

1 OEB STAFF INTERROGATORY 1

2 **1.0 Revenue Requirement, Operating Costs and Capital Spending**

3 **1.1 *Is the IESO's Fiscal Year 2018 net revenue requirement of \$190.8 million appropriate?***

4 **Staff IR#1**

5 INTERROGATORY

6 Reference: Exhibit A, Tab 1, Schedule 1, Pgs. 1, 2

7 Preamble:

8 The IESO proposes a 2018 net revenue requirement of \$190.8 million.

9 The IESO is seeking the following approvals from the OEB:

10 Approval of the proposed usage fees of \$1.2402/MWh for domestic customers (including  
11 embedded generation) and \$1.0115/MWh for export customers.

12 In the IESO's December 18, 2017 letter to the Minister, the IESO states: "we are holding our  
13 revenue requirement for 2018 at 2017 budget levels. For 2018, the IESO's proposed core  
14 operating expenses are \$190.8 million, which will be funded by usage fee revenues".

15 Questions:

- 16 a) Please explain why the IESO is requesting both an increase in domestic and export usage  
17 fees if its revenue requirement remains unchanged from 2017 levels. What factors are  
18 driving the need to increase the domestic and export usage fees?  
19 i. Why does the rate of increase between domestic and export usage fees vary?

20 RESPONSE

21 a) The IESO usage fees are calculated for the IESO by Elenchus using the same model that was  
22 approved by the Board in the IESO's 2016 revenue requirement submission (EB-2015-0275).

23 This model uses the following inputs to calculate the usage fees:

- 24 • 2018 Forecast domestic and export energy volumes;  
25 • 2018 Total Budget by business unit and department; and  
26 • the cost allocation for each department.

27 Changes to these inputs impact the 2018 usage fees calculated by the Elenchus model.

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2018 Forecast Domestic and Export Energy Volumes

The table below compares the forecast energy volumes used in the usage fee calculation in 2017 and 2018.

<b>Forecast Energy Volume (in TWh)</b>	<b>2017<sup>1</sup></b>	<b>2018<sup>2</sup></b>
Domestic	140.8	138.1
Export	19.4	19.4
Total	160.2	157.5

In 2018, the forecast domestic energy volume is 1.9% lower than that in 2017.

2018 Total Budget by Business Unit and Department

While the IESO's 2018 revenue requirement of \$190.8 million is unchanged from 2017, the budgets of the business units and the departments, within each business unit, are not necessarily the same as they were in 2017.<sup>3</sup>

The budget for each department is allocated to one of the allocators listed below, as described in the Elenchus report in EB-2015-0275 at Exhibit B-1-1, Attachment 1:

*Domestic class only:*

Costs of services and activities that are caused by, or benefit, only the domestic customers are allocated to the domestic customer class.

*Domestic and export classes in proportion to energy (TWh):*

Costs of services that are used by both domestic and export customers and normally considered to be energy related are allocated to each customer class on the basis of the proportion of energy volumes in TWhs.

*Operation & Administration (O&A):*

The costs of services that functionally support the rest of the organization are allocated to the domestic and export classes in the same proportion as the costs of the direct market support within each Business Unit.

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<sup>1</sup> EB-2017-0150, Exhibit B-1-1, Page 4

<sup>2</sup> EB-2018-0143, Exhibit B, Tab 1, Schedule 1, Page 3

<sup>3</sup> The 2018 budgets and 2017 budgets and actuals for each business unit and department are found at EB-2018-0143, Exhibit B-3-1, Attachment 3

1 For 2018, the allocation of two departments: Enterprise Change and Corporate Controller,  
2 was changed from TWh to O&A, consistent with how other departments in Corporate  
3 Services are allocated.

4 Elenchus reviewed the proposed change in allocation for these two departments and their  
5 review findings are noted below:

6 *“Elenchus considers the two changes to be reasonable and justified since the two affected cost*  
7 *categories carry out work that supports other internal departments. This treatment is*  
8 *consistent with other costs that are allocated on the basis of O&A.”*

9 The increased domestic and export usage fees are a result of the abovementioned changes.

- 10 i. The rate of increase between the 2018 domestic and export usage fees varies as a result  
11 of the inputs into the Elenchus model that calculates the IESO usage fees. As described  
12 in the response to part a), changes to these inputs have different impacts on each  
13 customer class.

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1 OEB STAFF INTERROGATORY 2

2 **1.0 Revenue Requirement, Operating Costs and Capital Spending**

3 **1.1 Is the IESO's Fiscal Year 2018 net revenue requirement of \$190.8 million appropriate?**

4 **Staff IR#2**

5 INTERROGATORY

6 Reference: Exhibit A-2-1. Pg. 1

7 Preamble:

8 In the IESO's letter dated December 18, 2017 to the Minister, the IESO states: "As indicated in  
9 my letter of September 1, we are holding our revenue requirement for 2018 at 2017 budget  
10 levels. This means the organization will continue its efforts to find efficiencies and opportunities  
11 for expense reductions."

12 Questions:

13 a) Please describe the steps the IESO has or plans to take in identifying cost efficiencies and  
14 opportunities for expense reductions.

15 i. Please identify the status of each identified efficiency opportunity. Classify each  
16 opportunity as either implemented or in process.

17 ii. If available, please quantify the financial cost savings and expense reduction  
18 opportunities identified through this process.

19 iii. Do any of the identified efficiency opportunities involve human resource activities such  
20 as a change in staffing levels and/or corporate re-organizations?

21 iv. Do/should the cost savings achieved through these efficiency opportunities effect the  
22 IESO's 2018 revenue requirement?

23 RESPONSE

24 a)

25 i. Please see the response to OEB Interrogatory 7(b) at Exhibit I, Tab 1.3, Schedule 1.07. The  
26 identified efficiency opportunities to manage increasing compensation costs are  
27 ongoing.

28 ii. Any efficiency and/or cost savings realized through the opportunities described in OEB  
29 Interrogatory 7(b) will help the IESO to manage spending to the 2018 budget level.

- 1           Accordingly, the efficiency opportunities are already incorporated in the IESO's revenue  
2           requirement and therefore have no further impact. Quantification of these efficiency  
3           opportunities is not available.
- 4           iii. The opportunities around efficiently deploying resources involve effectively managing  
5           staff changes within the organization. To better position the organization to deliver on  
6           its mandate, in 2018 the IESO completed a corporate realignment aimed at building a  
7           stronger, more cohesive organization focused on a common purpose.
- 8           iv. See part ii).

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OEB STAFF INTERROGATORY 3

2 **1.0 Revenue Requirement, Operating Costs and Capital Spending**

3 **1.1 *Is the IESO's Fiscal Year 2018 net revenue requirement of \$190.8 million appropriate?***

4 **Staff IR#3**

5 INTERROGATORY

6 Reference: Exhibit A-2-2. Pg. 5 of 28

7 Preamble:

8 The Application states: "Even with these additional initiatives, the IESO intends to hold its  
9 revenue requirement for 2018 at 2017 approved budget levels."

10 Questions:

- 11 a) Please identify any significant services, projects or other functions previously performed by  
12 the IESO that have been discontinued since 2017.
- 13 i. If applicable, please indicate the number of staff assigned to these discontinued projects  
14 as well as associated budgets.
- 15 ii. If applicable, please indicate if the budgets for these discontinued  
16 services/projects/functions were included in previous revenue requirement applications.

17 RESPONSE

- 18 a) The IESO has not identified any significant services, projects or other functions within its  
19 core operations that have been discontinued since 2017. The IESO has held its 2018  
20 proposed revenue requirement at the 2017 approved level and expects to manage this  
21 through close oversight on costs as well as continued efforts to find efficiencies and  
22 opportunities for expense reduction in other areas, such as those described in OEB  
23 Interrogatory 7(b) at Exhibit I, Tab 1.3, Schedule 1.07. In addition, to better position the  
24 organization to deliver on its mandate, in 2018, the IESO completed a corporate  
25 realignment, as further described in the response to AMPCO Interrogatory 5 at Exhibit I,  
26 Tab 1.1, Schedule 2.05. Within this realignment, resources were reassigned within the  
27 organization based on current needs, including backfilling for staff that were assigned to  
28 new positions within the Market Renewal Program





1 OEB STAFF INTERROGATORY 4

2 **1.0 Revenue Requirement, Operating Costs and Capital Spending**

3 **1.1 *Is the IESO's Fiscal Year 2018 net revenue requirement of \$190.8 million appropriate?***

4 Staff IR #4

5 INTERROGATORY

6 Reference: Exhibit A-2-2. Pg. 13

7 Preamble:

8 The Application states: "The IESO is collaborating as a service provider with the Ministry of  
9 Environment and Climate Change (MoECC) to support the Green Ontario Fund, by assisting  
10 with the design and operation of a website, the management of a call center and the design and  
11 delivery of programs".

12 Questions:

13 a) *The Cap and Trade Cancellation Act, 2018* was introduced in the Ontario Legislature on  
14 July 25, 2018. Please describe how, if the bill is passed, the operations of the IESO in 2018  
15 may be impacted.

16 b) Please discuss the impact of the bill, if passed, on staff assigned to the MoECC project.

17 i. Have/will impacted staff be reassigned to other areas of IESO operations?

18 ii. If applicable, what impact will the reassignments have on the IESO's projected staffing  
19 levels in 2018 and corresponding payroll and benefits budgets?

20 RESPONSE

21 a) and b) The IESO has established a project team responsible for the delivery of all of the work  
22 being done on behalf of the previous Ministry of Environment and Climate Change and the  
23 Green Ontario Fund. The elimination of the Green Ontario Fund will have no impact on fees  
24 for 2018 and 2019. The budget for the Green Ontario Fund work is outside of the scope of  
25 this application. All of the work that the IESO is doing for the Green Ontario Fund is funded  
26 separately through a Transfer Payment Agreement with the province. The elimination of the  
27 Green Ontario Fund will have no impact on fees for 2018 and 2019 as the IESO will be  
28 reimbursed for all of its termination and windup costs under the agreement.

1       The staff assigned to the Green Ontario Fund project were a mixture of IESO regular staff  
2       and temporary staff hired for this project. Where regular staff were assigned to the project  
3       they were backfilled with temporary staff. When roles in the Green Ontario Fund project are  
4       no longer required, staff will either rotate back to their regular role or temporary staff  
5       contracts will be ended. If suitable, temporary staff may be able to fill other vacancies within  
6       the organization. The reassignments are not expected to have any impact on the IESO's  
7       projected staffing levels for its core functions.

Filed: August 31, 2018

EB-2018-0143

Exhibit I

Tab 1.1

Schedule 1.04 OEB STAFF 4

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1 OEB STAFF INTERROGATORY 5

2 **1.0 Revenue Requirement, Operating Costs and Capital Spending**

3 **1.1 *Is the IESO's Fiscal Year 2018 net revenue requirement of \$190.8 million appropriate?***

4 Staff IR #5

5 INTERROGATORY

6 Reference: Minister of Energy, Northern Development and Mines Directive: "Wind Down of  
7 Feed-in Tariff and Large Renewable Procurement Contracts"

8 Preamble:

9 On July 5, 2018, the Minister of Energy, Northern Development and Mines released a directive  
10 requiring the IESO to take cancellation action on certain projects procured through the Feed-in-  
11 Tariff and Large Renewable Procurement initiatives.

12 Questions:

- 13 a) Does the Minister's Directive have any impact on the IESO's 2018 expenditure, revenue  
14 requirements and fees as proposed in this application?
- 15 b) Please discuss the impacts, if any, of the Directive on the IESO's supply and demand  
16 forecast.

17 RESPONSE

- 18 a) At this time, it is not known whether there will be any costs to the IESO in 2018 resulting  
19 from the directive.
- 20 b) The Minister's Directive reduced the total amount of installed supply capacity by 443 MW.  
21 This is equivalent to approximately 99 MW of available supply at the time of peak demand.  
22 The reduction in this supply capacity is not expected to impact the timing of capacity needs,  
23 which are currently anticipated to emerge in the 2023-2025 timeframe.

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1 AMPCO INTERROGATORY 1

2 **1.0 Revenue Requirement, Operating Costs and Capital Spending**

3 **1.1 Is the IESO's Fiscal Year 2018 net revenue requirement of \$190.8 million appropriate?**

4 1.1-AMPCO-1

5 INTERROGATORY

6 Ref: Exhibit A-2-2 Page 4

7 Preamble: In its 2018-2020 Business Plan, the IESO indicates it will re-engineer business  
8 processes where needed to address inefficiencies, consolidate and enhance project management  
9 capabilities and re-examine its approach to risk.

- 10 a) Please explain the inefficiencies that currently exist regarding project management  
11 capabilities and the resulting impacts and risks.

12 RESPONSE

- 13 a) As part of the focus on the efficient and cost-effective delivery of corporate services within  
14 the organization, the IESO brought together the project management, project governance  
15 and business analysis capabilities from across the organization into a new Enterprise  
16 Change function in late 2017. Enterprise Change is the IESO's centralized team responsible  
17 for the prioritization, governance and delivery of enterprise change at the IESO and  
18 ensuring that projects achieve their objectives. In support of their mandate, Enterprise  
19 Change is looking to:

- 20 • Adopt industry best practices into the project governance and project delivery  
21 methodologies;
- 22 • Leverage a set of scalable tools to effectively deliver projects;
- 23 • Examine and effectively manage risks throughout the project lifecycle, from  
24 initiation through delivery;
- 25 • Streamline and continuously improve the project management and business analysis  
26 processes and products to ensure they efficiently achieve their objectives; and
- 27 • Centralize and enhance IESO project delivery capability.

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1 AMPCO INTERROGATORY 2

2 **1.0 Revenue Requirement, Operating Costs and Capital Spending**

3 **1.1 Is the IESO's Fiscal Year 2018 net revenue requirement of \$190.8 million appropriate?**

4 1.1-AMPCO-2

5 INTERROGATORY

6 Please provide a summary of the internal audits currently underway and planned for the 2018  
 7 to 2020 period.

8 RESPONSE

9 The audits planned for 2018 to 2020 are set out in the table below. This audit plan is subject to  
 10 regular review and update to reflect changing needs.

2018	2019	2020
Fraud risk assessment	Entity Level Controls	
Treasury Board Directive compliance	Treasury Board Directive compliance	Treasury Board Directive compliance
Corporate Performance Measures review	Corporate Performance Measures review	Corporate Performance Measures review
	Strategy + Business Plan,	
IT Security	IT Architecture, Portfolio & Asset Management	
Ontario Reliability Compliance Program	Market Monitor	IESO Reliability Compliance Program
Evolve Market and market Rules amendment	Market Renewal Program governance	Market Renewal Program
	IT governance Audit	
Internal Audit Quality Assurance	Internal Audit Quality Assurance	Internal Audit Quality Assurance
Real-time and day ahead dispatch algorithm review		Real-time and day ahead dispatch algorithm review
Network model build workflow (part 2)	Control room training	Market Participant Registration

2018	2019	2020
Forecast variable generation	Generator cost guarantee program	Transmission rights market
Fair Hydro Plan settlement process	Market Settlement Service Organisation Controls 1 + 2	Market settlement dispute process
Metered Market Participant independence audit	Metered Market Participant independence audit	Metered Market Participant independence audit
	Global Adjustment funded transactions	Generation Contract & Funds Management
		Bulk system planning

AMPCO INTERROGATORY 3

**1.0 Revenue Requirement, Operating Costs and Capital Spending**

**1.1 Is the IESO's Fiscal Year 2018 net revenue requirement of \$190.8 million appropriate?**

1.1-AMPCO-3

INTERROGATORY

Ref: Exhibit B Tab 3 Schedule 1 Attachment 2 Appendix 2-JB.

Please add 2016 Plan and 2016 Actuals to the table.

RESPONSE

Revised Appendix 2-JB including 2016 Plan and 2016 Actuals is as follows:

(in millions)	2016 Actual	2016 Plan	2017 Actual	2017 Budget	2018 Budget
<b>Previous Year Actual</b>	<b>183,484</b>	<b>183,484</b>	<b>176,916</b>	<b>176,916</b>	<b>183,297</b>
Compensation & Benefits	577	1,368	6,717	7,976	1,781
Professional & Consulting Fees	( 4,711 )	( 1,437 )	1,144	4,119	2,580
Operating & Administration	( 575 )	( 1,409 )	520	1,618	3,076
Amortization	1,644	( 433 )	( 1,373 )	( 1,227 )	( 471 )
Interest	( 3,504 )	559	( 627 )	1,962	541
<b>Total Actual/Application Year Budget</b>	<b>176,916</b>	<b>182,132</b>	<b>183,297</b>	<b>191,364</b>	<b>190,803</b>

Please note that, the interest presentation in the above 2016 Actual is different from that shown in SEC Interrogatory 10 in EB-2017-0150 at Exhibit I, Tab 1.3, Schedule 7.10 due to a change in how interest is presented. In 2016, interest revenue was reflected in the revenue section. In 2017, it is shown as a reduction of expenses. The interest presentation for 2016 in the table above has been modified to be consistent with the methodology used in 2017 and 2018.

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1 AMPCO INTERROGATORY 4

2 **1.0 Revenue Requirement, Operating Costs and Capital Spending**

3 **1.1** *Is the IESO's Fiscal Year 2018 net revenue requirement of \$190.8 million appropriate?*

4 1.1-AMPCO-4

5 INTERROGATORY

6 Ref: Exhibit B Tab 3 Schedule 1 Attachment 3 Appendix 2-JC.

7 Please add 2016 Plan and 2016 Actuals to the table and provide an excel version of  
8 Attachment #3.

9 RESPONSE

10 Comparable budget and actual data is not available for 2016 as the data cannot be readily  
11 aggregated on this basis as a result of the organizational realignment that occurred in 2017  
12 which is described at Exhibit A-3-1, page 6.

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1 AMPCO INTERROGATORY 5

2 **1.0 Revenue Requirement, Operating Costs and Capital Spending**

3 **1.1 *Is the IESO's Fiscal Year 2018 net revenue requirement of \$190.8 million appropriate?***

4 1.1-AMPCO-5

5 INTERROGATORY

6 Ref#1: Exhibit A-3-1 Page 6

**Organizational Alignment**

Policy and innovation can open up new opportunities for consumers and stakeholders, drive down costs and lead to a more efficient and effective electricity grid. Together with its stakeholders, the IESO informs and implements policy while creating an environment where innovation can thrive.

To support its efforts in this area, the IESO underwent an organizational realignment in the fourth quarter of 2017. The new Policy, Engagement and Innovation group aligns the various IESO resources to more effectively develop policy that reflects the broader objectives of the IESO and Ontario's electricity sector, including the need to foster innovation. This group is also responsible for leading the IESO's engagement efforts with customers and stakeholders, the energy regulator, the government and others to ensure their input is actively sought and considered as new initiatives are advanced.

The new Planning, Acquisition and Operations group brings together functions that are responsible for a reliable and efficient province-wide power system both today and in the future. This includes planning, Market Renewal, resource and transmission procurement, and real-time operations and engineering.

Other changes to the IESO's structure include a new standalone business unit and senior executive leading the Human Resources function and a group called Legal Resources and Corporate Governance that includes contract management. The new vice-president of Information & Technology Services will also serve as Chief Information Officer and lead the company's efforts in the area of cybersecurity. As part of its efforts to increase efficiency, provide better service to internal and external customers, and deliver greater value to ratepayers, the IESO is adopting an enterprise-wide view of its operations. Consistent with that shift, a centralized team responsible for the prioritization, governance and delivery of enterprise change at the IESO has been created and reports through the Vice-President of Corporate Services and Chief Financial Officer. This new organizational structure sets a clear corporate direction that will enable the IESO to deliver on its mandate while managing the changes that are reshaping Ontario's energy sector.

7  
8 Preamble: The IESO's 2017 Annual Report states "The IESO underwent an organizational  
9 realignment in the fourth quarter of 2017."

10 a) Please explain the need and outcome of this organizational realignment.

11 b) Please provide a summary of all new groups resulting from the organizational realignment  
12 in 2017.

- 1 c) Please provide organizational charts to compare before and after this organizational  
2 realignment and show the number of FTEs for each.

3 RESPONSE

4 a) The organizational realignment took place after Peter Gregg became President and Chief  
5 Executive Officer of the IESO. The main purpose for the organizational change was to clarify  
6 accountabilities across the organization, and enable the IESO to effectively deliver on its  
7 mandate. As a result of the organizational change, the IESO's new structure consists of  
8 business units that reflect the IESO's key priorities and corporate resource functions that  
9 support the entire IESO in the execution of its mandate. The IESO will continue to focus on  
10 its core mandate of maintaining the reliable operation of Ontario's electricity system, which  
11 includes cybersecurity, informing the development and implementation of electricity policy  
12 and enabling innovation.

13 b) and c) Organizational charts to compare before and after the organizational realignment and  
14 show the number of FTEs for each are provided below.

15 Please see Attachment 1 to this exhibit for the IESO's current organizational chart. For  
16 comparison purposes, the organizational chart filed in the IESO's 2017 Revenue  
17 Requirement Submission, EB-2017-0150, is provided as Attachment 2 to this exhibit, and the  
18 table below has been copied from the IESO's 2017 Revenue Requirement Submission to  
19 show the IESO's 2017 organizational structure with FTEs.

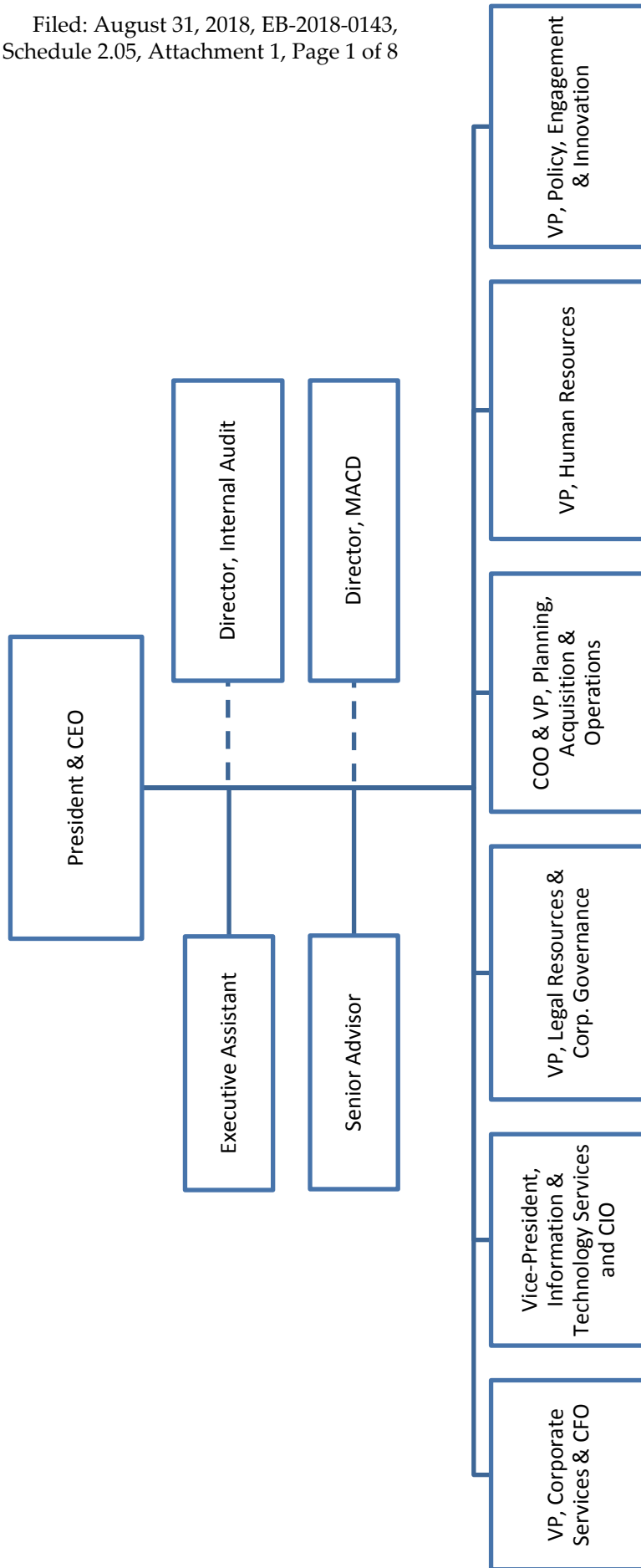


2017 Budget - VPs and Direct Reports (FTEs and \$) ('000)	FTEs
<b>CEO</b>	<b>8</b>
CEO Office	3
Internal Audits	5
<b>Market and System Operations</b>	<b>194</b>
VP Office	8
Market Operations	83
Power System Assessments	61
Operations Integration	42
<b>Market and Resource Development</b>	<b>97</b>
VP Office	2
Contract Management	48
Resource Development & Strategy	27
Markets	20
<b>Conservation and Corporate Relations</b>	<b>90</b>
VP Office	3
Director Conservation Performance	25
Director, Alliance & Marketing	18
Sr. Manager, Program & Partner Services	15
Director Stakeholder & Public Affairs	29
<b>Information and Technology Services</b>	<b>146</b>
VP Office	4
Organizational Governance Support	26
Business Solutions	60
Technology Services	56
<b>Planning, Legal, Indigenous Relations &amp; Regulatory Affairs</b>	<b>61</b>
VP Office	2
Corporate Counsel	14
Board	
Regulatory Affairs	7
First Nations & Metis Relations	3
Resource Integration	19
Transmission Integration	16
<b>Corporate Services</b>	<b>80</b>
VP Office & Corporate Controller	20
Financial Planning & Analysis	8
Treasury Operations	4
Human Resources	13
Settlements	35
<b>Market Assessments and Compliance Division</b>	<b>15</b>
<b>Corporate Adjustment</b>	<b>-4</b>
<b>Core Operations</b>	<b>687</b>
<b>Market Renewal</b>	<b>25</b>
<b>Total IESO</b>	<b>712</b>

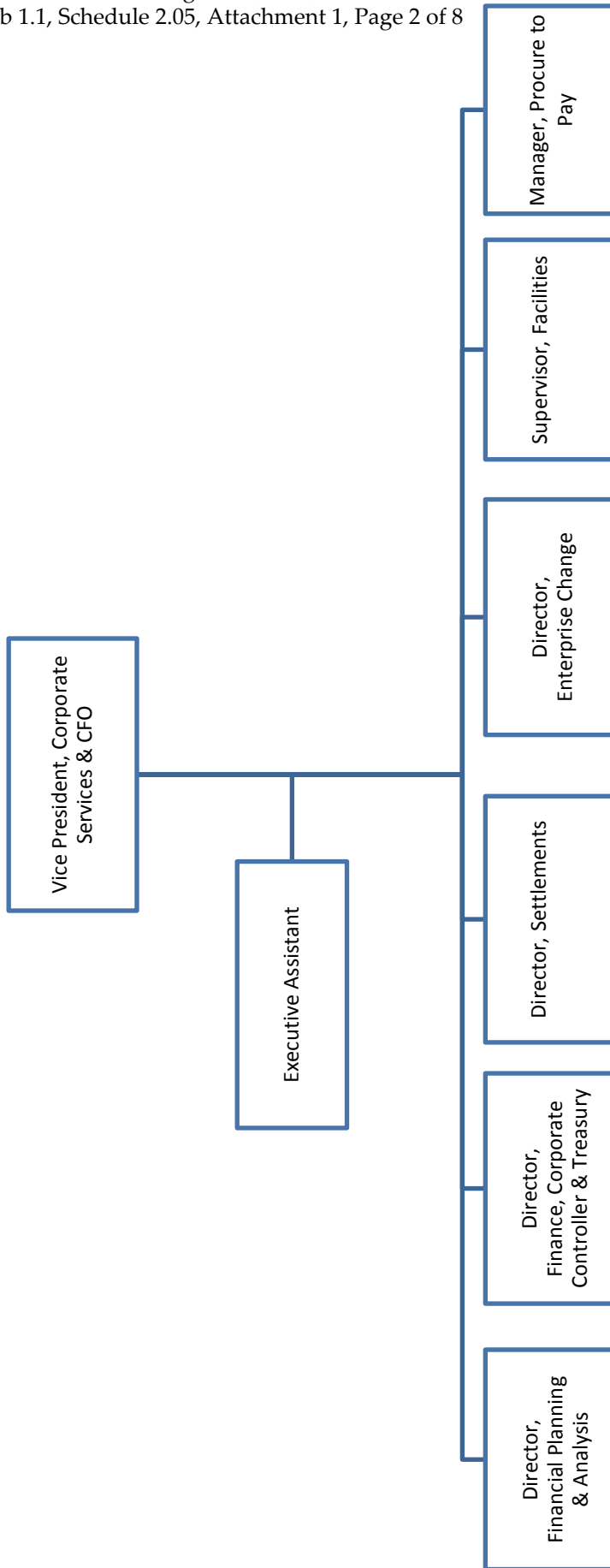
2018 Budget - VPs and Direct Reports	FTEs
<b>CEO</b>	<b>8</b>
CEO Office	3
Internal Audits	5
<b>Planning, Acquisition &amp; Operations</b>	<b>253</b>
VP Office	3
Market Operations	77
Power System Assessments	90
Transmission Planning	27
Resource Planning	28
Markets & Procurement	28
<b>Policy, Engagement &amp; Innovation</b>	<b>115</b>
VP Office	3
Director Energy Efficiency	28
Director, Alliance & Marketing	18
Director, Stakeholder & Public Affairs	39
Director, Resource Development & Strategy	19
Senior Manager, Regulatory Affairs	8
<b>Information and Technology Services</b>	<b>126</b>
VP Office	3
Organizational Governance Support	8
Information Security	7
Business Solutions	54
Technology Services	54
<b>Legal Resources &amp; Corporate Governance</b>	<b>65</b>
VP Office	6
Corporate Counsel	17
Contract Management	42
<b>Corporate Services</b>	<b>100</b>
VP Office & Corporate Controller	20
Treasury Operations	4
Financial Planning & Analysis	8
Settlements	35
Facilities	11
Enterprise Change	22
<b>Human Resources</b>	<b>18</b>
<b>Market Assessments and Compliance Division</b>	<b>7</b>
<b>Corporate Adjustment</b>	<b>-4</b>
<b>Core Operations</b>	<b>688</b>
<b>Market Renewal</b>	<b>43</b>
<b>Total IESO</b>	<b>731</b>

