

ENERGY PROBE INTERROGATORY 16

Issue 5.0

INTERROGATORY

References: Exhibit A-2-2, Page 15; Exhibit A-2-2, Page 21, Appendix 1

Preamble: The 2017 CPMs consider input from the IESO's Stakeholder Advisory Committee, representing the voices of the sector, as well as working collaboratively with the subject matter experts of the IESO itself. The CPMs were developed to be results and outcome-oriented, externally focused, measureable, specific and achievable.

a) Please indicate when and which intervenors and stakeholders were consulted on the 2017 CPMs

b) Please indicate which divisions/executives contribute to each target and an approximate level of accountability/responsibility for each.

c) For each target/CPM please provide the detailed measurement(s) used

d) Please provide details regarding how the CPMs relate to the corporate and individual executive measures and variable pay compensation (see Exhibit A-3-4, Pages 53 and 61)

e) Please provide details (such as a report) of the corporate and individual performance management system at IESO.

f) Please Indicate if the CPM Program been approved by

- The Minister
- IESO Board
- IESO Stakeholder Committee
- The OEB

g) Please provide relevant material to support the response(s).

RESPONSE

a) Stakeholders were consulted and updated throughout the business planning and CPM-related process. The following are the dates and link to minutes and/or memo discussing CPMs with the IESO's Stakeholder Advisory Committee.

- [Feb 1, 2017](#)
- [Oct.19,2016](#)
- [Aug. 17, 2016](#)
- [May 11, 2016](#)

SAC meetings are open to the public and, in 2016, included BOMA and APPrO, who were also active in the 2016 and 2017 revenue requirement submissions when consultations with the SAC were held.

- b) Each Executive Leadership Team (ELT) member of the IESO, other than the CEO leads the delivery of the priorities of one of the business units of the organization. Successful achievement of these priorities is assessed via corporate performance measures (CPMs) for which all ELT members are accountable for reporting to the IESO board and its respective committees. While each ELT member is responsible for the collective achievement of all CPMs, each is also accountable towards reporting those measures that relate specifically to their area of the business.

For the 2017 CPMs presented in the 2017-19 Business Plan, the following table identifies the ELT member responsible for reporting on a specific target.

2017 CPM Target	Accountability
Overall progress to achievement of the 2016-2020 strategic plan	All ELT
100% compliance to North American Electricity Reliability Corporation high violation risk factor reliability standard requirements (including audit requirements) is self-certified by the IESO, demonstrating ability to sustain the reliability of the power system	Leonard Kula
Implementation of key recommendations in regional and bulk system power plans is on track according to their suggested timelines ¹ to meet the Ontario resource and transmission assessment criteria and support the planning and management of the provincial power system, whereby: <ul style="list-style-type: none"> a. 100% of the 46 key recommendations for 2017 are progressing on track for the 15 Integrated Regional Resource Plans b. 100% of the five priority and key transmission projects in Northwest Ontario from provincial plan(s) (2013 Long Term Energy Plan) are progressing on track, along with associated milestones with timelines in 2017 	Michael Lyle
One major LDC is actively engaged in two-way communication by end of 2017, including sharing of operational data to support coordinated and consistent operation decision making; discussion underway with additional two LDCs	Leonard Kula
Cybersecurity excellence is promoted by: <ul style="list-style-type: none"> • The objectives contained in the 2016 – 2017 cybersecurity forum work plan are accomplished 	Doug Thomas

