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BY EMAIL AND COURIER

February 5, 2009

File No.: 101926.1052

Kirsten Walli
Board Secretary
Ontario Energy Board
PO Box 2319
2300 Yonge Street
Toronto, Ontario
M4P 1E4


Dear Ms. Walli:

**Re: Independent Electricity System Operator — Fiscal 2009
Fees Submission for Review: EB-2008-0340**

Further to Undertaking No. JT1.1 from the Technical Conference held January 30, 2009, the IESO encloses its *2008 Competitive Compensation Review — Overall Results* prepared by Towers Perrin.

A Pdf version will be filed through the Board's RESS database.

Yours truly,


for. Glenn Zacher

/sc
Encl.

cc: Board Staff
Registered Intervenors and observers

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Independent Electricity System Operator

2008 Competitive Compensation Review Overall Results

October 30, 2008

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Background

- Towers Perrin was retained by the Independent Electricity System Operator (“IESO”) to conduct a competitive compensation review of executive positions, and Management below IESO’s band 4 level and PWU positions.
- IESO’s actual compensation data and benchmark matches presented in this report are based on data provided by the IESO. These IESO benchmark positions (40 individual IESO benchmarks) were matched to positions of comparator organizations through the use of Towers Perrin’s career ladder framework. Towers Perrin has taken steps to ensure the IESO’s matches are consistent with the content described by Towers Perrin’s career ladders and with typical matches made by other organizations.
- Our review covers the following elements of compensation:
 - Fixed compensation
 - Total variable compensation (expressed as a % of salary)
 - Includes target annual incentives (all positions) and the expected value of long-term incentives (executives only)
 - Target total cash (fixed compensation + total variable incentives)
 - Pension & savings (expressed as a % of salary)
 - Benefits (expressed as a % of salary)
 - Total rewards (target total cash + pension & savings + benefits)

Methodology

- Competitive data have been provided from the following sources
 - Towers Perrin's 2008 Executive Survey
 - Towers Perrin's 2008 Middle Management, Professional & Support Survey
 - Towers Perrin's Benefits Data Bank (BDB)
- Competitive total cash results reflect 2008 compensation levels
- The pension and benefits data were valued using Towers Perrin's BENVAL methodology to develop comparative values for the benefit plans provided by a select group of companies
 - We have used the 2007 BENVAL results for this review
 - In our experience, the competitive value does not increase or decrease significantly year over year, and we recommend re-evaluating the competitive results every 2-3 years
 - The pension and benefits comparison methodology determines values using a standard set of actuarial methods and assumptions applied to an employee profile. Various demographic and compensation profiles were provided by the IESO and reviewed by Towers Perrin for appropriateness. These profiles were used and applied to the benefit and pension provisions for all comparator companies
 - The pension and benefits analysis includes employer-provided benefits only
 - A list of companies included in our Benefits Data Bank comparator group is provided in Appendix A

Methodology – Executive Positions

- Consistent with the 2007 review, competitive results have been provided by executive level
 - IESO positions were matched to equivalent level position (i.e., CEO, Vice President, Director, Manager) within the select comparator companies
 - For companies with revenue greater than \$2 billion, incumbents were matched one full level lower (e.g. IESO VP is equivalent to the comparators' Director level incumbents)
 - For companies with revenue less than \$2 billion, a direct match was made (e.g. IESO VP = comparator VP)
- The competitive results have been provided for the following samples, as approved by the Board of Directors
 - Government comparators
 - Non-government comparators
 - Combined results
 - Combined results reflect a 50/50 weighting of government and non-government results, providing a balanced sample
- A list of companies in the government and non-government samples is provided in Appendix B

Methodology – Management (Bands 5–10) and PWU

- Cash compensation results have been provided for the Management and PWU comparators, as selected by the IESO
 - Combines government and private sector comparators to create a “Balanced Sample”
- A list of companies included in the Management and PWU comparator group is provided in Appendix C

Results – Executives

- Percentage by which IESO policy (band midpoint) is above/below market data

IESO Level	% Above/Below Midpoint					
	Base Salary		TTC		Total Rewards	
	50th %ile	75th %ile	50th %ile	75th %ile	50th %ile	75th %ile
Executive Average*	-6%	-19%	-8%	-28%	-6%	-27%

* Weighted average based on IESO executive level and midpoint compensation.