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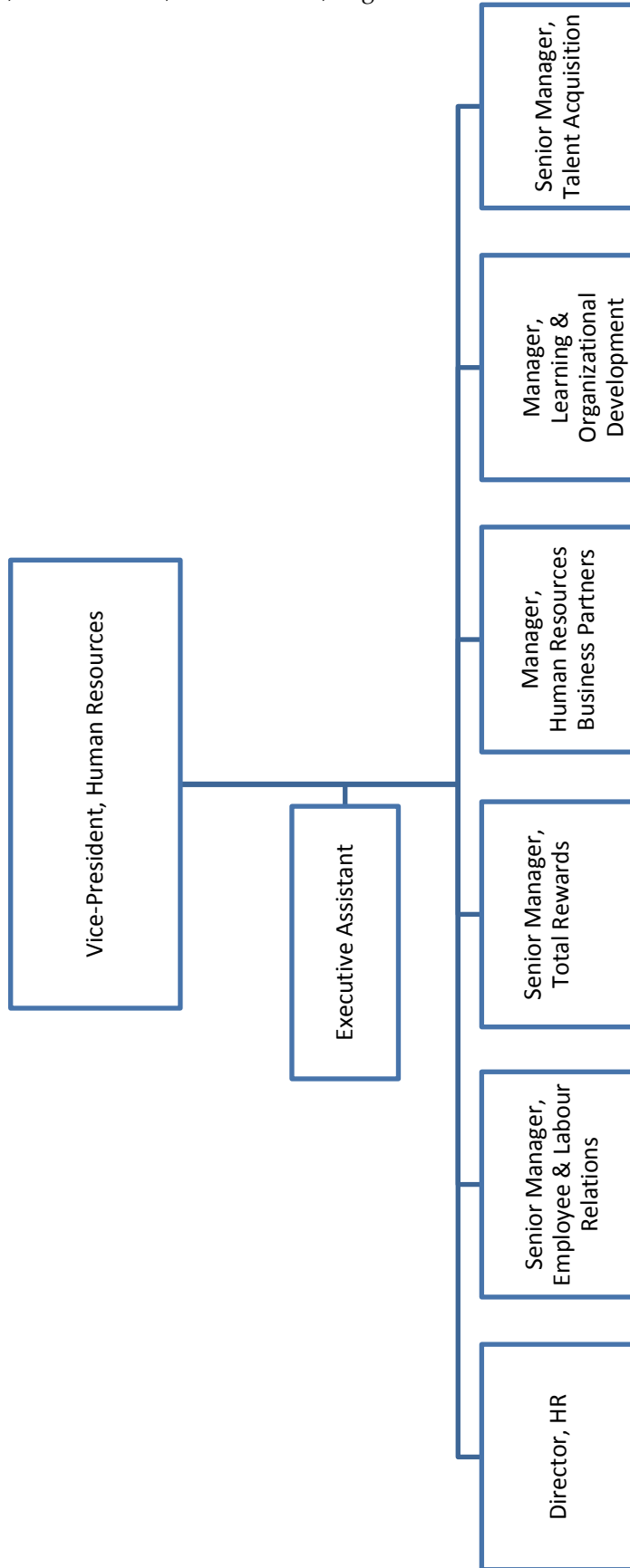
# IESO



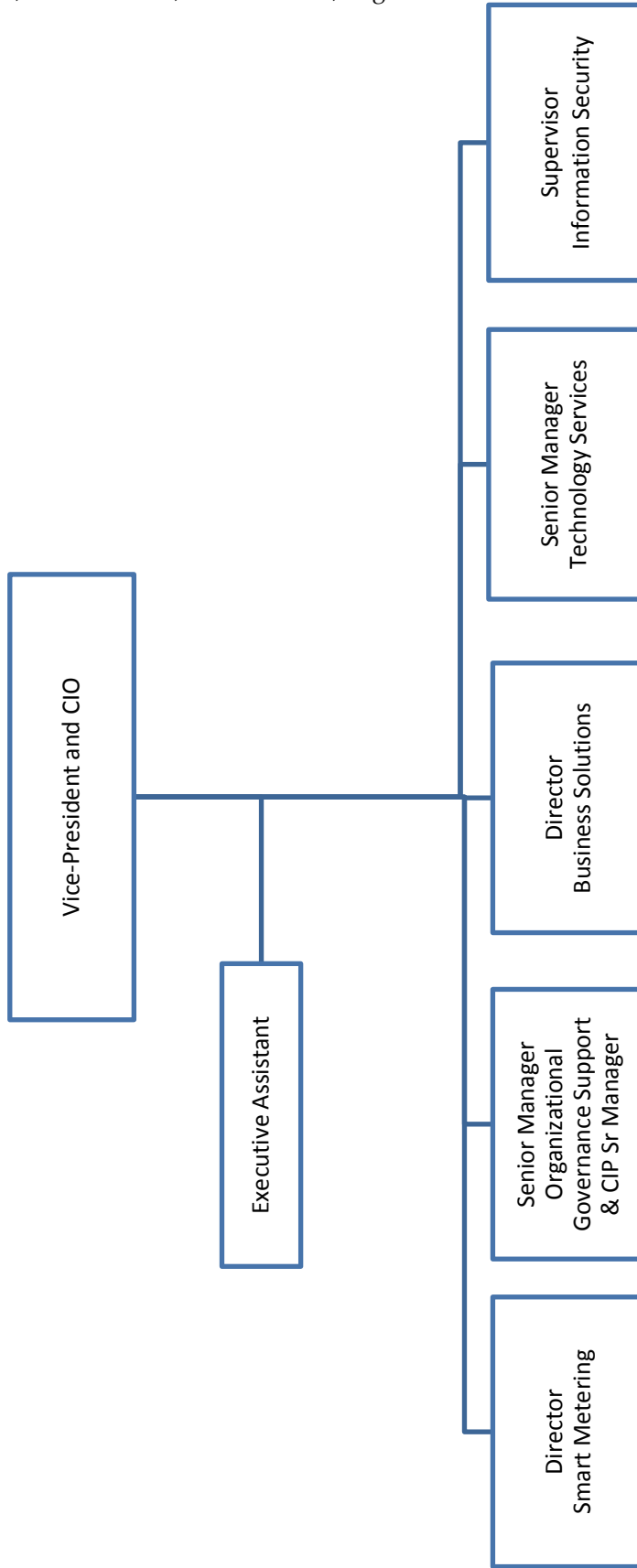
# CORPORATE SERVICES



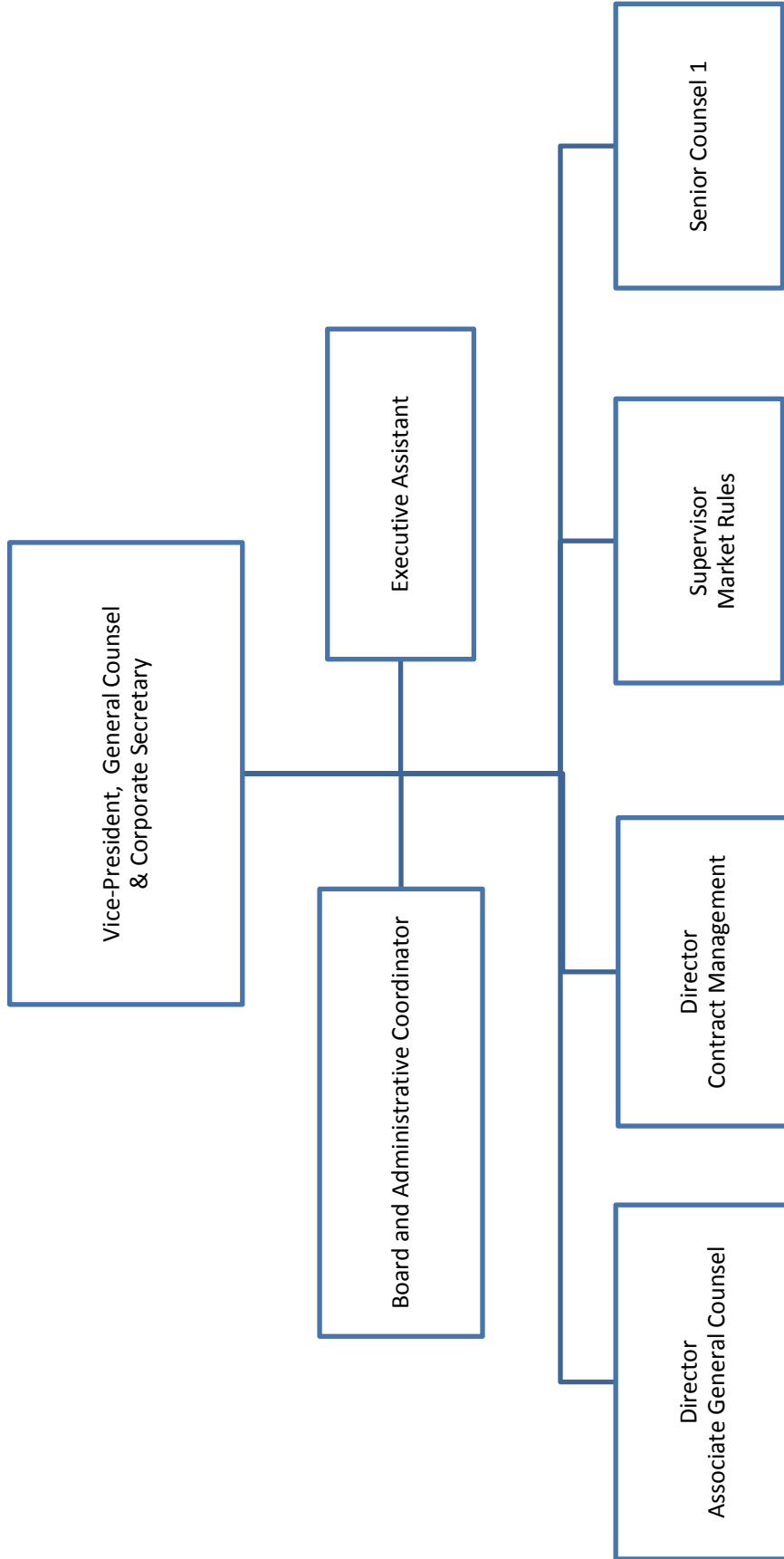
# HUMAN RESOURCES



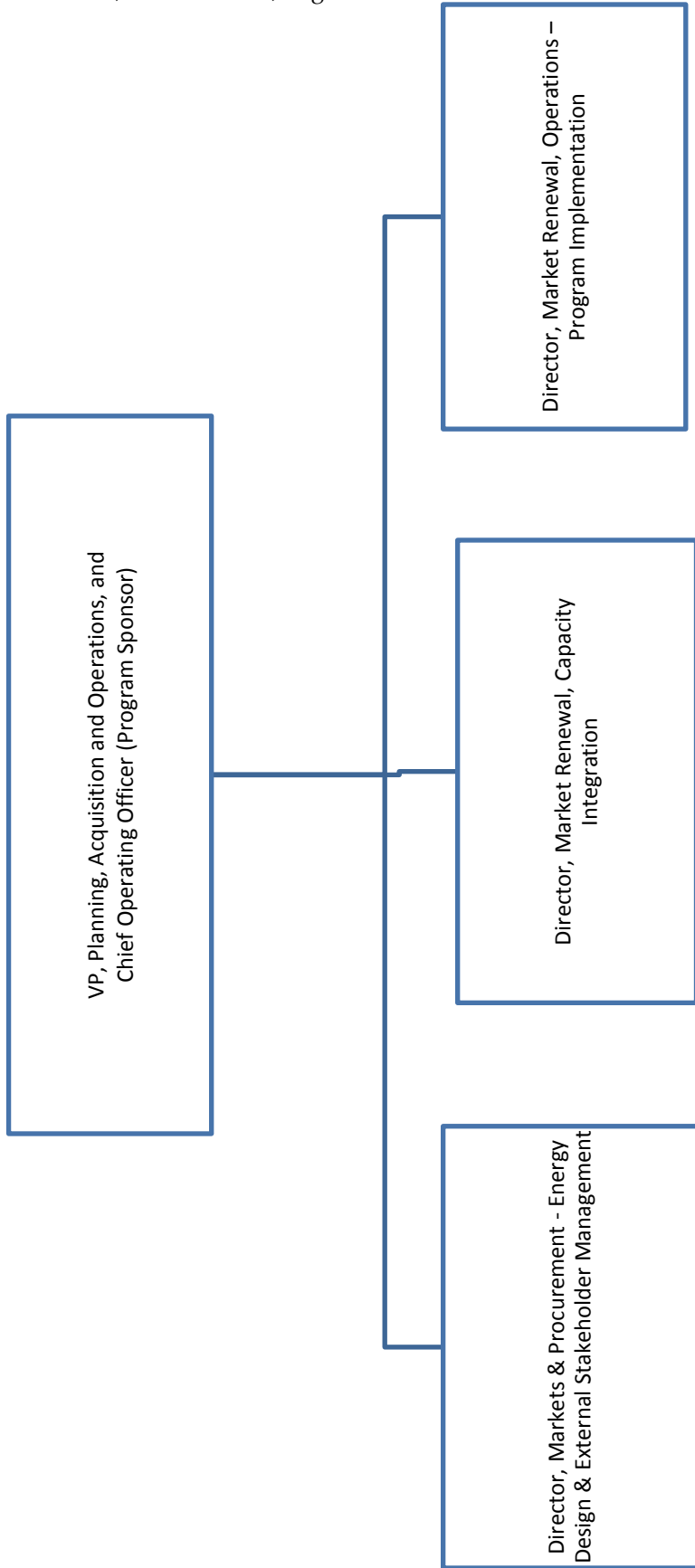
# INFORMATION & TECHNOLOGY SERVICES



# LEGAL RESOURCES AND CORPORATE GOVERNANCE

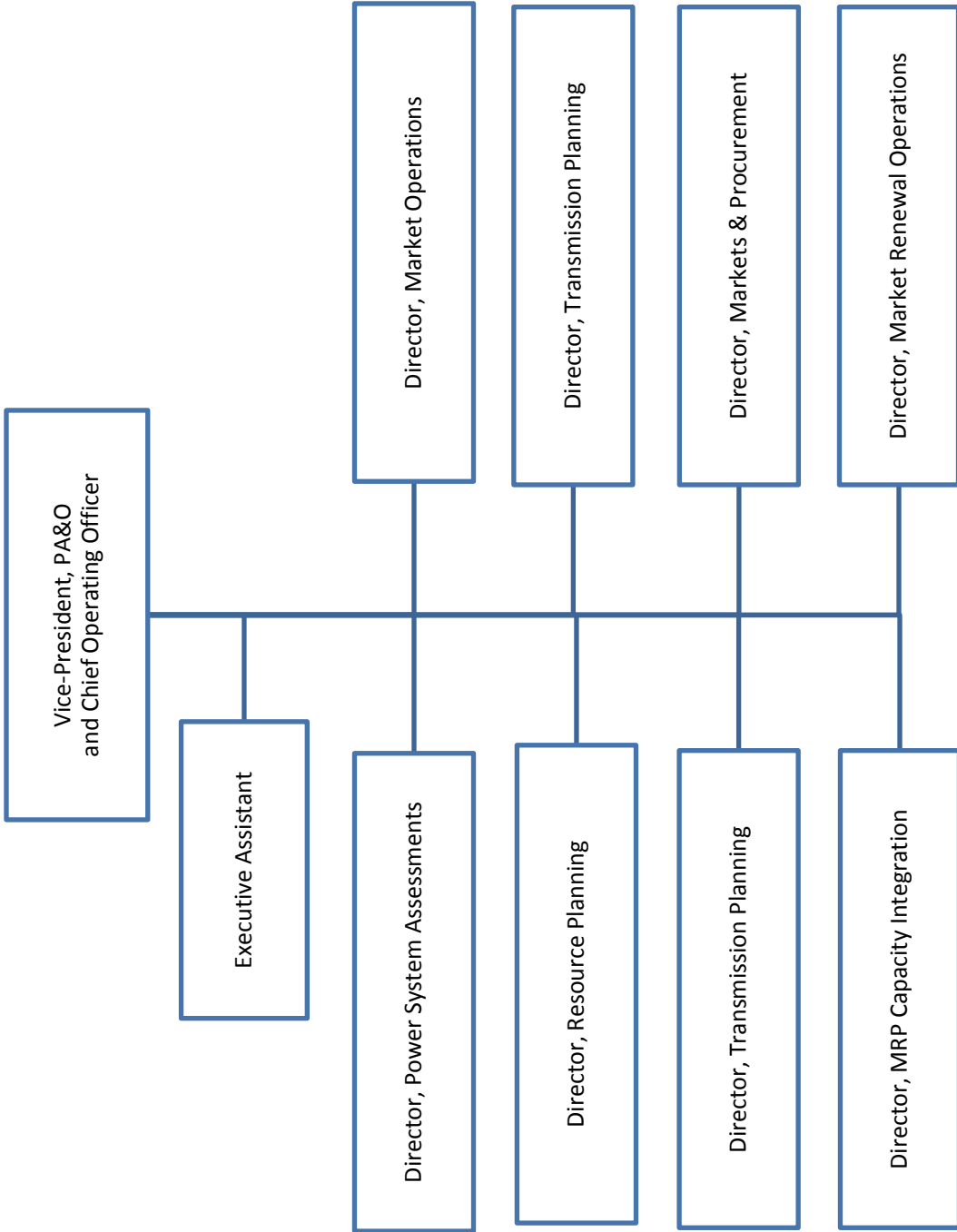


# MARKET RENEWAL PROGRAM (MRP)

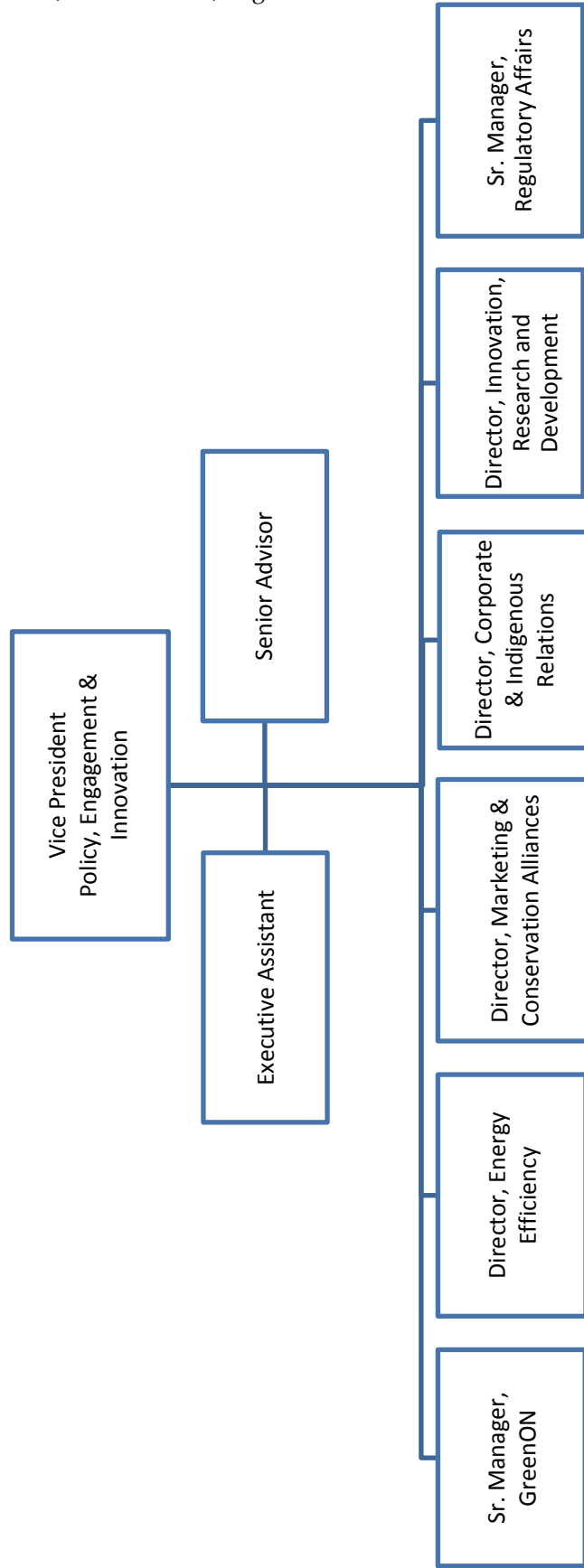




# PLANNING, ACQUISITION AND OPERATIONS

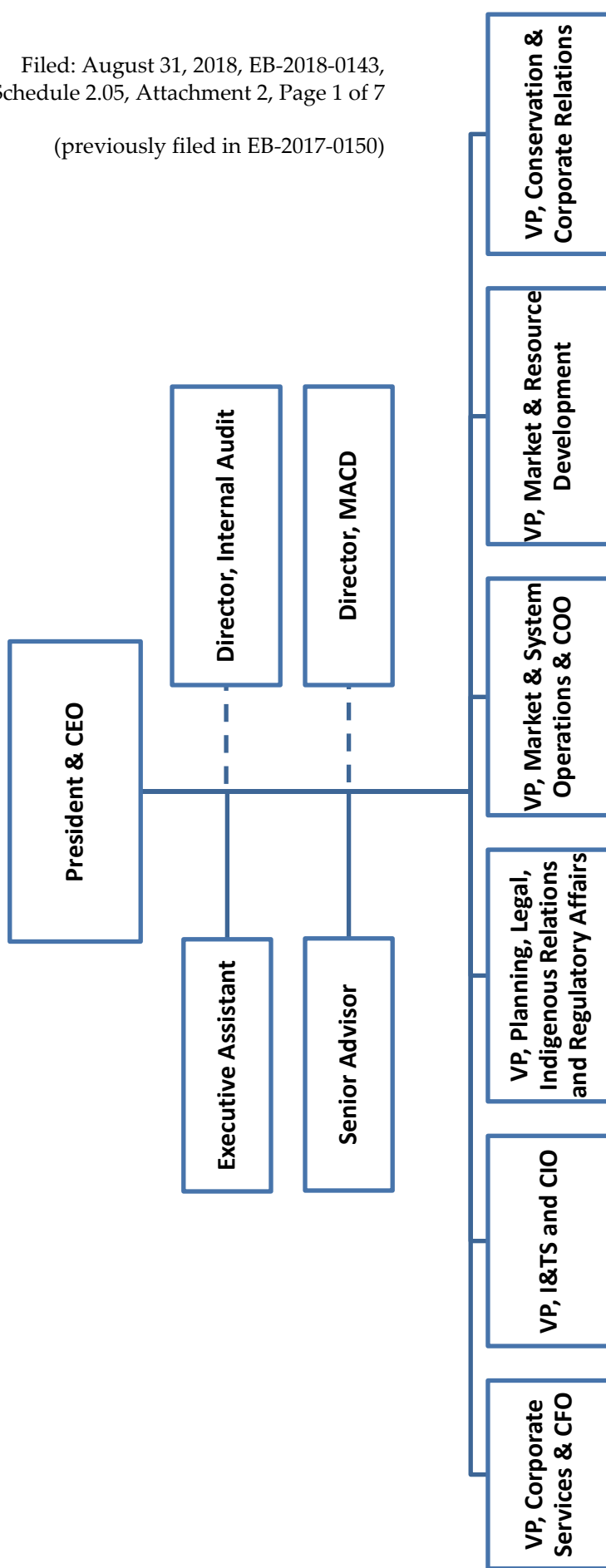


# POLICY, ENGAGEMENT & INNOVATION



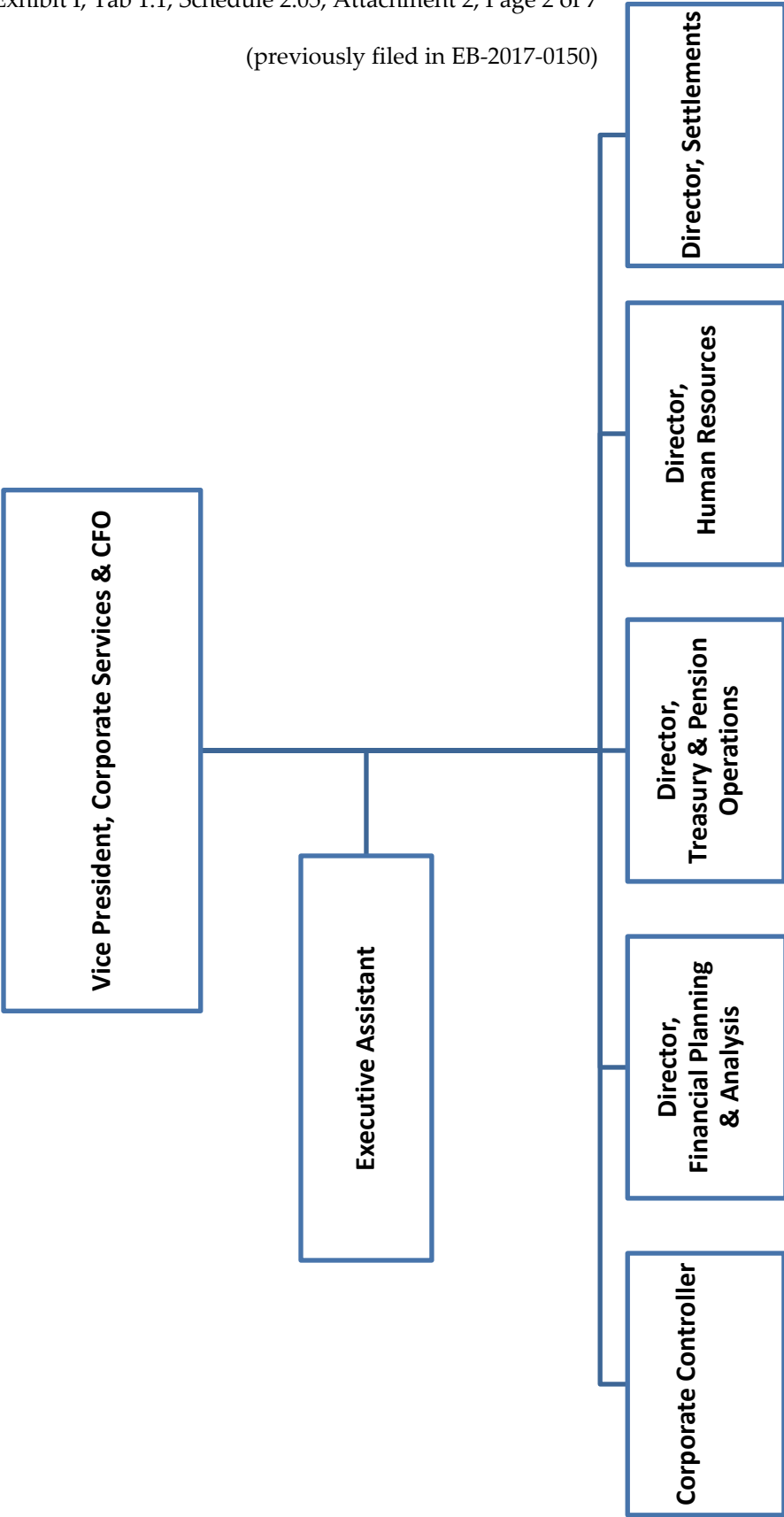
(previously filed in EB-2017-0150)

# IESO



(previously filed in EB-2017-0150)

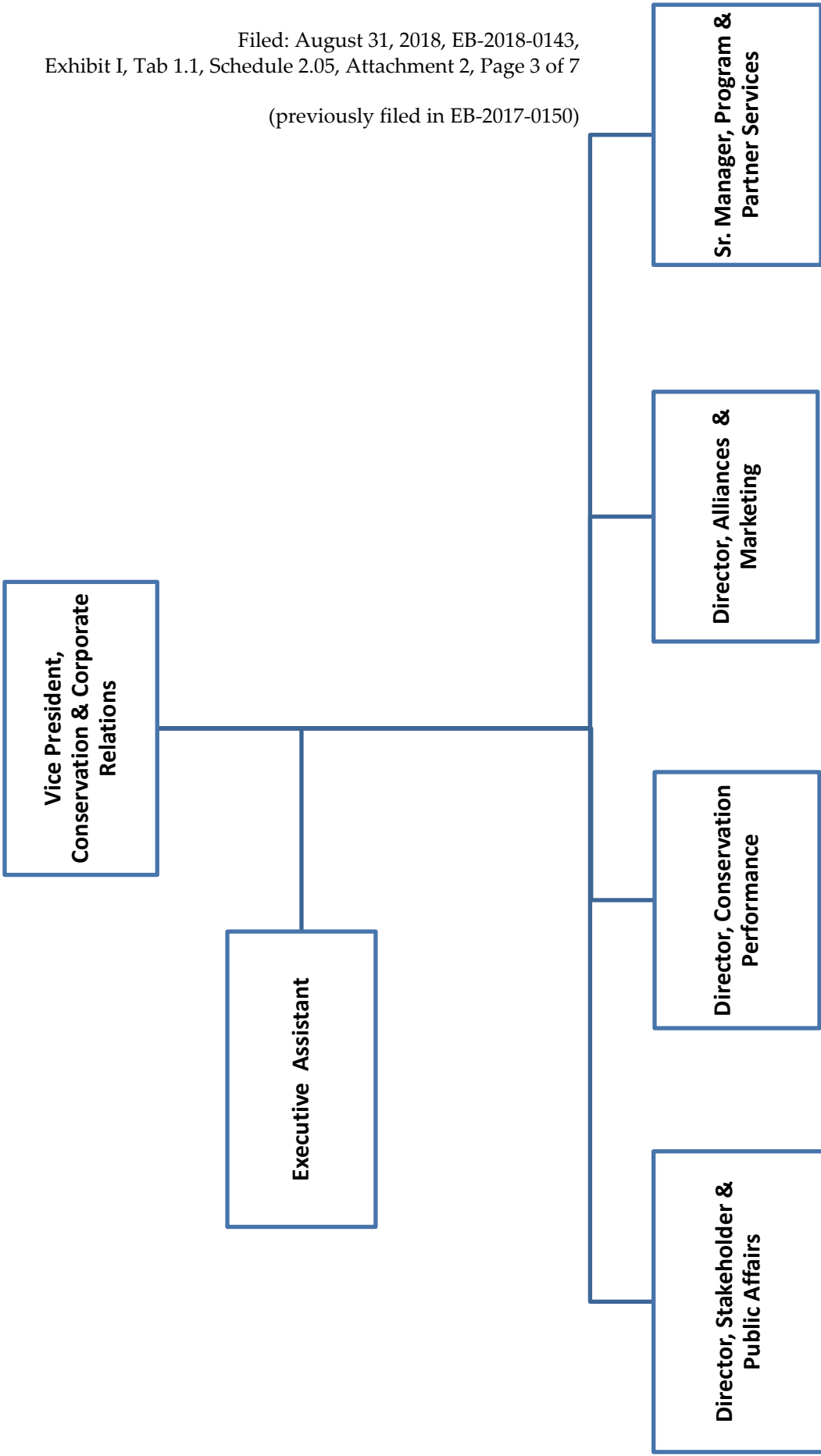
# CORPORATE SERVICES



# CONSERVATION & CORPORATE RELATIONS

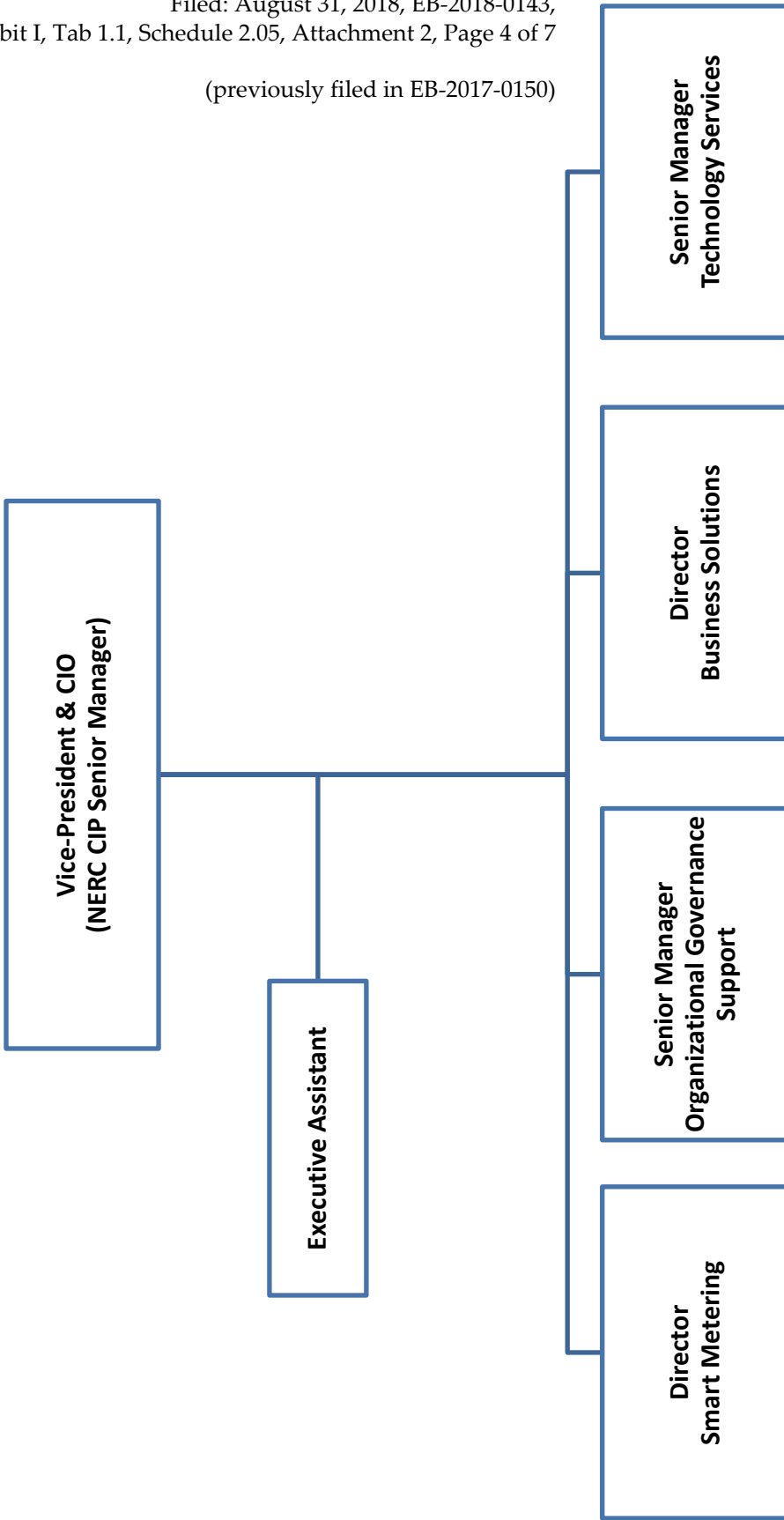
Filed: August 31, 2018, EB-2018-0143,  
Exhibit I, Tab 1.1, Schedule 2.05, Attachment 2, Page 3 of 7

