

AMPCO INTERROGATORY 1

Issue 1.0 – Revenue Requirement, Operating Costs and Capital Spendig

INTERROGATORY

Reference:

D-1-1 Appendix 2-JA

Preamble:

Question(s)

For each of the Business Units in Appendix 2-JA, please provide the forecast and actual FTEs for each of the years 2023 to 2025, and the forecast for 2026 to 2028. Please provide the response in excel format.

RESPONSE

See Interrogatory 1-Staff-8 part b), due to the condensed nature of the table the IESO is not providing in excel format.

AMPCO INTERROGATORY 2

Issue 1.0 – Revenue Requirement, Operating Costs and Capital Spendig

INTERROGATORY

Reference:

D-1-1 Appendix 2-JB

Preamble:

Question(s)

a) For each of the years 2023-2025 please provide the calculation and explanation of the Employee benefit impact driven by increased utilization and FTE trends.

b) For each of the years 2023-2025 please provide the operational drivers of overtime.

c) For each of the years 2023-2025, please provide the calculation and explanation of the net impact of under-capitalization.

d) For each of the years 2023-2025, please provide the calculation and explanation of the compensation impact related to actual vs planned attrition rate.

e) For each of the years 2023-2025, please provide a breakdown and explanation of the Membership and regulatory fee impacts (NERC, NPCC, OEB etc.)

f) Please provide a breakdown of the Professional, Consulting and Outsourced Services costs Budget compared to Actuals for each of the years 2023 to 2025.

g) Please provide a breakdown of the Professional, Consulting and Outsourced Services budget for each of the years 2026 to 2028.

h) With respect to 2026-2028, please explain the Phasing assumption for spending ramp-up and smoothing of ratepayer impact.

i) Please describe the IESO's internal governance structure with respect to approvals of OMA costs that exceed OEB-approved budgets and in the response include any variance thresholds in place.

RESPONSE

a) See Interrogatory 1-VECC-7.

b) The IESO's financial reporting system does not break down the overtime variance into distinct operational drivers. Overtime may be leveraged for various reasons, including mitigating vacancies, managing seasonal or peak load work, or as part of a project implementation (for example, overtime may be required shortly after a project is launched in the event risk mitigations are required). However, in an effort to be responsive and provide additional context on the underlying operational pressures, please see table 1 below for the percentage of the total overtime by business unit.

Table 1: Percentage of Total Overtime by Business Unit 2023-2025

% of Total Overtime by Business Unit	2023	2024	2025	3 Year Total
Markets & Reliability	53.1	58.3	53.8	55.1
Information & Technology Services	15.1	14.5	17.8	15.9
Corporate Services	7.8	7.5	9.8	8.5
Power System Development	8.8	7.5	8.1	8.1
Corporate Relations, Engagement & Strategy	5.9	4.6	3.8	4.7
Market Renewal	4.5	5.6	4.1	4.7
Legal Resources & Corporate Governance	4.6	1.9	2.0	2.8
Market Assessment & Compliance Division	0.1	0.1	0.6	0.2
Human Resources	0.1	0.1	0.0	0.0
Total	100%	100%	100%	100%

c) See Interrogatory 1-CCC-3.

d) Attrition rates that are higher than budgeted will result in lower compensation expense as average FTE will be lower than planned, while attrition rates that are lower than budgeted will result in higher compensation expense as average FTE will be higher than planned. See Table 2 below:

Table 2: Budget and Actual Attrition Level and Compensation Impact from 2023-2025

Attrition	2023	2024	2025
Budget	5%	5%	5%
Actual	10%	6%	2%
Dollar Impact (\$M)	(\$9.3)	(\$2.8)	\$5.3

e) Budgets for membership and regulatory fee impacts would be driven by a number of vendor cost variances, however the most significant variances were driven by the following. Please see Table 3 for details.

Table 3: Membership & Regulatory Fee Impacts from 2023-2025

Membership & Regulatory Fee Impacts (\$M)	2023 Variance	2024 Variance	2025 Variance	3 Year Total
North American Electric Reliability Corporation	1.0	1.4	1.8	4.2
Northeast Power Coordinating Council	0.0	0.1	0.1	0.2
Ontario Energy Board	0.1	0.2	0.4	0.7
All Others	0.1	0.4	0.5	1.0
Total	\$1.2	\$2.1	\$2.8	\$6.1

f) The following table identifies the budget, actual and variance for 2023-2025 for professional, consulting and outsourced services.

