Interim Year Business Outlook, 2026-2029

Independent Electricity System Operator
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1. Letter from the President and CEO

As I begin my tenure as President and CEO of the Independent Electricity System Operator (IESO), I am honoured to join the organization at such a pivotal time for Ontario's electricity sector. Ontario's growing economy, evolving energy needs, and increasing demand for electricity are creating significant opportunities and complex challenges. There has never been a more pronounced time for the IESO to play a critical role in enabling investments in Ontario's economy while balancing the needs of a reliable and affordable electricity system that is ready to support economic growth.

The importance of this work cannot be overstated especially when many homes and businesses are facing financial pressures and uncertainty. As a public sector organization, we fully understand our responsibility to be financially responsible, and are continually evolving our processes to reduce costs, drive efficiencies, and deliver value to ratepayers, the sector, and broader economy.

Since the release of the government's first integrated energy plan, *Energy for Generations*, considerable progress has been made to expand and strengthen Ontario's electricity system.

- The first window of the Second Long-Term Request for Proposals secured 2.3 TWh of new wind and solar and 640 MW of new battery storage – all at lower costs than past procurements;
- The Northern Hydro Program was launched to extend the life of 26 large hydroelectric generators at lower costs than their previous contracts;
- Pre-development work began at Bruce Nuclear, which may result in Ontario's first build-out of new large nuclear in over 30 years;
- Preparations were made for the refurbishment of Pickering Nuclear, securing reliable, baseload power for decades to come;
- New Save on Energy programs have been introduced to reduce demand on the system and help homes and businesses better manage their energy use, with all active programs projected to achieve more than 1.4 TWh in energy savings and about 500 MW in peak demand savings in 2026;
- The Major Projects Identification Committees process was launched to support economic development by identifying prospective large projects, build relationships with Indigenous communities, municipalities, and developers, and inform electricity system plans and forecasts.

These initiatives have advanced alongside work on emerging government priorities, including the Long-Lead Time Request for Proposals that will procure resources requiring more than five years to build, the Toronto Third Line, which will be Ontario's first underwater transmission line, and the Transmitter Selection Framework, which will introduce an enduring model to competitively procure transmission on a go-forward basis.

As the scope and complexity of the IESO's work continues to grow, we remain focused on maximizing the use of existing resources and identifying opportunities to improve the way we work. To meet an efficiency target of one per cent in 2026, all IESO business units have been tasked with finding efficiencies in internal processes, leveraging technology for productivity gains, and always delivering value for ratepayers and the sector.

This outcome-focused commitment extends throughout the whole of the IESO's business system, and we are taking action to manage costs responsibly and minimize impacts on our financial outlook. Overall, the IESO expects to operate in-line with its approved Business Plan with some variations that reflect higher than anticipated IT costs and investment to facilitate employees returning to office. We anticipate covering these investments through our Operating Reserve and are actively looking for ways to offset these pressures which will be reflected in our financial reports.

As Ontario's electricity system continues to grow, so does the importance of delivering on our mandate. Through sound financial management, strategic investments in our people, technology, and infrastructure, and strong collaboration with government and the sector, the IESO is well positioned to deliver a reliable and affordable electricity system now and into the future.

Sincerely,



Jason Fitzsimmons

President and CEO

Independent Electricity System Operator

2. Interim Year Business Outlook, 2026-2029

2.1 Introduction

As the Government of Ontario advances its first Integrated Energy Plan, *Energy for Generations*, the Independent Electricity System Operator (IESO) is playing a significant role in ensuring the system evolves to meet the priorities set out in the plan. This requires a coordinated approach to balance immediate pressures with long-term planning by accelerating the development of new infrastructure, enabling near-term economic growth, and continuing to deliver on its core mandate.

The Interim Year Business Outlook, 2026-2029 serves as an update to the *2026-2028 Business Plan* providing insights on how the IESO is executing its plans. This outlook is focused on identifying any changes to the Business Plan without altering the total revenue requirement and capital budget approved by the Ministry of Energy and Mines. It also provides a high-level outlook beyond the current business planning cycle to 2029.

2.2 Integrated Energy Plan Progress Update

The government directed the IESO to prepare seven comprehensive report-backs that reflect the range of work underway to build and maintain Ontario's electricity system. The IESO has delivered all seven report-backs that explore topics such as enhancing community and Indigenous participation in regional and bulk planning processes; streamlining procurements and grid connections; exploring mutually beneficial opportunities for expanded interties with neighbouring provinces; and guidelines for facilitating greater distributed energy resource (DER) data sharing between the IESO, Local Distribution Companies, and DER providers.