(previously filed in EB-2017-0150)



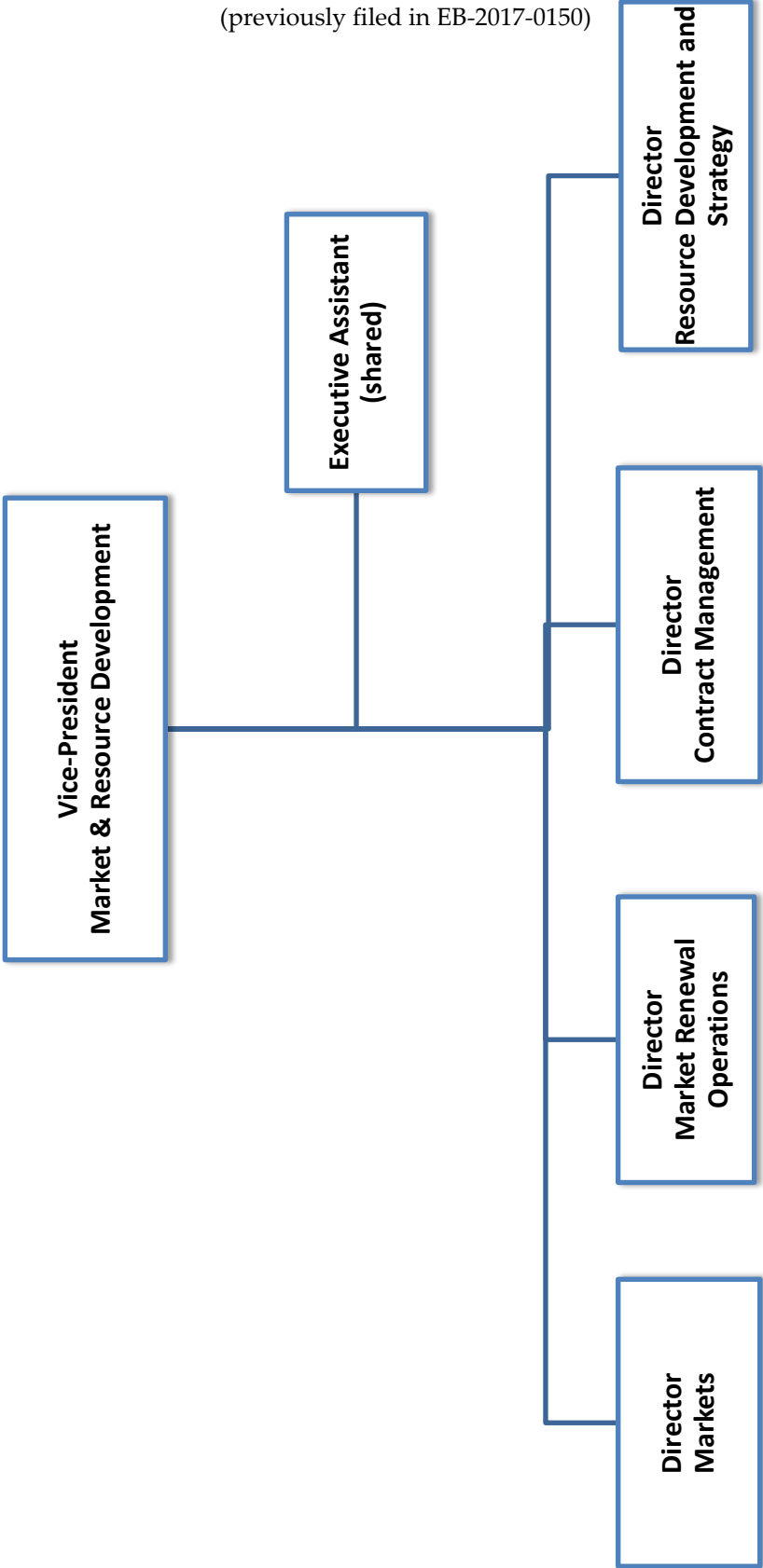
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# INFORMATION & TECHNOLOGY SERVICES



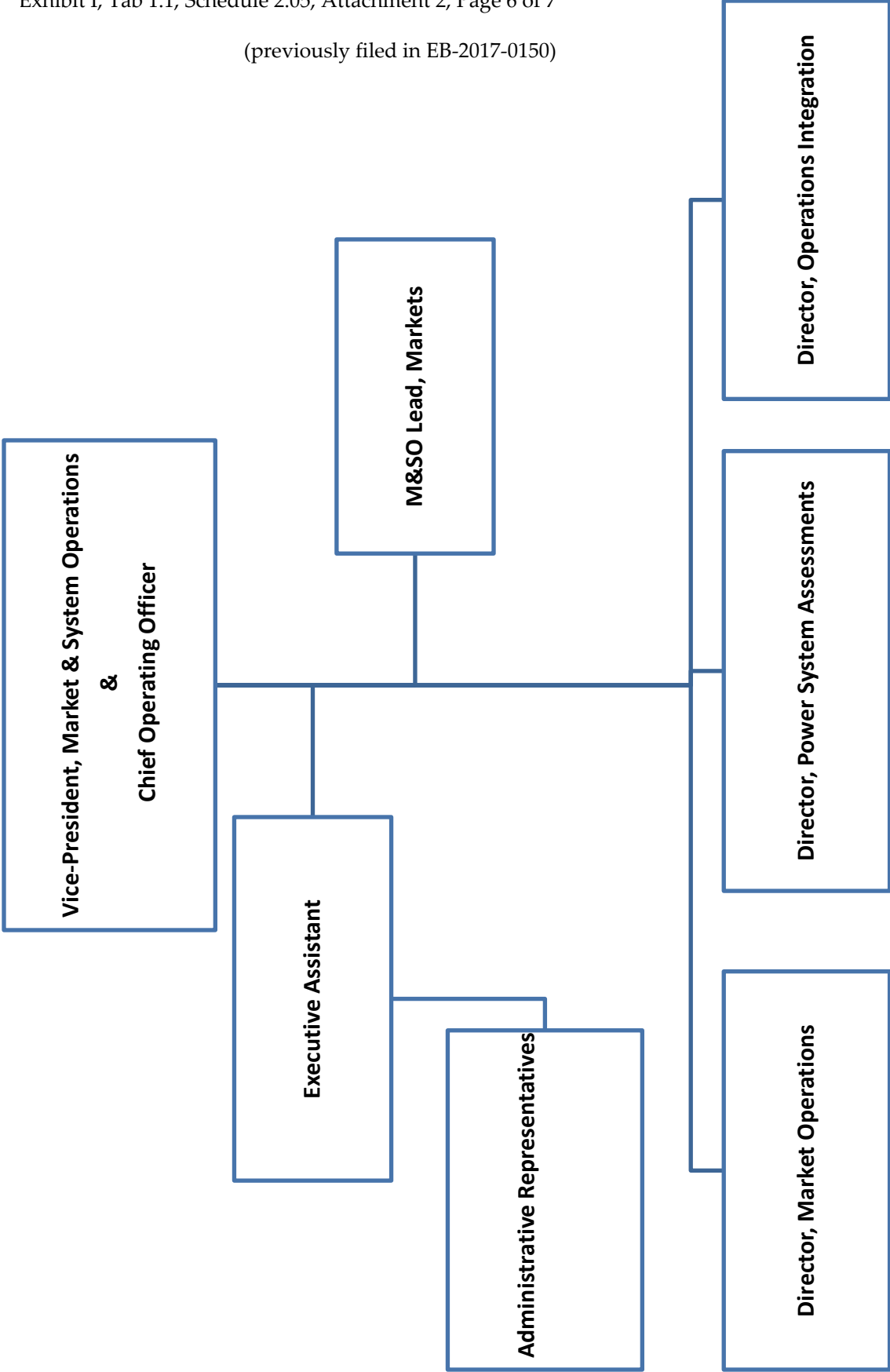
(previously filed in EB-2017-0150)

# MARKET & RESOURCE DEVELOPMENT



(previously filed in EB-2017-0150)

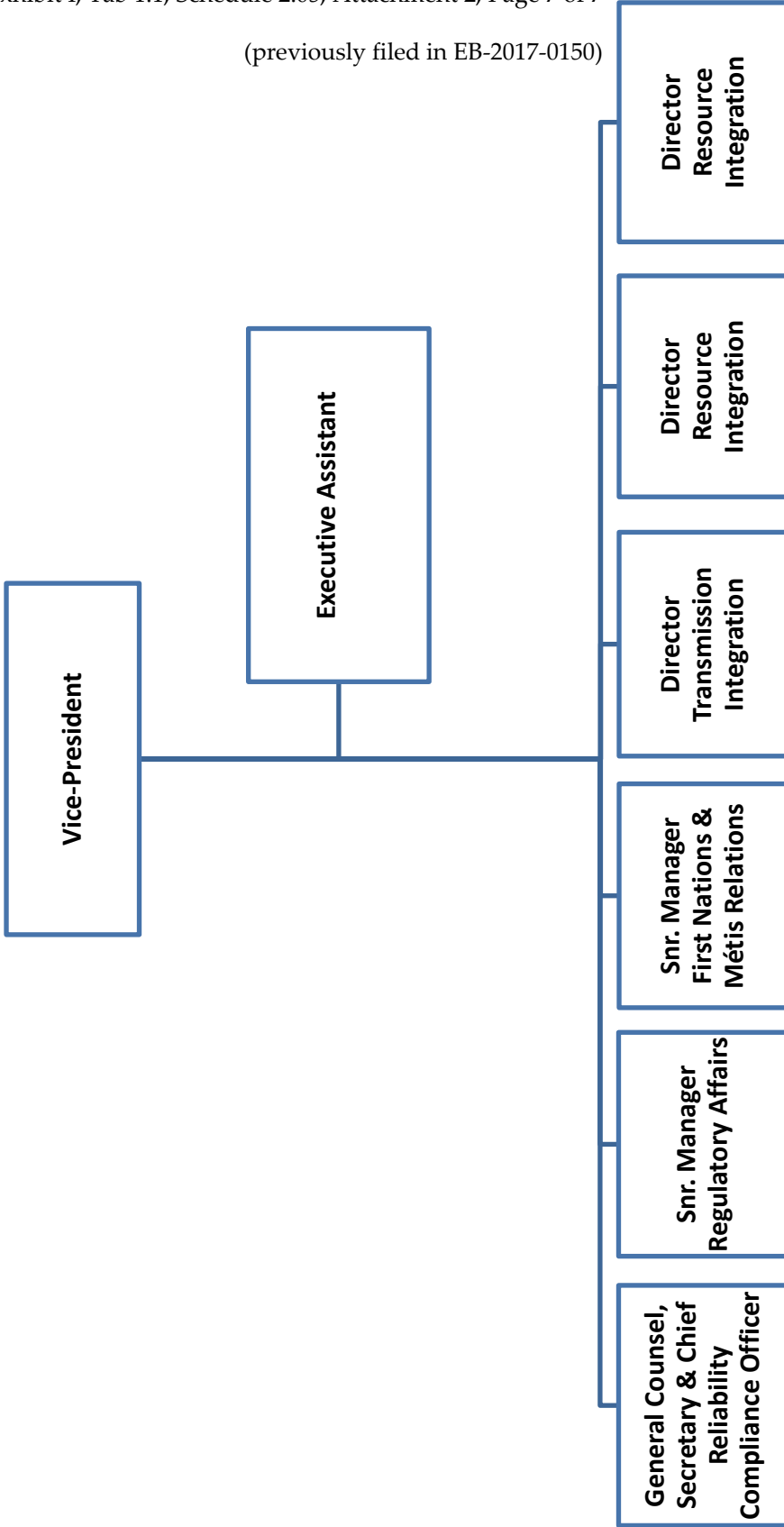
# MARKET & SYSTEM OPERATIONS





(previously filed in EB-2017-0150)

# Planning, Legal, Indigenous Relations and Regulatory Affairs



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1 AMPCO INTERROGATORY 6

2 **1.0 Revenue Requirement, Operating Costs and Capital Spending**

3 **1.1 *Is the IESO's Fiscal Year 2018 net revenue requirement of \$190.8 million appropriate?***

4 1.1-AMPCO-6

5 INTERROGATORY

6 Ref: Exhibit A-2-2 Page 21

7 Preamble: The IESO's 2018 Corporate Performance Target with respect to Corporate Support is:  
8 "By the end of 2018, IESO's organizational realignment is progressing on track and key  
9 milestones identified for 2018 are met, including the establishment of the new enterprise change  
10 mandate by end of Q1 to centralize and enhance IESO project delivery capability.

- 11 a) Please provide the key milestones for the 2018 organizational realignment and the status.  
12 b) Please provide organizational charts to compare before and after this organizational  
13 realignment and show the number of FTEs for each.  
14 c) Please explain further the new enterprise change mandate to centralize and enhance IESO  
15 project delivery capability and provide the status.

16 RESPONSE

- 17 a) Specific milestones for the CPM were to be established as the elements of the organizational  
18 realignment were defined, but the decision was made to remove this CPM in light of the  
19 development of a new strategic plan and Corporate Performance Management framework.  
20 Provided as Attachment 1 to this exhibit are the IESO's 2018 Corporate Performance  
21 Measures. The IESO Board-approved corporate performance measures and results may be  
22 found on the IESO's website on the corporate strategy and business planning webpage.<sup>1</sup>  
23 b) Please see the response to AMPCO Interrogatory 5 at Exhibit I, Tab 1.1, Schedule 2.05,  
24 Attachment 1.  
25 c) Enterprise Change is the IESO's centralized team responsible for the prioritization,  
26 governance and delivery of enterprise change at the IESO and ensuring that projects achieve  
27 their objectives. Established in November 2017 through the consolidation of the project  
28 management, project governance and business analysis functions from across the

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<sup>1</sup> IESO Corporate Performance Measures, Targets and Results: <http://www.ieso.ca/corporate-ieso/corporate-strategy-and-business-planning/corporate-performance>

1 organization, Enterprise Change is in the process of establishing new processes and tools in  
2 order to effectively deliver on their mandate.

3 Earlier this year, the team engaged an external consultant to complete an assessment of the  
4 current project governance framework, project management processes and practices, and  
5 recommend cost effective improvements to enable Enterprise Change to effectively and  
6 efficiently deliver on its mandate.

# 2018 IESO Corporate Performance Measures



CPM	Description	2018 CPM Target
<p>1) Reliable electricity service is sustained in a changing environment.</p>	<p>Reliability risks are assessed within a violation risk factor (VRF) matrix. VRFs indicate the potential reliability impact of violating a standard requirement. Each requirement is assigned a violation risk factor from the following three levels – high, medium, or low; this CPM being concerned with the high VRFs.</p> <p>A high VRF, if violated, could directly cause or contribute to bulk electric system instability, separation, or a cascading sequence of failures, or could place the bulk electric system at an unacceptable risk of instability, separation, or cascading failures; or, a requirement in a planning time frame that, if violated, could, under emergency, abnormal, or restorative conditions anticipated by the preparations, directly cause or contribute to bulk electric system instability, separation, or a cascading sequence of failures, or could place the bulk electric system at an unacceptable risk of instability, separation, or cascading failures, or could hinder restoration to a normal condition.</p> <p>Given that the IESO is the sole entity in Ontario accountable to NERC (North American Electricity Reliability Corporation) and NPCC (Northeast Power Coordinating Council) reliability standards and criteria, the IESO must be able to demonstrate continuous compliance as it is subject to a rigorous compliance framework:</p> <ul style="list-style-type: none"> <li>• Numerous compliance assessments throughout the year (spot checks, self-certifications)</li> <li>• Mandatory on-site comprehensive audit every 3 years due to the importance of its functional roles on the bulk power system</li> <li>• All potential violations, regardless of severity, must be identified, reported and addressed (self-reports)</li> <li>• All confirmed violations are subject to possible financial penalties and corrective action plans.</li> </ul>	<p>100% compliance to NERC high violation risk factor (VRF) standard requirements is achieved. Compliance to the High VRF standard includes all the following 14 categories:</p> <ul style="list-style-type: none"> <li>• Resource and Demand Balancing</li> <li>• Communications</li> <li>• Critical Infrastructure Protection</li> <li>• Emergency Preparedness and Operations</li> <li>• Facilities Design, Connections, and Maintenance</li> <li>• Interchange Scheduling and Coordination</li> <li>• Interconnection Reliability Operations and Coordination</li> <li>• Modeling, Data, and Analysis</li> <li>• Nuclear</li> <li>• Personnel Performance, Training, and Qualifications</li> <li>• Protection and Control</li> <li>• Transmission Operations</li> <li>• Transmission Planning</li> <li>• Voltage and Reactive</li> </ul>
<p>2) The IESO is a recognized cybersecurity leader in the energy sector.</p>	<p>IESO’s cybersecurity program is a strategic contributor to the sector’s ability to protect the bulk electricity system reliability and in addressing threats to critical business operations.</p> <p>To meet the requirements of the established objective, the IESO needs to develop best in class cybersecurity systems, policies and capabilities such as the new 24/7 Security Operations Center (SOC) and to implement a “cybersecurity by design” culture at the enterprise level for all procured, or in-house developed technical solutions.</p> <p>Externally, the IESO also needs to establish a leading role within the electricity sector, through broad sector collaboration and an information sharing program as per OEB’s cybersecurity framework (as per March 12th response to the letter from the OEB.)</p>	<p>By the end of 2018:</p> <ul style="list-style-type: none"> <li>• A cybersecurity maturity level of 3.5/5, as defined by recognized industry standards, achieves an increase of approximately 25% over the 2016 baseline; and</li> <li>• Implement all requirements of the OEB’s information sharing program and support LDCs compliance with OEB’s Cybersecurity Framework (such as self-certification reports).</li> </ul>
<p>3) Conservation and energy efficiency programs are available to all customers in Ontario to support the achievement of the 2020 Conservation First Framework (CFF) targets.</p>	<p>The 2015-2020 CFF and the Industrial Accelerator Program maps out Ontario’s energy conservation goals over a six-year period, emphasizing a coordinated effort within all stages of energy planning, as well as more effective teamwork among sector partners, particularly with local distribution companies (LDCs).</p> <p>The goal of the conservation efforts is a total reduction of 8.7 TWh of electricity consumption in Ontario by December 31, 2020 to be achieved through conservation projects with transmission-connected customers, and from conservation programs delivered by LDCs to residential and business customers across the province.</p> <p>Each year, annualized targets are set to ensure that the IESO and the sector is making progress towards the achievement of the overall CFF goal.</p>	<p>By the end of 2018:</p> <ul style="list-style-type: none"> <li>• 66% (5.7 TWh) of the combined 2015-2020 energy savings target of 8.7 TWh for Conservation First Framework (CFF) and Industrial Accelerator Program is contracted in a cost-effective manner within 4 cents/kWh.</li> </ul>

CPM	Description	2018 CPM Target
<p>4) The electricity market evolves to enable the province to have the appropriate sources of electricity at a more competitive market price.</p>	<p>Market Renewal is about improving the way electricity is priced, scheduled and procured to meet Ontario’s current and future energy needs reliably, transparently, efficiently and at the lowest cost. Key Market Renewal initiatives are identified below:</p> <p><b>Single Schedule Market</b> The IESO is working with stakeholders to design and develop a single schedule market (SSM) to replace the existing two schedule system. This initiative is a key foundational element of the IESO’s Market Renewal program.</p> <p><b>Day Ahead Market</b> The IESO is working with stakeholders to design and develop a financially-binding Day-Ahead Market. A Day-Ahead Market will provide market participants with price certainty ahead of real-time, increase operational certainty for both market participants and the IESO, and reduce out of market payments.</p> <p><b>Enhanced Real-time Unit Commitment</b> The IESO is working with stakeholders to design and develop an Enhanced Real-Time Unit Commitment (ERUC) program. An Enhanced Real-Time Unit Commitment Program will improve the efficiency of unit commitments in the intra-day timeframe by considering all resource costs in commitment decisions. An ERUC will also improve commitment decisions overall by optimizing over multiple hours rather than solving for each hour independently.</p> <p><b>Incremental Capacity Auction</b> The IESO is working with stakeholders to design and develop an Incremental Capacity Auction (ICA). The ICA initiative will develop an enduring market-based mechanism that will secure incremental capacity to help ensure Ontario’s reliability needs are met cost effectively. Developing an ICA is a key element of the IESO’s Market Renewal program. Enhanced Real-Time Unit Commitment, together with a Day-Ahead Market and a Single Schedule Market collectively will improve the dispatch, commitment and pricing of resources in the energy market.</p>	<p>High-level designs are complete and published for stakeholder review (but not formally approved) for the Market Renewal Program (MRP) projects including:</p> <ul style="list-style-type: none"> <li>• Single schedule market – end of Q3 2018</li> <li>• Day ahead market – end of Q4 2018</li> <li>• Enhanced real-time unit commitment – end of Q4 2018</li> <li>• Incremental capacity auction – end of Q2 2019</li> </ul>
<p>5) Enhance the value of the smart meter data by enabling various third parties to leverage the consumption data in the meter data management repository (MDM/R) in a privacy compliant manner.</p>	<p>The IESO, as the Smart Metering Entity (SME) of Ontario, is responsible for maintaining and operating the province’s smart meter data repository that processes, stores and protects electricity consumption data used for consumer billing by Ontario’s local distribution companies.</p> <p>The IESO is working on enhancing the value of the data in the provincial MDM/R and set a path for third party access to this data for a range of purposes including:</p> <ul style="list-style-type: none"> <li>○ Design, development and implementation of conservation and demand response programs</li> <li>○ Electricity system planning</li> <li>○ Academic research</li> <li>○ Predictive billing</li> <li>○ Outage management</li> <li>○ Development of new products and services that support the potential of big data</li> <li>○ Others</li> </ul>	<p>By the end of 2018, the Smart Meter Entity will have established the processes and policies to enable MDM/R data products to be available publicly or by third-party request, as per the process approved by the OEB and in compliance with the Information and Privacy Commissioner’s (IPC) requirements.</p>
<p>6) Execution of government policy by the IESO towards the achievement of long term planning and reliability goals.</p>	<p>The IESO has a key role informing and implementing policy. The IESO is responsible for issuing a technical report to inform the Government of Ontario’s Long-Term Energy Plan (LTEP) and provide an execution plan to outline the steps it will take to implement LTEP policy initiatives.</p>	<p>By the end of 2018:</p> <ul style="list-style-type: none"> <li>• 100% of the 10 key initiatives from the 2017 Long-Term Energy Plan are progressing on time and budget, as evidenced by meeting associated milestones and timelines in 2018.</li> </ul> <p>Key initiatives and timelines include:</p> <ul style="list-style-type: none"> <li>○ First Nation and Metis Energy Support Programs – Q1 2018</li> <li>○ First Nation and Metis</li> </ul>

CPM	Description	2018 CPM Target
		<p>Conservation Programs – Q1 2018</p> <ul style="list-style-type: none"> <li>○ Renewable DG Demonstration Projects – Q4 2018</li> <li>○ Energy Storage – Q3 2018</li> <li>○ Power-to-Gas Pilot Projects – Q4 2018</li> <li>○ Bulk System Planning Process (develop high level issues/straw case proposal for discussion with stakeholders) – Q4 2018</li> <li>○ Regional Planning Process (complete review of the existing process and complete a jurisdictional scan) – Q4 2018</li> <li>○ Transmission Assets End-of-Life – Q4 2018</li> <li>○ Transmission Procurement Process (develop high level issues/straw case proposal for discussion with stakeholders) – Q4 2018</li> <li>○ Customer Reliability (complete need assessment for changes to IESO reliability standards) – Q3 2018</li> </ul>
<p>7) The Ontario energy sector is innovative with the IESO’s active support to enable reliable, efficient and clean technologies and foster a competitive and inclusive network for emerging resources.</p>	<p>The Innovation roadmap will encompass an IESO-wide innovation strategy and work plan.</p> <p>Based on input from across the IESO, external stakeholders and interested parties, the strategy will set out a vision for innovation within the electricity and broader energy sector, and IESO’s role and key objectives with regards to grid modernization and broader innovation in support of our mandate. The multi-year work plan will outline the specific actions that IESO will take in pursuit of the vision and objectives including a research agenda that will set out specific initiatives to be undertaken to generate necessary learnings, test out new ways of doing business and guide IESO’s innovation investments (e.g. projects funded through the Conservation Fund, Renewable Distributed Energy Integration Fund).</p>	<p>By the end of 2018, an Innovation Roadmap is developed and approved, informed by engaging a broad range of industry partners and stakeholders to support an environment that enables sector transformation. The Roadmap will encompass an IESO-wide innovation strategy and work plan that is endorsed by the IESO board in Q4 2018.</p>
<p>8) Stakeholders and communities are confident with the engagement process for making informed decisions.</p>	<p>On an annual basis, the IESO conducts customer and stakeholder surveys to help determine the level of stakeholder satisfaction with the IESO’s engagement process. The annual survey is designed to gauge customer’s perspectives on the IESO’s management of the stakeholder engagement process.</p>	<p>A 2% improvement in satisfaction with the stakeholder engagement process is achieved from the 2017 customer satisfaction survey baseline of 67% that also establishes the new benchmark to measure progress in future years.</p>
<p>9) The IESO holds its revenue requirement at approved budget levels.</p>	<p>The IESO intends to hold its revenue requirement for 2018 at 2017 approved budget levels and continues to work to identify potential operating efficiencies within the planning period. The resourcing requirements to maintain high levels of performance required by the IESO includes delivering its core electricity system requirements as well as executing key initiatives such as Long-Term Energy plan implementation, cybersecurity leadership and continued progress of the Market Renewal Program.</p>	<p>2018 priorities are achieved within the IESO’s approved budget of \$190.8 million.</p>
<p>10) Employees are engaged towards achievement of the IESO’s business priorities.</p>	<p>An engaged workforce is necessary to meet the needs of the sector in the future. Better engagement is intended to lead to better productivity whereby, a more engaged workforce will feel a connection and alignment to the IESO’s overall purpose and an inherent belief that the work undertaken is important.</p> <p>Each year, the IESO reaches out to its staff for feedback via an in-depth engagement survey or smaller ‘pulse’ surveys to pinpoint areas of improvement for the organization. The survey is conducted by an independent third party and the results inform an overall employee engagement action plan.</p>	<p>By the end of 2018, a 4-point increase in employee engagement is achieved from the baseline of 71% set in 2016.</p>

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1 CME INTERROGATORY 2

2 Issue 1.1 Is the IESO's Fiscal Year 2018 net revenue requirement of \$190.8 million appropriate?

3 **CME # 2**

4 INTERROGATORY

5 Ref: Exhibit A, Tab 2, Schedule 2 page 5 of 28

6 At Exhibit A, Tab 2, Schedule 2, page 5 of 28, the Applicant provides a list of priority  
7 initiatives and resource requirements, and states "This means the organization will continue  
8 its efforts to find efficiencies and opportunities for expense reductions. Challenges are  
9 presented in managing the budget in 2018 and beyond as increases in compensation and  
10 benefits begin to outpace opportunities to reduce costs."

11 (a) CME would like to better understand the IESO's previous efforts to find efficiencies and  
12 opportunities for expense reductions. Does the IESO have any formal productivity  
13 initiatives?

14 (b) If the answer to (a) above is yes, please describe them and quantify their productivity,  
15 efficiency, or cost reduction results.

16 (c) If the answer to (a) above is no, why not?

17 (d) If the answer to (a) above is no, what sort of efforts is the IESO describing at Exhibit A,  
18 Tab 2, Schedule 2, page 5 of 28? Please provide a detailed description.

19 (e) Please describe why opportunities to reduce costs might fall behind increases to  
20 compensation and benefits.

21 RESPONSE

22 (a) to (d)

23 Please see the response to OEB Staff Interrogatory 7(b) at Exhibit I, Tab 1.3, Schedule 1.07.

24 (e) One of the largest expenses for the IESO is labour costs. Cost escalation in salaries is  
25 primarily driven by increases that are established and mandated by the collective  
26 agreements. The next bargaining year for the Society is 2019 and for PWU is 2020 which  
27 means that the IESO is committed to salary increases for its represented staff, approximately  
28 80% of the IESO's workforce. The IESO is proposing to maintain a flat revenue requirement  
29 for 2018 but this does present challenges due to the impact of staff compensation & benefits  
30 costs increases resulting from collective agreements.

31 The IESO manages these increases through the practices mentioned above in part (a).

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1 CME INTERROGATORY 4

2 Issue 1.1 Is the IESO's Fiscal Year 2018 net revenue requirement of \$190.8 million appropriate?

3 **CME # 4**

4 INTERROGATORY

5 Ref: Exhibit A, Tab 2, Schedule 2 page 22 of 28

6 The Applicant lists "Resource Acquisition Policy, Business Innovation and Engagement" as a  
7 focus and lists "Stakeholder actions and a lack of attainable capabilities have an adverse effect  
8 on the Market Renewal Program" as a key risk.

9 (a) What sort of actions by stakeholders are being described in this statement? How do they  
10 represent a key risk to the Market Renewal Program?

11 RESPONSE

12 (a) Given the anticipated widespread impact of the Market Renewal Program on the sector, the  
13 IESO is engaging with a broad base of diverse stakeholders including the government,  
14 LDCs and sector associations. As opposed to defining specific stakeholder actions, the risk  
15 statement is intended to acknowledge the need for the IESO to execute effective engagement  
16 initiatives that obtain stakeholder feedback and show how that input has shaped decisions  
17 to ensure continued stakeholder support for the Market Renewal Program.