¹ Subject to change to reflect more current information

2017 CPM Target	Accountability
<ul style="list-style-type: none"> Supporting the OEB objectives for completion of standards development by the end of 2017 Increasing the IESO's internal cybersecurity capabilities by implementing an advanced malware technology solution that is designed to improve our capability to detect and deter new and complex cyber-attacks and completing cybersecurity process enhancements by Q1 2017 	
<p>The IESO continues to focus on price efficient outcomes via:</p> <ul style="list-style-type: none"> Design and development of a renewed market structure project built on stakeholder input that lays the foundation for improved price efficiencies, operability, transparency and innovation includes: <ul style="list-style-type: none"> A robust, well stakeholdered cost/ benefit analysis completed by end of Q1, 2017 Well attended, at minimum quarterly meetings (including information sessions) with stakeholders to discuss, review and educate stakeholders on high level market design elements A detailed project plan developed by the end of Q3 which defines project scope (detailed design work to be undertaken), schedule and cost (including internal/external resourcing requirements) A project level risk assessment and Key Performance Indicators completed by end of Q3 Directed procurements (FIT and microFIT) are completed through transparent, consistent and efficient processes with posted standard contract, rules and prices. The processes are validated by a Fairness Commissioner to be executed with consistency and integrity. The costs are at or below the government's cost projections included in the 2013 LTEP Cost-effective delivery of LDC conservation programs undertaken within 4 cents/kWh. LDC and direct-connect customer program progress is in line with achieving the 2020 energy savings target of 8.7 TWh, with 50% (3.5 TWh) of 7 TWh Conservation First target forecasted to be achieved and 46% (0.78 TWh) of the 1.7 TWh Industrial Accelerator Program (IAP) target contracted by the end of 2017 	<p>JoAnne Butler</p> <p>Terry Young</p>
<p>Broader, competitive and more innovative sector participation is enabled by end of 2017 through:</p> <ul style="list-style-type: none"> Formal mid-term review of Conservation First Framework and Industrial Accelerator Program has been initiated by June 1, 2017 and on track to be completed no later than June 1, 2018 At least \$50M (3%) of the Conservation First Framework Conservation and Demand Management Plan budget committed to full deployment of innovative new programs The demand response (DR) auction enables the participation of a broad range of participants, including residential DR by the end of 2017, and meets the objectives of the DR working group The SME will enhance the value of electricity data by expanding the type of access to smart meter data received by the IESO's systems 	<p>Terry Young</p> <p>JoAnne Butler</p> <p>Doug Thomas</p>
<p>2% improvement in satisfaction with the engagement process is achieved from the 2016 customer satisfaction survey baseline of 65%; demonstrating continuous improvement in</p>	<p>Terry Young</p>

2017 CPM Target	Accountability
the IESO's consideration of stakeholder input in its decisions	
A two point increase in employee engagement is achieved from the baseline of 71% set in 2016 and all business units successfully implement their action plans resulting from the survey	Kim Marshall
Expanded operational capacity is realized by:	
<ul style="list-style-type: none"> • All priorities in 2017 are being achieved within the IESO's approved budget 	Kim Marshall
<ul style="list-style-type: none"> • 80% of priority change initiatives progressing according to their approved business case, on time and budget and completed projects meeting all of their defined business objectives 	Doug Thomas
<ul style="list-style-type: none"> • 100% of the Operations Readiness Initiatives (ORI) progressing according to their approved business case, meeting all of their defined business objectives to achieve a headcount reduction of six FTEs by end of 2018 	Leonard Kula

- c) The corporate performance measures (CPM) and annual targets reflect the strategic direction of the organization and relates to a strategic objective. The detailed measurement used is contained within each target and relies on a mix of qualitative and quantitative results that are subject to at least an annual Internal Audit review. Please refer to Attachment 1.
- d) Achievement towards annual CPM targets is assessed each Fall by the IESO's Executive Leadership Team and submitted to the Human Resources and Governance Committee of the IESO's Board of Directors for review and consideration and provides an input into the variable pay compensation component. The amount of the award paid will be determined in accordance with organizational and individual performance based on specific targets.
- e) The performance management process of the IESO comprises of:
- 1) A corporate action plan;
 - 2) Developing an employee development plan;
 - 3) Setting individual performance objectives; and
 - 4) An annual as well as mid-year performance appraisal process
- The IESO's annual performance management processes are managed through SuccessFactors, an integrated, on-line Human Capital Management System (HCMS).
- f) The CPMs are a part of the IESO's Business Plan which is submitted to the Minister of Energy and must be approved by the Minister before the IESO files a revenue requirement

1 submission with the Board. As such, the CPMs, along with the larger business plan, are
2 approved by the Minister and the IESO Board. The SAC and OEB are not approvers of the
3 CPMs; however, the SAC is actively engaged for their feedback on the development of
4 CPMs

5 g) Please refer to Exhibit A-2-3.

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2017 Corporate Performance Measures (CPMs)



February 2017

Presented in the table below are the 2017 Corporate Performance Measures (CPMs) as included in the business plan for the 2017-2019 period.

As a public sector organization that continuously endeavours to achieve higher levels of performance, the IESO recognizes the need to develop and sustain a performance management program that creates value for the public. Central to this program are CPMs that help translate strategy into action for strategic and key operational areas of the IESO and support organizational performance to focus the business towards achievement of its strategic and business plans.