2.3 Updates from the 2026-2028 Business Plan

2.3.1 Accelerating the "Big Build"

Recent forecasts show that while demand growth may slow in the near term, it is expected to keep rising in the long term. That is why Ontario must continue to make generational investments in new infrastructure; balancing expedience with the need to ensure the electricity system is reliable, affordable, and able to support economic growth.

One year into the *2026-2028 Business Plan*, considerable progress has been made securing the infrastructure Ontario needs. The first window of the Second Long-Term Request for Proposals (LT2 RFP) has closed, adding about 2.3 TWh of new wind and solar and 640 MW of new battery storage at a lower cost than past procurements. These results reflect a technology-agnostic, price-competitive approach that delivers ratepayer value while enabling new investment. Importantly, this marks the first opportunity in more than a decade for new large-scale renewable energy development in Ontario. The first window of the LT2 RFP included several requirements and incentives, including making Indigenous and municipal support mandatory at time of submission for projects built on reserve or municipal land, rated criteria for projects that include Indigenous equity participation and for projects built in Indigenous communities, a mechanism to mitigate the risks of new tariffs,

and rated criteria to incentivize Canadian proponents. The LT2 RFP represents the largest electricity system procurement in Ontario's history, with more windows planned in the coming years.

Adding to this is the Long Lead-Time RFP (LLT RFP), which will target resources that have construction timelines of at least five years, including long-duration storage and new hydroelectric generation. The LLT RFP application process will open in fall 2026 targeting 1 TWh of new energy and 800 MW of new capacity to be in-service as early as 2032.

The IESO is also taking action to extend the life of existing assets. The Northern Hydro Program was launched in 2026 to recontract 26 large hydroelectric facilities. Once concluded, the program will keep more than 1,000 MW of hydroelectric generation in operation at contract rates that are 20 per cent lower than when these resources were first procured.

In parallel, efforts to expand Ontario's transmission system are progressing. So far in this business planning cycle, the IESO has completed three bulk system plans (South and Central, Eastern Ontario, and North of Sudbury) and launched another (Niagara). These plans cover a significant portion of Ontario, covering Windsor to Ottawa and Sudbury to Timmins. Combined, they recommend up to $18 billion in new or refurbished high-voltage transmission lines spanning approximately 2,100 km, as well as transmission infrastructure investments that may be required based on how demand forecasts, procurement outcomes, or policy decisions evolve. In addition, the IESO is approaching the release of the Northern Ontario Connections Study, which explores options for building new transmission in Northwest Ontario that would connect remote diesel-reliant First Nation communities to the provincial grid, improve reliability for First Nation communities that are already grid-connected, support critical minerals mining development, and unlock the potential for new generation in Northern Ontario.

These bulk planning efforts are progressing alongside extensive regional planning activities, with two Integrated Regional Resource Plans (IRRP) published so far and another nine underway, that explore regional needs and recommend options to meet them. Under the Toronto IRRP, the IESO is advancing Ontario's first underwater transmission line - the Toronto Third Line (TTL). As Ontario's first transmission project to be procured using a market-based approach, the TTL will play a key role in informing the final design of the Transmitter Selection Framework (TSF), which will introduce an enduring model for competitively procuring all new transmission on a go-forward basis. A competitive selection process to build new transmission will promote cost effectiveness and value for ratepayers while incorporating contractual mechanisms that hold proponents accountable to their proposals, including some project costs, timelines, and Indigenous participation commitments.

At the core of these activities is the IESO's commitment to using a cadenced and competitive approach to procurement that provides the flexibility to adapt to evolving demand needs and manage costs. The results show that the IESO's approach is working with all recent procurements successfully contracting resources at lower prices that past procurements.

To help inform ongoing procurements the IESO is implementing more iterative planning processes that better align forecasts with evolving demand patterns. This includes updating the Annual Planning Outlook methodology to include three demand growth scenarios that give the sector more visibility into evolving needs while providing the flexibility to adjust procurement targets to mitigate against the risk of over-, or under-, building the system. To further enhance long-term planning efforts, work is underway to explore the implications of extreme weather on electricity system infrastructure

that could be applied to electricity system planning processes, as well as potential procurement design considerations.

2.3.2 Enabling Economic Growth in the Short Term

Alongside system expansion, there is an immediate need to enable economic growth in the short-term by supporting businesses and industry.