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1 ENERGY PROBE INTERROGATORY 1

2 1.1 *Is the IESO's Fiscal Year 2018 net revenue requirement of \$190.8 million appropriate?*

3 **EP IR #1**

4 INTERROGATORY

5 **Preamble:** Energy Probe Research Foundation ("Energy Probe") is interested in documenting  
6 any savings that have been achieved as a result of the 2015 merger between Ontario Power  
7 Authority (OPA) and IESO. In 2014, the year prior to the merger, the two agencies had a  
8 combined revenue requirement of \$190.2 million.<sup>1</sup> In its 2016 fees application, IESO expected  
9 the merger to produce "savings of more than \$10 million by 2018."<sup>2</sup> IESO stated at the time that  
10 the merger would also result in a reduced workforce and amalgamation of office space. Yet, in  
11 its current application to the Ontario Energy Board, IESO is proposing a revenue requirement of  
12 \$190.8 million, or \$600K more than in 2014, the last year the two agencies operated separately.  
13 IESO's FTEs in 2018 are also higher than when the two agencies merged. In 2014 the combined  
14 headcount of the two agencies was 727.<sup>3</sup> IESO is proposing in this application to increase its  
15 FTEs in 2018 to 731.<sup>4</sup>

- 16 a) Identify any direct, annual savings that have been realized as a result of the merger? Energy  
17 Probe is particularly interested in any evidence or explanation on how the forecasted \$10  
18 million in annual savings was achieved, or if it wasn't, why not.
- 19 b) Provide an updated, detailed calculation of any merger-related costs that have been  
20 incurred in 2016, 2017 and 2018.

21 RESPONSE

- 22 a) The IESO has maintained the annual synergy savings identified in 2015, which included  
23 staff reductions, reduced office space and savings due to one Board of Directors. The IESO  
24 2018 operating expense and FTEs budget, excluding the Market Renewal Program, is  
25 \$178.1 million and 688 FTEs respectively, which is substantially below the pre-merger  
26 combined revenue requirement of \$190.2 million and 727 FTEs. The Market Renewal  
27 Program is the key driver of increased expenses and FTEs in 2017 and in 2018.
- 28 b) There have been no merger-related costs incurred in 2016, 2017 or 2018.

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<sup>1</sup> EB-2015-0275, Exhibit B, Tab 3, Schedule 1, Page 1

<sup>2</sup> EB-2015-0275, Exhibit B, Tab 3, Schedule 1, Page 2

<sup>3</sup> See EB-2013-0326, Exhibit C, Tab 2, Schedule 1, Page 2 and IESO Response Interrogatories EB-2013-0381,  
Page 34

<sup>4</sup> EB-2018-0143, Exhibit A-2-2, page 9-10

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1 SEC INTERROGATORY 1

2 **1.1-SEC-1**

3 INTERROGATORY

4 Please provide a copy of all instructions, directions, and/or guidance that have been provided to  
5 the IESO by the Government of Ontario since June 27th. Please explain how those directions  
6 may impact the IESO's proposed 2018 budget and/or the contents of the current Business Plan.

7 RESPONSE

8 All Ministerial directives can be found on the IESO website: (<http://www.ieso.ca/corporate-ieso/ministerial-directives>). Since June 27<sup>th</sup>, the IESO has received one directive, on July 13,  
9 which directed the IESO to wind down certain Feed-in-Tariff and Large Renewable  
10 Procurement contracts. At this time, it is not known whether there will be any costs to the IESO  
11 in 2018 resulting from the directive.  
12

13 The July 13, 2018 directive is provided as Attachment 1 to this exhibit.

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**Executive Council of Ontario/Conseil exécutif de l'Ontario**



Ontario

**Order in Council  
Décret**

On the recommendation of the undersigned, the Lieutenant Governor of Ontario, by and with the advice and concurrence of the Executive Council of Ontario, orders that:

Sur la recommandation de la personne soussignée, la lieutenant-gouverneure de l'Ontario, sur l'avis et avec le consentement du Conseil exécutif de l'Ontario, décrète ce qui suit :

**WHEREAS** the Minister of Energy, Northern Development and Mines (the "Minister") is committed to maximizing the cost-efficient use of electricity resources while continuing to ensure the adequacy and reliability of Ontario's electricity system, in a manner that seeks to reduce the costs that all consumers pay for electricity;

**AND WHEREAS** it is desirable that the Minister brings forward an initiative designed to address the costs referred to herein;

**AND WHEREAS** the Minister may, with the approval of the Lieutenant Governor in Council, issue directives under subsections 25.32(5) and (11) of the *Electricity Act, 1998* (the "Act") that require the Independent Electricity System Operator to undertake any initiative or activity that relates to electricity supply, capacity or storage and may amend or revoke a direction previously issued for that purpose;

**NOW THEREFORE** the Directive attached hereto is approved.

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**ATTENDU QUE** le ministre de l'Énergie, du Développement du Nord et des Mines (le « ministre ») s'est engagé à maximiser l'utilisation économique des ressources en électricité tout en continuant de veiller à ce que le réseau d'électricité de l'Ontario soit suffisant et fiable, d'une manière qui vise à réduire les coûts qu'assument tous les consommateurs au titre de l'électricité;

**ATTENDU QU'**il est souhaitable que le ministre présente une initiative visant à contrôler les coûts mentionnés dans les présentes;

**ET ATTENDU QUE**, sous réserve de l'approbation de la lieutenant-gouverneure en conseil, le ministre peut, par directive, en vertu des paragraphes 25.32(5) et (11) de la *Loi de 1998 sur l'électricité* (la « Loi »), ordonner à la Société indépendante d'exploitation du réseau d'électricité de

O.C./Décret: 1003/2018

lancer une initiative ou activité portant sur l'approvisionnement en électricité ou la capacité de production ou de stockage d'électricité, et modifier ou abroger une directive déjà publiée à cette fin;

**EN CONSÉQUENCE**, la directive ci-jointe est approuvée.



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**Recommended:** Minister of Energy, Northern Development and Mines  
**Recommandé par:** Ministre de l'Énergie, du Développement du Nord et des Mines



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**Concurred:** Chair of Cabinet  
**Appuyé par :** Le président/la présidente du Conseil des ministres

**Approved and Ordered:** JUL 05 2018  
**Approuvé et décrété le :**



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**Lieutenant Governor**  
**La lieutenante-gouverneure**

## MINISTER'S DIRECTIVE

### TO: THE INDEPENDENT ELECTRICITY SYSTEM OPERATOR

I, Greg Rickford, Minister of Energy, Northern Development and Mines hereby direct the Independent Electricity System Operator (IESO) pursuant to subsections 25.32(5) and (11) of the *Electricity Act, 1998* (the Act) in regards to previously established electricity procurement initiatives, including, *inter alia*, the wind down of such rounds of the Feed-In Tariff (FIT) and Large Renewable Procurement (LRP) programs, which were undertaken by the IESO in accordance with one or more directions previously issued (the "Initiative"), as follows:

#### Background

Our government is committed to ensuring that Ontario has an affordable and reliable electricity system and to acting in the best interests of all Ontario electricity ratepayers, including homeowners and businesses.

#### *Adequacy of Ontario's Electricity Supply*

Since the introduction of the Feed-in Tariff (FIT) program in 2009 and the Large Renewable Procurement (LRP) initiative in 2014, the IESO has entered into a significant number of renewable energy contracts. These procurement initiatives have contributed to the cost pressures facing electricity consumers across all sectors of the economy, including residential, farming, small business and industrial consumers.

The IESO's recent system planning work indicates that Ontario's current contracted and rate regulated electricity resources are sufficient to satisfy or exceed forecasted provincial needs for the near term and that there are other means of meeting future energy supply and capacity needs at materially lower costs than long-term contracts that lock in the prices paid for these resources.

Electricity market renewal, an initiative underway at the IESO, is expected to provide market signals for any future investments required in Ontario's electricity system, including opportunities to leverage renewable energy resources in a way that ensures value to Ontario electricity ratepayers and the electricity system.

The IESO's system planning analysis indicates that the adequacy and reliability of supply can be maintained while winding down certain FIT and LRP contracts and that it would be in the best economic interests of Ontario's electricity ratepayers, in respect of the FIT program, to wind down contracts where the IESO has not issued Notice to Proceed and, in respect of the LRP program, to wind down contracts where the IESO has not notified the contract counterparty that all Key Development Milestones have been met.

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## **Directive**

Therefore, in accordance with the authority I have pursuant to subsections 25.32(5) and (11) of the Act, I hereby direct the IESO to take all necessary steps in respect of the Initiative, as follows:

1. To immediately take all steps necessary to wind down all FIT 2, 3, 4 and 5 contracts where the IESO has not issued Notice to Proceed.
2. To immediately take all steps necessary to wind down all LRP I contracts where the IESO has not notified the LRP I contract counterparty that all Key Development Milestones have been met.
3. To take all other steps which are necessary or desirable in order to facilitate the full and complete implementation of this Directive, as soon as is practicable.

## **General**

Pursuant to subsection 25.32(11) of the Act, this Directive amends or revokes previous directions to the extent that a previous direction is inconsistent with the provisions of this Directive. For greater clarity, all other terms of any previous direction remain in full force and effect.

This Directive takes effect on the date it is issued.

## DIRECTIVE DU MINISTRE

### À L'INTENTION DE : LA SOCIÉTÉ INDÉPENDANTE D'EXPLOITATION DU RÉSEAU D'ÉLECTRICITÉ

Par la présente, je soussigné, Greg Rickford, ministre de l'Énergie, du Développement du Nord et des Mines, ordonne ce qui suit à la Société indépendante d'exploitation du réseau d'électricité (SIERE), conformément aux paragraphes 25.32(5) et (11) de la *Loi de 1998 sur l'électricité* (la Loi), relativement à des initiatives d'approvisionnement en électricité établies, notamment en ce qui concerne l'élimination des rondes des programmes de tarifs de rachat garantis (TRG) et d'approvisionnement de grands projets d'énergie renouvelable (AGER) qui ont été lancées par la SIERE conformément à une ou plusieurs directives antérieures (l'« Initiative ») :

#### Contexte

Notre gouvernement s'est engagé à veiller à ce que le réseau d'électricité de l'Ontario soit abordable et fiable et à agir dans l'intérêt de tous les consommateurs d'électricité de l'Ontario, notamment les propriétaires et les entreprises.

#### *Suffisance de l'approvisionnement en électricité de l'Ontario*

Depuis l'instauration du Programme de tarifs de rachat garantis (TRG) en 2009 et de l'initiative d'approvisionnement de grands projets d'énergie renouvelable (AGER) en 2014, la SIERE a conclu un nombre important de contrats d'énergie renouvelable. Ces initiatives d'approvisionnement ont contribué aux pressions financières qui sont exercées sur les consommateurs d'électricité dans tous les secteurs de l'économie, notamment les consommateurs résidentiels et agricoles, les petites entreprises et les consommateurs industriels.

Les récents travaux de planification du réseau de la SIERE indiquent que les ressources en électricité actuellement sous contrat et à tarifs réglementés de l'Ontario sont suffisantes pour répondre aux besoins provinciaux prévus à court terme ou excéder ceux-ci et qu'il existe d'autres moyens de répondre aux besoins futurs en approvisionnement et en capacité de production énergétiques à des coûts sensiblement inférieurs à ceux que prévoient les contrats à long terme qui bloquent le prix de ces ressources.

Le renouvellement du marché de l'électricité, une initiative en cours à la SIERE, devrait fournir des signaux du marché pour tout investissement qui devra être fait à l'avenir dans le réseau d'électricité de l'Ontario, y compris pour les possibilités de tirer parti des ressources en énergie renouvelable d'une manière qui assure l'optimisation des ressources pour les consommateurs d'électricité de l'Ontario et le réseau d'électricité.

L'analyse de planification du réseau de la SIERE indique qu'il est possible d'assurer la suffisance et la fiabilité de l'approvisionnement tout en éliminant certains contrats de TRG et d'AGER et qu'il serait dans l'intérêt économique des consommateurs d'électricité de l'Ontario, en ce qui concerne le Programme de TRG, de mettre fin aux contrats dans le cadre desquels la SIERE n'a encore signifié aucun avis d'exécution à la contrepartie au contrat et, en ce qui concerne le Programme d'AGER, de mettre fin aux contrats dans le cadre desquels la SIERE n'a encore donné à la contrepartie au contrat aucun avis selon lequel toutes les étapes clés du développement ont été franchies.

### **Directive**

Par conséquent, conformément aux pouvoirs qui me sont conférés par les paragraphes 25.32(5) et (11) de la Loi, j'ordonne par les présentes à la SIERE de prendre toutes les mesures nécessaires suivantes à l'égard de l'Initiative :

1. Prendre immédiatement toutes les mesures nécessaires pour mettre fin à tous les contrats de TRG 2, 3, 4 et 5 dans le cadre desquels la SIERE n'a encore donné aucun avis d'exécution.
2. Prendre immédiatement toutes les mesures nécessaires pour mettre fin à tous les contrats d'AGER I dans le cadre desquels la SIERE n'a encore donné à la contrepartie au contrat AGER I aucun avis selon lequel toutes les étapes clés du développement ont été franchies.
3. Prendre toutes les autres mesures nécessaires ou souhaitables pour faciliter la mise en œuvre complète de la présente directive le plus rapidement possible.

### **Dispositions générales**

Conformément au paragraphe 25.32(11) de la Loi, la présente directive modifie ou abroge toute directive antérieure dans la mesure de son incompatibilité avec les dispositions de la présente directive. Par souci de clarté, toutes les autres modalités de toute directive antérieure demeurent en vigueur.

La présente directive entre en vigueur à la date de sa publication.

1 SEC INTERROGATORY 2

2 **1.1-SEC-2**

3 INTERROGATORY

4 Please provide a copy of the material provided to the Board of Directors approving the budgets  
5 that underlie the 2018-2020 Business Plan and proposed 2018 revenue requirement.

6 RESPONSE

7 The IESO Board of Directors were provided with the 2018-2020 Business Plan, which was  
8 submitted to the Ministry of Energy following the IESO Board's approval and subsequently  
9 approved by the Minister of Energy.

10 During the business planning cycle, the Board of Directors is kept up to date on the progress of  
11 the business plan by the Executive Leadership Team. Key decision items and strategic priorities  
12 are discussed with the Board in the meetings leading up to the final Board meeting where the  
13 business plan is approved.

14 Leading up to the Board approval date, the Executive Leadership Team works with  
15 management to address any Board questions or direction regarding the business plan. The  
16 Executive team also provides guidance to management on strategic priorities that govern the  
17 overall business plan and budget.

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1 SEC INTERROGATORY 3

2 **1.1-SEC-3**

3 INTERROGATORY

4 [Exhibit A-2-2, p,20] With respect to the 2017 Corporate Performance Measures:

- 5 a. Please provide a copy of the 2017 Corporate Performance Measures and targets.  
6 b. Please provide the actual results of each Corporate Performance Measure.

7 RESPONSE

- 8 a. A copy of the 2017 corporate performance measures and targets is provided as Attachment 1  
9 to this exhibit.  
10 b. The results of each Corporate Performance Measure is provided as Attachment 2.

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Independent Electricity System Operator

## 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	
<b>Strategic Goal: Deliver superior reliability performance in a changing environment</b>			
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 <sup>1</sup> 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"> <li>a. 100% of the 46 key recommendations for 2017 are progressing on track for the 15 Integrated Regional Resource Plans</li> <li>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</li> </ul>	

<sup>1</sup> 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 coordinated 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"> <li>The objectives contained in the 2016 – 2017 cybersecurity forum work plan are accomplished</li> <li>Supporting the OEB objectives for completion of standards development by the end of 2017</li> <li>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</li> </ul>	
<b>Strategic Goal: Drive to a more efficient and sustainable marketplace</b>			
Evolve the Ontario market to increase market efficiency and value for consumers	6. The electricity market is efficiently delivered	The IESO continues to focus on price efficient outcomes via: <ul style="list-style-type: none"> <li>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"> <li>A robust, well stakeholdered cost/benefit analysis completed by end of Q1, 2017</li> <li>Well attended, at minimum quarterly meetings (including information sessions) with stakeholders to discuss, review and educate stakeholders on high level market design elements</li> <li>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)</li> <li>A project level risk assessment and Key Performance Indicators completed by end of Q3</li> </ul> </li> <li>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</li> <li>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</li> </ul>	
Foster an open and competitive electricity marketplace with broad participation	7. The marketplace for electricity is innovative and competitive	Broader, competitive and more innovative sector participation is enabled by end of 2017 through: <ul style="list-style-type: none"> <li>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</li> <li>At least \$50M (3%) of the Conservation First Framework Conservation and Demand Management Plan budget committed to full deployment of innovative new programs</li> <li>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</li> <li>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</li> </ul>	

Strategic Objective		CPM	2017 Target
<b>Strategic Goal: Be recognized as a trusted advisor, informed by engagement</b>			
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			
<b>Strategic Goal: Invest in our people and processes to meet the needs of the sector</b>			
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		Expanded operational capacity is realized by: <ul style="list-style-type: none"> <li>All priorities in 2017 are being achieved within the IESO's approved budget</li> <li>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</li> <li>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</li> </ul>

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# 2017 IESO Corporate Performance Results



January 1 to December 31, 2017

Legend	
	Meets expectations
	Does not meet expectations

Strategic Objective	CPM	2017 Target	Result
<b>Strategic Goal: Deliver superior reliability performance in a changing environment</b>			
Plan and manage the power system so Ontarians have power when and where they need it.	1. 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.	
	2. 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 <sup>1</sup> 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"> <li>a) 100% of the 46 key recommendations for 2017 are progressing on track for the 15 Integrated Regional Resource Plans (IRRPs).</li> <li>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.</li> </ul>	
Enhance reliability and efficiency through coordination of IESO and LDC controlled resources.	3. Operations are well coordinated 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.	4. Cybersecurity leadership is demonstrated across the sector.	Cybersecurity excellence is promoted by: <ul style="list-style-type: none"> <li>• The objectives contained in the 2016 – 2017 cybersecurity forum work plan are accomplished.</li> <li>• Supporting the Ontario Energy Board (OEB) objectives for completion of standards development by the end of 2017.</li> <li>• 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.</li> </ul>	

<sup>1</sup> Subject to change to reflect more current information

Strategic Objective	CPM	2017 Target	Result
<b>Strategic Goal: Drive to a more efficient and sustainable marketplace</b>			
<p>Evolve the Ontario market to increase market efficiency and value for consumers.</p>	<p>5. The electricity market is efficiently delivered.</p>	<p>The IESO continues to focus on price efficient outcomes via:</p> <ul style="list-style-type: none"> <li>• 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"> <li>○ A robust, well stakeholdered cost/ benefit analysis completed by end of Q1, 2017.</li> <li>○ Well attended, at minimum quarterly meetings (including information sessions) with stakeholders to discuss, review and educate stakeholders on high level market design elements.</li> <li>○ 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).</li> <li>○ A program level risk assessment and Key Performance Indicators completed by end of Q3.</li> </ul> </li> <li>• 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 Long Term Energy Plan (LTEP).</li> <li>• 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.</li> </ul>	
<p>Foster an open and competitive electricity marketplace with broad participation.</p>	<p>6. The marketplace for electricity is innovative and competitive.</p>	<p>Broader, competitive and more innovative sector participation is enabled by end of 2017 through:</p> <ul style="list-style-type: none"> <li>• Formal mid-term review of Conservation First Framework (CFF) and Industrial Accelerator Program (IAP) has been initiated by June 1, 2017 and on track to be completed no later than June 1, 2018.</li> <li>• At least \$50M (3%) of the Conservation First Framework Conservation and Demand Management Plan budget committed to full deployment of innovative new programs.</li> <li>• 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.</li> <li>• 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.</li> </ul>	



Strategic Objective	CPM	2017 Target	Result
<b>Strategic Goal: Be recognized as a trusted advisor, informed by engagement</b>			
Enhance public confidence in the IESO and the sector to facilitate informed customer choice.	7. 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 Objective	CPM	2017 Target	Result
<b>Strategic Goal: Invest in our people and processes to meet the needs of the sector</b>			
Strengthen the development and engagement of our employees	8. IESO employees are engaged	The Q4, 2017 employee engagement pulse survey demonstrates the on-going effectiveness of the IESO's engagement action plan initiatives by achieving an increase of at least 2 points over the average of the Q2, 2017 pulse survey results (i.e. increasing from an average of 65% favourable to an average of 67% favourable). In addition, the organization wide action plan resulting from the 2016 survey is progressing on track.	
Attract and retain the best talent			
Be a focused and flexible organization positioned to support the ongoing transformation of our industry	9. IESO resources are utilized effectively and efficiently	<p>Expanded operational capacity is realized by:</p> <ul style="list-style-type: none"> <li>• All priorities in 2017 are being achieved within the IESO's approved budget.</li> <li>• 80% of priority change initiatives progressing according to their approved business case, on time and budget and completed projects met all of their defined business objectives.</li> <li>• 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 Full Time Employees (FTE) by end of 2018.</li> </ul>	

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1 SEC INTERROGATORY 4

2 **1.1-SEC-4**

3 INTERROGATORY

4 Please provide a summary of all internal audit reports issued in the past 2 years, their  
5 recommendations and the status of the implementation of those recommendations.

6 RESPONSE

7 Internal Audit provides independent and objective services on risk management, controls and  
8 governance processes to management and the Audit Committee of the Board of Directors. The  
9 IESO Internal Audit function is committed to being a high value, cost-effective contributor to  
10 the overall business success of the IESO. Annually, the Internal Audit group develops a three  
11 year Audit Services Plan.

12 The Audit Services Plan typically includes audits covering process control, information  
13 technology and policy compliance. The following provides, for the period 2016 to 2018, a listing  
14 of the internal audits completed by audit type, a summary of key themes and  
15 recommendations, and the current status of management's remediation activities.

16 Process Control

17 The objectives of a process control review are to confirm that the IESO's controls are designed  
18 appropriately for the task, as well as to verify that they are operating as designed. These  
19 reviews may confirm that the organizational or program processes are aligned with leading  
20 industry practices.

21 The Process Control audits completed are:

- 22 • Dispatch algorithm (bi-annual)
- 23 • Claims adjudication and payment process (annual)
- 24 • CEO and Chair expenses (annual)
- 25 • CSAE 3416 Market Settlements (external auditor) (bi-annual)
- 26 • CSAE 3416 MDMR (external auditor) (annual)
- 27 • MMP independence review (annual)
- 28 • Business Continuity
- 29 • Effective separation review
- 30 • Project portfolio management
- 31 • FIT procurement review

- 1 • Schedule Interchange transaction review
- 2 • Market rules enforcement process
- 3 • Network Model Process & Database review
- 4 • LDC Conservation Plan and Program review (external)
- 5 • Project Portfolio management Review
- 6 • Nuclear Contract Management
- 7 • Regional Planning Process
- 8 • Stakeholder Engagement
- 9 • Ontario Reliability Compliance Program
- 10 • Evolve Market and Market Rule Amendments

11 The following is a summary of key recommendations documented by Internal Audit to address  
12 identified findings:

- 13 • Ensure software applications and end user computing tools are appropriate for the task,  
14 effective and maintained according to policy
- 15 • Develop inventory of all end user computing tools
- 16 • Ensure service level agreements exist within the IESO to allow for timely completion of  
17 work tasks and projects, and that the standards are tracked and monitored
- 18 • Ensure disaster recovery exercises routinely include scenarios where all critical IT  
19 systems are rebuilt
- 20 • Ensure policies and procedures are clear, documented and applied consistently across  
21 the company
- 22 • Ensure decisions are properly documented, communicated and maintained
- 23 • Ensure roles, responsibility and reporting relationships are clearly defined, appropriate  
24 and implemented
- 25 • Identify resource backup for key roles
- 26 • Market Rules Enforcement function should have more formal access to the Board of  
27 Directors for independence and accountability
- 28 • Document roles and responsibilities for Market Rules Enforcement and Dispute  
29 Resolution across the IESO
- 30 • Update documentation for Enforcement process
- 31 • Refresh tools used for Enforcement
- 32 • Develop stakeholder engagement plan for all significant engagement activities
- 33 • Ensure LACs clearly understand what types of decisions they will be able to influence

- 1       • Ensure that IESO explains, when it makes a decision, how stakeholder input informed  
2       the decision as well as a rationale where stakeholder input was not included in the final  
3       decision
- 4       • Improve the transparency of the evolve market process, including providing an  
5       explanation of which market evolution ideas are being pursued and which are not

#### 6    Information Technology

7    The objective of an IT review is to confirm that IESO's IT system control and processes are  
8    designed appropriately for the purpose, as well as to verify that these controls are operating as  
9    intended. These reviews often confirm that the controls and practices are aligned with leading  
10   industry practices. IT and end user computing tool reviews are often included within process  
11   audits.

12   The Information Technology audits completed are:

- 13       • IT General Controls (part of the CSAE 3416) (bi-annual)
- 14       • Fulfill IT Request
- 15       • IT Incident and Problem
- 16       • IT Cloud Service Provider

17   The following is a summary of key recommendations documented by Internal Audit to address  
18   identified findings:

- 19       • Ensure service level agreements exist within the IESO to allow for timely completion of  
20       work tasks and projects, and that the standards are tracked and monitored
- 21       • Ensure appropriate metrics are tracked and monitored
- 22       • Ensure access management occurs in a timely and accurate manner
- 23       • IT back-up process enhanced
- 24       • Update system change process, and ensure that it includes:
- 25           ○ review of business continuity plans
- 26           ○ guidelines for user acceptance testing
- 27       • Ensure that existing governing documents include reference to cloud computing as  
28       appropriate
- 29       • Regularly request and review SOC 1 and 2 reports from cloud providers
- 30       • Improve software quality assurance and installation test methodology

1 Policy Compliance

2 The objective of policy compliance reviews is to confirm that the organization is in compliance  
3 with documented and approved corporate or government policies. A secondary objective of  
4 these reviews is to identify any existing gaps in the policy and procedure (e.g. a new  
5 government administrative directive, such as the Travel, Meal, Hospitality and Expenses  
6 Directive) that should be updated by the IESO.

7 The Policy Compliance audits completed between are:

- 8 • Treasury Board Directive compliance (annual)
- 9 • Mock audit for NPCC compliance (every 3 years)
- 10 • Internal Audit Quality Assurance Review (every 5 years)
- 11 • Corporate Performance Metrics review (annual)
- 12 • Entity-level Controls review (bi-annual)

13 The following is a summary of key recommendations documented by Internal Audit to address  
14 identified findings:

- 15 • Include consideration of fraud risk in all audits
- 16 • Deepen audit staff capacity to conduct data analytics
- 17 • Ensure lines of authority are clear as between projects and core work
- 18 • Review and update as necessary corporate policies and procedures
- 19 • Continue to focus on the creation of a unified IESO culture

20 Management Response and Action Plans

21 Management has fully participated in the internal audit process, has accepted recommendations  
22 presented by Internal Audit and implemented necessary action plans. Examples of  
23 management action items include:

- 24 • Documents and policies are revised and updated
- 25 • Software applications are reviewed and proper maintenance is confirmed
- 26 • Roles and responsibilities are under review in identified areas
- 27 • IT governance audit is planned
- 28 • Table top exercise conducted for BES critical systems
- 29 • Implementation of a new access management tool
- 30 • Develop new IT tool for market rules enforcement
- 31 • Review of IT Incident and Problem process
- 32 • Development of a strategy regarding LACs, i.e. when and how to use them
- 33 • Development of a Markets roadmap

1 As of August 2018, there were thirty-eight (38) open action items related to audits completed  
2 between 2016 and 2018. These actions items relate to the following audits completed in the last  
3 two years:

- 4 • Business Continuity Management Review (2016)
- 5 • Market Rules Enforcement Process Review (2016)
- 6 • Entity-Level Control Framework (2017)
- 7 • Resolve IT Incident and Resolve IT Problem (2017)
- 8 • Conservation Plan and Program Approval Process (2017)
- 9 • Stakeholder Engagement (2017)
- 10 • Regional Planning (2017)
- 11 • Ontario Reliability Compliance Program
- 12 • Evolve Market and Market Rule Amendment

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SEC INTERROGATORY 5

2 **1.1-SEC-5**

3 INTERROGATORY

4 Please provide a copy of the IESO's organizational chart and explain any material changes that  
5 have occurred since the filing of its previous application (EB-2017-0150).

6 RESPONSE

7 Please see the response to AMPCO Interrogatory 5 at Exhibit I, Tab 1.1, Schedule 2.05.

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Filed: August 31, 2018

EB-2018-0143

Exhibit I

Tab 1.1

Schedule 8.05 SEC 5

Page 2 of 2

SEC INTERROGATORY 6

**1.1-SEC-6**

INTERROGATORY

[Ex.A-2-2, p.21] Please provide a copy of the 2017 employee engagement survey.

RESPONSE

In 2017, the IESO conducted two ‘pulse’ surveys to track how the IESO was progressing on three key areas of focus from the 2016 employee engagement survey – Performance Management, Leadership and Direction, and Career Growth. The goal of the ‘pulse’ surveys was to provide an opportunity for employees to share feedback on the initiatives that were already undertaken in 2016 and to help inform and refine the IESO’s efforts going forward. Below are the results of those two pulse surveys:

**IESO Fall**  
 2017 Employee Engagement  
 Overall Results

Below are the questions which have been used in the 2017 survey. Employees will be asked to provide their opinion on a 5-points agreement answer scale (Strongly Disagree, Disagree, Neither agree or Disagree, Agree, Strongly Agree) and 2-points answer scale (Yes, No)

Question	% Overall - Spring		% Overall - Fall	
	Yes	No	Yes	No
1 Have you had a meaningful conversation regarding your objectives and/or your performance in the last 3 months?	71%	29%	60%	40%

Questions	% Overall - Spring			% Overall - Fall		
	Favourable	Neutral	Unfavourable	Favourable	Neutral	Unfavourable
2 I understand how my actions contribute to the achievement of IESO's mission.	84%	10%	7%	81%	11%	9%
3 I understand the IESO's current strategy and business plan.	59%	23%	18%	46%	28%	26%
4 I understand how other departments work with me to achieve the IESO's mission.	57%	24%	19%	53%	25%	22%

Question	% Overall - Spring		% Overall - Fall	
	Yes	No	Yes	No
5 In the last 3 months, have you had a meaningful discussion about your career?	52%	48%	45%	55%

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SEC INTERROGATORY 7

2 **1.1-SEC-7**

3 INTERROGATORY

4 Please provide details of all productivity and efficiency measures the IESO undertook in 2017  
5 and plans to undertake in 2018.

6 RESPONSE

7 Please see the response to OEB Interrogatory 7(b) at Exhibit I, Tab 1.3, Schedule 1.07.

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1 SEC INTERROGATORY 8

2 **1.1-SEC-8**

3 INTERROGATORY

4 [Exhibit A-2-3, 1] In the letter approving the Business Plan, the then Minister writes “The clarity  
5 you have provided with regard to costs and obligations associated with the IESO’S support to  
6 the Ministry of the Environment and Climate Change and the Green Ontario Fund is responsive  
7 to my earlier request”. Please explain what clarification was sought and given.

8 RESPONSE

9 Further detail was requested to articulate the nature of the work the IESO was undertaking  
10 within the scope of its agreements with Ministry of the Environment and Climate Change, and  
11 the amounts of costs incurred to date.

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1 SEC INTERROGATORY 9

2 **1.1-SEC-9**

3 INTERROGATORY

4 [Auditor General of Ontario, 2017 Annual report, Section 3.06 - Independent Electricity System  
5 Operator— Market Oversight and Cybersecurity] For each finding and recommendation, please  
6 provide the status of the recommendation, and if not fully implemented, the implementation  
7 plan.