Table 4: Budget and Actual Expense for Professional, Consulting & Outsourced Services from 2023-2025

(\$M's)	2023	2024	2025	3-Year Total
Budget	11.5	12.4	11.7	35.6
Actual	9.3	9.3	12.1	30.7
Variance	(2.2)	(3.1)	0.4	(4.9)

g) Table 5 identifies the total budget for professional, consulting and outsourced services in 2026-2028.

Table 5: Budget for Professional, Consulting & Outsourced Services from 2026-2028

(\$M's)	2026	2027	2028
Budget	18.5	23.3	23.8

h) See Interrogatory 1 – Staff 7 part c) .

i) IESO management provides financial updates to the Executive Leadership Team and Board of Directors three times per year. The financial update includes the most recent quarterly financial results and key drivers, significant risks and opportunities and an updated forecast against in-year results and against the three-year business plan. In addition, the IESO provides an Interim Outlook after the first and second year of the business plan, which provides an updated financial forecast against the approved business plan. The Interim Outlook is reviewed and approved by the Board of Directors prior to being submitted to the government.

AMPCO INTERROGATORY 3

Issue 1.0 – Revenue Requirement, Operating Costs and Capital Spendig

INTERROGATORY

Reference:

D-1-2 p.11

Preamble:

Question(s)

a) Please provide the audit activities over the period 2023 to 2025.

b) Please provide the planned audit activities over the period 2026 to 2028.

RESPONSE

a) Internal Audit activities over the period 2023 to 2025.

Internal Audit Activity	2023	2024	2025
	TB/MBC Directive Compliance	TB/MBC Directive Compliance	Treasury Board (TB)/ Management Board of Cabinet (MBC) Directive Compliance
	Benefits Provider – Review of Independent Service Auditor Report	Benefits Provider – Review of Independent Service Auditor Report	Benefits Provider – Review of Independent Service Auditor Report
	Corporate Performance Measures Calculation Verification	Corporate Performance Measures Calculation Verification	Corporate Performance Measures Calculation Verification
	IA Quality Assurance Review	IA Quality Assurance Review	Internal Audit (IA) Quality Assurance Review
	Connection Assessment and Approval	Operational Assessments	Project Close Out
	Transmission Planning	Acquisition and Maintenance of Non-IT Supported Systems	Talent Augmentation

	Generation Procurement	Talent Acquisition	Facilities-Identification and Assessment of High-Risk Maintenance Processes
	Cyber Security Framework Review	Offline Model Build	Fraud Risk Assessment
	IT Change Management	Real-time Dispatch algorithm and the Day-ahead Dispatch Algorithm Review (external auditor)	Talent Acquisition Operational Effectiveness Testing
	Market Settlement	Conservation Program Management	Organizational Process to Review SOC2 reports
	(external auditor - CSAE 3416 Type 2 audit and a SOC 2 Type 2 report standards	Validation of Key Controls Identified from ERM	Generation Contract Management
	Disaster Recovery Program	System Development Lifecycle	Network Perimeter Security
	Remedial Action Schemes – Short-term Operations	Market Renewal Program Review Area 1: Testing	Capacity Auction
	Project Portfolio Delivery Review	Market Renewal Program Review Area 2: Internal Readiness	Forecast variable generation
	Access Management Review	Market Renewal Program Review Area 3: External Readiness	IT Supply Chain Risk Management
	Treasury		Market Renewal Program Review Area 4: Go Live Planning & Execution
			Enforce Compliance Orders (Maret Assessment and Compliance Division Process)

1

2

B) Planned Internal Audit activities over the period 2026 to 2028.

2026	2027	2028
TB/MOU Directive Compliance	TB/MOU Directive Compliance	TB/MOU Directive Compliance
Corporate Performance Measures review	Corporate Performance Measures review	Corporate Performance Measures review
Fraud Testing	Fraud Testing	Fraud Testing
IT Governance, Strategy & Risk (Artificial Intelligence Governance)	Entity Level Controls	Fraud Risk Assessment
MACD Governance Review	Internal Market Monitoring & Oversight	IT & Data Architecture
Market Power Mitigation - Develop Reference Levels	Compliance Assurance - Market Rule Compliance	Internal Audit Quality Assurance
Internal Audit External Quality Assurance Review	Internal Audit Quality Assurance	External Algorithm Review
IA project - Develop Automation Opportunities for Settlements Audit	Derive Medium-term & Realtime Operating Limits	Direct Day-Ahead Market Operations
IA project - Develop Artificial Intelligence guidelines and tools for IA	Market Participant and New Equipment Registration	Short Term Demand forecasting
External Algorithm Review	Regional Planning	Transmission Rights
Network Model Build including Inputs (online)	Prepare for Settlements Audit - Self Assessment	Generation Contract Procurement
Issue Annual Planning Outlook	Metered Market Participant Independence Audit	Energy Efficiency (CDM) Portfolio & Program Design
Market Settlement External Audit	Settlements - NOD Process Review	Innovation Fund Management
Metered Market Participant Independence Audit	Management of Indigenous Support Programs	Market Settlement External Audit
Monitoring Liquidity Risk	Pension Plan (Vendor Management)	Metered Market Participant Independence Audit