The determination of which CPMs to include for 2017 reflects a rigorous development process that engages IESO management and staff feedback, opinions and technical expertise as well as considering the formal input provided by the Stakeholder Advisory Committee to help develop and balanced set of measures to monitor and report on the organization’s progress.

The 2017 CPMs have been updated from its previous 2016 iteration to be more granular, allow for specific measurement and better reflect the outcomes of current realities facing the business and the electricity sector. The IESO will continue to report progress on the CPMs to the Audit Committee (AC) quarterly as well as providing a more complete year-end assessment to both the AC and the SAC.

Strategic Objective	CPM	2017 Target
n/a	1. The IESO executes its strategic plan	Overall progress to achievement of the 2016-2020 strategic plan
Strategic Goal: Deliver superior reliability performance in a changing environment		
Plan and manage the power system so Ontarians have power when and where they need it	2. Ontario’s electricity service is reliable	100% compliance to North American Electricity Reliability Corporation high violation risk factor reliability standard requirements (including audit requirements) is self-certified by the IESO, demonstrating ability to sustain the reliability of the power system
	3. The provincial power system is well planned	Implementation of key recommendations in regional and bulk system power plans is on track according to their suggested timelines ¹ to meet the Ontario resource and transmission assessment criteria and support the planning and management of the provincial power system, whereby: a. 100% of the 46 key recommendations for 2017 are progressing on track for the 15 Integrated Regional Resource Plans b. 100% of the five priority and key transmission projects in Northwest Ontario from provincial plan(s) (2013 Long Term Energy Plan) are progressing on track, along with associated milestones with timelines in 2017

¹ Subject to change to reflect more current information

Strategic Objective	CPM	2017 Target
Enhance reliability and efficiency through coordination of IESO and LDC controlled resources	4. Operations are well co-ordinated with LDC partners	One major LDC is actively engaged in two-way communication by end of 2017, including sharing of operational data to support coordinated and consistent operation decision making; discussion underway with additional two LDCs
Promote robust cybersecurity practices across the sector	5. Cybersecurity leadership is demonstrated across the sector	Cybersecurity excellence is promoted by: <ul style="list-style-type: none"> • The objectives contained in the 2016 – 2017 cybersecurity forum work plan are accomplished • Supporting the OEB objectives for completion of standards development by the end of 2017 • Increasing the IESO's internal cybersecurity capabilities by implementing an advanced malware technology solution that is designed to improve our capability to detect and deter new and complex cyber-attacks and completing cybersecurity process enhancements by Q1 2017
Strategic Goal: Drive to a more efficient and sustainable marketplace		
Evolve the Ontario market to increase market efficiency and value for consumers	6. The electricity market is efficiently delivered	<p>The IESO continues to focus on price efficient outcomes via:</p> <ul style="list-style-type: none"> • Design and development of a renewed market structure project built on stakeholder input that lays the foundation for improved price efficiencies, operability, transparency and innovation includes: <ul style="list-style-type: none"> ○ A robust, well stakeholdered cost/ benefit analysis completed by end of Q1, 2017 ○ Well attended, at minimum quarterly meetings (including information sessions) with stakeholders to discuss, review and educate stakeholders on high level market design elements ○ A detailed project plan developed by the end of Q3 which defines project scope (detailed design work to be undertaken), schedule and cost (including internal/external resourcing requirements) ○ A project level risk assessment and Key Performance Indicators completed by end of Q3 • Directed procurements (FIT and microFIT) are completed through transparent, consistent and efficient processes with posted standard contract, rules and prices. The processes are validated by a Fairness Commissioner to be executed with consistency and integrity. The costs are at or below the government's cost projections included in the 2013 LTEP • Cost-effective delivery of LDC conservation programs undertaken within 4 cents/kWh. LDC and direct-connect customer program progress is in line with achieving the 2020 energy savings target of 8.7 TWh, with 50% (3.5 TWh) of 7 TWh Conservation First target forecasted to be achieved and 46% (0.78 TWh) of the 1.7 TWh Industrial Accelerator Program (IAP) target contracted by the end of 2017
Foster an open and competitive electricity marketplace with broad participation	7. The marketplace for electricity is innovative and competitive	<p>Broader, competitive and more innovative sector participation is enabled by end of 2017 through:</p> <ul style="list-style-type: none"> • Formal mid-term review of Conservation First Framework and Industrial Accelerator Program has been initiated by June 1, 2017 and on track to be completed no later than June 1, 2018 • At least \$50M (3%) of the Conservation First Framework Conservation and Demand Management Plan budget committed to full deployment of innovative new programs • The demand response (DR) auction enables the participation of a broad range of participants, including residential DR by the end of 2017, and meets the objectives of the DR working group • The SME will enhance the value of electricity data by expanding the type of access to smart meter data received by the IESO's systems