Under the IESO's 12-year Electricity Demand Side Management (eDSM) Framework, several programs have been launched to support residential and business customers. The Peak Performance program helps commercial and institutional facilities manage their electricity use by reducing HVAC use during periods of peak demand while the XLerate Program is offering up to $15 million for large industrial customers to undertake energy efficiency projects. These programs will work alongside the existing Peak Perks program for residential and small business customers, which currently has about 325,000 participants capable of achieving about 225 MW in peak demand savings. The IESO's eDSM efforts continue to deliver results, with all active programs projected to achieve more than 1.4 TWh in energy savings and about 500 MW in peak demand reductions in 2026.

These programs are working alongside the Enabling Resources Program (ERP), which is focused on enhancing market participation opportunities for battery storage and distributed energy resources (DER). The ERP's work on storage will help ensure more efficient use of the close to 3,500 MW of battery storage that the IESO has procured in recent years by enabling state of charge management and opening more opportunities for battery storage providers to provide ancillary grid services. Concurrently, the ERP's work on DER market integration will increase the pool of resources that are eligible to compete in future procurements, driving competition and improving overall grid flexibility. Progress on the ERP remains on track, with the Phase 1 storage enhancements expected to be completed in 2028 while work continues to advance on Phase 2 storage enhancements and DERs. The ERP continues to operate within the budget established in the *2026-2028 Business Plan*.

The IESO is simultaneously exploring the capabilities of emerging hydrogen technologies by launching the expanded Hydrogen Innovation Fund (HIF). The HIF supports innovative pilot projects through two separate $15 million streams. Stream 1 explores how low-carbon hydrogen can be integrated into the grid to increase supply, capacity, or storage. Stream 2 explores how Ontario can enable broader applications of low-carbon hydrogen in heavy industry, transportation, and manufacturing. Applications were due in February 2026. The program is on schedule to announce the successful proponents in 2026.

While new supply options are helping to improve overall grid reliability, a more customer-focused approach is needed to connect large businesses. The Major Projects Identification Committee (MPIC) process was launched this year to identify potential major projects during their initial development stages, helping to build early relationships with Indigenous communities, municipalities, and developers and inform electricity system plans and forecasts. The MPIC process supports faster, more efficient decision-making, while ensuring the infrastructure required to support new development is ready in a timely, cost-effective, and coordinated manner.

As electricity needs among large customers grow in scale and complexity, the IESO is investing in advanced system modelling and monitoring tools, as well as technical expertise and training, to enable a more customer-oriented, "concierge-style" approach. To that end, the IESO has

implemented a Project Management Framework for large and complex projects, initially focusing on data centres and resources procured under the First Long-Term Request for Proposals. This new framework will ensure the IESO is resourced to expedite reviews, reduce connection queue bottlenecks, and focus on proponents that are serious about connecting. Recognizing the value of this approach, the IESO is expanding it to include new projects procured under the LT2 RFP to provide a broader range of suppliers with a more streamlined connection experience.

In parallel, the IESO is taking steps to make the connection process faster. One example of this is improvements to the battery storage connection process. Previously, metering requirements were not identified during the System Impact Assessment. As a result, connection applicants were not fully informed of all requirements early in the project lifecycle, leading to downstream delays. To address this problem, an automated process was introduced to improve governance, visibility, and collaboration across teams. Similar efficiencies are being explored for other connection processes.

These changes come alongside expanded customer education and training initiatives. The IESO recently launched a series of digital guides designed to provide plain-language explanations of how the electricity system operates and the role of the IESO within the sector. These guides are self-directed learning experiences that will help educate audiences who have limited familiarity with the IESO and facilitate more meaningful and focused discussions. New training is also available to provide new businesses with an overview of Ontario's connection process, customer obligations, and regulatory requirements, offering valuable support to customers such as data centres and industrial operators that are new to Ontario's electricity sector.

2.3.3 Continuing to Deliver on Our Core Mandate

2.3.3.1 Modernizing our Equipment and Technology

The IESO continues to make critical investments in technology and infrastructure to support reliable grid operations.

For the control room, updated software and equipment are enhancing system reliability, situational awareness, and operator performance while new tools and interfaces linked to renewed market operations are enabling more efficient electricity system operations. The Customer Interaction Centre is upgrading the telecommunications tools used by control room operators. This new system, expected by January 2027, will increase the efficiency and speed of communication between control room operators and market participants during routine operations and grid events. Additionally, the Wallboard Refresh Project is replacing end of life equipment in the main and back-up control rooms with direct-view LED displays that will provide better brightness and readability for control room operators, introduce more flexibility to customize the size, shape, and layout of wallboard data, and result in faster, real-time performance.