- Percentage by which IESO actuals are above/below market data

IESO Level	% Above/Below Actual					
	Base Salary		TTC		Total Rewards	
	50th %ile	75th %ile	50th %ile	75th %ile	50th %ile	75th %ile
Executive Average*	-3%	-16%	-4%	-26%	-3%	-25%

* Weighted average based on IESO executive level and actual compensation.

Results – Management (Bands 1-10 & Bands 5-10) and PWU

- Percentage by which IESO policy (band midpoint) is above/below market data

% Above/Below IESO Midpoint						
IESO Group	Base Salary		TTC		Total Rewards	
	50th%ile	75th%ile	50th%ile	75th%ile	50th%ile	75th%ile
MGMT Average* (Bands 1 - 10)	-5%	-16%	-5%	-21%	-3%	-21%
PWU	6%	0%	3%	-4%	8%	-2%
MGMT Average* (Bands 5 - 10)	-3%	-12%	0%	-9%	2%	-9%

* Weighted average based on IESO management level compensation.

- Percentage by which IESO actuals are above/below market data

% Above/Below IESO Actual						
IESO Group	Base Salary		TTC		Total Rewards	
	50th%ile	75th%ile	50th%ile	75th%ile	50th%ile	75th%ile
MGMT Average* (Bands 1 - 10)	-5%	-16%	-4%	-21%	-3%	-21%
PWU	5%	-1%	2%	-4%	7%	-3%
MGMT Average* (Bands 5 - 10)	-7%	-16%	-5%	-13%	-3%	-13%

* Weighted average based on IESO management level compensation.

Appendices



Benefits Data Bank Comparator Group

Benefits Data Bank Comparators	
Government Comparators	Non-Government Comparators
<ul style="list-style-type: none"> ■ British Columbia Hydro and Power Authority ■ British Columbia Transmission Corporation ■ ENMAX Corporation ■ EPCOR ■ FortisAlberta ■ Hydro One ■ Hydro-Québec ■ Manitoba Hydro ■ Ontario Power Generation Inc. 	<ul style="list-style-type: none"> ■ AltaLink ■ ATCO Group ■ Bruce Power ■ Emera Inc. ■ Enbridge Gas Distribution ■ Enbridge Pipelines Inc. ■ FortisAlberta ■ Kinder Morgan ■ Spectra Energy Transmission ■ TransAlta Corporation ■ TransCanada PipeLines Limited ■ Terasen Gas Inc.

Note: The Benefits Data Bank comparators were selected by the IESO for their 2007 Competitive Compensation Review. These BENVAL results have been used for IESO's 2008 Review.

Executive Comparator Group

Executive Comparators	
Government Comparators	Non-Government Comparators
<ul style="list-style-type: none"> ■ Alberta Electric System Operator ■ Atomic Energy of Canada Limited ■ Enmax Corporation ■ EPCOR* ■ New Brunswick Power Corporation ■ Newfoundland & Labrador Hydro Electric Corporation ■ Saskatchewan Power Corporation 	<ul style="list-style-type: none"> ■ Alliance Pipeline ■ ATCO Ltd. & Canadian Utilities Limited* ■ Bruce Power ■ Emera ■ FortisAlberta ■ Kinder Morgan ■ Spectra Energy* ■ TransAlta Corporation*

* Denotes companies with full-level adjustments

Note: The executive comparators are based on the methodology established by IESO's Board of Directors in 2007.

Management and PWU Comparators

Management and PWU Group	
Government Comparators	Non-Government Comparators
<ul style="list-style-type: none"> ■ Atomic Energy of Canada Limited ■ British Columbia Hydro and Power Authority ■ Enmax Corporation ■ EPCOR ■ Hydro One ■ Hydro-Québec ■ Newfoundland & Labrador Hydro Electric Corporation ■ Ontario Power Generation Inc. ■ Saskatchewan Power Corporation 	<ul style="list-style-type: none"> ■ Alliance Pipeline ■ Bell Canada ■ Enbridge Inc. ■ FortisAlberta ■ Kinder Morgan ■ Praxair Canada Inc. ■ SNC Lavalin ■ Spectra Energy ■ Syncrude ■ TransAlta Corporation

Note: The Management (excluding executives) & PWU comparators were selected by the IESO