.2	3.4	21.0	24.6	15.0	15.0
Backup Operating and Data Centre Relocation	5.0	5.0	-	10.0	8.0	15.9	2.0	25.9	-	-
Market Renewal Program *	43.9	28.2	28.0	100.1	40.1	45.9	16.1	102.1	-	-
Total Capital Envelope	78.9	71.8	71.6	222.3	72.5	83.1	68.6	224.2	50.1	52.6

*Budget revised to reflect the approved Baseline 5 schedule (including contingency)

Full-Time Equivalent (FTE) Staffing

In 2023, the average FTEs (funded from the IESO usage fee) of 861 was 53 lower, or six per cent fewer, than budgeted. This was driven largely by higher-than-planned attrition in 2022, requiring the IESO to take multiple actions to intensify the acquisition and retention of talent. Consequently, the IESO is projecting to reduce the gap to budget to 18 FTEs by the end of 2024. The 2025 average FTEs of 971 is 41 more than budgeted due to:

- Transition of 19 FTEs working in Demand Side Management, previously funded from global adjustment, to the IESO's usage fee funding since the current conservation framework ends in 2024.
- Society of United Professionals grievance that requires the IESO to bring in-house, by November 2024, one of its large IT contract services for support and maintenance. This will add 16 headcounts with no material financial impact on the Outlook period, since the labour cost is offset by a reduction in third-party vendor services cost.
- Decision to restructure the IESO's Security Operations Centre, responsible for security monitoring, detection, remediation and incident response. This adds five headcounts to address the increase in cyber-events, improving timeliness and efficiencies, and aligns with industry best practices. Again, there is no material financial impact included in this Outlook as the labour costs are offset by a reduction in third-party vendor services costs.
- Additional six headcounts to support strategy and workforce planning, including building next-generation skills and competencies.
- These increases are partially offset by timing variances of five MRP FTEs that have been redistributed over the three-year horizon in accordance with the latest schedule of work.

The lower MRP FTEs projection over the three-year business plan does not affect the project deliverables or schedule, as the IESO has managed the workload by leveraging existing staff and support from third-party vendors.

In 2026, the total FTE average is projected to decline by 20 FTEs from the 2025 FTE average outlook as MRP is completed, and some resources return to core operations while others conclude their temporary employment (as planned). This Outlook's early projection of 2026 and 2027 indicates that headcount will remain aligned with the 2025 Outlook, but as future demands for IESO work becomes clearer, the resourcing requirements will be reassessed.

Average Full-Time Equivalents (FTEs)	2023 Budget	2024 Budget	2025 Budget	2023 Actual	2024 Forecast	2025 Outlook	2026 Outlook	2027 Outlook
Core Operations	805	860	886	778	828	932	951	951
Market Renewal	109	88	44	83	102	39	-	-
Total FTEs	914	948	930	861	930	971	951	951

IESO Interim Performance Metrics Results

Provided below is an interim progress update on each of the corporate performance measure. Full-year performance metrics results will be available towards the end of the year, upon receipt of complete data sets. Performance results for 2023 are available in the annual report on the IESO's website (<https://www.ieso.ca/en/Corporate-IESO/Corporate-Strategy-and-Business-Planning/Performance-Management>).

Strategic Alignment – Outcomes

- Drive and guide the evolution of the system to ensure long-term reliability
- Maintain affordability via competition and other mechanisms
- Effectively respond to changes in policy and customer choices

Measure	2024 Target	Key actions taken to support the measure
1. Market Renewal Program delivery: Percentage of key milestones complete according to implementation plan	90%	<ul style="list-style-type: none"> • In the first half of the year, 10 out of the 11 planned milestones were completed on time. The remaining milestone was completed two weeks later than planned. These milestones cover work specific to the following: <ul style="list-style-type: none"> ○ Completion of Solution Development ○ System Integration Testing ○ Business Process Integration Testing ○ Market Participant Testing – Data Preparation & Connectivity • Team is ensuring risk to milestone delivery is mitigated by: <ul style="list-style-type: none"> ○ Leveraging existing project controls – schedule change management, change request management, proactive planning for upcoming deliverables, more frequent reporting on milestones, assessing and monitoring risks at the working level, and keeping up with the actions coming out of our weekly work stream meetings
2. Maintaining resource adequacy: Plans in place to ensure that resource adequacy reliability standards are met for the next 5 years	100%	<ul style="list-style-type: none"> • IESO-led procurements in progress per ministerial Directives (Expedited Long-Term procurement, LT1 procurement) • <i>2024 Annual Planning Outlook</i> published in March 2024. Report updated to contain planned actions, replacing former Annual Acquisition Report • Capacity Auctions running on an annual basis • Actively co-ordinating nuclear refurbishment outages with facility operators • Negotiations in progress for a capacity swap deal with Hydro-Québec
3. Resource adequacy procurement: Supply offers (MW) in open and competitive mechanisms exceed the target capacity (MW)	22%	<ul style="list-style-type: none"> • The IESO continues to design/evolve its resource adequacy mechanisms in a manner that ensures that drives interest and potential development in Ontario • The cadence of the procurements is key to driving greater participation and liquidity in order to deliver cost-effective outcomes • The 2023 Capacity Auction had 2,318 MW of offers for a summer target capacity of 1,400 MW (65%) and 2,049 MW for an 850 MW winter target (141%) • LT1 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 (-47%)