Beyond the control room, the IESO continues to invest in enterprise-wide IT solutions to increase productivity, reduce manual work, and foster an outcome-focused workforce. This includes the organization-wide integration of artificial intelligence and cloud-based software solutions that help facilitate cross-team collaboration.

To ensure these digital assets remain secure, the IESO continues to strengthen its cyber security capabilities. The IESO introduced a new process in 2026 for identifying threats and providing market

participants with timely, actionable intelligence. The IESO also published its 2026 North American Electric Reliability Corporation (NERC) compliance monitoring plan and completed a major cyber security audit, which helped identify opportunities to further strengthen the electricity sector's cyber security readiness.

Building on these efforts, the IESO is enhancing its information governance and data protection capabilities to support the secure and responsible adoption of AI technologies. This includes conducting an Information Governance Maturity Assessment, broadening its Microsoft 365 governance framework, and implementing new AI governance processes, including its AI Policy and AI Risk Impact Assessment framework and a cross-functional AI Committee. Together, these initiatives are establishing the governance, risk management, and oversight foundations needed to protect information, maintain compliance, and enable the organization to scale AI solutions safely and effectively.

While these investments will help the IESO operate more effectively, they do bring IT-related cost pressures. On the software side, an industry-wide shift towards cloud computing platforms and subscription-based service models (from perpetual licenses), has resulted in software costs shifting from a one-time capital investment to an ongoing operating expense. While an increase to IT expenses was accounted for in the *2026-2028 Business Plan*, actual costs are higher than anticipated, reflecting both the pace of industry change and the challenges with forecasting costs in a new and rapidly evolving area. In parallel, after the first year of renewed market operations, the IESO has experienced higher than anticipated technology support costs to effectively maintain and operate the new systems. This reflects the reality of a new operating environment, where issues are still being identified and resolved. These pressures are partially offset by reductions in other areas like pension and are being actively managed to stay aligned with the overall Business Plan.

This focus on operational excellence extends to the IESO's physical office locations where the Future@Work project has made considerable progress updating and modernizing the IESO's offices. Renovations at the Adelaide office are complete, with work progressing at the Clarkson office. These renovations have been designed to build a collaborative, technology-forward workplace that aligns with modern standards and will help attract and retain talent as employees return to office.

2.3.3.2 Strengthening Our Workforce

The IESO has set an efficiency target of one per cent in 2026. All business units have been tasked with looking at internal processes to identify financial savings, productivity gains, and ways to deliver enhanced value for external partners and stakeholders. In the first half of 2026, the IESO delivered approximately $830,000 in cost avoidance measures and has generated an estimated 3,000 hours in annual productivity gains through process simplification, automation, and improved ways of working. Some early examples of efficiencies include automating workflows for the battery storage connection process that has reduced the length of the process from 10-15 weeks to three to five weeks and moving several processes in-house to reduce reliance on external suppliers.

To support an outcome-focused workplace culture, the IESO's Lean Six Sigma series has been developed in partnership with the Lean Centre of Excellence (Lean COE) to equip employees with the tools they need to identify inefficiencies, solve problems, and drive measurable improvements. IESO employees are leveraging the fundamentals of Lean Six Sigma methodologies, demonstrating their application within the context of the IESO's business system.

To help employees get the most out of newly introduced AI tools, Copilot Chat Training was launched in 2026 to equip employees with the skills to use AI effectively and responsibly, driving greater efficiency and faster decision-making across the organization.

3. Financial Outlook

3.1 Overview

The IESO continues to make progress against the key priorities outlined in the *2026-2028 Business Plan*, maintaining operational excellence within an increasingly complex electricity system while prudently managing incremental investments to support Ontario's economic growth.

The outlook projects a $2.3 million favourable variance in expenses, with an ending reserve balance of $24.5 million that accounts for $7.8 million in 2025 Carry Over costs. Included in the Business Plan is a $30 million reserve across the three-year business planning cycle for uncontrollable cost pressures and emerging government priorities. These pressures are offset by cost mitigation strategies, reprioritization, and newly identified savings opportunities.