Strategic Objective	CPM	2017 Target
Strategic Goal: Be recognized as a trusted advisor, informed by engagement		
Enhance public confidence in the IESO and the sector to facilitate informed customer choice	8. Stakeholders and communities are confident with the engagement process for making informed decisions	2% improvement in satisfaction with the engagement process is achieved from the 2016 customer satisfaction survey baseline of 65%; demonstrating continuous improvement in the IESO's consideration of stakeholder input in its decisions
Work effectively with government to support policy development and IESO's excellence in implementation		
Seek out and respond to input from communities, customers and stakeholders to inform IESO decisions		
Strategic Goal: Invest in our people and processes to meet the needs of the sector		
Strengthen the development and engagement of our employees	9. IESO employees are engaged	A two point increase in employee engagement is achieved from the baseline of 71% set in 2016 and all business units successfully implement their action plans resulting from the survey
Attract and retain the best talent		
Be a focused and flexible organization positioned to support the ongoing transformation of our industry	10. IESO resources are utilized effectively and efficiently	<div>Expanded operational capacity is realized by:</div> <ul style="list-style-type: none">• All priorities in 2017 are being achieved within the IESO's approved budget• 80% of priority change initiatives progressing according to their approved business case, on time and budget and completed projects meeting all of their defined business objectives• 100% of the Operations Readiness Initiatives (ORI) progressing according to their approved business case, meeting all of their defined business objectives to achieve a headcount reduction of six FTEs by end of 2018

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INTERROGATORY

Reference: Exhibit C Tab 1 Schedule 1 Page 2 Plus Attachments

Preamble: The IESO has not set or developed targets for the scorecard metrics at this time unless they exist in the IESO Corporate Performance Measures or there is a pre-existing requirement, such as the Compliance with NERC high risk reliability standards. Where such a target exists, they are included as the 2016 target. For other measures, the IESO believes that it would be more effective to have a history on the measure before setting a target to ensure that it is a realistic and attainable target.

a) Please explain why, after reaching a settlement and engaging stakeholders in the Elenchus Study, the IESO now declines to populate the Scorecard for 2017 for consideration in the hearing.

b) Please populate the Scorecard with a complete set of proposed 2017 targets.

RESPONSE

a) The IESO would like to clarify that the IESO is not declining to populate the scorecard for 2017.

As stated in Exhibit C-1-1, the IESO has populated the draft scorecard with 2016 data. If the Board finds the proposed scorecard helpful with its decision making, the IESO will continue tracking the results with 2017 data available after year-end 2017.

For the proposed 2017 targets, the IESO has not set or developed targets for the scorecard metrics at this time unless they exist in the IESO Corporate Performance Measures or there is a pre-existing requirement, such as the Compliance with NERC high risk reliability standards. Where such a target exists, they are included as the 2016 target. For other measures, the IESO believes that it would be more effective to have a history on the measure before setting a target to ensure that it is a realistic and attainable target.

b) Please refer to the response to (a) above.

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4 Reference: Exhibit C-1-1 Attachment 2

5 Preamble: MDA tab Indicates "Market Renewal Initiative proceeding according to the schedule
6 and budget. The IESO is not reporting or providing 2016 information on the Market Renewal
7 Project as the project was under development and examination in 2016, it did not have a budget
8 nor was a schedule established for 2016.

9 a) Please provide the details of the Milestones/Metrics that are/will be the basis of reporting on
10 the MDP and for the 2017 Scorecard targets.

11 b) Please reconcile the response with prior EP IRs on the MRP costs and Capex.

12 RESPONSE

13 a) As stated in Exhibit C-1-1, the proposed measure/metric for MRP is "the market renewal
14 initiative is proceeding according to the schedule and budget. Annual reporting against the
15 annual schedule and budget throughout the duration of the initiative."

16 Annual reporting against the schedule will be based on the MRP Program Plan (please refer
17 to the response to Energy Probe Interrogatory 7 at Exhibit I, Tab 1.6, Schedule 5.07 part (c)).
18 Annual reporting against the budget will be based on the operating and capital budgets
19 (please refer to the response to BOMA Interrogatory 45 Exhibit I, Tab 1.6, Schedule 2.45).