Measure	2024 Target	Key actions taken to support the measure
4. Enabling Resources Program delivery: Percentage complete of program plan	55%	<ul style="list-style-type: none"> Review and validation of the enhanced storage and hybrid model and DER models with affected lines and business. A key outcome completed in Q2 2024 was the Enabling Resources: Vision and Market design. This outcome consolidated design work to date Program planning focused on aligning internal people resource needs, and developing estimates and approaches to gathering business and tools requirements, to achieve the desired program outcomes Program governance changes made reflecting the transfer of organizational responsibilities from design visioning to detailed design and implementation responsibilities

Strategic Alignment – Enablers

- Evolve the IESO’s culture enabled by people, tools & processes to promote a high-performing organization
- Effectively tell the IESO’s story to strengthen stakeholders and community connections

Measure	2024 Target	Key actions taken to support the measure
5. Employee pulse survey results for specific annual engagement areas of focus	Positive Trend	<ul style="list-style-type: none"> Survey review and action planning meetings held with each Business Unit Corporate performance measure identified: “<i>I feel the IESO is taking steps to support me in building skills for the future.</i>” The measure is reflected in 2024 objectives for management and employees to build awareness of future skill needs and begin to develop those skills Members of Human Resources conducted a road show to engage employees in discussions on what future skills will be needed to support sector transformation and how Coursera can support that skill development More than 800 employees have participated in discussions and participation in Coursera courses linked to future skill needs has increased substantially Results will be determined by Employee Pulse Survey conducted in Fall
6. Effectiveness of stakeholder engagement actions through positive survey results (within - 2% tolerance range)	76%	<ul style="list-style-type: none"> The refreshed IESO External Relations Engagement Framework will be officially launched and shared internally over the summer, with the external-facing launch planned for the fall of 2024; work is underway to implement an internal change management plan commencing in July to build acceptance and capacity, and facilitate implementation of the new framework across the organization Stakeholder and Community Engagement is undergoing several refinements and structural changes to enhance the engagement process and our interaction with stakeholders and communities. Efforts are also in progress to implement a Community of Practice model to provide enterprise-wide support for the organization’s external engagement and other activities, including engagement process guidance, best practices and the introduction of a customer relationship management database

Strategic Alignment – Key Risks

- Maintain vigilance on cybersecurity threats to the IESO and the system, and adapt as required

Measure	2024 Target	Key actions taken to support the measure
7. Data Loss Prevention technology implementation (percentage of completion)	20%	<ul style="list-style-type: none"> • Beyond earlier project initiation activities completed, (e.g. Business Case, Requirements, Charter, etc.) the following key actions have been taken: <ul style="list-style-type: none"> ○ Single-vendor approach selected to leverage current Microsoft enterprise solution and save costs ○ Initial use-cases in development (e.g. Bulk Electric System data, privacy, etc.) ○ Subject Matter Experts/contributors for the use cases were invited to regular status meetings to ensure successful completion ○ Post-project operational considerations have been tabled to ensure smooth transition once the project is complete
8. Phishing metrics trend (pass rate)	≥ 96	<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 and to follow up with employees who require skill development in this area • Monitoring of mandatory training compliance and phishing metrics to inform areas for training opportunities and focus for IESO employees • Phishing metrics and key actions to support the measure are progressing well towards the 2024 target as of Q2 2024
9. Percentage of completion for development of Market Assessment Compliance Division enforcement framework to enable enduring risk mitigation arising from violations	90%	<ul style="list-style-type: none"> • Market Assessment Compliance Division (MACD) has developed a risk-based plan to support sector compliance with cyber-security regulatory standards through regular audits of such compliance • In partnership with the IESO's Organizational Design & Client Relations team, MACD is developing a resource augmentation proposal to better support enablement of enduring risk mitigation arising from rule violations • MACD has received the Ministry of Energy and Electrification's draft report on Critical Infrastructure Cybersecurity of Ontario's Energy Sector, prepared by the Ontario Internal Audit Division (OIAD). One recommendation was directed to MACD, which MACD intends to implement starting in Q3 2024

IESO Enterprise Risk Update

Since the approval of the *2023-2025 Business Plan*, the IESO has identified two new risks and removed one risk. In this second Interim Year Business Outlook, the IESO has identified the following:

- **New Risk: New large-load connection requests, introduce material vulnerabilities to maintaining reliability standards**

Risk Assessment: Medium	Mitigating Actions
<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"> • Co-ordination on economic development opportunities: Ministry of Economic Development, Job Creation and Trade (MEDJCT) – Process to select locations and attract economic development to Ontario being done in collaboration with the IESO • Modernizing requirements: Review of the Ontario Resource and Transmission Assessment Criteria planning criteria underway for use in the assessments of the adequacy and security of the IESO-controlled grid • Transmission planning and build-out: Supporting, through sector partnerships, the on-schedule advancement of key transmission system capital projects • Stakeholder engagement at municipal and regional levels: Providing information and outreach across the province to municipalities and associations to enhance understanding of needs • Implementing new projects: Improving situational awareness and analysis tools through new programs and projects such as Dynamic Limits in Real Time Program

As part of the first Interim Year Business Outlook, reported in 2023, the IESO identified the following:

- **New Risk: Ineffective talent strategy responses to post-pandemic labour market**

Risk Assessment: High	Mitigating Actions
<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"> • Activation of Employee Value Proposition in 2024, aligned with the development of IESO’s corporate brand • Implement tactics to reach the IESO’s full 2023 staffing complement • Executive Leadership Team led enterprise-wide meetings to gain insights into attrition trend and identification of meaningful actions • Management Total Rewards program refresh • Expansion of Space Needs Program across all IESO locations to improve employee experience

- **Removed Risk: Competitive mechanisms not working as intended impairs the IESO’s efficiency mandate** (page 24 of the business plan document). Completed the mitigation actions or covered them through other risks. The material impact of this risk was reduced as a result of the development and execution of resource adequacy mechanisms.

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