On an annual basis, 2026 is projected to be $9.7 million unfavourable, primarily due to return to office preparations and a $6.4 million corporate phasing assumption to defer and smooth ratepayer impacts to later years in the plan. In contrast, 2027 is projected to be $9.1 million favourable as the $6.4 million phasing assumption reverses and savings materialize. In 2028, expenses are expected to be $2.9 million favourable due to identified cost reduction opportunities.

It is important to note that the outlook assumes that the IESO will receive Ontario Energy Board (OEB) approval for the retroactive recovery of the usage fees beginning in January 2026, which remains subject to the rate application process that is still in progress.

3.1.1 2025 Carry Forward Pressure

The IESO closed 2025 with an operating reserve deficit that was $7.8 million higher than originally anticipated. This variance was primarily attributed to historically lower vacancy levels in the latter half of 2025, reduced resource capitalization rates, and timing impacts for items that were incurred in 2025 but planned for in the *2026-2028 Business Plan*. These pressures arose after the submission of the Business Plan and have been mitigated during the planning period.

3.1.2 Cost Pressures and New Government Priorities and Directives

Since the submission of the Business Plan, several new cost pressures have emerged. These include operating cost pressures for computer software and services, as the technological landscape continues to transform, with vendors shifting from perpetual licenses (previously accounted for as capital costs) to subscription-based licenses (that are accounted for as operating costs). Further, in May 2025, the IESO successfully concluded the Market Renewal Program (MRP) which established a modernized, more efficient, and cost-effective electricity market. With the introduction of new tools, interfaces and increased market complexity, there are additional technology support costs to effectively maintain and operate new systems. Now, over a year after the initial launch of the renewed market, we are seeing these ongoing technology support costs exceed what was already included in the Business Plan. Lastly, the Interim Outlook reflects higher than planned membership fees, most notably for the Ontario Energy Board (OEB) and North American Electric Reliability Corporation (NERC).

Throughout 2026, the IESO received direction on new government priorities, including the Toronto Third Line, which will utilize a competitive approach to delivering critical infrastructure to the city of Toronto. The IESO will manage the delivery of the Toronto Third Line procurement, and future government priorities, to the extent possible through efficiencies, trade-offs, and reprioritization of other work across the organization. The IESO is undertaking an enterprise-wide exercise to identify the trade-offs that may be necessary while staying within existing staffing and funding levels. The IESO will continue to keep the Ministry of Energy and Mines updated on the impacts and efforts of delivering on new priorities through future outlooks.

The outlook also captures the IESO's ongoing efforts to prepare for employees to return to office to align with public service expectations. This includes an estimated $10.5 million to acquire additional office space. The IESO is actively looking for opportunities to offset these costs and will utilize its Operating Reserve as required.

3.1.3 Opportunities and Mitigation Strategies

The IESO is actively managing its financial position through a combination of cost mitigation strategies, reprioritization within the existing plan, and identification of offsetting opportunities.

The outlook reflects a $13.5 million reduction in pension and other post-employment benefits expenses based on the actuarial calculation, provided by the IESO's third-party service provider, Aon. This reduction was driven primarily by actuarial assumptions and improved market performance in the last half of 2025, as financial markets rebounded from the negative impacts driven by geopolitical tariff tensions, that were occurring while the *2026-2028 Business Plan* was being developed. Furthermore, the outlook reflects a $3.3 million decrease to amortization expense in alignment with the project plan, which partially offsets unfavourability in the 2025 fiscal year. The remaining opportunities are driven by other one-time savings, other revenue, and the reprioritization of costs towards emerging pressures and priorities.

3.1.4 2029 Outlook and Additional Considerations

The 2029 outlook indicates a potential 4.2 percent increase to total expenses compared to the 2028 Business Plan (5.1 percent compared to the 2028 outlook). For compensation and benefits, this preliminary forecast reflects standard inflationary assumptions and union-negotiated increases, while pension and Other Post Employment Benefits expectations have been provided by the IESO's third-party actuary provider, Aon. Non-compensation inflation is aligned to expected inflation, and amortization expense increases are aligned to the current business plan, reflecting the full year impact of capital going in service in 2028 including, but not limited to, phases of Future@Work and the Enabling Resources Program. Furthermore, there are anticipated reductions in other revenue and third-party funding agreements which increase net expenses. Finally, consistent with the previous outlook submissions, the *Interim Year Business Outlook, 2026-2029* includes known cost pressures related to the execution of the current Business Plan and does not include any assumptions for incremental investments as these will be captured in the upcoming *2029-2031 Business Plan*.