Prudential Process	IT Incident & Problem	Generation Contract Settlement
Lawson Pre-Implementation	ERP Review	Corporate Contract & Vendor Management
(IT) Quality Assurance Process	Smart Meter Entity CSAE 3416	ERP Review
ERP – Risk Management	Emergency Preparedness Observer	Smart Meter Entity CSAE 3416
Smart Meter Entity CSAE 3416	Financial Statements Audit	Emergency Preparedness Observer
Emergency Preparedness Observer	Pension Financial Statement Audit	Financial Statements Audit
Financial Statements Audit		Pension Financial Statement Audit
Pension Financial Statement Audit		
NERC Mock Compliance Audit		

AMPCO INTERROGATORY 4

Issue 1.0 – Revenue Requirement, Operating Costs and Capital Spendig

INTERROGATORY

Reference:

D-1-3 Appendix 2-K

Preamble:

Question(s)

Please recast Appendix 2-K in excel format to include the following:

- a) A breakdown of employees (FTEs) and costs for Non-Management Regular and Non-Management Temporary
- b) A breakdown of salary and wages including overtime and incentives.
- c) Allocation of FTEs and compensation to Capital and OM&A.

RESPONSE

a) See Interrogatory 1.4/1.5/1.6 SUP-1 part a).

b)

Table 1: Salaries and Wages details

(\$million)	2023 Budget	2023 Actual	2024 Budget	2024 Actual	2025 Budget	2025 Actual	2026 Budget	2027 Budget	2028 Budget
Salaries									
Executive and Board	3.8	3.6	4.0	3.5	4.0	3.9	4.4	4.4	4.4
Management	23.4	25.7	24.2	28.4	25.0	32.2	35.1	36.2	37.7
Non-Management Regular	68.5	76.1	73.4	86.3	78.6	99.9	104.7	118.1	127.5
Non-Management Temporary	10.0	7.3	10.6	8.8	8.7	11.0	10.3	10.9	11.4

Total	105.7	112.7	112.2	127.0	116.3	147.0	154.5	169.6	181.0
Overtime									
Executive and Board	-	-	-	-	-	-			
Management	-	-	-	-	-	-			
Non-Management Regular	1.2	2.1	1.3	2.2	1.2	2.5	2.8	2.8	2.8
Non-Management Temporary	-	-	-	-	-	0.1			
Total	1.2	2.1	1.3	2.2	1.2	2.6	2.8	2.8	2.8
Incentives									
Executive and Board	-	0.2	-	0.2	-	0.2	0.2	0.2	0.2
Management	-	-	-	-	-	-	-	-	-
Non-Management Regular	-	-	-	-	-	-	-	-	-
Non-Management Temporary	-	-	-	-	-	-	-	-	-
Total	-	0.2	-	0.2	-	0.2	0.2	0.2	0.2
Total Salary & Wages									
Executive and Board	3.8	3.8	4.0	3.7	4.0	4.1	4.6	4.6	4.6
Management	23.4	25.7	24.2	28.4	25.0	32.2	35.1	36.2	37.7
Non-Management Regular	69.7	78.2	74.7	88.5	79.8	102.4	107.5	120.9	130.3
Non-Management Temporary	10.0	7.3	10.6	8.8	8.7	11.1	10.3	10.9	11.4
Total	106.9	115.0	113.4	129.4	117.5	149.8	157.5	172.6	184.0

c) See Interrogatory 1.4/1.5/1.6 SUP –1 part c)

AMPCO INTERROGATORY 5

Issue 1.0 – Revenue Requirement, Operating Costs and Capital Spendig

INTERROGATORY

Reference:

E-1-1 p.2

Preamble:

Question(s):

The IESO indicates that although hardware assets are generally forecast for replacement every 4–5 years, their service life may be extended under certain conditions.