8 RESPONSE

9 In its submission on the IESO's draft Issues List, SEC requested that the following issue be  
10 added to the final Issues List:

11 *"Has the IESO adequately responded to the findings and recommendations of the 2017 Annual*  
12 *Report of the Auditor General of Ontario?"<sup>1</sup>*

13 In Procedural Order No. 2, with respect to SEC's submission, the OEB stated:

14 *"The OEB agrees with the IESO that the proposed issue is overly broad and the proposed issue*  
15 *will not be added. Where an individual finding or recommendation within the Auditor General's*  
16 *Report relates to matters within the scope of this application, such matters may be addressed*  
17 *within the relevant issues in the OEB final approved issues list."<sup>2</sup>*

18 SEC's interrogatory asks the IESO to provide the status of each of the Auditor General (AG)  
19 recommendations in the 2017 Annual Report. SEC has not proposed which recommendations  
20 within the Auditor General's report relate to matters within the scope of this application. As a  
21 result, the IESO has reported on the status of those recommendations that it has identified as in  
22 scope of the proceeding.

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<sup>1</sup> SEC Submission on the draft Issues List, July 6, 2018

<sup>2</sup> OEB Procedural Order No. 2, July 30, 2018, Page 9

No.	Auditor's Recommendation	Status
1	<p>To ensure that ratepayers' interests are protected and that recommendations made by the Ontario Energy Board Market Surveillance Panel to improve market rules are addressed, we recommend that the Independent Electricity System Operator (IESO):</p> <ul style="list-style-type: none"> <li>• Implement the Ontario Energy Board Market Surveillance Panel's (OEB Panel) recommendations in an effective and timely way; and</li> <li>• Where the OEB Panel submits a report to the Independent Electricity System Operator that contains recommendations relating to the misuse, abuse or possible abuse of market power, the IESO should use its authority to amend the market rule immediately and submit it to the Ontario Energy Board for its review.</li> </ul>	<p>The Independent Electricity System Operator (IESO) will continue to analyze and assess the Ontario Energy Board's (OEB) Market Surveillance Panel (MSP) recommendations and consider possible amendments to market rules to address those recommendations while also balancing the need:</p> <ul style="list-style-type: none"> <li>• to ensure the reliability of the electricity network,</li> <li>• to consider the impact upon market design, including potential unintended adverse effects, and</li> <li>• to assess the ability of the IESO and market participants to implement the change.</li> </ul> <p>The IESO has acted on a number of the recommendations made by the OEB's MSP in the past and has made a number of market rule amendments as a result.</p>
6	<p>To ensure that ratepayers are not charged for unnecessary costs, we recommend that, if the Independent Electricity System Operator does not cancel the Standby Cost Recovery Program, it fully implement the Ontario Energy Board Market Surveillance Panel's (OEB Panel) recommendations and not reimburse</p>	<p>The Independent Electricity System Operator (IESO) is making fundamental changes to the electricity market, through the Market Renewal Program, that will include replacing the current real-time generator commitment mechanisms with a more efficient and transparent form of unit commitment.</p>

No.	Auditor's Recommendation	Status
	generators for operating and maintenance costs under the Program.	
7	To ensure that ratepayers are not charged for unnecessary costs associated with the Lost Profit Recovery Program, we recommend that the Independent Electricity System Operator (IESO) implement the recommendations of the Ontario Energy Board Market Surveillance Panel (OEB Panel) regarding this Program.	The Independent Electricity System Operator (IESO) has introduced fundamental changes through the Market Renewal Program. The Single Schedule Market (SSM) initiative of Market Renewal will eliminate the Lost Profit Recovery Program.
8	<p>To ensure that the Market Renewal Initiative (Initiative) considers and protects all ratepayers' interests, we recommend that the Independent Electricity System Operator (IESO):</p> <ul style="list-style-type: none"> <li>• Immediately prohibit representatives from companies that have been found by the Ontario Energy Board Market Surveillance Panel or the IESO Oversight Division to have misused IESO programs from participating in the Initiative working group;</li> <li>• Establish a minimum number of working group members representing low-power consumers and ensure that those positions are always filled; and</li> <li>• Publicly report in clear language how the results of the Initiative will be in the best interests of all ratepayers.</li> </ul>	<p>In December 2017, a member representing low volume consumers was added to the Market Renewal Working Group (MRWG).</p> <p>As market renewal moves into new High Level Design and Detailed Design stages, the IESO engagement plans will provide methods and channels to encourage the representation of low volume consumers in engagement activities.</p>
9	To ensure that the Independent Electricity System Operator (IESO) Market	The Market Assessment and Compliance Division (MACD) will complete a risk and resourcing

No.	Auditor's Recommendation	Status
	<p>Assessment and Compliance Division can conduct proper oversight of the market, we recommend that the IESO:</p> <ul style="list-style-type: none"> <li>• Assess the resources needed to eliminate its investigation backlog and conduct the large-scale investigations that have proven effective in recovering funds and identifying and sanctioning significant rule violations; and</li> <li>• Attract and retain staff with experience in market rules and expertise in investigation.</li> </ul>	<p>assessment to identify opportunities to convert contracted staff to regular (i.e., full-time and non-temporary) status and increase the total level of resources to the enforcement and oversight functions.</p>
11	<p>To ensure that the Independent Electricity System Operator (IESO) Market Assessment and Compliance Division (Oversight Division) can conduct proper oversight of the market, we recommend that the IESO replace the Oversight Division's computer system as soon as possible.</p>	<p>The Market Oversight and Compliance Division (MACD) has procured and been actively using two support systems for its enforcement work: a case management workflow tool, and a litigation support system that enables the analysis and submission of evidence in contested proceedings.</p> <p>Its tools are similar to those used by a variety of sophisticated investigative and adjudicative organizations, such as the Ontario Securities Commission and the Federal Court. The contractor assisting MACD in its use of these tools developed those tools and works with those organizations for the same purposes.</p>
13	<p>To strengthen its cybersecurity governance, we recommend that the Independent Electricity System Operator (IESO) create a senior-level position for cybersecurity and establish a formal reporting process to both IESO executives and the IESO Board of Directors.</p>	<p>Upon the effective start date of the new CIO, the IESO initiated the development process to create a senior-level cybersecurity role. This role is in the process of being filled.</p>
14	<p>To ensure there are sufficient cybersecurity resources in place to respond to cyberattacks, we recommend</p>	<p>The IESO has retained the services of a third party vendor to provide additional support to IESO cybersecurity staff by enabling 24/7 operational</p>

No.	Auditor's Recommendation	Status
	<p>that the Independent Electricity System Operator (IESO) increase the number of cybersecurity staff to the recommended level of seven and/or engage an external IT cybersecurity vendor to be on standby.</p>	<p>cybersecurity support. This capability is planned to be in service by end of 2018.</p> <p>The IESO has also increased the total allotted staff within the cybersecurity team to 8, and have plans to add an additional 3 in 2019, totalling 11. The additional increase for 2019 is to support the IESO's additional license requirements to provide cybersecurity services into the sector.</p>
16	<p>To reduce the cybersecurity risk of the Independent Electricity System Operator (IESO), we recommend that the IESO procure technology that prevents and identifies breaches of confidential information and monitors staff access to confidential information in real time.</p>	<p>The Advanced Malware project is complete and the associated technology investments are providing value in identifying and responding to cybersecurity issues.</p>

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1 SEC INTERROGATORY 10

2 **1.1-SEC-10**

3 INTERROGATORY

4 [Auditor General of Ontario, 2017 Annual report, Section 3.06 - Independent Electricity System  
5 Operator— Market Oversight and Cybersecurity] Please provide a copy of all material provided  
6 to the IESO's Board of Directors and Senior Management regarding the 2017 Auditor General of  
7 Ontario's Report.

8 RESPONSE

9 Materials provided to the IESO's Board of Directors and Senior Management regarding the 2017  
10 Auditor General of Ontario's Report relevant to this proceeding, are provided as attachments to  
11 this exhibit as follows:

12 Attachment 1 – March 2017 - December 2017 Board – President's Reports Excerpts

13 Attachment 2 – August 29, 2017 - Update AG Market Enforcement Excerpt

14 Attachment 3 – February 27, 2018 - MACD Report Excerpt

15 Attachment 4 – April 10, 2018 - MACD Report Excerpt

16 Attachment 5 – June 12, 2018 - MACD Report Excerpt

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## **Board - President Report – March 1, 2017**

### ***Auditor General Value-for-Money Audit***

In early January, we were notified by the Auditor General of Ontario (the AG) that the IESO would be subject to a “Value-for-money IT Audit” in 2017. Staff from the AG arrived on site in late January and have been gathering information on our IT systems but also on other aspects of the IESO’s business. This information gathering exercise has included meetings with the executives (and a number of their staff) as well as document requests as follow-up to these meetings. AG staff estimate that it will take until the end of March for them to determine the scope of their audit and that subsequent fieldwork will take until the end of July. At this point, AG staff has indicated that while their audit is focused on our IT systems, there is likely to be another stream of their audit that has yet to be defined.

## **Board - President Report – June 14, 2017**

### ***Auditor General (General Audit)***

We have now received the audit objectives and criteria for the Auditor General’s audit of the IESO as follows:

#### ***Audit Objective:***

*The objective of our audit is to assess whether the Independent Electricity System Operator (IESO) has effective systems and processes in place to ensure:*

- *Electricity market participants operate in accordance with market rules; and*
- *Critical IT assets and infrastructure are protected and reliability of the grid is maintained.*

#### ***Criteria:***

- 1. [Governance] Governance and accountability structures should be in place to facilitate monitoring of the electricity market and reliability of the grid, in accordance with legislative, contractual and program requirements.*
- 2. [Program Design, Delivery & Evaluation] Appropriate procedures, controls and processes should be in place to monitor the electricity market in accordance with market rules.*
- 3. [Program Design, Delivery & Evaluation] Current evidence and best practices should be used to inform the development of strategies, action plans and programs to maintain reliability of the electricity grid.*
- 4. [Information Systems] Appropriate procedures, controls and processes should be in place to detect security attacks, threats, weaknesses and vulnerabilities, and assess their impact on IESO’s security posture while supporting key program objectives.*

The AG has indicated that the criteria are not formally finalized until the report itself is finalized, and that the criteria could evolve somewhat as fieldwork is conducted. When we were originally informed that the AG would be conducting an audit of the IESO, the audit was to be an “IT Value for Money Audit”. However, the scope of the audit as now identified by the AG goes far beyond IT to the extent that IT is no longer the primary focus of the audit. In

addition, the identified scope and criteria are both at a very high level - rather than providing a specific focus. AG staff have indicated that they will be conducting fieldwork until July with the report published in early December. The IESO will receive a draft of the report for comment prior to its finalization sometime during Q3 2017.

### **Board - President Report – October 25, 2017**

#### *Auditor General*

The AG is also conducting an audit of the IESO with a focus on cyber security and market enforcement. The Audit Objective is to assess whether the IESO has effective systems and processes in place to ensure that oversight of electricity market participants is sufficient and that they operate in accordance with market rules; and that critical information technology assets and infrastructure are protected so that the reliability of the grid is maintained. (More information on the Audit can be found in the Audit Committee materials from August 2017.) A date has not yet been set for the completion of this AG report, including the date for IESO's prior review. The process should be completed by the first week of November 2017, when the AG reports are typically sent for French translation.

### **Board - President Report - December 6, 2017**

#### *Auditor General*

The Auditor General (AG) provided a draft of its annual report to the IESO on November 9, 2017

The AG also conducted an audit of the IESO with a focus on cyber security and market enforcement, resulting in 14 recommendations. The audit objective was to assess whether the IESO has effective systems and processes in place to ensure that oversight of electricity market participants is sufficient and that they operate in accordance with market rules; and that critical information technology assets and infrastructure are protected so that the reliability of the grid is maintained.

The IESO was provided with a draft of the report on November 3, 2017 for review, fact-checking and to develop responses to recommendations. Timelines for turnaround were short but the relevant business units worked collaboratively to provide this information to the AG's office by November 20, 2017. The AG accepted some of our identified factual inaccuracies, and refined certain draft recommendations, but the audit remains critical of the IESO's response to past Market Surveillance Panel (MSP) recommendations on congestion management settlement credits (CMSC) and the Generation Cost Guarantee (GCG) program. The report will also identify some operational improvements around cybersecurity, while acknowledging that the IESO complies with North American Electric Reliability Corporation (NERC) standards.

The report is expected to be published in early December 2017.



Independent Electricity System Operator

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# Memorandum

To: Audit Committee, IESO Board  
Cc:  
From: Doug Thomas, Glenn McDonald & Julia McNally  
Date: August 22, 2017  
Re: Update on the OAG audit of IESO cyber security and market enforcement

The Ontario Auditor General (OAG) is conducting an audit of the IESO with a focus on cyber security and market enforcement. The Audit Objective is to assess whether the Independent Electricity System Operator (IESO) has effective systems and processes in place to ensure that:

- oversight of electricity market participants is sufficient and that they operate in accordance with market rules; and
- Critical IT assets and infrastructure are protected so that the reliability of the grid is maintained.

The audit commenced in January 2017 with fieldwork wrapping up in July 2017 for the cyber security aspect. Fieldwork is continuing on the market enforcement aspect.

OAG auditors held meetings with IESO staff at the end of July and in early August to review and discuss the observations and recommendations as of that stage of preparation. They are summarized below. No written documentation was shared. OAG staff have subsequently reviewed the recommendations with the Auditor General.

A draft report is expected in September or October for IESO review and comment. The final report is expected to be released in December and tabled in the Legislature as part of the normal AG release cycle.

The key areas of OAG interest are summarized below. It should be noted that the tone and focus may change with the release of the written report.

### *Critical IT Assets*

- The overall tone of the message appears to be neutral to positive. The focus was on prevention, looking at people, technology and policy
- The OAG's areas of interest are:
  - People: reporting relationships, authority and numbers of staff
  - Technology: monitoring of advanced malware and advanced user training
  - Policy: security of third party vendors and disaster recovery

### *Market Enforcement*

- The fieldwork continues as the focus of the report has shifted from what was originally declared (the market construct)
- A walkthrough of the draft report - which will confirm actual focus and commentary - is scheduled with MACD for the second week of September
- Expectations are that the report will comment on governance of the enforcement function, as well as corresponding impact on enforcement operations
- Governance commentary is expected regarding:
  - Division of responsibility and authority between Market Surveillance Panel (MSP) and MACD
  - How IESO responds to MSP reports
  - Degree of independence and oversight of MACD
- Enforcement activity commentary is expected regarding their perceptions related to:
  - Market side of enforcement (no indication of commentary re reliability standards enforcement)
  - Adequacy of MACD's IT system to manage its workload
  - Ability of team to respond to priority issues on an effective and timely basis especially in reference to the state of the IESO's investigative powers
  - IESO's lack of action on some matters identified as potential enforcement concerns

Initials

Enc.

## Memorandum

To: THE HUMAN RESOURCES AND GOVERNANCE COMMITTEE OF THE BOARD OF DIRECTORS

of the Independent Electricity System Operator

From: Glenn McDonald

Director, Market Assessment and Compliance Division

Date: February 27, 2018

Re: MACD Reporting to HRGC – Projected Work Plan for 2018

### *Background*

In December 2017, it was formally resolved that MACD would commence a reporting relationship to HRGC.

Two orientation briefings subsequently took place – on February 2 and 13. The first covered basic institutional overviews and key role distinctions among the various entities, across the spectrum of IESO, MACD, MSP, OEB, as well as the main distinctions and categories of enforcement and oversight activities.

The second briefing provided an overview of the current risk profile characterizing the enforcement, oversight and MACD environments. In that session, I provided my views that substantial unmitigated risk is present in three distinct categories, each of which are impacted by the question of effective enforcement of market rules and reliability standards:

- Market, or efficiency, impacts
- Reliability impacts
- Reputational impacts (in its various dimensions)

I also identified key drivers or root causes of these risks, as follows:

- Resource Sufficiency

It should be noted that the recommendations also include the development of a comprehensive longer-term strategy, in partnership with Human Resources and certain other IESO business units, to address recruitment, retention and employee engagement challenges that mutually affect MACD and other IESO business units. For example, MACD and Market Renewal are both in need of talent from a very limited pool of market experts and economists, which is making recruitment much more difficult.

It is proposed that an update on the question of resource sufficiency be brought to the HRGC meeting in April.

#### 1. Staffing

Three of the five vacant Band 4 Senior Manager positions have been filled between October 2017 and January 2018. These individuals are being aggressively on-boarded

by the two Directors in MACD, who are also striving to recruit for the other two vacancies. Getting this management base to a productive state is the most fundamental prerequisite to

achieving objectives across the board in MACD. In total, 14 of the 42 total approved FTEs in MACD are currently vacant, or roughly 1/3 of the resource allotment. A large batch of postings has been active for more than two months, and a huge amount of time continues to be spent on these efforts.

2018 MACD Work Plan At-a-Glance					
Board Meetings					
	February	April	June	October	December
Resourcing	Memo Submitted to CEO	Update on Resourcing Decisions	Talent Strategy Presented	Strategy Update	Strategy Update
				Resource Onboarding Update	Resource Onboarding Update

# MACD Update

## Human Resources and Governance Committee

---

April 11, 2018

This presentation will track the attached work plan deliverables for April as follows:

- Resources
  - Update provided



# Context

- Auditor General Report recommendations
  - No current follow-up activity with AG
  - IESO responses mainly supportive of recommendations
    - Governance: AG supportive of Board oversight
    - Resources: recent increases, further assessments ongoing
    - IT support: enhanced tool in use
    - Investigative powers: Ministry considering

# Resources

- Increase in regular staff component approved – corresponding decrease in temporary/contract reliance
- Special funding of enforcement allows for flexibility – limited impact on other IESO priorities
- Staff levels currently under approved headcount
- Short-term focus:
  - devoting staff to Market Renewal Project to help design enforcement framework in new design (vs “old design” issues)
  - increasing success rates in recruitment by developing more customized strategy with HR to target regulatory staff
- Will re-assess resources once staffed up to approved levels

# Market Oversight – Assessment of Current Day

- MACD performs Ontario's regulatory role as the market rule and reliability standards enforcement authority.
- Enforcement is a critical element of the IESO's core mandates of market operation and grid reliability and it will remain critical in a post MRP world.
- MACD's functions are a collection of varied and unique niche activities. In some jurisdictions this is spread across multiple agencies.

# Market Oversight – Resourcing Historical Context

- MACD originally received approval to increase temporary fixed-term headcount to address growing need for complex market oversight, particularly in relation to a dozen significant cases
- Temporary resourcing to meet this demand produced credible results in time, but also resulted in high turnover rates as resources looked to secure regular fulltime status within the IESO or externally.
- Temporary fixed-term resourcing opportunities are less attractive to external candidates with the required niche skills
- Multiple rejected offers for management and Society positions from internal and external candidates (several compensation related).
- As part of enduring program build, MACD began assessing its resourcing needs and taking requisite action.
  - Including assessment of role complexities and new skill requirements

# Market Oversight – Assessment of Current Day

- Resourcing levels and strategies were not found to be sufficiently robust, leaving MACD with limited capacity for enduring rule and standard oversight for Ontario.
- Auditor General (AG) report identified significant back log of open cases yet to be investigated.
- Current case log includes both reliability and market related events
- Cases have become more complex and resource intensive due to a greater degree of sophistication on the part of market participants, and need to make cases litigation-proof – contested cases are public

# Market Oversight – Assessment of Current Day

## AG recommendation on “oversight” resourcing (December 2018).

- *To ensure that the Independent Electricity System Operator (IESO) Market Assessment and Compliance Division can conduct proper oversight of the market, we recommend that the IESO:*
  - *assess the resources needed to eliminate its investigation backlog and conduct the large-scale investigations that have proven effective in recovering funds and identifying and sanctioning significant rule violations; and*
  - *attract and retain staff with experience in market rules and expertise in investigation*

# Overview of MACD Resources

	2012	2015	2017	2018
<b>Approved Headcount</b>				
Regular	15	22	32	36
Temporary	20	20	9	6
<b># of active resources on hand</b>				
Regular	12	21	20	23
Temporary	7	10	10	10
Rotation(out)	-1	-1	-6	-5
<b>Resource Turnover - Calendar Year</b>				
Entry	7	6	9	5 YTD
Exit	3	10	7	0

- 2018 recruiting activities:
  - 18 concluded interviews for 5 positions;
  - 23 scheduled interviews within 6 weeks for up to 8 additional positions; and
  - Additional advertisements and subsequent interviews expected in the coming months.

# Current Climate – Recruitment

- IESO and MACD employment brand and reach is weak
- Talent acquisition strategy for the IESO has been traditional – leveraging limited and few channels to recruit talent
- Recruitment leadership and strategy was identified as a need within HR
  - New role of HR Sr. Manager Talent Acquisition created and filled in end of Q2/2017
- IESO resourcing strategy shared with ELT and adapted for MACD
- Employment Brand Lag - Only 9% percent of people who know about the IESO express an interest in applying for jobs; the average against our industry talent competitors is 18% - **\*\*\*2017 LinkedIn Data\*\*\***

## Importance of Employment Brand?

Candidate perceptions of an organization's **Employment Brand** has up to

**50%**

influence on their decision to join a company.

**\*\*\*2017 LinkedIn Data\*\*\***



# Market Oversight – Resourcing Strategy

## IESO Recruitment Strategy (As of Q1 2018)

Our objective is to continually strive for ways to expand IESO’s reach to attract talent to position the organization as an employer of choice.

I. Employment Branding	II. Sourcing	III. Campus Recruitment	IV. Reporting & Metric Data	V. Candidate Experience
<i>To support in the building and outreach of the talent brand both internally and externally to active job seekers</i>	<i>To proactively target and build relationships with passive talent</i>	<i>To establish presence on campus at target Universities and Colleges; to promote “Interview Once Hire Twice Philosophy”</i>	<i>To build and develop reporting and metrics capability to make data driven decisions</i>	<i>To create a consistent positive candidate experience and successful onboarding of employees into the IESO</i>

**Adapted for MACD** - Current initiatives (focused on employment Branding and Sourcing):

- Enhance and build new partnership with job boards (LinkedIn, GlassDoor, Indeed.ca) and niche sites (econ-jobs.com) to attract the nice talent
- Complement with more effective job postings using new job marketing tools and attraction statements
- Develop and engage with agency vendor partnerships to target passive talent
- Develop new MACD identity/brand including new division name and job titles

# Market Oversight – Mission (immediate term)

- Recruit to existing approved headcount - 42FTEs
  - “Conversion of Temps to Regs”
    - 6 temporary resource allocations have been converted to regular full time status
    - Current approved headcount – 36 regular and 6 temporary
    - 3 of these positions recently used to secure existing temp staff
  - Resourcing to approved headcount
    - 28 staff members currently available for active MACD deployment – need to grow this to 42 as top priority
    - Employing enhanced/new recruitment initiatives to attract niche talent necessary to meet needs
    - Onboard new resources and stabilize the MACD work program throughout 2018 and Q1 2019.

# Market Oversight – Strategy (longer-term)

- Continue to leverage student programs to build talent pipeline for future
  - More than 20 current MACD or IESO staff have come through the MACD student pipeline
- Develop presence in the universities through programs like the Ivey program being developed at Western
- Work with IESO Markets and Market Renewal on joint hiring and talent development initiatives
- Complement MACD staff resources with consulting expertise
  - Economics, Legal, Regulatory, Investigative, Technical SME's
- Q2 2019 → as part of the business planning process reassess in light of other risk mitigation work streams and government policy decisions and update resourcing recommendations

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SEC INTERROGATORY 11

2 **1.1-SEC-11**

3 INTERROGATORY

4 [Exhibit B-3-1, Attach 1,3] Please add a column to Appendix 2-AA and 2-JC showing 2018 year-  
5 to-date actuals.

6 RESPONSE

7 Please see the response to AMPCO Interrogatory 9 at Exhibit I, Tab 1.4, Schedule 2.09 for the  
8 update to Appendix 2-AA. Appendix 2-JC has been updated as shown below, with 2018 year-  
9 to-date June actuals.

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Filed: August 31, 2018

EB-2018-0143

Exhibit I

Tab 1.1

Schedule 8.11 SEC 11

Page 2 of 2

(in \$ millions)		2017 Actual	2017 Budget	2018 Budget	2018 YTD June Actual
<b>CEO</b>		<b>8.4</b>	<b>7.3</b>	<b>7.7</b>	<b>4.2</b>
	CEO Office	6.9	5.7	6.0	3.5
	Internal Audit	1.5	1.6	1.6	0.7
<b>Planning, Acquisition and Operations</b>		<b>39.9</b>	<b>43.7</b>	<b>46.2</b>	<b>19.5</b>
	VP Office	1.7	1.7	1.8	0.9
	Power System Assessments	13.8	14.5	14.9	6.5
	Resource Planning	3.4	3.5	4.3	2.1
	Transmission Planning	2.9	2.9	4.2	1.4
	Market Operations	14.4	15.8	16.1	7.4
	Markets & Procurement	3.7	5.4	5.0	1.3
<b>Policy, Engagement and Innovation</b>		<b>24.3</b>	<b>26.3</b>	<b>22.1</b>	<b>9.4</b>
	VP Office	0.7	0.7	0.5	0.3
	Energy Efficiency	8.2	6.8	4.1	2.4
	Alliances and Marketing	3.2	3.3	2.9	1.3
	Corporate & Indigenous Relations	7.0	7.7	8.0	3.0
	Policy Innovation	2.7	5.1	3.9	1.2
	Regulatory Affairs	2.4	2.6	2.8	1.1
<b>Information and Technology Services</b>		<b>36.1</b>	<b>35.2</b>	<b>39.7</b>	<b>18.8</b>
	VP Office	1.0	1.0	0.8	0.7
	Organizational Governance Support	3.7	3.5	5.4	0.7
	Business Solutions	14.5	13.6	15.3	8.8
	Technology Services	16.8	17.3	18.2	8.6
<b>Legal Resources and Corporate Governance</b>		<b>16.3</b>	<b>15.7</b>	<b>15.3</b>	<b>6.9</b>
	VP Office	1.2	1.4	1.1	0.4
	General Counsel	6.5	4.5	5.3	2.6
	Board	0.7	0.7	0.7	0.3
	Contract Management	8.0	9.1	8.2	3.6
<b>Corporate Services</b>		<b>24.0</b>	<b>23.7</b>	<b>23.8</b>	<b>11.8</b>
	VP Office	0.5	0.4	0.4	0.2
	Corporate Controller	3.7	3.3	3.2	1.6
	Financial Planning and Analysis	1.4	1.5	1.5	0.9
	Treasury and Pension Operations	1.7	1.8	1.9	0.8
	Settlements	5.1	5.5	5.4	2.6
	Enterprise Change	3.0	2.6	2.7	1.8
	Facilities	8.6	8.7	8.7	4.0
<b>Human Resources</b>		<b>5.1</b>	<b>4.4</b>	<b>5.1</b>	<b>2.4</b>
<b>Market Assessment and Compliance Division</b>		<b>3.2</b>	<b>3.8</b>	<b>1.9</b>	<b>0.8</b>
<b>Market Renewal</b>		<b>7.9</b>	<b>12.0</b>	<b>12.7</b>	<b>6.1</b>
<b>Corporate Adjustments</b>		<b>18.2</b>	<b>19.3</b>	<b>16.3</b>	<b>12.7</b>
	General	3.9	2.3	2.0	5.6
	Amortization	18.2	18.4	17.7	9.7
	Interest	- 4.0	- 1.4	- 3.4	- 2.6
<b>Total</b>		<b>183.3</b>	<b>191.4</b>	<b>190.8</b>	<b>92.5</b>

1

2

1 SEC INTERROGATORY 12

2 **1.1-SEC-12**

3 INTERROGATORY

4 [Exhibit B-3-1, Attach 1-3] Please explain the drivers for IESO to underspend compared to its  
5 approved 2017 budget.

6 RESPONSE

7 For operating expenses, 2017 actuals are below the approved 2017 budget primarily due to the  
8 Market Renewal Program and key variance drivers include:

- 9 • Market Renewal savings due to slower resource ramp up and contingency not utilized.  
10 The \$4 million budgeted contingency was refunded to ratepayers at the end of 2017.
- 11 • Higher interest earned on funds passing through the IESO wholesale market and a  
12 resulting offset to expenses.
- 13 • Redirected effort to MOECC activities resulted in core work not being contracted.

14 For capital projects, please see the response to AMPCO Interrogatory 9 at Exhibit I, Tab 1.4,  
15 Schedule 2.09.

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1 SEC INTERROGATORY 13

2 **1.1-SEC-13**

3 INTERROGATORY

4 [http://www.ieso.ca/-/media/files/ieso/document-library/sac/2018/sac-20180427-engagement-  
5 strategy.pdf?la=en] With respect to the IESO engagement strategy:

- 6 a. Please provide a copy of the results of the 2017 stakeholder survey and 2018 engagement  
7 review focus groups.
- 8 b. Please provide a status of the strategy, the feedback, and implementation plan.

9 RESPONSE

- 10 a. and b. Please see Attachment 1 to this exhibit for the results of the IESO's 2017 stakeholder  
11 survey, and Attachment 2 for the results of the IESO's 2018 engagement review focus  
12 groups.

13 At its April 27, 2018 Stakeholder Advisory Committee ("SAC") meeting, the IESO presented  
14 its draft engagement strategy.<sup>1</sup> The strategy was formed as a result of stakeholder feedback  
15 heard through the 2017 Stakeholder Satisfaction Survey, focus groups held in 2018 and other  
16 venues, such as SAC. The feedback included the need to address the following in IESO's  
17 existing engagement efforts:

- 18 • Reducing stakeholder fatigue,  
19 • Increasing transparency of decision-making,  
20 • Increasing breadth of participation,  
21 • Having greater commitment to the engagement process by IESO staff, and  
22 • Setting clearer expectations about opportunities for feedback.

23 As a result of the feedback the draft engagement strategy focused on the following themes:

- 24 1. Effectively managing the process to increase the breadth of participation,  
25 2. Responding to stakeholders and communities to demonstrate our commitment to  
26 transparency in our decision making, and  
27 3. Committing to evaluation and continuous improvement.

---

<sup>1</sup> IESO Stakeholder Advisory Committee, April 27, 2018, Agenda Item #5: [IESO Engagement Strategy](#)

1 Following the presentation of the draft engagement strategy to SAC, the IESO has created a  
2 workplan to operationalize the strategy. The workplan includes several items that are in  
3 progress and more that will be completed in the near term. Here is a list of initiatives that the  
4 IESO has undertaken:

- 5 1. Effectively managing the process:
- 6 • Introducing new tactics and techniques, such as web-based tools for participation by  
7 Q4 2018
  - 8 • Building capacity to participate through:
    - 9 ○ An Electricity Summit in June 2018,
    - 10 ○ An Indigenous Energy Symposium planned for October 2018, and
    - 11 ○ Two regional forums planned for November in Waterloo and Timmins, with two  
12 more planned for 2019.
- 13 2. Responding to stakeholders and communities:
- 14 • Development of templates to be implemented by Q4 2018, and
  - 15 • Ensuring that rationale for decisions is included in IESO responses to feedback.
- 16 3. Committing to evaluation and continuous improvement:
- 17 • Annual satisfaction survey launched in August 2018, and
  - 18 • Introducing summary reports for all completed engagements in Q3 2018.



# Stakeholder Satisfaction Research

2017: Report of Findings

August 21<sup>st</sup>, 2017



# Introduction

Research Background, Objectives and Our Framework



# Background

With the continuing evolution of the IESO, the organization engages with a diverse set of stakeholders ranging from generators to local distribution companies to non-government organizations.

While diverse in nature, there is a need to understand and measure the performance of the customer/stakeholder initiatives and track those results over time. As such, the IESO has commissioned Northstar as its research partner to engage with relevant customers/stakeholders and inform internal executives over the course of the contract.