While overall expenses are projected to increase, the IESO's revenue requirement is expected to remain comparable to 2028 levels due to the removal of operating reserve restoration. To note, through discussions with the Ontario Financing Authority (OFA), they have indicated that for the next debt renewal process (in fiscal 2029), our fixed debt facility is to be transitioned to an amortized loan

and paid down over a set timeframe. The IESO is still investigating the most appropriate means to implement. As a result, this has not been considered in the current 2029 outlook. If it were to be included, that may increase the IESO's revenue requirement. The IESO will continue to assess the incremental needs and work to find efficiencies to moderate, as much as possible, the projected expenses.

3.2 Detailed Financials

The following table outlines the *Interim Year Business Outlook, 2026-2029* operating revenues and expenses.

Table 1 - Operating Revenues and Expenses*

Capital ($ Millions)	2026 Budget	2027 Budget	2028 Budget	3 Year Forecast	2026 Forecast	2027 Outlook	2028 Outlook	3 Year Total	2029 Outlook
Revenue									
IESO Usage Fee – Annual Expenses	309.9	338.3	345.6	993.8	309.9	338.3	345.6	993.8	360.2
IESO Usage Fee – Reserve Restoration	18.9	18.9	18.8	56.6	18.9	18.9	18.8	56.6	-
Total Revenue	**328.8**	**357.2**	**364.4**	**1,050.4**	**328.8**	**357.2**	**364.4**	**1,050.4**	**360.2**
Expenses									
Included in Plan	309.9	338.3	345.6	993.8	317.2	324.9	338.9	981.0	356.7
Return to Office	-	-	-	-	2.4	4.3	3.8	10.5	3.5
Total Expenses	**309.9**	**338.3**	**345.6**	**993.8**	**319.6**	**329.2**	**342.7**	**991.5**	**360.2**
Operating Surplus (- Deficit)	**18.9**	**18.9**	**18.8**	**56.6**	**9.2**	**28.0**	**21.7**	**58.9**	**-**
Operating Reserve Variance Account Ending Balance	**(7.7)**	**11.2**	**30.0**	**30.0**	**(25.2)**	**2.8**	**24.5**	**24.5**	**24.5**

*For the Year Ended December 31 (Millions of Canadian Dollars). Note: Numbers may not add due to rounding.

3.3 Capital

The capital envelope projection over 2026-2028 is aligned to the three-year Business Plan, however costs have been reallocated from 2028 to 2026, driven by project reprioritization. The IESO anticipates that additional capital costs will be incurred to support return to office preparations. The IESO will re-prioritize the capital portfolio to offset these costs and remain within the $170 million capital budget.

Table 2 - Capital Expenses

Capital ($ Millions)	2026 Budget	2027 Budget	2028 Budget	3 Year Budget	2026 Forecast	2027 Outlook	2028 Outlook	3 Year Total	2029 Outlook
Enabling Resources Program	9.7	8.6	11.4	29.6	13.5	3.8	12.7	30.0	0.3
Future@Work	20.2	15.6	9.5	45.3	17.8	20.1	9.1	47.0	-
Core Portfolio	30.5	34.2	30.3	95.0	38.0	33.7	15.3	87.0	43.6
Return-to-Office	-	-	-	-	2.0	2.0	2.0	6.0	-
Total Capital Expenses	**60.5**	**58.4**	**51.1**	**170.0**	**71.3**	**59.6**	**39.1**	**170.0**	**43.9**

Note: Numbers may not add due to rounding.

Enabling Resources Program (ERP)

This program is advancing two priority projects, the Storage and Hybrid (S/H) Integration Project and the Distributed Energy Resources (DER) Integration Project, to address critical market and operational gaps as Ontario's electricity system evolves. Both projects are being delivered through a phased approach to accelerate the delivery of high-priority capabilities. Both projects remain on schedule and budget.

Space Needs Program – Future@Work

This project is currently in the 'Execution' planning phase. Three floors at the IESO's downtown Toronto location have been fully renovated and a small remaining area is nearing completion. The renovation of the Clarkson location is well underway with the first of three phases expected to be completed in Q1 2027. The project is expecting to spend an additional $1.7 million over 2026-2028. This is primarily driven by additional swing space required during later stages of construction to maintain the current in-office commitment, as aligned to the Return-to-Office initiative.

Core Portfolio

The Core Portfolio is expected to be below the approved three-year budget of $95 million to make room for Return to Office investments. Further, the capital spend has shifted from 2028 to 2026 as several critical infrastructure projects have been brought forward to better support business needs.