Please quantify the deferral of hardware asset replacement over the period 2023 to 2025.

RESPONSE

The annualized estimated value of deferring the utilization of fully depreciated hardware assets in excess of their recognized useful life to the respective fiscal year is \$0.8 million in 2023, \$1.2 million in 2024, and \$1.3 million in 2025.

AMPCO INTERROGATORY 6

Issue 1.0 – Revenue Requirement, Operating Costs and Capital Spendig

1-AMPCO-6

INTERROGATORY

Reference:

E-1-1 p.3

Preamble:

For valid business reasons, planned software upgrades or replacements may be deferred beyond optimal timelines.

Question(s)

Please quantify the deferral of software asset replacements over the period 2023 to 2025.

RESPONSE

The annualized estimated value of deferring the utilization of fully depreciated software assets in excess of their recognized useful life to the respective fiscal year is \$4.4 million in 2023, \$3.8 million in 2024, and \$2.8 million in 2025.

AMPCO INTERROGATORY 7

Issue 1.0 – Revenue Requirement, Operating Costs and Capital Spendig

INTERROGATORY

Reference:

E-1-2 p.4

Preamble:

Question(s)

During the inception phase, the IESO assesses project submissions against a set of criteria, which consider alignment with strategic objectives, mitigation of strategic risk, business value and deliverability. The IESO then scores, ranks and prioritizes the projects accordingly.

a) Please provide the list of project submissions and the scores against the set of criteria (alignment with strategic objectives, mitigation of strategic risk, business value and deliverability).

b) Please provide the IESO's ranking and prioritization of the projects in part (a).

c) For each project in Appendix 2-AA, please provide the final ranking and priority of each project.

d) Please identify any projects in Appendix 2-AA that were not included in the IESO's assessment of project submissions at the inception phase.

RESPONSE

a) The IESO does not have a static list of project assessments, scoring outputs and rankings. The ranking and prioritization of projects is an ongoing activity that reflects evolving organizational needs, emerging initiatives, project maturity, funding considerations, and changes in business priorities.

An initial assessment and prioritization is performed to support development of the proposed capital portfolio and associated capital budget envelope. As projects progress

1 through planning and delivery, and as organizational priorities are reassessed, project
2 prioritization may be adjusted to reflect the most current information available.

3
4 Accordingly, project prioritization is used as an input to portfolio decision-making and
5 capital planning and does not represent a fixed ranking that remains unchanged
6 throughout the planning and delivery lifecycle.

7
8 b) See response to a) above.

9 c) See response to a) above.

10 d) All projects included in Appendix 2-AA were reviewed and evaluated as part of the
11 inception phase and in deriving the capital envelopes for the Business Plan.

12

AMPCO INTERROGATORY 8

Issue 1.0 – Revenue Requirement, Operating Costs and Capital Spendig

INTERROGATORY

Reference:

E-2-1 p.6-7

Preamble:

Question(s)

a) For each of the projects in 2023 and 2025 with a deviation on cost and/or schedule, please provide the variance on cost and schedule and any additional variance explanations.

b) Please describe the IESO's internal governance structure/process with respect to approvals of additional capital amounts that exceed OEB-approved project budgets and in the response include any variance thresholds in place.

RESPONSE

a) See Interrogatory 1.7-SEC-18

b) See 1.7-SEC 16. The IESO uses an enterprise governance framework to oversee capital investments throughout the project lifecycle, as described in Exhibit E-1-2 Capital Expenditure Planning Process Overview. Proposed changes to approved project scope, schedule, funding, risk, or resource requirements are assessed based on their impact to project objectives and the broader enterprise portfolio.

Projects requiring additional funding are subject to review through the IESO's established governance processes. Depending on the nature and impact of the proposed change, requests may be reviewed at the project, enterprise change control, or enterprise portfolio governance level. Governance bodies evaluate the rationale for the change, associated risks,

1 funding requirements, delivery impacts, interdependencies, and alignment with
2 organizational priorities before a decision is made.

3 The IESO applies a risk based governance approach whereby matters with broader
4 enterprise implications, including those affecting portfolio priorities, funding requirements,
5 resource capacity, or delivery outcomes, receive additional review and oversight through the
6 appropriate governance forum.