To action against this brief, Northstar has designed a multi-phased, multi-modal approach, a combination of quantitative and qualitative engagements with IESO customers/stakeholders.

This quantitative research in 2017 sampled 413 customers/stakeholders across five key customer groups - Generators, Distributors/Transmitters, Importers/Exporters, Large Consumers and a mixed sub-group of 'Other' Interested Stakeholders - to compare with the 2016 baseline.

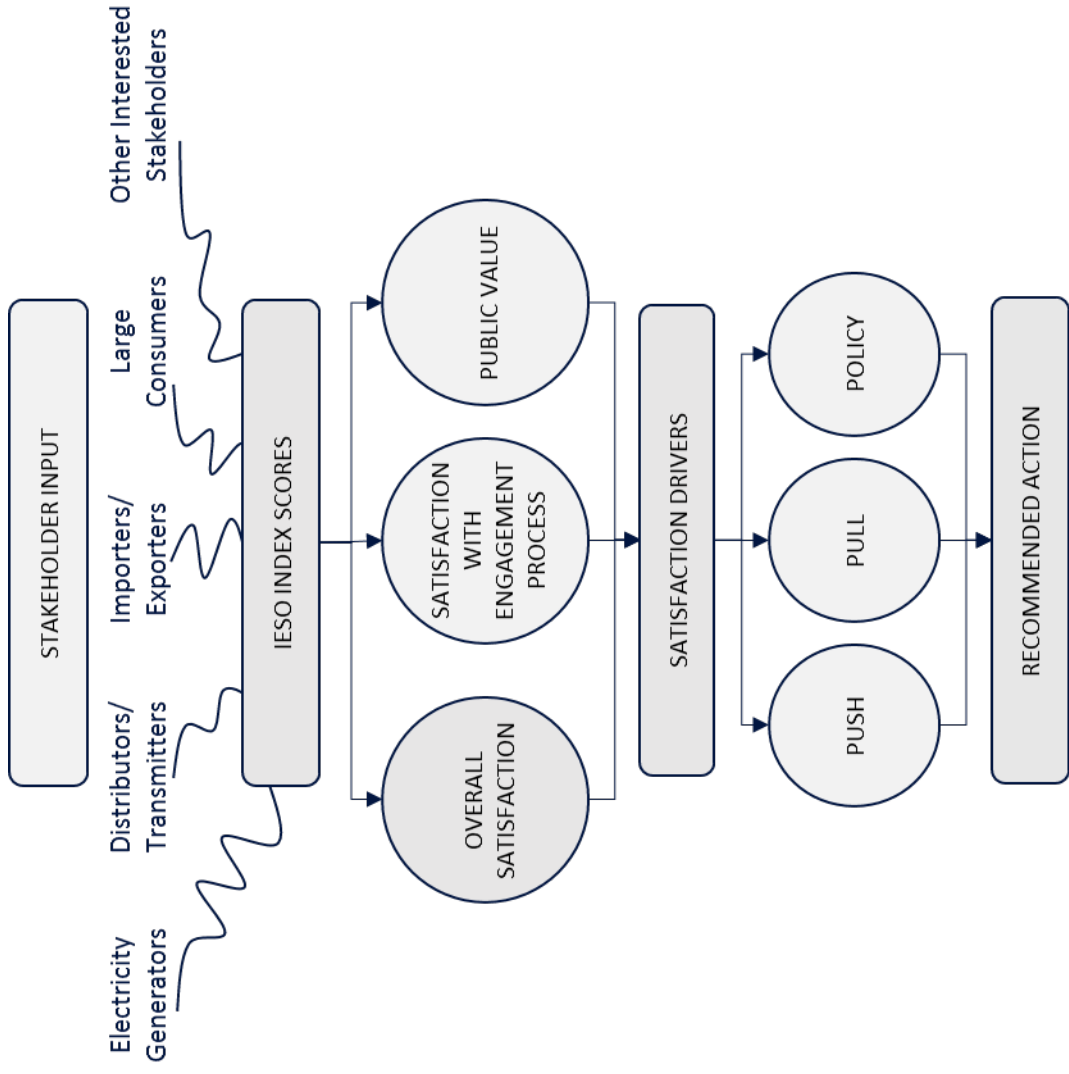


# Our Index Framework

We have approached the index design with the following underpinning. The index must be sufficiently stable to be tracked over time and sufficiently customized across the five target customer/stakeholder groups.

The graphic adjacent represents the steps we have taken in our data analysis in this report:

1. IESO Index Scores
2. Satisfaction Drivers
3. Recommended Actions



# Research Objectives

More specifically, this 2017 research was designed to:

- Track a number of metrics (including three index scores) critical to the IESO organization including:
  - Satisfaction with the IESO;
  - Satisfaction with the IESO's engagement process;
    - Relevance of the IESO's engagement process;
    - Performance on each of the IESO's engagement process objectives;
  - Public Value Assessment
  - IESO's communication channel awareness, use and effectiveness;
- Measure satisfaction as per the index based on the key drivers to satisfaction that can be tracked over time;
- Understand the unique drivers of satisfaction and specific recommended actions for each stakeholder group.



# Methodology

- In order to maximize response rates, we employed a telephone methodology and conducted interviews with customers/stakeholders from June 21<sup>st</sup> to July 31<sup>st</sup>, 2017.
  - The average interview length was 23 minutes.
- All study participants were sourced from IESO customer lists, each of which had been in recent contact with the IESO.
  - Sample quotas were set and structured to be representative of available records in the customer lists provided.
- Within the identified field period, we were able to achieve the following number of completes across the five customer groups:

	TOTAL	Electricity Generators	Distributors/ Transmitters	Importers/ Exporters	Large Consumers	Other Interested Stakeholders
<b>Total Completes</b>	<b>401</b>	<b>103</b>	<b>91</b>	<b>20</b>	<b>43</b>	<b>144</b>
Sample Quota	600	240	100	60	60	140
Total Usable Records	970	257	178	63	116	356
Response Rate (# of Completes/Total Records)	41%	40%	51%	32%	37%	40%

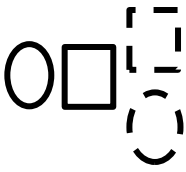
\*NOTE: For the full disposition report of fieldwork, please see appendix.



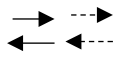


# Reporting Perspective

Circles and squares have been used to distinguish results which are statistically or directionally significant this year, with arrows depicting statistical significance between 2016-17.



- = findings which are statistically higher (calculated at a 95% confidence level) among stakeholder target groups vs. the total sample.
- = findings which are statistically lower (calculated at a 95% confidence level) among stakeholder target groups vs. the total sample.
- = findings which are directionally higher/lower (calculated at a 80-90% confidence level) among stakeholder target groups vs. the total sample.
- = findings which are statistically higher/lower (calculated at a 95% confidence level) compared to 2016.
- = findings which are directionally higher/lower (calculated at a 80-90% confidence level) compared to 2016.



Confidence Intervals	TOTAL	Electricity Generators	Distributors/ Transmitters	Importers/ Exporters	Large Consumers	Other Interested Stakeholders
Total Completes	401	103	91	20	43	144
+/- % shown = 95% confidence interval	4.8	9.7	10.3	21.9	14.9	8.2

Results are shown among the total sample and profiled across the five groups of stakeholders included. Due to a small base size (n=<20), results reported among the following stakeholder group should be interpreted as directional only:

- Importers/Exporters (n=20)
- All derived correlations (key drivers of satisfaction) not included in the main report can be found in the appendix.
- Due to small base size (n=<30), we have not conducted derived analysis on the following group:
- Importers/Exporters (n=20)



# Executive Summary

Distillation of Findings & Implications for IESO



# Areas of Investigation: Key Findings



- Nearly half of stakeholders (49%) are very satisfied with the IESO's performance overall –consistent across stakeholder groups and on par with 2016.
- There is a strong relationship across the three metrics shown above meaning that:
  - ✓ Increasing satisfaction with the engagement process will also increase overall satisfaction with the IESO.
  - ✓ Appropriately delivering on the organization's list of value objectives will also result in an increase in overall satisfaction.



- 3/4 stakeholders continue to believe in the importance of engagement for the IESO to achieve its mandate.
- 2 in 3 believe engagement is relevant to their business or sector needs
- 3 in 4 report the IESO is meeting their expectations.
- The majority of stakeholders continue to view engagement as allowing them to advance their business interests as well as learn about/from others.
- 58% stakeholders report a positive interaction with the IESO in terms of commitment to engagement.
- Stakeholders continue to view the process as a valuable vehicle for change in their sector and the industry generally.
- Awareness and usage of IESO communications channels remain largely unchanged since 2016, except a notable increase in the use of working groups.
- Perceived effectiveness of communication channels varies, with a rating range from 58% to 19%. Direct e-mails and working groups are most highly rated, while social media remains lowest.



- The IESO corporate metric measuring the composite rating of satisfaction, relevance, meeting expectations & staff commitments remains stable at 67%.
- 75% believe the IESO is allocating appropriate resources to its business objectives – unchanged since 2016. Year over year decline tended to be in the areas of providing a sustainable electricity future and competitively procuring resources.
- Areas which stakeholders believed under resourced related to transparency, sharing of relevant and valued information and acting on input.
- The IESO continues to demonstrate values such as respect, honesty, sincerity and accessibility (>50%), but lags in transparency, sharing of information/expertise, clear communication and timeliness (<50% rate 8-10)
- "Pull" values (what the IESO takes from stakeholders) receive overall lower ratings than the "push" (what the IESO delivers to stakeholders), there is little change in the past year. There has been a slight increase in being seen to be consultative but a ratings decline in areas such as effective facilitation and being balanced in decision making.
- Ratings for "Policy" or positioning values are unchanged over 2016. At 72%, reliability is rated strongest, with promoting conservation at 46% and resource planning at 44%. The lowest rating went to being innovative at 30% and competitively procuring resources at 31%.



# Going Forward

*As the IESO looks ahead, some key observations:*

- While sustaining its image of being trustworthy, honest, and sincere, the organization needs to strengthen the relevance and usefulness of its information to stakeholders and its transparency.
- In terms of its interaction with stakeholders, the IESO has an opportunity to build on its image of fairness, inclusivity and understanding but be more demonstrable on how it acts on stakeholder/community input.
- With respect to sector positioning, the IESO is well established in its reliability domain (both in terms of being an operator and an organization). Stakeholders expect increased attention to be focused on the sustainability of the system, its conservation lead, sustainability generally, shaping the future market including the creation/fostering of innovation.

*With regards to the Engagement Process:*

- The IESO needs to reinforce its performance on timely and effective communication while enhancing its responsiveness, relevancy and sharing of information, market insights and transparency.
- In terms of its interaction with stakeholders, the IESO needs to continue to be judged as fair, consultative and willing to seek out opportunities for stakeholder engagement. In doing so, it needs to strive in its efforts to be transparent, open and inclusive. The latter involves reaching out to a wide range of interests and being seen to act on input as well as explaining the decision making process to stakeholders, particularly where they provided input.
- Transparency is identified as a concern by all stakeholder groups. This is defined as the IESO's opacity regarding changes to the system, policy, as well as in decision making— whereby stakeholders are not apprised of the reasoning behind why certain decisions are taken.



# Composite Satisfaction Score

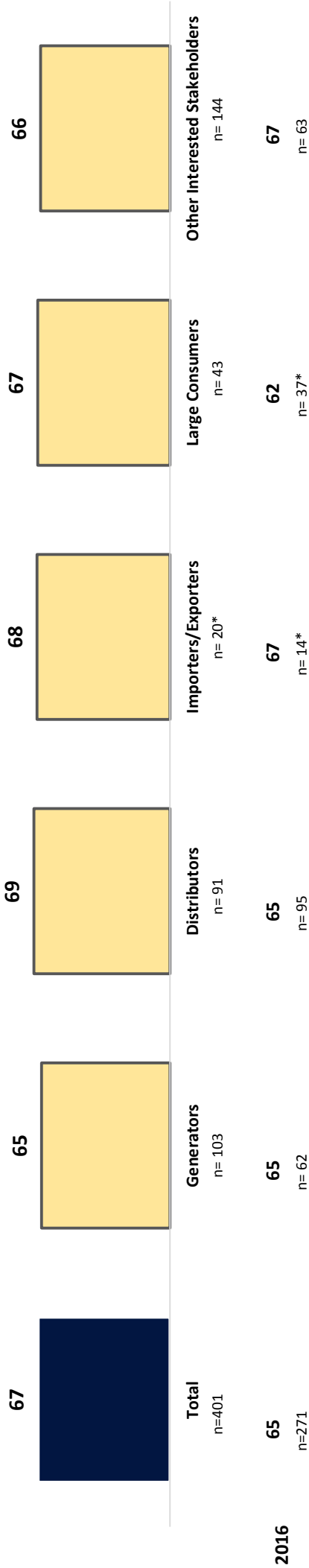
A composite IESO satisfaction score was created in 2016, calculated through a combination of individual scores on process satisfaction, business relevance, expectations management and culture change:

1. Satisfaction with the engagement process
2. Relevance to stakeholders' business/sector
3. Satisfaction with IESO meeting stakeholder expectations
4. The IESO's perceived commitment to the engagement process as evidenced by interactions with staff

Based on 2017 results, the IESO's overall Composite Satisfaction **average** score is **67**. Satisfaction is highest among Distributors and Large Consumers over 2016.

## Composite Satisfaction Scores

Base: Total Sample (n=401)



2b. Has your experience with the IESO exceeded, met or fallen below your expectations?

6a. As a participant, how satisfied are you with the IESO's engagement process?

7. As a participant, how relevant has the IESO's engagement process been to your business or sector needs? Please consider all of your interactions with the IESO and the various communication channels, programs and initiatives you have engaged with in your answer. Please provide a rating on a 10-point scale where 1 means their processes have not been relevant at all and 10 means they are very relevant. **CHECK ONE ONLY**

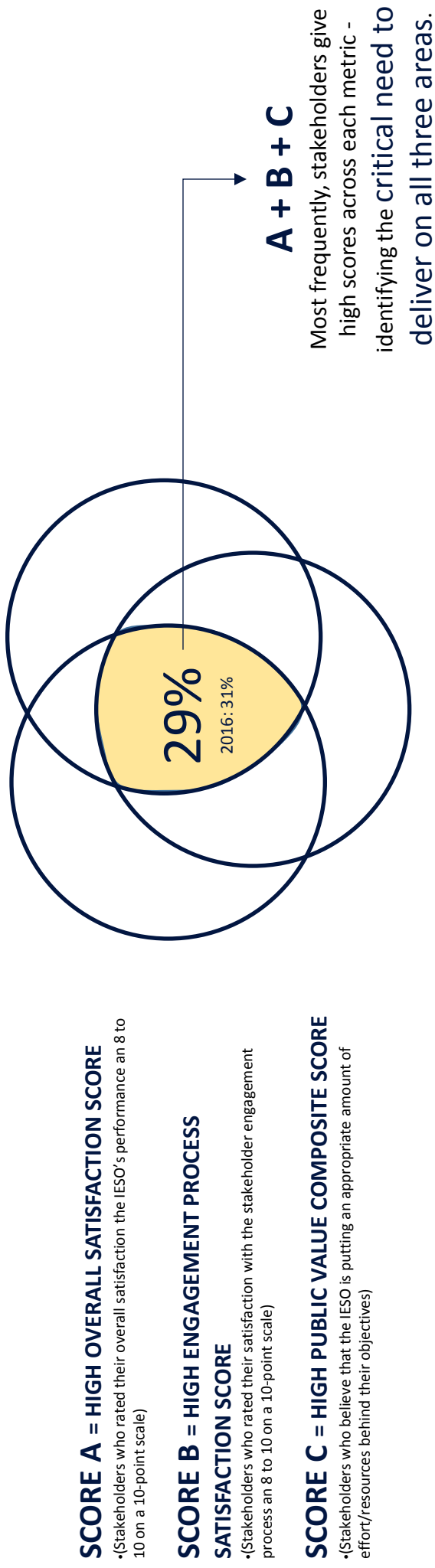
10. How well is the IESO's commitment to the engagement process reflected in the staff interactions you have had? Please provide a rating on a 10-point scale where 1 means this commitment has not at all been reflected and 10 means the commitment has been reflected very well.



NS

# The Relationship Between Satisfaction, Engagement & Public Value Scores

- This year's composite score for satisfaction is consistent with the 2016 figure.
- 29% report high satisfaction with the IESO, high satisfaction with engagement and a high rating for the IESO devoting the right amount of resources to objectives.

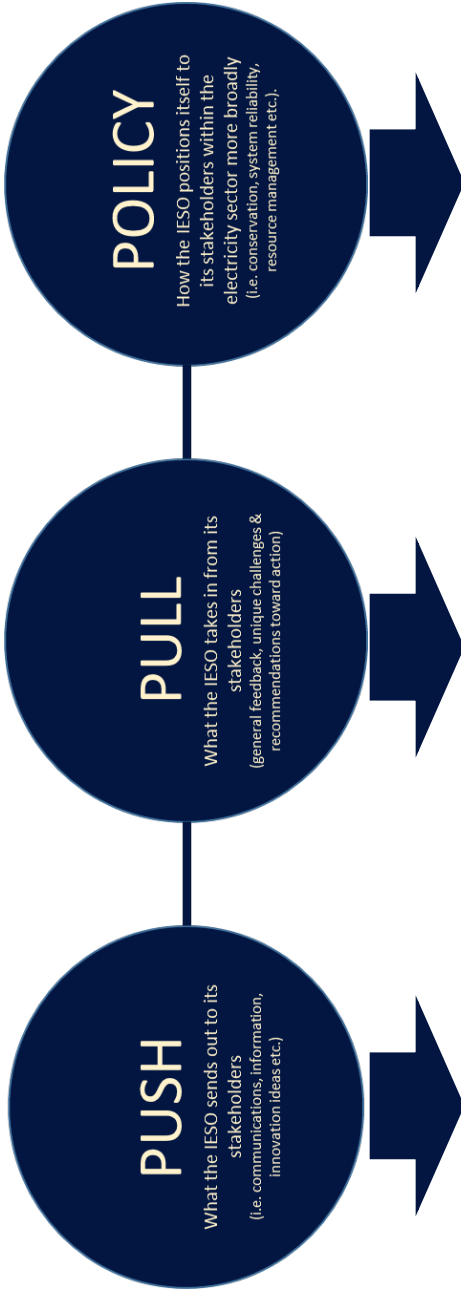


NOTE: For detailed scores at each intersection, please see Appendix I.  
 2a. Based on your experience, how satisfied are you with the IESO's overall performance? Please use a 10-point scale where 1 means you are not at all satisfied and 10 means you are very satisfied with the IESO.  
 3b. Please identify how you feel about the IESO's current effort and resource allocation against each of the following objectives. READ LIST, CHECK ONE PER STATEMENT  
 6a. As a participant, how satisfied are you with the IESO's engagement process?



# Areas to Focus On: Push, Pull, Policy

- Our analysis has revealed that the IESO's interactions with stakeholders fall under three broad categories:

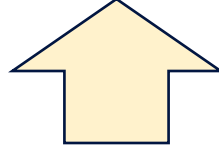


## AREAS TO MAINTAIN

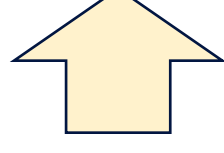
- Honesty
- Trustworthiness
- Sincere
- Effective communications with stakeholders

## AREAS WHERE IMPROVED PERFORMANCE WILL INCREASE SATISFACTION

- Being open – sharing knowledge and information about how decisions are made
- Acting on the input from communities, customers and stakeholders
- Being sustainable
- Leading the creation of a culture of conservation
- Providing a sustainable electricity future for Ontario
- Operating and shaping the electricity system and market in an effective manner
- Enabling innovation in the electricity sector



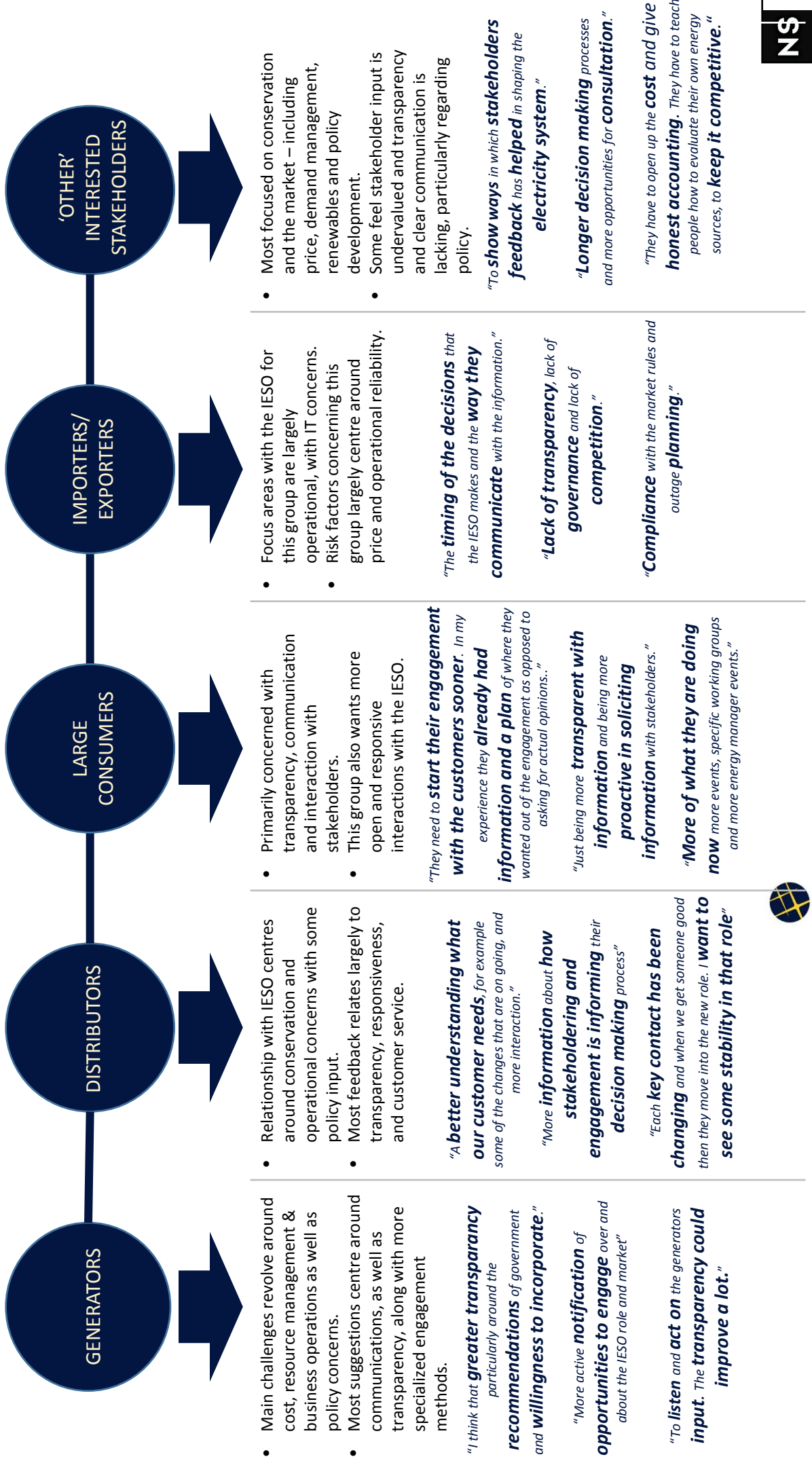
These are critical drivers of satisfaction and the IESO should continue to perform strongly in each area.



These are critical drivers of satisfaction and the IESO should aim to perform better in each area.



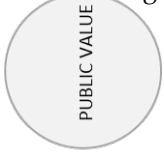
# Keep In Mind: Stakeholder Context





# Detailed Findings





# IESO's Overall Satisfaction

How satisfied are stakeholders with IESO's performance overall?



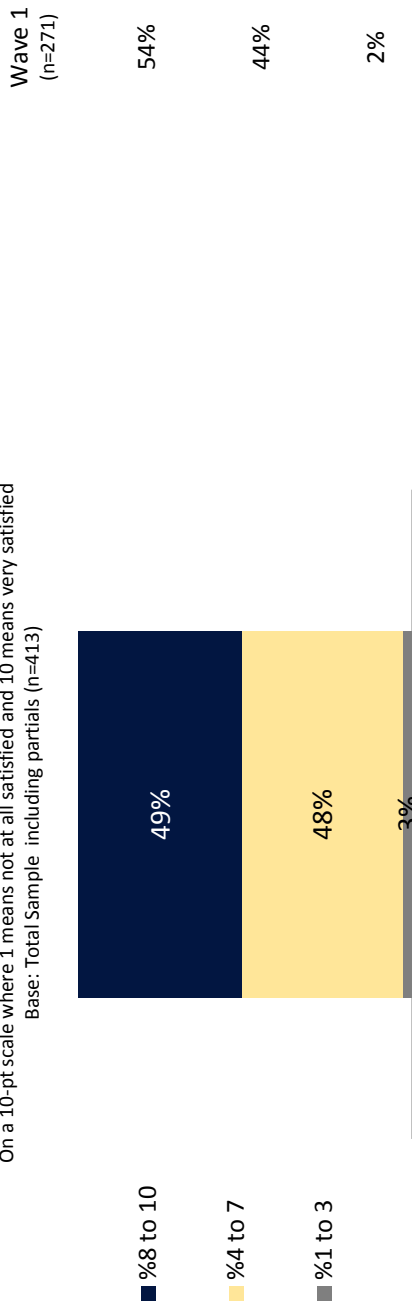
# Satisfaction Score

(Dependent Variables)

- Satisfaction with the IESO remains stable over the last year, with just under half of stakeholders rating it between 8-10. There was some decline among generators and distributors which was offset by a slight increase among importers/exporters.

## Overall Satisfaction with the IESO Organization

On a 10-pt scale where 1 means not at all satisfied and 10 means very satisfied  
 Base: Total Sample including partials (n=413)



	Generators		Distributors		Importers/ Exporters		Large Consumers		Other Interested Stakeholders	
	Wave 2	Wave 1	Wave 2	Wave 1	Wave 2	Wave 1	Wave 2	Wave 1	Wave 2	Wave 1
Base n=	106	62	95	95	20*	14*	46	37*	149	63
%8 to 10	43	48	54	61	62	50	52	54	47	51

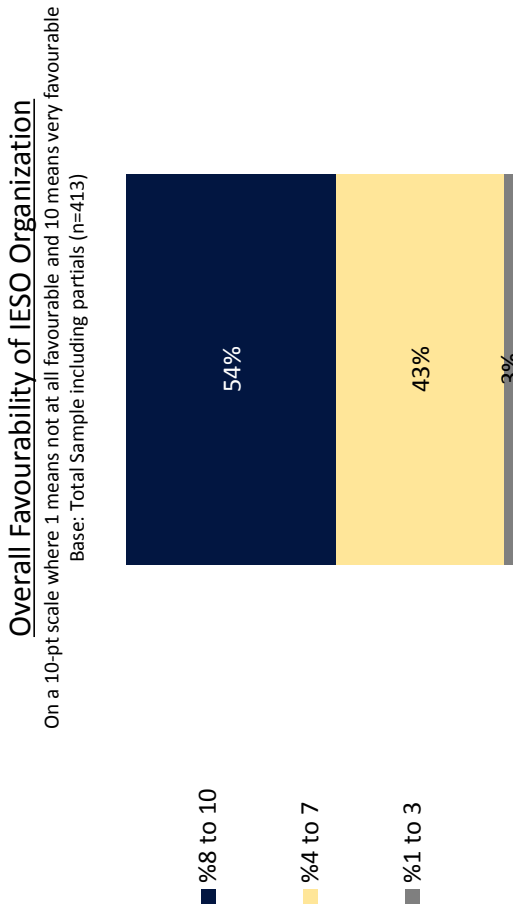
2a. Based on your experience, how satisfied are you with the IESO's overall performance? Please use a 10-point scale where 1 means you are not at all satisfied and 10 means you are very satisfied with the IESO.



NS

# Organization Favourability

- Just over half of stakeholders hold a very favourable opinion of the IESO, on par with 2016 results. Of all stakeholder groups, Generators show the lowest satisfaction levels.



Wave 1  
(n=271)

56%

42%

2%

	Generators		Distributors		Importers/ Exporters		Large Consumers		Other Interested Stakeholders	
	Wave 2	Wave 1	Wave 2	Wave 1	Wave 2	Wave 1	Wave 2	Wave 1	Wave 2	Wave 1
Base n=	106	62	91	95	20*	14*	46	37*	149	63
%8 to 10	[46]	53	59	60	67	50	61	54	52	56

\*NOTE: Extremely small sample size, should be interpreted as directional only.

1. To begin, how favourable is your opinion of the IESO's as an organization? Please use a 10-point scale where 1 means not at all favourable and 10 means very favourable. **CHECK 1 ONLY**

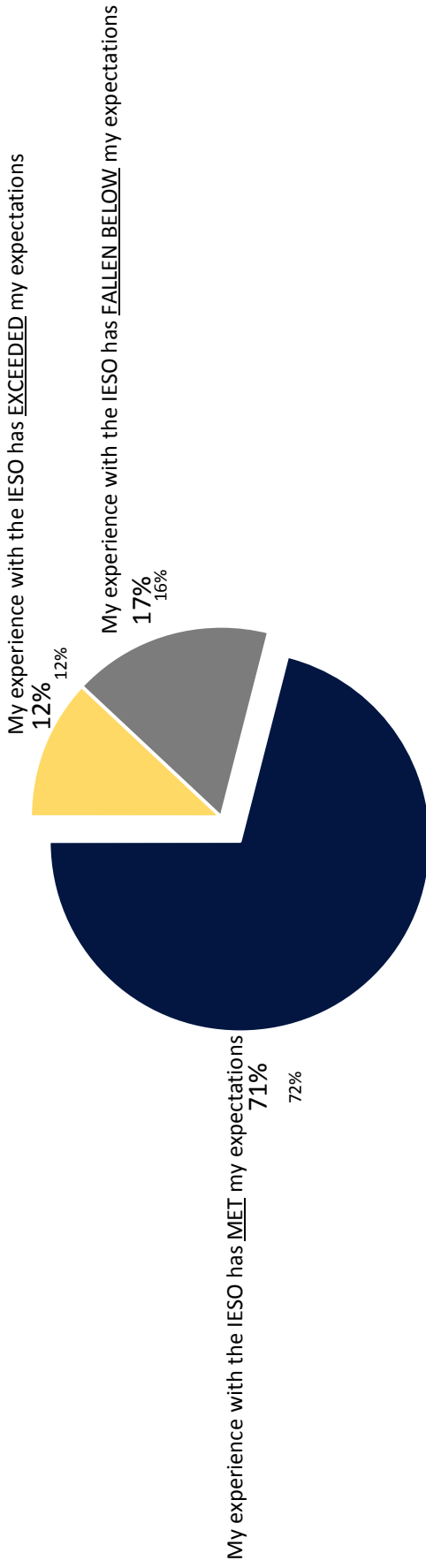


# Stakeholder Expectations: IESO Overall

- For the majority of stakeholders, experiences with the IESO have met expectations.
  - Generators report the lowest incidence of the IESO exceeding expectations.