Return to Office

The IESO's Return-to-Office (RTO) initiative has progressed from planning and readiness activities into operational implementation. To facilitate return to office, a capital investment is required, which was not captured in the original *2026-2028 Business Plan*. This cost will be offset by a reduction in Core Portfolio spending.

3.4 Full-Time Equivalent Staffing

To manage the financial pressures driven by emerging government priorities, the IESO will leverage efficiencies and reallocate existing FTEs and resources to stay aligned with the approved FTE count in the Business Plan.

Table 3 - Average FTEs - Core Operations

Full-Time Equivalents (FTEs)	2026 Budget	2027 Budget	2028 Budget	2026 Forecast	2027 Outlook	2028 Outlook	2029 Outlook
Core Operations	999	1,043	1,068	999	1,043	1,068	1,068
Total	**999**	**1,043**	**1,068**	**999**	**1,043**	**1,068**	**1,068**

4. Interim Performance Metrics Results

Business Plan Vision: Accelerating the 'Big Build'					
Measure	**Below**	**Meets**	**Exceeds**	**Mid-Year Results**	**Interim Progress Update**
1. Resource Adequacy (Long term): Generation capacity procurement effectiveness – ratio of awarded (MW) to target (MW) within tolerance	<80%	80%-120%	Board Discretion	101%	Mid-year results represent contracts awarded in the LT2 energy stream. LT2 capacity stream results will be included in year-end results.

Business Plan Vision: Enabling Economic Growth in the Short Term					
Measure	**Below**	**Meets**	**Exceeds**	**Mid-Year Results**	**Interim Progress Update**
2. Resource Adequacy: Short-term (day ahead) forecast accuracy (within tolerance)	+/- 2.5%	+/- 2.25%	+/- 2.0%	1.67%	Current day-ahead demand forecast accuracy is strong. Average historical accuracy from January to April across 2016–2025 was 1.85% (based on Mean Absolute Percentage Error calculation), with forecast errors expected to increase during peak summer months.

Measure	Below	Meets	Exceeds	Mid-Year Results	Interim Progress Update
3. System Operations: (I) Plans in place to ensure that resource adequacy reliability standards are met for the next five years	-	100%	-	100%	The 2026 Annual Planning Outlook has been released, confirming that planned actions provide adequate capacity through 2035 and supply through 2032. The first-quarter Reliability Outlook also shows adequate reserves above requirements.
(II) Number of Potential Non-Compliance "PNCs" with NERC high-risk reliability standards	>1	1	0	0	No self-reported PNCs to NERC for High Violation Risk Factors (VRF) standards were identified in the first half of the year. In addition, there are no active internal PNC reviews related to High VRF standards.
4. Market Performance: 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	5	Locational Marginal Prices (LMPs) produced in the wholesale market generally reflect underlying local conditions.
5. Employee Experience: 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	TBD	Employee Experience Index results will be reported in October, following receipt of the employee experience survey results.

Measure	Below	Meets	Exceeds	Mid-Year Results	Interim Progress Update
6. System and Transmission Planning: 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.	13.9 mths.	The mid-year result is based on eight projects completed between January 1 and May 10. It reflects the average cumulative time required to complete the system impact assessment and registration phases of the connection process.
7. Electricity Demand Side Management (eDSM): Percentage achieved of target eDSM electricity savings (reductions)	<90%	90%-105%	>105%	15% of energy savings 51% of peak demand savings	Business programs have led eDSM performance so far in 2026, particularly in the IESO's Retrofit and DER offerings. As of Q1 2026, the eDSM portfolio delivered 254 GWh of energy savings (15% of annual target) and 254 MW of peak demand savings (51% of annual target), utilizing $125M. The IESO expects a ramp up in savings in Q2 and Q3 with the introduction of the Peak Performance program that was launched in spring 2026, which is a demand response program targeting commercial HVAC. The eDSM portfolio is forecast to achieve 1.438 TWh in energy savings and 494 MW in peak demand savings in 2026, representing 93% and 106% of the respective energy and peak demand savings targets.