20 b) Please refer to the response to Energy Probe Interrogatory 7 Exhibit I, Tab 1.6, Schedule 5.07
21 part (c).

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VECC INTERROGATORY 27

EXHIBIT A

Issue 5.0 (5.4)

INTERROGATORY

Exhibit C-1-1, Attachment 1, Page 7 of 56

- a) Is it the IESO's intention to adopt the Proposed Regulatory Scorecard Shown at the above reference?
- b) Please explain why the proposed scorecard has no normalized financial metrics (for example, average compensation cost per FTE or the number of contracts managed normalized by the \$ spent in that department).

RESPONSE

- a) The reference is to the draft regulatory scorecard prepared by Elenchus and provided in its report. The IESO has provided a draft Regulatory Scorecard for consideration by the Board at Ex C-1-1 Attachment 1, pages 51-56 in the IESO updated evidence filed on June 30, 2017. This evidence was filed after the IESO and other parties, who participated in the development of the draft scorecard, received the report from Elenchus. In its evidence at Ex C-1-1 page 2, the IESO states that:

The IESO is supportive of a scorecard to assist the Board in its decision making but it is not clear to the IESO which of the scorecard metrics the Board will find useful when evaluating the IESO's proposed expenditure and revenue requirement. If the Board does not find that one or more of the proposed metrics included in the IESO's scorecard are useful to it in this way, the IESO asks that it not be required to include those metrics in any scorecards filed with subsequent Revenue Requirement Submissions. For those measures the Board finds helpful with its decision making, the IESO will continue tracking the results as recommended on page 14 of the Report.

- b) Provided by John Todd of Elenchus Research Associates: In preparing the proposed IESO Regulatory Scorecard, Elenchus included what it considered to be normalized financial metrics. In the cost control section of the Scorecard, Total Expenses/TWh (3-yr rolling average) is proposed. A normalized financial metric was also proposed in the Conservation category (portfolio cost measured in \$/kWh).

Elenchus also proposed other metric that are volume normalized (capacity contracts managed #/FTE and GW/FTE). In Elenchus' view, productivity is measured more

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EB-2017-0150

Exhibit I

Tab 5.0

Schedule 9.27 VECC 27

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- 1 meaningfully on the basis of output per FTE than an output per cost since inflation would
- 2 result in a measure with a downward bias, unless cost is also inflation adjusted. Inflation
- 3 adjustments would raise a number of technical issues.

VECC INTERROGATORY 28

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INTERROGATORY

Exhibit C-1-1, Attachment 1,

a) Using the Table in response to VECC Interrogatory 26 above please show for 2015 and 2016 actuals and 2017 budget the following:

i. Allocated \$ cost in department - Connections & Registrations /No. of Connections & Registrations

ii. Allocated \$ cost in department – Contract Management / No. of Contracts Managed

iii. Allocated \$ cost in department - Renewable Procurement / No. of renewables procured

iv. Allocated \$ cost in department - Conservation and Corporate Relations / MW of achieved conservation

RESPONSE

As the IESO integrated its systems and infrastructure post-merger in 2015, comparable actual data is not available for 2015 due to the impact of the transition.

i. Connections & Registrations 2016 actuals/number of connection assessments completed 2016 = \$2,990,676/100

Note that due to internal restructuring, the group "Connections & Registrations" is no longer a dedicated department.

ii. Contract management 2016 actuals/number of contracts managed Q4 2016 = \$2,222,000/28,341

Contract management 2017 budget/ number of contracts managed Q1 2017 = \$3,382,000/28,907

iii. Resource Development and Strategy 2016 actuals/(Q4 2016 renewable contracts – Q4 2015 renewable contracts) = \$1,204,000/(28,293 – 25,614)
Resource Development and Strategy 2017 budget/ Q1 2017 renewable contracts – Q4 2016 renewable contracts) = \$ 2,050,000/(28,859 – 28,293)

- 1 Notes:
- 2 • Renewables procurement accounts for approximately 20% of the Resource
- 3 Development and Strategy budget, and declines over the three year period.
- 4
- 5 iv. Conservation and Corporate Relations 2016 actuals / MW of achieved 2016
- 6 conservation = \$1.7 million/254 MWs of achieved conservation
- 7 • Note this includes only costs allocated to conservation.