## Incidence of IESO Exceeding/Meeting & Falling Short of Stakeholder Expectations

Base: Total Sample (n=401)



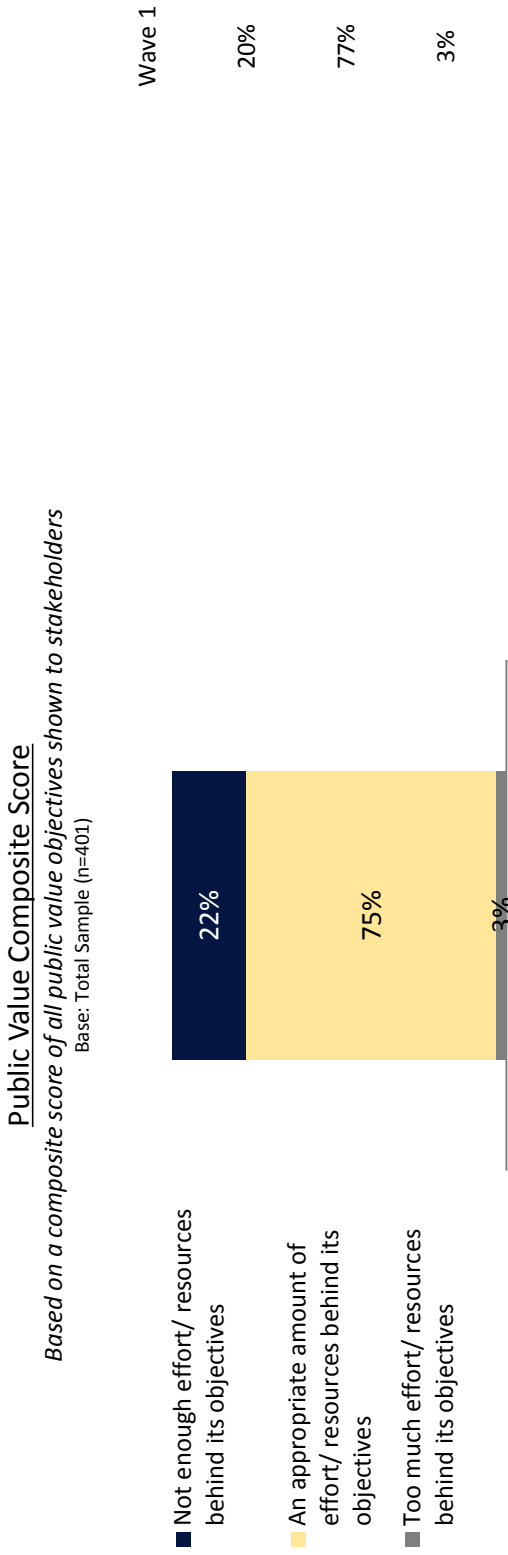
	Generators		Distributors		Importers/Exporters		Large Consumers		Other Interested Stakeholders	
	Wave 2	Wave 1	Wave 2	Wave 1	Wave 2	Wave 1	Wave 2	Wave 1	Wave 2	Wave 1
Base n=	103	62	91	95	20*	14*	43	37*	144	63
% EXCEEDED Expectations	9	5	11	11	25	29	16	14	11	17
% MET Expectations	76	77	76	74	50	50	67	64	69	73
% FALLEN BELOW Expectations	16	18	13	15	25	21	16	22	20↑	10

\*NOTE: Extremely small sample size, should be interpreted as directional only.  
 2b. Has your experience with the IESO exceeded, met or fallen below your expectations? CHECK 1 ONLY



# Public Value Composite Score

- Three quarters of stakeholders continue to believe the IESO is putting an appropriate amount of effort behind its objectives.



%8 to 10	Generators		Distributors		Importers/ Exporters		Large Consumers		Other Interested Stakeholders	
	Wave 2	Wave 1	Wave 2	Wave 1	Wave 2	Wave 1	Wave 2	Wave 1	Wave 2	Wave 1
Base n=	103	62	91	95	20*	14*	43	37*	144	63
Not enough effort/ resources behind its objectives	23	18	15	16	24	22	27	25	24	22
An appropriate amount of effort/ resources behind its objectives	74	78	81	80	75	74	69	73	74	75
Too much effort/ resources behind its objectives	3	4	3	4	1	4	4	2	2	3

3b. Please identify how you feel about the IESO's current effort and resource allocation against each of the following objectives. READ LIST, CHECK ONE PER STATEMENT



# Stakeholder Commentary

- To compare the conversation among stakeholders between 2016 & 2017, we created word clouds which show the most frequently used phrases, with the size of the word/phrase reflective of frequency.
- While there is an overall improvement in attitudes towards engagement, some concerns come through across all stakeholder groups. Communication as well as listening to input from stakeholders remain pain points, with all groups commenting on the IESO's willingness to hear feedback without actioning it or providing the reasoning behind their decision making processes.

## 2016

Seeking input/listen to stakeholders  
Good engagement process

Other negative miscellaneous mentions

Doing good job

Decisions had been pre made

Should be focusing on reducing price

Good Communication

Seeking input from customers/stakeholders

Happy/satisfied with them

More customer/ stakeholder engagements

Providing timely service/information

Effective communication

Poor/inconsistent communication

Lack of information

Room for improvement

Prompt /quick/timely response

Leading a culture of conservation

Provide lots of information

Operating the system transparently

Don't act on stakeholders feedback



## 2017

Easy to find information

Don't act on stakeholders feedback

Leading a culture of conservation

Good engagement process

Difficult to navigate

Difficult to find information

Good/like it

Looks good

Better than the previous one

Easy to use

Satisfied with them

Provide lots of information

Operating and shaping the electricity system and market in a transparent manner

Room for improvement

Not familiar

Took long time to response/implement actions

Seeking input/listen to stakeholders

Took some time to get used to



# IESO's Engagement Process

How relevant is this initiative according to stakeholder business/sector needs? And, how satisfied are stakeholders with the process overall?





# Importance of the Initiative's Success

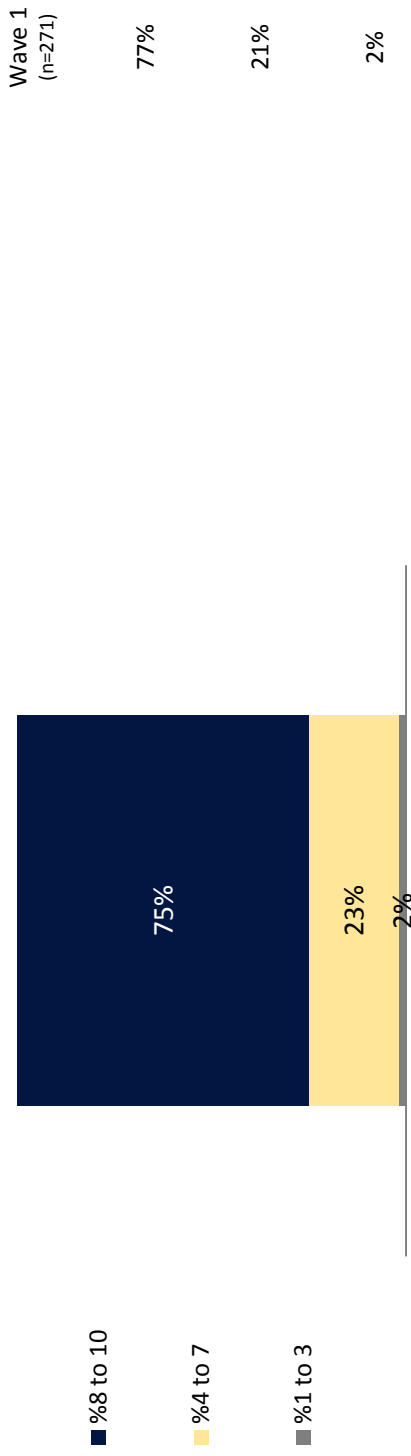
- Three quarters believe the success of the IESO's Engagement Process is very important for achieving its mandate, a number that shows a significant increase of 15% among the Importer/Exporter group this year.

## Overall Importance of IESO's Engagement Process

### Achieving its Mandate

On a 10-pt scale where 1 means not at all important and 10 means very important

Base: Total Sample, completes only (n=401)



	Generators		Distributors		Importers/ Exporters		Large Consumers		Other Interested Stakeholders	
	Wave 2	Wave 1	Wave 2	Wave 1	Wave 2	Wave 1	Wave 2	Wave 1	Wave 2	Wave 1
Base n=	103	62	91	95	20*	14*	43	37*	144	63
%8 to 10	74	82	69	74	75 ↑	50	81	78	78	83

\*NOTE: Extremely small sample size, should be interpreted as directional only.

5a. How important is the engagement process to the IESO achieving its overall mandate/objectives? Please provide a rating on a 10-point scale where 1 means not at all important and 10 means very important. CHECK ONE ONLY



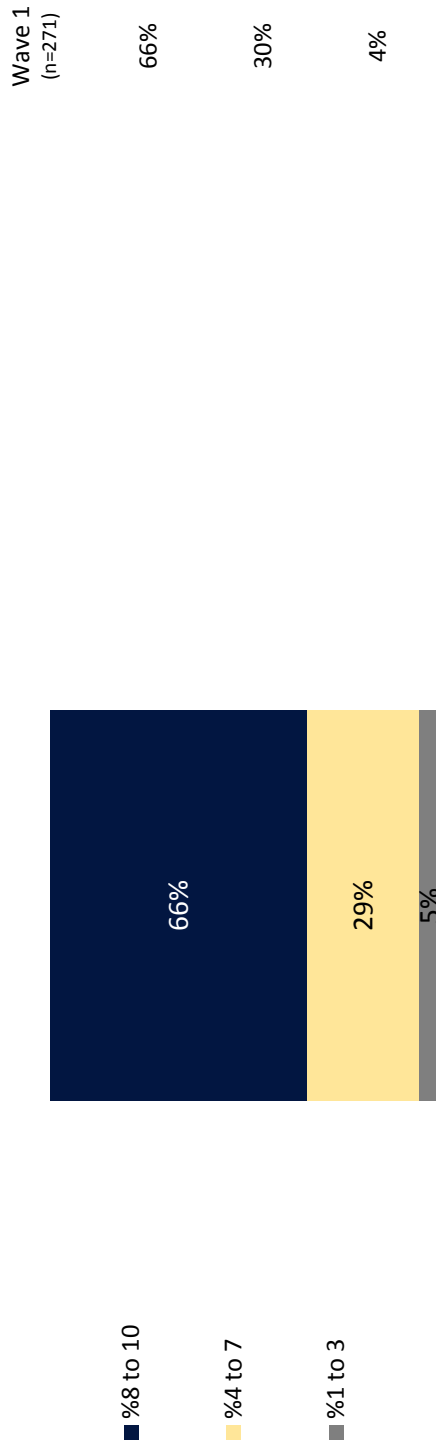
# Initiative's Relevance

- Over two thirds of participants believe the current engagement process is relevant to their business/sector needs, on par with last year.
- Distributors are most supportive, whilst Other Stakeholders are least supportive of the process.
- With a 16% increase in approval ratings from 2016, large consumers are significantly more likely to find the engagement process relevant to their business sector/needs.

## Overall Relevance of the IESO's Engagement Process

### To Business Sector/Needs

On a 10-pt scale where 1 means not at all relevant and 10 means very relevant  
 Base: Total Sample (n=401)



Wave 1  
(n=271)

■ %8 to 10

■ %4 to 7

■ %1 to 3

	Generators		Distributors		Importers/ Exporters		Large Consumers		Other Interested Stakeholders	
	Wave 2	Wave 1	Wave 2	Wave 1	Wave 2	Wave 1	Wave 2	Wave 1	Wave 2	Wave 1
Base n=	103	62	91	95	20*	14*	43	37*	144	63
%8 to 10	67	71	(77)	72	60	50	70↑	54	(58)	64

\*NOTE: Extremely small sample size, should be interpreted as directional only.

7. And, as a participant, how relevant has the IESO's engagement process been to your business or sector needs? Please consider all of your interactions with the IESO and the various communication channels, programs and initiatives you have engaged with in your answer. Please provide a rating on a 10-point scale where 1 means their processes have not been relevant at all and 10 means they are very relevant. **CHECK ONE ONLY**

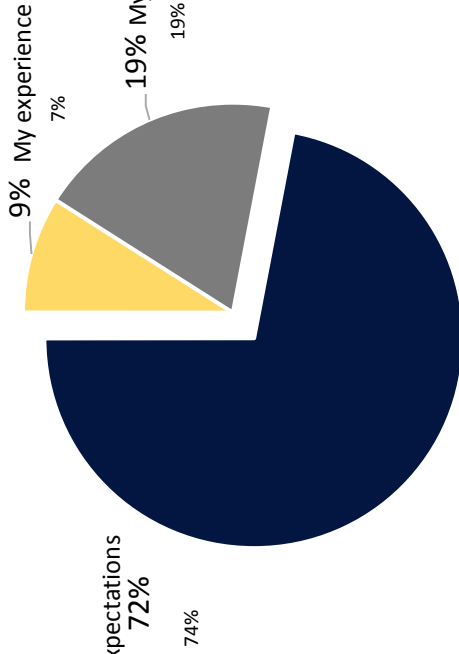


# Stakeholder Expectations: Engagement Process

- The number of stakeholders reporting an experience which exceeded expectations has increased slightly, with a significant percentage of distributors stating the process met their expectations.
- Large consumers show a 9% increase in 'exceeded expectations' over the previous year.

## Incidence of IESO Exceeding/Meeting & Falling Short of Stakeholder Expectations Based on Their Experience with the Engagement Process

Base: Total Sample (n=401)



My experience with the IESO Engagement Process has MET my expectations 74%

9% My experience with the IESO Engagement Process has EXCEEDED my expectations

19%

	Generators		Distributors		Importers/Exporters		Large Consumers		Other Interested Stakeholders	
	Wave 2	Wave 1	Wave 2	Wave 1	Wave 2	Wave 1	Wave 2	Wave 1	Wave 2	Wave 1
Base n=	103	62	91	95	20*	14*	43	37*	144	63
% EXCEEDED Expectations	6	8	7	7	5	-	14 ↑	3	11	11
% MET Expectations	72	73	(80)	78	75	79	63	70	69	71
% FALLEN BELOW Expectations	22	19	(13)	15	20	21	23	27	19	18

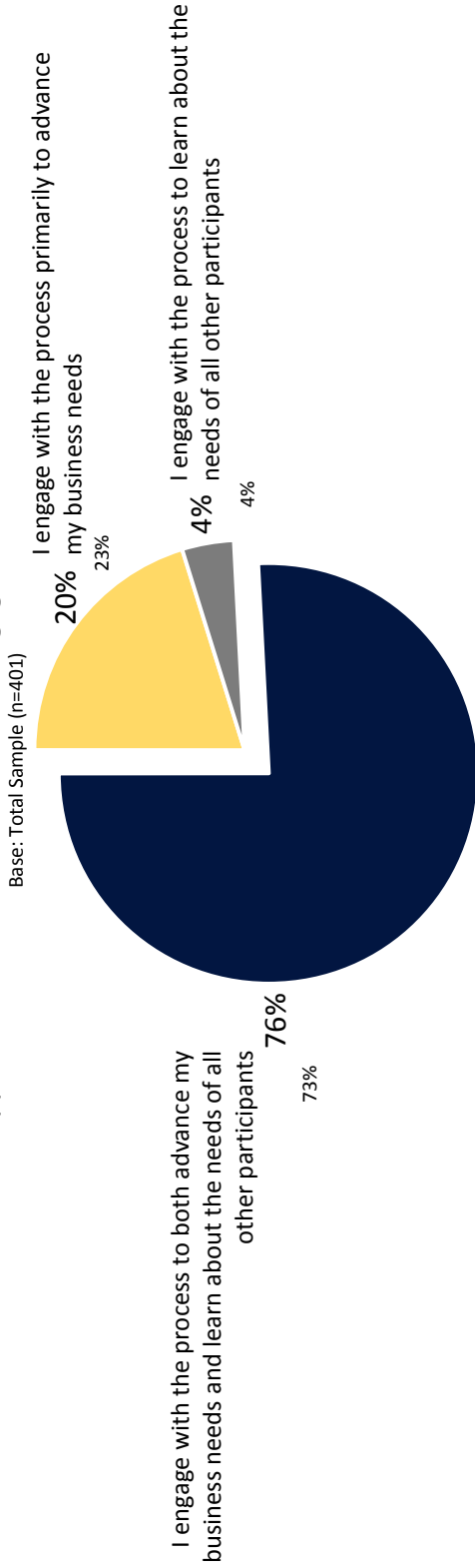
\*NOTE: Extremely small sample size, should be interpreted as directional only.  
 11. Which of the following statements best reflects your experience with the IESO's engagement process overall? CHECK ONE ONLY



# Approach to Engagement

- This continues to be driven largely by stakeholders' needs, with 96% engaging with the IESO to advance their business needs.
- Large Consumers are most likely to engage with the process for their own needs, and while Other Stakeholders are less likely to do so for this reason, it is a higher proportion than in 2016.

Approach to the IESO's Stakeholder Engagement Process



	Generators		Distributors		Importers/Exporters		Large Consumers		Other Interested Stakeholders	
	Wave 2	Wave 1	Wave 2	Wave 1	Wave 2	Wave 1	Wave 2	Wave 1	Wave 2	Wave 1
Base n=	103	62	91	95	20*	14*	43	37*	144	63
Engage with the process to BOTH advance my needs and learn about the needs of others	70	69	79	74	75	64	67	54	81 ↓	89
Engage with the process primarily to advance my business needs	26	29	17	22	20	29	(30)	41	(15) ↑	6
Engage with the process to learn about the needs of all others	4	2	4	4	5	7	2	5	4	5

\*NOTE: Extremely small sample size, should be interpreted as directional only.  
5b. Which of the following best reflects your approach to the IESO's engagement process?



# Satisfaction with Engagement Process

- Satisfaction with IESO's engagement process shows a decline this year, driven in large part by Generators, who report a 19% decrease in satisfaction this year.
- Distributors are more satisfied with the process than in 2016, with a 5% increase over last year.

## Overall Satisfaction with IESO's Engagement Process

On a 10-pt scale where 1 means not at all satisfied and 10 means very satisfied  
 Base: Total Sample (n=401)



	Generators		Distributors		Importers/Exporters		Large Consumers		Other Interested Stakeholders	
	Wave 2	Wave 1	Wave 2	Wave 1	Wave 2	Wave 1	Wave 2	Wave 1	Wave 2	Wave 1
Base n=	103	62	91	95	20*	14*	43	37*	144	63
%8 to 10	36↓	55	57	52	45	36	44	43	41	49
%4 to 7	57↑	44	42↓	44	50	64	49	51	56↑	46
%1 to 3	7↑	2	1↓	4	5	-	7	5	4	5

6a. As a participant, how satisfied are you with the IESO's engagement process?

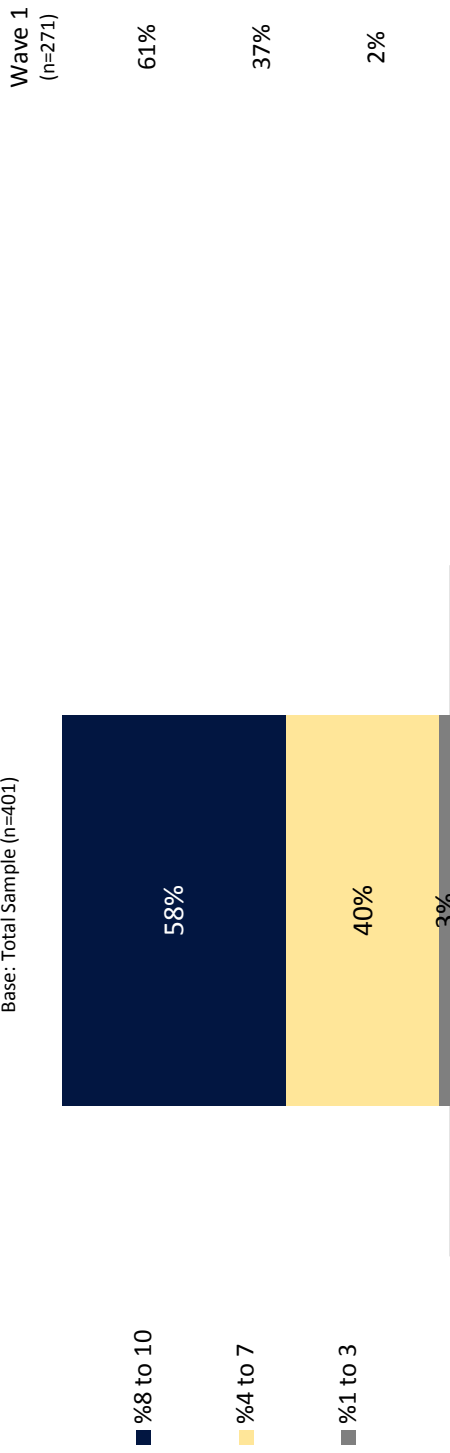


# Perceived Commitment

- Nearly two thirds of stakeholders believe the IESO staff interactions they have experienced very much reflect an organization committed to the Engagement Process. Findings remain consistent with last year.
- Other Stakeholders show a 10% decline in satisfaction with the IESO's perceived commitment to the process compared to last year.

## Level of Perceived Commitment to IESO Engagement Process Based on Interactions with IESO Staff

On a 10-pt scale where 1 means the IESO's commitment is not at all reflected and 10 means the IESO's commitment is very much reflected  
 Base: Total Sample (n=401)



	Generators		Distributors		Importers/ Exporters		Large Consumers		Other Interested Stakeholders	
	Wave 2	Wave 1	Wave 2	Wave 1	Wave 2	Wave 1	Wave 2	Wave 1	Wave 2	
Base n=	103	62	91	95	20*	14*	43	37*	144	63
%8 to 10	58	58	60	63	55	50	61	60	55 ↓	65

\*NOTE: Extremely small sample size, should be interpreted as directional only. 10. How well is the IESO's commitment to the engagement process reflected in the staff interactions you have had? Please provide a rating on a 10-point where 1 means this commitment has not at all been reflected and 10 means the commitment has been reflected very well.



# Perceived Impact of Process

- The vast majority of stakeholders agree to some degree that the IESO’s Engagement Process has enabled effective change both for individual participants and the electricity sector overall.
- Generators are less likely to ‘strongly agree’ that the Engagement Process leads to effective change for the sector overall.
- Importers and Other Stakeholders are more likely to ‘somewhat agree’ that the process creates effective change for the sector overall, and less likely to ‘somewhat agree’ that it creates effective change for participants.

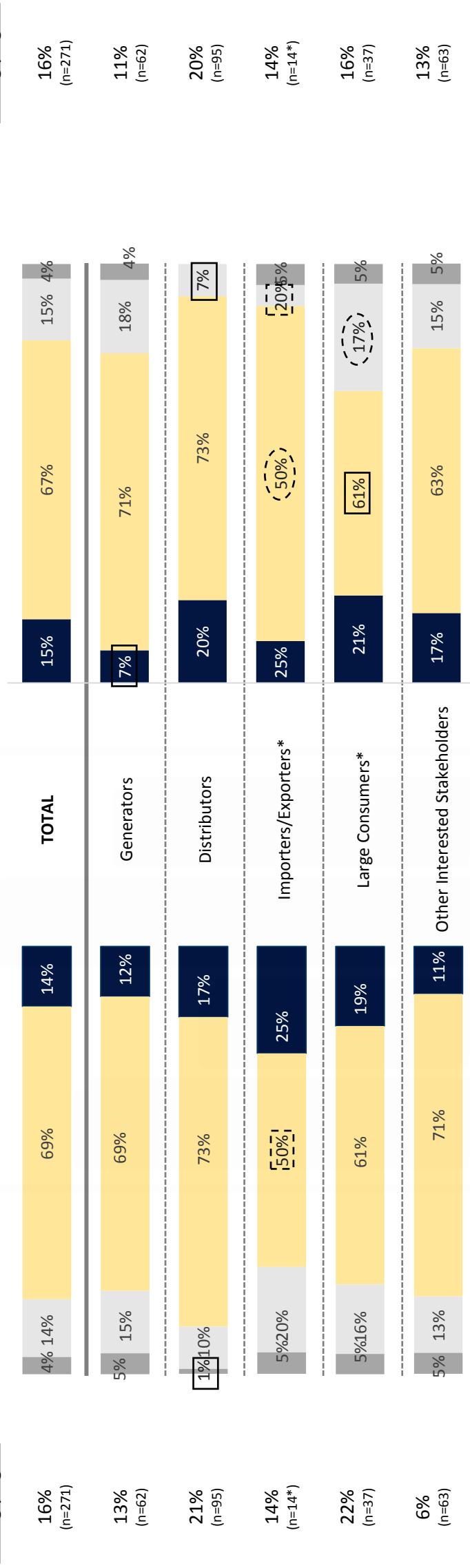
## Belief that IESO’s Engagement Process Led to ...

% Selecting Each Agreement Level

Base: Total Sample (n=401)

Strongly Agree   Somewhat Agree   Somewhat Disagree   Strongly Disagree

Wave 1 Strongly Agree   Effective Change for PARTICIPANTS   Effective Change for ELECTRICITY SECTOR Overall   Wave 1 Strongly Agree



\*NOTE: Extremely small sample size, should be interpreted as directional only.  
 14. To what extent do you agree or disagree with the following statements? CHECK ONE ONLY PER STATEMENT

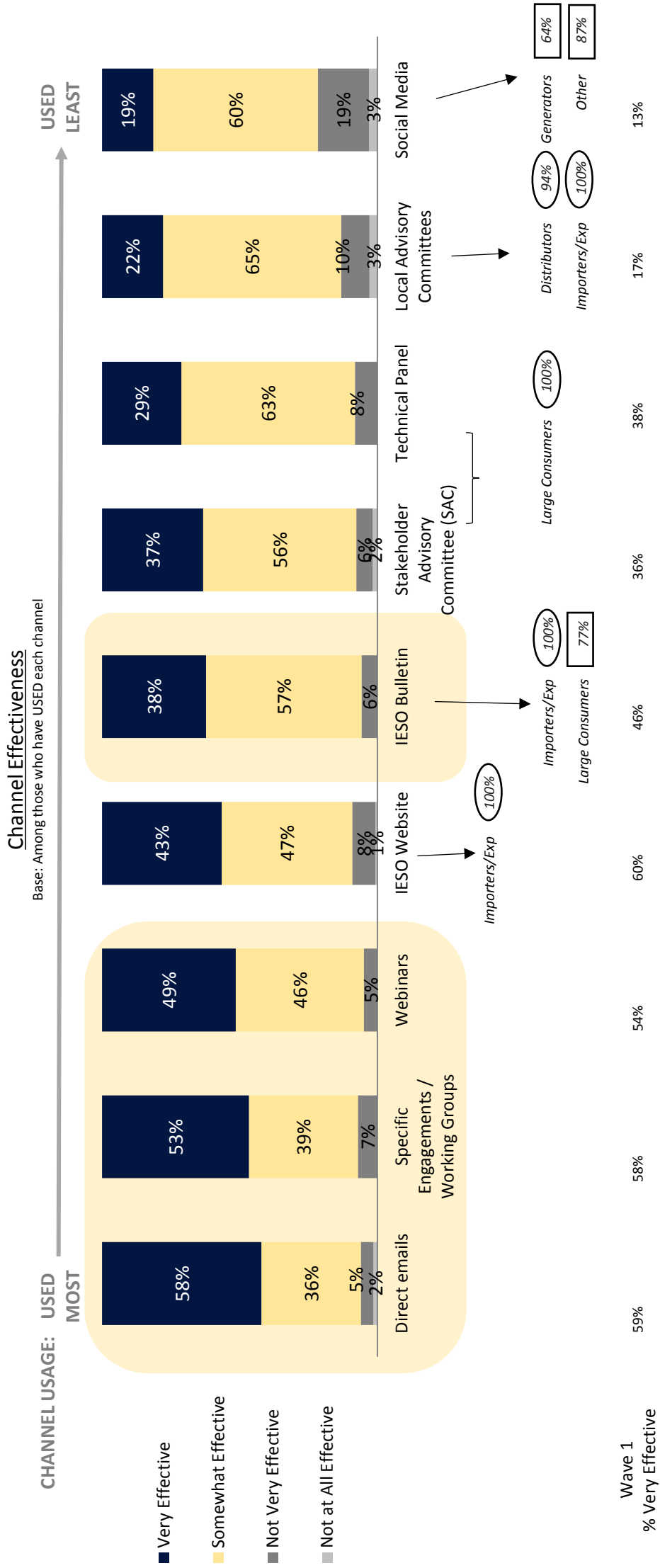






# Channel Effectiveness

- Most channels are perceived as being at least somewhat effective by the majority of stakeholders sampled.
  - Direct emails as well as more involved activities such as Specific Engagements/Working Groups and Webinars are considered more effective engagement mechanisms.



4c. FOR EACH CHANNEL USED AT 4b ASK: How effective are each of the following channels/programs in enabling you to engage with the IESO in a relevant manner? Please provide a rating on the following scale - 'very', 'somewhat', 'not very' or 'not at all' effective for each channel/program listed. READ LIST, CHECK ALL THAT APPLY







# Stakeholder Engagement Review

Qualitative Research Report

March 29<sup>th</sup>, 2018

# Introduction

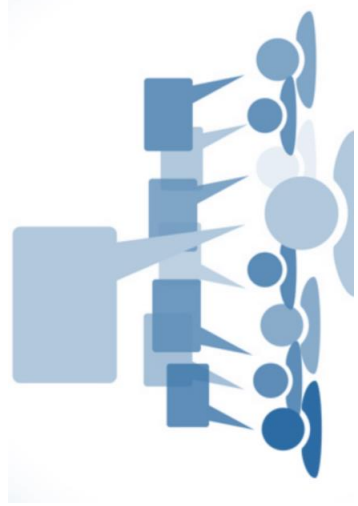
Research Background, Objectives and Our Framework



# Background & Objectives





As the IESO and the wider electricity market continues to evolve, the organization engages with a diverse set of stakeholders including generators, large consumers, local distribution companies and energy services providers. This is done through a variety of initiatives ranging from passive bulletins, emails and the IESO website, to active – i.e. working groups, technical panels, stakeholder advisory committees etc.

With oft divergent business models, stakeholders have their own motivations for engaging with the IESO. The organization wishes to understand how stakeholders perceive its engagement initiatives, and assess the performance and efficacy of these. Northstar was commissioned by the IESO to undertake qualitative research with relevant customers/stakeholders and inform internal executives on best practices and a way forward.