Business Plan Vision: Delivering on Our Core Mandate					
Measure	**Below**	**Meets**	**Exceeds**	**Mid-Year Results**	**Interim Progress Update**
8. Sector Trust in Strategy: Composite survey index for the sector's trust in the IESO to deliver its Corporate Strategy	<67%	67%-74%	>74%	TBD	This CPM will be measured via the annual Stakeholder and Community Survey administered by an external vendor. Survey updates to incorporate the new trust index are on track for an August launch, with results reported during the December Board cycle.
9. Strategic Project Delivery: Strategic initiatives' progress according to their approved schedule	<83%	84%-86%	>88%	90%	90% of strategic initiatives remain within their Project Steering Committee approved schedule envelopes. Nine out of 10 initiatives are tracking to approved milestones, including authorized schedule contingency where applicable. One project - WAVE Phase 2 was intentionally paused to support enterprise prioritization of the Market Renewal Program implementation and has entered a formal replanning process. In accordance with CPM governance, initiatives undergoing re-baselining are excluded from "on-schedule" status until a revised PSC-approved plan is confirmed.

Measure	Below	Meets	Exceeds	Mid-Year Results	Interim Progress Update
10. Financial: Percentage variance from the OEB-approved budget (actual vs. budget within tolerance range)	+/- 6%	+/- 5%	+/- 4%	(4.4%)	The OEB rate application was submitted in April and, as such, had not received OEB approval as of Q1. Mid-year results are therefore calculated based on Minister-approved net expenses as of Q1 2026. Performance is currently below the "exceeds expectations" threshold, reflecting a slower start to efficiency target realization and the timing of fiscal 2026 expenses, many of which are planned for in later years of the business plan cycle. The organization continues to support the business by identifying and implementing sustainable savings opportunities.

5. Enterprise Risk Update

5.1 Current Risks

#	Risk Statement (as per March 2025)	Risk Statement (as per Jan 2026)	Residual Risk Assessment	Comments
1	Material undersupply of capacity and energy at a provincial and regional level in the near-term timeframe (2027-2029).	Material undersupply of capacity, energy, and reliability services at a provincial and regional level in the planning timeframe.	High	The risk remains relevant to the IESO. The statement was intentionally reworded to incorporate reliability services and to emphasize the broader planning timeframe. Management will demonstrate effective risk mitigation by reporting on planned actions across the near-, short-, and long-term planning horizons.
2	Malicious actors, through cyber and physical attacks, impacting non-IESO owned assets required for operating the IESO-controlled grid.	Malicious actors through cyber and physical attacks, impacting non-IESO owned assets required for operating the IESO-controlled grid and the IESO-administered markets.	High	This risk remains relevant. This risk focuses on the IESO's ability to minimize impacts on grid and market operations, where the IESO does not have direct control or oversight, requiring support from market participants and the Ontario Energy Board (OEB). The statement was updated to reflect the IESO's expanded responsibility, including threats to the IESO-administered market arising from impacts to non-IESO owned assets. Management acknowledged that grid operations and market administration are distinct services provided by the IESO and are therefore subject to different risk considerations.

3	Ineffective processes for acquiring, developing and deploying talent with key and hard to find skills and capabilities.	Inability to acquire, develop, retain, and deploy talent with critical and hard-to-find skills and capabilities.	High	This risk has been updated to reflect the current operating environment. In recent years, significant effort has been invested in establishing and enhancing processes and controls to attract, develop, retain, and deploy talent. Despite these improvements, the IESO now faces organizational constraints, such as salary bands and collective agreement provisions, that limit the available pool of candidates with critical and hard-to-source skills, including cyber security expertise and advanced data science capabilities.
4	Inverter-Based Resources (IBRs) disconnecting from the grid unnecessarily and unexpectedly.	Inverter-Based (IBRs) Generation and Loads disconnecting from the grid unnecessarily and unexpectedly.	High	This risk remains relevant. Management has updated the risk statement to explicitly identify both types of IBR resources - generation and load - recognizing the growing impact of load-driven resources, including data centre demand.

5.2 Removed Risks

The following risks have been removed from the IESO's strategic risk register:

IESO actions to identify and address supply shortfalls not seen as credible by the stakeholder community.

The risk remains relevant to the IESO; however, significant actions completed in 2025 have effectively mitigated the risk and achieved the target rating of Medium. Existing controls are considered sufficient to manage this risk going forward, and no additional mitigation efforts are planned.

Culture, people, processes and tools misaligned to IESO's role in leading the sector.

This risk is no longer relevant at the strategic level. Management has demonstrated a sustained ability to drive change and deliver on its mandates through strengthened culture, people, processes, and tools, as evidenced by completed mitigations and the achievement or exceedance of corporate performance objectives in 2025. Residual elements of this risk are appropriately managed at the operational level and through ongoing department owned initiatives.

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