# Methodology

- In order to obtain a full understanding of stakeholder responses to IESO engagement, we conducted group interviews with customers/stakeholders from 5<sup>th</sup> – 26<sup>th</sup> March, 2018.
- Groups were conducted in Toronto, Sarnia and Thunder Bay. Each group was for 90 minutes. Four interviews were completed with individuals who could not make the group schedule.
- All participants were sourced from IESO customer lists. We were able to achieve the following number of completes across the four customer groups:

	 Electricity Generators	 Distributors/Transmitters	 Energy Services	 Large Consumers
<b>TOTAL</b>	<b>12</b>	<b>3</b>	<b>6</b>	<b>7</b>
<b>Total Completes</b>	<b>28</b>	<b>3</b>	<b>6</b>	<b>7</b>
<b>Groups</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>2</b>

# The Stakeholder Lens on Engagement

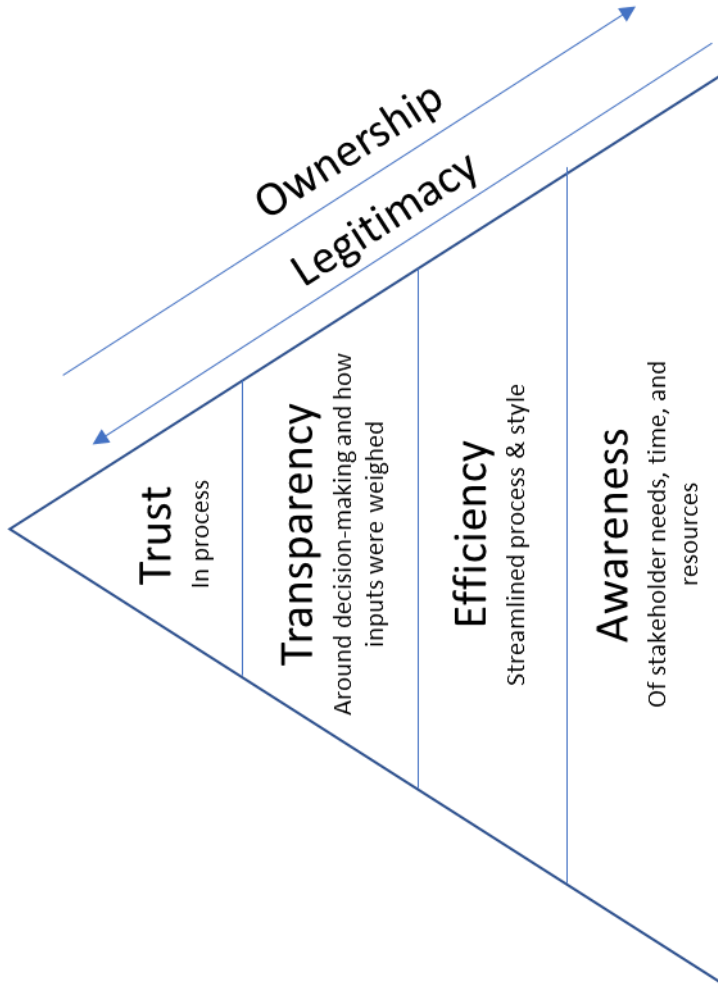
# Overall Themes

- Stakeholders believe the IESO's engagement continues to evolve, with the informal channels particularly receptive to participant queries. There is a tempered optimism regarding the IESO's commitment to engagement, and its ability to iterate in response to stakeholder feedback. There was a broad comprehension of the IESO as facilitator between groups that often have opposing interests, and as a consequence, fairness could only reasonably mean the equitable treatment of all those *within* a sector.
- The IESO continues to be seen as a responsible body to plan and direct the electricity system owing to its technical expertise and overall sector knowledge. While recognizing its difficult challenge of making decisions among a diverse group of stakeholders with competing interests, most see it has performing well.
- While seen as a leader in engagement, stakeholders recognize/question the level of political interference that influences the IESO direction.
- Stakeholders are at a threshold in terms of the amount of time and resources being committed to engagement. While suggesting more efficiency from the IESO in terms of identifying areas for collaboration, most will stay engaged in order to reduce the risk of missing some key business information.
- While stakeholders do not anticipate/expect co decision making through engagement, they do anticipate a more open engagement process that reflects a willingness to explain the rationale for decisions and a collaborative effort that reflects sensitivities of all involved.
- Culturally, the commitment to engagement in the IESO has shown improvement from the time of the merger of the two successor companies but still remains below expectations from some groups.





# The Engagement Pyramid



Engagement initiatives build process legitimacy among stakeholders along with fostering a sense of ownership and collaboration.

- Awareness/sensitivity of stakeholder needs and requirements, including their technical and resource limitations, will help create more thoughtful engagements.
- Efficiency surrounding engagements (both process and style) result from this sensitivity to stakeholder needs.
- Transparency around how decisions are made – showing stakeholders how their input was considered to reach a final decision illustrates the sensitivity to their time, and furthers efficiency as it continues to build legitimacy over engagement.
- Trust is at the apex of the engagement pyramid, and resulting from faith in the process and the weighing of stakeholder input.



# Stakeholders Find the IESO Committed to Engagement, and Understand It Must Weigh Oft-Opposing Interests

Stakeholders bring a range of opinions and interests, and are all actively engaged with the IESO. They **describe** the organization in **largely functional terms** – as a regulator, bureaucratic, inflexible, government – as opposed to relational – i.e. trusted, fair. There is a desire for greater transparency- defined as showing how decisions are taken – with fairness relevant in terms of the equal treatment of those within a sector.

Participants believe the **IESO has lost some of its independence** – acting less on behalf of the stakeholders than policymakers. This contributes to stakeholder uncertainty regarding investment and planning decisions. However, there remains a clear understanding of the difficult position of the IESO - planning and operating the electricity sector and integrating views from groups with often opposing interests. They remain **cautiously optimistic of the IESO’s continued evolution towards a more collaborative engagement approach**, with discussions around Market Renewal viewed as a litmus test.

Groups with experience with comparable organizations **rated the IESO favourably with other ISOs**. All participants noted its **improved integration of operations and market development operations**. Large consumers trust the IESO’s technical knowledge, while Energy Services find them purposely vague regarding formal procurement. The culture of a post-merger IESO remains a work in progress. Today, the main cultural differences lie between the market planning/operations stream and the technical system operations.

Most participants felt the overwhelmed by the volume and **complexity of the subject matter** covered by the IESO. The level of engagement requires oft limited staff resources, leading to the emergence of a consulting industry which deals with the IESO. This is particularly evident among Generators, who remain the most engaged of the stakeholder groups.



Generators

“What I **consider relevant engagement** is **where I feel my input will be received**”



Large Consumers

“The IESO should act as **subject matter expert** and provide **commentary to policy makers** and **maintain its independence.**”

“There’s **so much going on** its almost a full time job to keep things going. I’m **overwhelmed** to find the information you need.”



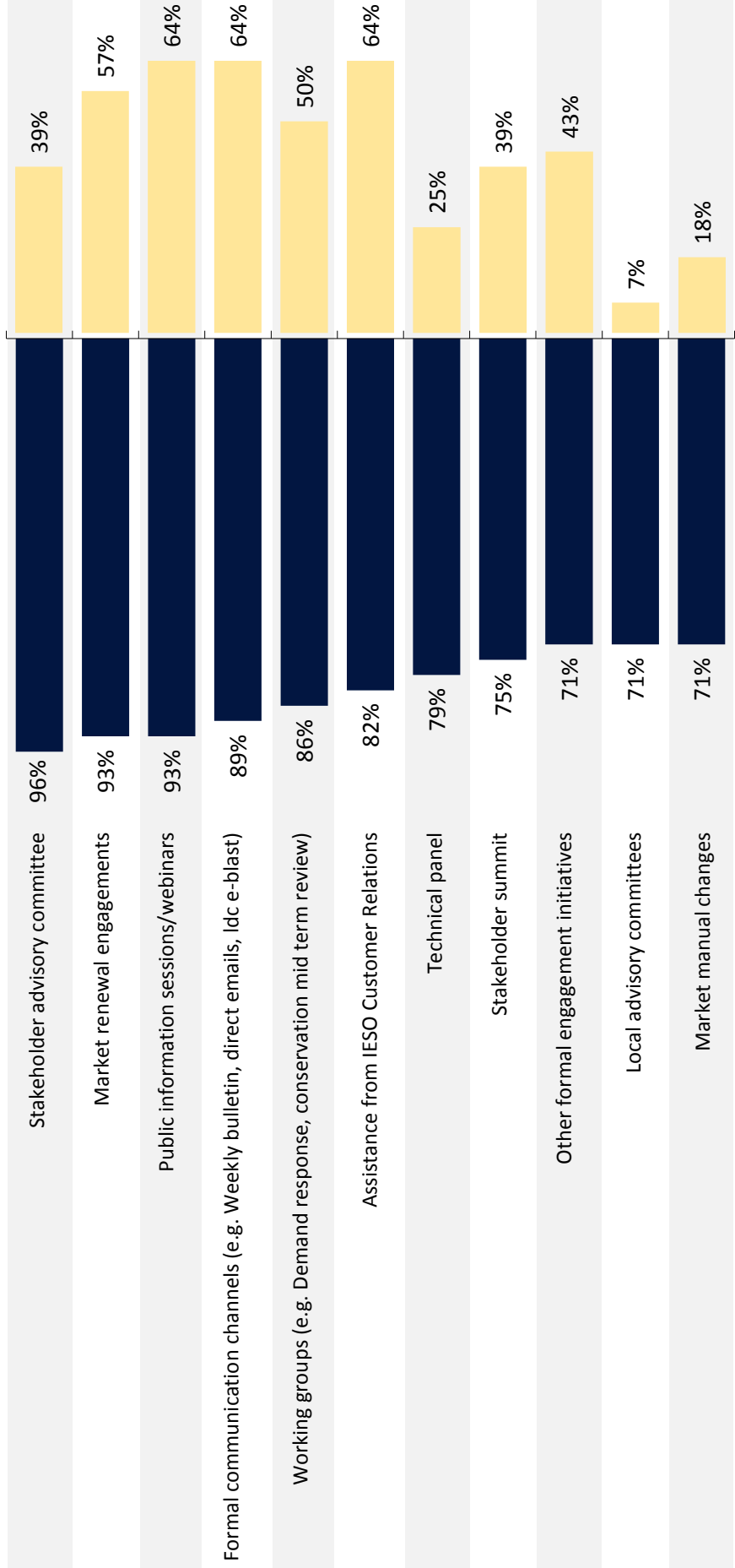
Energy Services



# Stakeholders Are Highly Engaged, Prioritizing Channel Participation by the Perceived Sector Impact

- Respondents marked both awareness and participation of specific engagement channels.\* This showed very high channel awareness, while participation varied depending on stakeholder interests and the perceived usefulness (or sector relevance) of the engagement. Most utilized channels include formal communications channels (bulletins etc), customer relations, public information sessions/webinars, and Market Renewal engagements.

IESO Channel Awareness IESO Channel Participation



\*Please see appendix for handout



# Engagement Is Viewed As An Evolving Process

Engagement is viewed as an ongoing process which will continue to evolve as the energy system adapts to newer technologies and stakeholders gain a greater understanding of the wider market.

**Each sector brings its own particular interests** to stakeholder engagement, with Large Consumers focused on price/cost, Energy Services and LDCs are looking to innovation, while Generators desire a predictable operation climate in order to generate a ROI. Few realized the complexity and volume of information and decisions that they would encounter as part of engagement

All **parties engage to have their voices heard**, and do not have predetermined expectations. They participate in initiatives believing the process would be collaborative, allowing all them to identify common needs and interests and work towards a mutually acceptable outcome. Given the volume and complexity involved in engagement, stakeholders above all “expect to be heard and considered not always win.-lose”

Stakeholders wish to be used as a resource by the IESO to obtain an understanding of sector interests. They want constructive dialogue and an understanding of how their input is incorporated or rejected, with transparency around decision making leading to trust in the process and with the IESO.

  
Large Consumers

“**show us what we’re doing actually matters** by showing that input has been used to reach decisions... we want to know **how the decision was made** the way it was.”



Distributors

“**Partners in delivering conservation initiatives**”

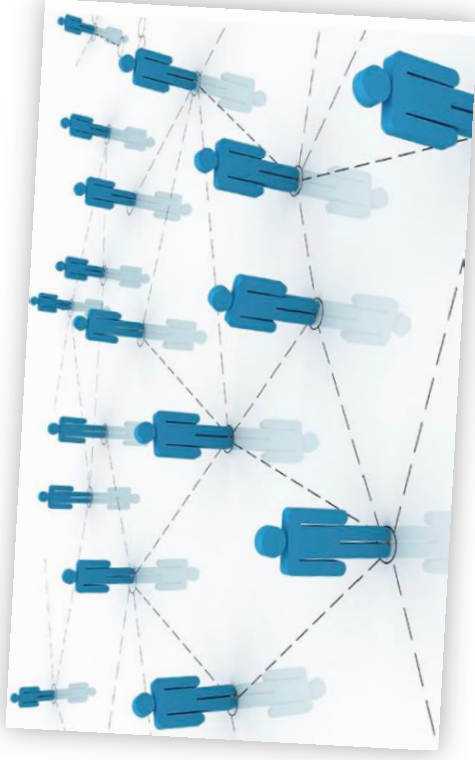


Energy Services “Its **supposed to be a collaborative** process, seeking input and weighing it.”



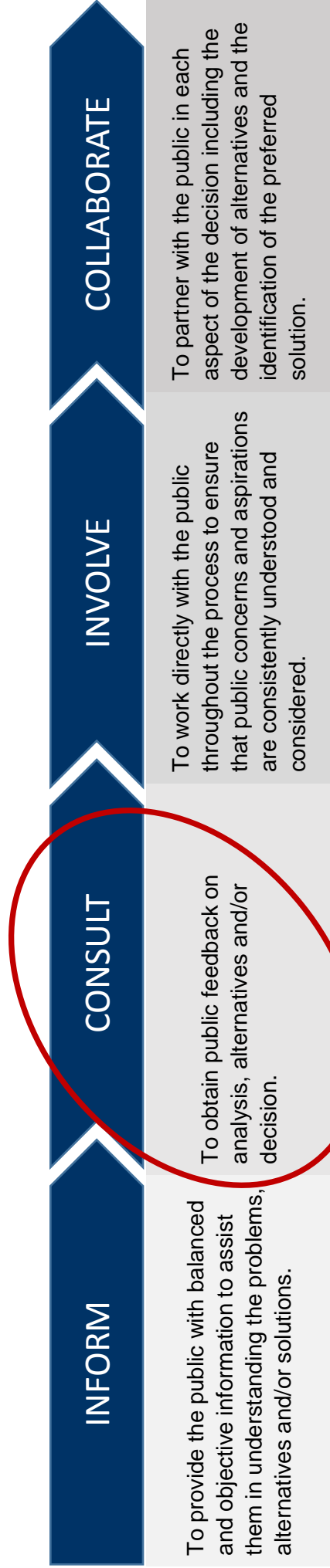
Generators

“Process **execution is done well, aren’t so good at taking input.**”



# With Participation Currently Tending To Consultative

- Using the scale of participation from the International Association of Public Participation\*, stakeholders demarcated what they believed best described IESO engagement.
- The IESO's engagement effort currently falls between consult and involve, with more ratings tending to "consult."
  - Generators are more likely to offer diverse ratings by initiative – with some garnering 'inform' and others 'collaborate'. The most common description of IESO engagement across all groups was "consult".
  - This shows an opportunity for the IESO to address stakeholder concerns around transparency of decision-making and showing respondents how their involvement is used (or not) in the creation of plans. Collaboration is not necessarily required by most stakeholders on all engagements, as they understand the range of interests the IESO must manage.



\*Please see appendix for handout

# The Engagement Experience Varies by Initiative



Energy Services

“Really good through all the **informal channels**. Open to meetings, to learning— to changing over time... in **formal stakeholder** processes, they’re **useful for education**, but tedious.”



Large Consumers

“**Silos are coming down** a bit, but there’s still work to do.”



Distributors

“Get engaged with the **hope you can influence things and stay on top** of what’s coming”



Generators

“**Technical relationship very good** ... No room for conflicts. **On other side, lot more open to interpretation** therefore conflict... the **relationship is not so smooth** ... but that’s the nature of it.”

Stakeholders are **split in terms of the IESO’s motivations to engage**. While some believe it is ‘to check a box for government’ another believes it is a genuine attempt to collaborate. Respondents found the IESO should be, and is, a leader in engagement. Few groups aside from generators and large consumers could compare the IESO with other organizations.

Given the complexity of the electricity sector, the **IESO isn’t expected to have complete sector literacy**. In search of a better outcome and more efficient use of time during engagements, participants want to work with the IESO to narrow down opportunities for collaboration versus information provision. It is not a weakness for the IESO to indicate it doesn’t have certain answers but to acknowledge such and indicate what steps are being taken in search of a solution,

The IESO is largely acknowledged for **attempting to balance the oft divergent interests of stakeholders**. None of the participants aim for any semblance of co-decision making, instead desiring procedural (rather than outcome) fairness. Stakeholders are adopting a wait and see attitude to IESO’s “commitment to engagement” – particularly from the executive level at the IESO. While committed to the process, high staff turnover urges participants to be cautious. They recognize engagement staff as being extremely committed to the process, with informal staff contacts and account representatives invaluable in offering assistance and alerting on any changes likely to affect the sector. They are also highly responsive to requests for meetings. There is further encouragement in dealing with technical staff and third party consultants. However, staff are not always up to date with the latest discussions across engagement forums, a knowledge gap that slows the progress of engagement activities.

Furthermore, there is sometimes information **inconsistency 1) between engagement activities and 2)verbal presentations** and follow up reports. The latter often appear sanitized, offering less clarity and direction than in-person discussions. While operations and outage planning have both improved, responses abound about where the market is going. Queries around market planning/operations tend to be met with a defensiveness and reliance on ‘rules’, leading to concern about a lack of transparency.



# With Language Illustrating Stakeholder Perceptions

Transparency	Referred to the decision-making <i>process</i> - showing the rationale behind decisions, particularly how stakeholder input was used to reach a final outcome.	“Being candid about your plans/intentions. Why you’ve chosen a specific direction and what the impact will be for various stakeholder groups.” “Trust is you do what you say, transparency is understanding the direction they’re going in.”
Trust	This was closely connected to transparency and differed by engagement need. Consumers exhibited trust in the IESO’s technical knowledge and responsiveness.	“I view them as trustworthy, in the Market Renewal Group, they’re open about what they have control or not over and then we talk about how to manage the process ... they’ve been open and I’ve developed trust.”
Fairness	Treating all sector participants equally, (i.e. not favouring any one power generation type over another). Consumers sought understanding and consideration by the IESO regarding decision-making.	“Fairness is an unrealistic expectation.. Set the rules, ensure they’re clear, when you change them explain why.”
Relevance	Tailoring engagement and communications to groups which will be affected by changes.	“Lots of information (e.g. technical) that isn’t relevant to me but important for the larger conversation. A roadmap to point out relevance to particular groups would be helpful to minimize wasted time.” “What I consider relevant engagement is where I feel my input will be received”



# ... And Realizable Goals

Innovation	This was understood as a necessity, with different groups focusing on differing aspects. For cost driven Consumers, operational affordability was key. Energy Services companies favoured the most process and product innovation, reducing barriers and being tech agnostic as did Generators.	“A market that has minimal barriers and is tech agnostic and innovation will drive itself as markets become available they will participate.” “Innovation doesn’t necessarily mean new – could see what legacy system is providing and better manage that.”
Balanced Decision-Making	Stakeholders understood the complexity of the IESO position, and pointed out that process transparency – communicating the why behind a decision – would serve.	“Difficult for IESO to be balanced – they have an agenda to move to, must execute Ministry’s plan
Sustainability	Defined in the context of the environment, with some referring to the decarbonization of the Ontario Grid. Generators and Distributors also viewed it in operational terms – how to use existing legacy systems and make them more efficient.	“Environmental - decarbonization of Ontario grid – and also market sustainability - keeping prices down regardless of environmental factors”
Inclusiveness	The IESO was lauded for being open to all stakeholders with an interest in participation	“Generation and industrial load and IESO are mostly present at the engagements. If others aren’t, its not IESO’s fault.”
Shaping the future marketplace	Consumers believed the IESO should assume a more facilitative role in leading market change, while Energy Services felt they should focus on system design	“Run market, remove barriers, analyze barriers... They shouldn’t make policy to encourage any one technology over another.”



# The Efficacy of Forums Differs By Type & Need

The IESO's range of engagement initiatives is deemed inclusive, affording any interested party a say. The IESO performs best when pushing information to stakeholders. Participation is highest for formal (and passive) communication channels such as weekly bulletins, direct e-mails and LDC blasts, as well as Public Information Sessions and Webinars. For specific questions or concerns, stakeholders find Customer Relations staff most helpful, with these interactions deemed more useful than some more involved initiatives. This receptivity to taking calls and meetings from stakeholders is especially appreciated by stakeholders.

The annual stakeholder summits received generally positive feedback because of the breadth of subject material, opportunities for dialogue and pre arranged program schedule allowing stakeholders to select/plan their time.

While webinars are effective for information conveyance, those on the dial in format felt somewhat disengaged.

Most recognize that Toronto in the main locale of many stakeholders but many felt that the IESO could build its client relations by occasionally doing decentralized/off site sessions to draw in people who can't afford time to regularly meet in Toronto.

“They’re a **leader in stakeholder engagement**, they **make an effort** to get engagement out there – lots of webinars etc. opportunities.”



# With Challenges in the Existing Structure of In-Person Engagements

The sheer volume of engagement, as well as the dense material involved, can be overwhelming for stakeholders, who find that sometimes there is **“too much engagement”** and they are **“inundated with data”** which is difficult to sift through. To mitigate this, they offer suggestions for improving the structure of individual engagements.

- By preparing for engagement beforehand, each initiative can be far more constructive and focussed.
- Targeted and relevant engagement, which clearly states the purpose (to educate or provide feedback) would further help offset the trend to disengage from an otherwise time-consuming, often onerous process.

IESO staff turnover inevitably slows momentum due to a knowledge gap which must be bridged. This increases costs for stakeholders in terms of money and resources. Frustrations exist when there appears to be a pre-determined outcome, rendering the process less collaborative and fostering a belief that input (and consequently time) is less valued. This is exacerbated by the perceived opacity of the decision making process and written reports.

Each sector has unique business models and needs, requiring tailored engagement:

- Large consumers** are heavily focused on price and minimizing upheaval to the existing system. They believe the IESO has sufficient focus on environmental sustainability.
- Energy Services** favour innovation regarding the creation, storage, distribution and use of energy.
- Generators** are most actively engaged, and are aware that they have the loudest voice and most access. Representing a variety of generation sources (i.e. gas plants in a legacy mode with wind and solar in growth mode), they feel more at risk regarding the direction of the market. This group believes in incremental innovation with an awareness of the existing system.
- LDCs** are concerned with target-setting for conservation initiatives, and find the IESO dictated targets without considering how realistic these would be to achieve. Together with Generators, this group believes the IESO does not fully appreciate the impact delays and uncertainty around outage planning have on their businesses. This apparent obliviousness to stakeholder interests can be addressed through adequate communication and more transparency in planning and decision-making.



Distributors

“We feel our opinions [regarding Conservation] aren’t really valued”



Energy Services

“At times there appears to be an **established outcome** – or the appearance of one, and the **engagement** seems to be **a formality.**”



# Opportunities to Enhance Engagement Centre Around a More Thoughtful Approach



Generators

“**more** effective stakeholding sessions – **consolidation**, more **dialogue**, more **respectful of our time**, understand we are resource limited, don’t suddenly change dates on us.”



Distributors

“if they want to be in **cohesion** they **need to work with us**.”



Energy Services

“More efficient if you **asked for solutions with more focused initiatives**.”



Large Consumers

“**Tailor engagement** to particular groups who are most affected, and provide **advance notice of changes**.”



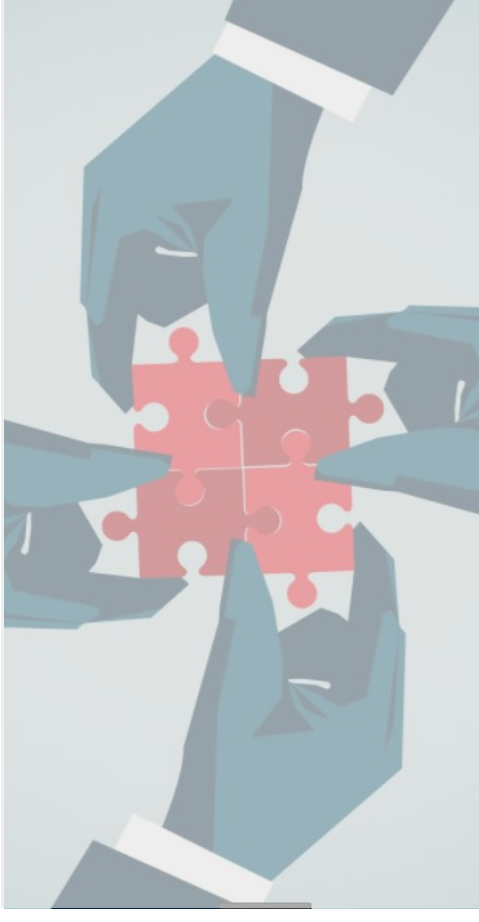
# Regarding Both the Process

1. In order to **maximize the efficiency** of engagement initiatives, the IESO could:
  - a) Provide participants with synopses of key background materials
  - b) determine specific areas in which they seek collaboration with stakeholders
  - c) Come to the table with suggestions for which stakeholder feedback is sought
  - d) produce the decision tree/process by which input will be collected, synthesized and reported on. This focus on quality would reduce volume and enhance the overall efficacy of the process.
2. **Transparency** would be enhanced if the IESO explained the rationale behind its decisions and how input has been collected, assessed and used or not.
3. Establishing a **repository of pertinent information** stakeholders can access. This would help address challenges stakeholders face by the volume of “educational” or background information.
4. **Bulletins/alerts** remain a valuable tool to alert stakeholders to upcoming or published materials. This places the onus on stakeholders to initiate action/be involved as necessary and reduces their risk of missing key information/discussions. More targeted messaging would further reduce the burden of trawling through data to find relevant information.
5. On **large scale programs or rollouts**, the IESO might instill greater sensitivity to stakeholder needs by
  - realistic schedules
  - sensitivity to schedule/pace change impacts on stakeholder planning and operations and
  - realistic timelines for setup and testing.
6. **Ensuring associated staff are up-to-date** on discussions across various engagement vehicles, allowing for incremental learning for stakeholders.
7. Based on recent experience with Market Renewal, many participants suggested the use of “straw dogs” was a good example of the IESO demonstrating some possible outcomes which allows participants to plan for scenarios.
8. In terms of **inclusiveness**, the IESO might consider a method of reaching out to smaller loads and the mass market to complete its cross section of the market
9. To further enhance **mutual knowledge**, the IESO staff could conduct more onsite/in situ visits to stakeholder operations. Experience has shown that this often leads to greater IESO insight on technology and operational potentials that otherwise are not recognized.



## ... And Style of Engagements

1. While an IESO engagement culture has evolved over the past few years, work still remains to be done. Participants recognize that the sector will continue to evolve along with engagement. It is not a finite process, and all parties will learn as they progress.
2. IESO staff could have a **more disciplined approach** to each engagement; maximizing stakeholder time by balancing information/education with areas requiring collaboration.
3. To **enhance the meaningfulness** of each initiative, the IESO should articulate the decision pathway – how and where input is sought, how it will be assembled/evaluated and finally how it has been used or ignored in the final outcome.
4. The IESO should remain vigilant in respecting stakeholder time, using this as a key criteria in designing/operating engagements.
5. Greater quality control should be applied to create consistency between verbal and written commitments and information and across engagement tools.
6. In terms of content design, the IESO might display greater awareness of and sensitivity to the different business models across sectors i.e generators need to operate and generate revenue, loads needs to manage costs, LDCs are largely path-through-cost entities, while rate-protected and energy services are trying to build business based on IESO needs.



# Appendix

# Participant Handouts

	Aware of	Participated in
Stakeholder advisory committee		
Technical panel		
Market renewal engagements		
Other formal engagement initiatives		
Working groups (e.g. Demand response, conservation mid term review)		
Public information sessions/webinars		
Stakeholder summit		
Local advisory committees		
Market manual changes		
Formal communication channels (e.g. Weekly bulletin, direct emails, <a href="#">ldc e-blast</a> )		
Assistance from IESO Customer Relations		

INFORM	CONSULT	INVOLVE	COLLABORATE
To provide the public with balanced and objective information to assist them in understanding the problems, alternatives and/or solutions.	To obtain public feedback on analysis, alternatives and/or decision.	To work directly with the public throughout the process to ensure that public concerns and aspirations are consistently understood and considered.	To partner with the public in each aspect of the decision including the development of alternatives and the identification of the preferred solution.

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1 SEC INTERROGATORY 14

2 **1.1-SEC-14**

3 INTERROGATORY

4 With respect to services provided to the Ontario Climate Change Solutions Deployment  
5 Corporation ("OCCSDC"):

- 6 a. What assumptions did the IESO make in its 2018 budget regarding services it would be  
7 providing to GreenOn and the OCCSDC, and what is the reimbursement it would receive  
8 for those services by way of its service agreements?
- 9 b. Please explain how announcements by the Ontario government with respect to the winding  
10 down of the GreenOn program will impact those costs and reimbursement discussed in  
11 your response to part (a).

12 RESPONSE

- 13 a. and b. Please see the response to Energy Probe Interrogatory 4 at Exhibit I, Tab 2.1,  
14 Schedule 4.04.

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1 VECC INTERROGATORY 3

2 VECC-3 – ISSUE 1.1

3 INTERROGATORY

4 Reference: Exhibit A-3-1, page 22 & 31

5 a) What is the current balance drawn on the OFA credit facility for the purpose of IESO's role  
6 in supporting the Ontario Fair Hydro Plan?

7 RESPONSE

8 a) This interrogatory is beyond the scope of this proceeding. In the IESO's July 13, 2018  
9 response to submissions on its draft Issues List, the IESO noted that:

10 *"The carrying costs of the Fair Hydro Plan are not funded through the IESO's fees*  
11 *approved by the OEB and they do not impact the IESO's revenue requirement. As such,*  
12 *the carrying costs of the Fair Hydro Plan have nothing to do with the IESO's proposed*  
13 *expenditure and revenue requirements or the proposed fees which the OEB is reviewing*  
14 *through this proceeding. The IESO's responsibilities related to the Fair Hydro Plan are*  
15 *set out in the Fair Hydro Plan Act, 2017 and associated regulations, which clearly*  
16 *articulate that amounts, including the associated carrying costs, are held in an account*  
17 *established specifically for the purposes of the Fair Hydro Plan."*

18 In Procedural Order No. 2 (dated July 30, 2018), the OEB agreed with the IESO's argument  
19 that the carrying costs of the Fair Hydro Plan are out of scope of this proceeding:

20 *"The OEB agrees with the IESO's argument that the carrying costs of the Fair Hydro*  
21 *Plan are not funded through the IESO's revenue requirement and so this issue will not*  
22 *be added."*

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1 VECC INTERROGATORY 9

2 VECC-9 – ISSUE 1.1

3 INTERROGATORY

4 Reference: Exhibit B/Appendix 2-JC

5 a) Please explain the category “Corporate Adjustments” in Appendix 2-JC.

6 RESPONSE

7 a) The Corporate Adjustments category contains items that are not allocated to the operating  
8 divisions and are tracked separately on a total organization basis such as amortization,  
9 interest and the unrecovered PSAB transition items.

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1 VECC INTERROGATORY 10

2 VECC-10 – ISSUE 1.1

3 INTERROGATORY

4 Reference: Exhibit B/Appendix 2-JC

5 a) The Planning, Acquisition and Operations variance from 2017 actuals to 2018 forecast is  
6 16%. Please explain why this IESO area has cost increases in significantly greater than other  
7 IESO departments.

8 b) Are any MRP costs captured in this category? If yes please provide the 2017 actual, budget  
9 and 2018 budget for these costs.

10 c) Who is the senior executive/vice president responsible for this section of the IESO?

11 RESPONSE

12 a) The increases from 2017 actuals to 2018 budget are due to staff vacancies in 2017, escalation  
13 resulting from collective agreements, and ongoing work to implement market development  
14 projects including initiatives arising from Market Surveillance Panel/Auditor General  
15 recommendations.

16 This IESO division in particular had a large staff component move internally to the Market  
17 Renewal Program, beginning in 2017, with costs transferred accordingly to the MRP cost  
18 center. The resulting vacancies in Planning, Acquisition and Operations are a key source of  
19 variance against 2018 budget as the IESO has budgeted to fill the vacancies in 2018

20 b) No, MRP costs are shown separately in each of 2017 and 2018.

21 c) Leonard Kula, is Vice President, Planning, Acquisition & Operations, and Chief Operating  
22 Officer.

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