7

AMPCO INTERROGATORY 9

Issue 1.0 – Revenue Requirement, Operating Costs and Capital Spendig

INTERROGATORY

Reference:

E-2-1

Preamble:

Question(s)

- a) With respect to the Market Renewal Program please provide the project close-out report or equivalent document that measures business objectives, provides cost and schedule variances and lessons learned, and formally closes the project.
- b) Please identify and discuss any outstanding business objectives for Market Renewal.

RESPONSE

- a) See Exhibit H-1- AMPCO 9 Attachment 1 – MRP Closure Report and Exhibit H-1-AMPCO 9 Attachment 2 –MRP Executive Steering Committee MRP Implementation Lessons Learned
- b) The Market Renewal Program (MRP) was successfully implemented and formally closed in 2025. Consistent with the approved benefit realization approach, the business objectives identified in the MRP Business Case continue to be monitored and assessed using post-implementation market data collected over a period of market operation.

These objectives include:

- Improved alignment between energy price signals and system needs;
- Improved real-time operational certainty for market participants and the IESO;
- Improved price certainty for market participants ahead of real-time;
- Reduced frequency of operator interventions for unit commitments;
- Reduced out-of-market payments; and

- Elimination of gaming opportunities associated with Congestion Management Settlement Credits.

The IESO continues to monitor and assess these outcomes as part of ongoing benefit realization activities, and the business objectives will be measured based on a year of data starting six months after renewed market launch.

Project Closure for: Market Renewal Program

Document ID:	CLOS-289	Author(s):	Jennifer Tsai
Issue:	1.0	Sponsor:	Lesley Gallinger
Effective Date:	August 1, 2025	Project ID:	378

Document Purpose

Purpose

This *Project Closure Document* signals the completion and formal closure of the project and the release of resources from the project.

It provides information relating to achievements of the project, performance against planned targets, and approved changes.

Who Should Use This Document

This document is meant for, but not limited to, use by the following:

- The project manager and project team – who should use it as a guideline to ensure that what has been delivered matches the expectations set out (and agreed) in the project plans
- The project sponsor and the steering committee – who should use it to ensure that the project has met the expectations and that they can measure the success of the project
- The project approver – to learn about the success of the project and the achievement of the business objectives
- Finance – to support the closure of all activity codes and accounts and prevent future charges to project, and also provide visibility of in-service dates for assets or support agreements.

1. Project Executive Summary

The Market Renewal Program (MRP)¹ addressed longstanding challenges in the legacy electricity market design, positioning the province for a modernized and future-ready electricity sector.

The Program directly supported IESO's core strategic objective — "Ensure System Reliability while Supporting Cost-Effectiveness" — by advancing the Strategic Imperative to "Renew the Real-Time Markets to Advance Energy Transformation."

The MRP timeline and budget have undergone several revisions over the years as follows:

- The original implementation date for the MRP was set for March 2023, with a six-month contingency, and a total budget of \$186 million, including contingency.
- Following a comprehensive review in 2022 — aimed at developing a fully costed, vendor-validated, and risk-informed budget and schedule — the Board approved a revised in-service date of May 2025 and an updated budget of \$233 million (inclusive of \$15 million contingency).
- In March 2025, the Board further approved a revised budget of \$240 million to replenish \$7 million of the \$15 million contingency that had been utilized to cover uncontrollable, variable interest rate costs.

A lessons learned exercise was conducted to capture key insights and successes from the MRP, with a focus on governance, management, and implementation. This initiative was carried out in collaboration with the Corporate Project Management Office, and the findings were documented and shared with the MRP Executive Steering Committee. *MRP Lessons Learned* are being applied to future large-scale transformational projects, many of which have already been integrated into IESO's project management practices.

¹ MRP originally consisted of three separate projects: Energy, Capacity, and More Frequent Intertie Scheduling. The Capacity and More Frequent Intertie Scheduling projects were cancelled in 2019 and 2017, respectively. As such, all references to MRP throughout this document pertain only to the Energy stream.

2. Performance against Planned – Scope, Schedule and Cost

2.1 Scope

MRP implemented the following scope as planned:

- A single-schedule market that replaces the two-schedule market to address current misalignments between price and dispatch, eliminating the need for most out-of-market payments
- A day-ahead market to provide greater operational certainty to the IESO and greater financial certainty to market participants, lowering the cost of producing electricity and ensuring we commit only the resources required to meet system needs
- An enhanced unit-commitment construct to reduce the cost of scheduling and dispatching resources to meet demand as it changes from the day-ahead to real-time

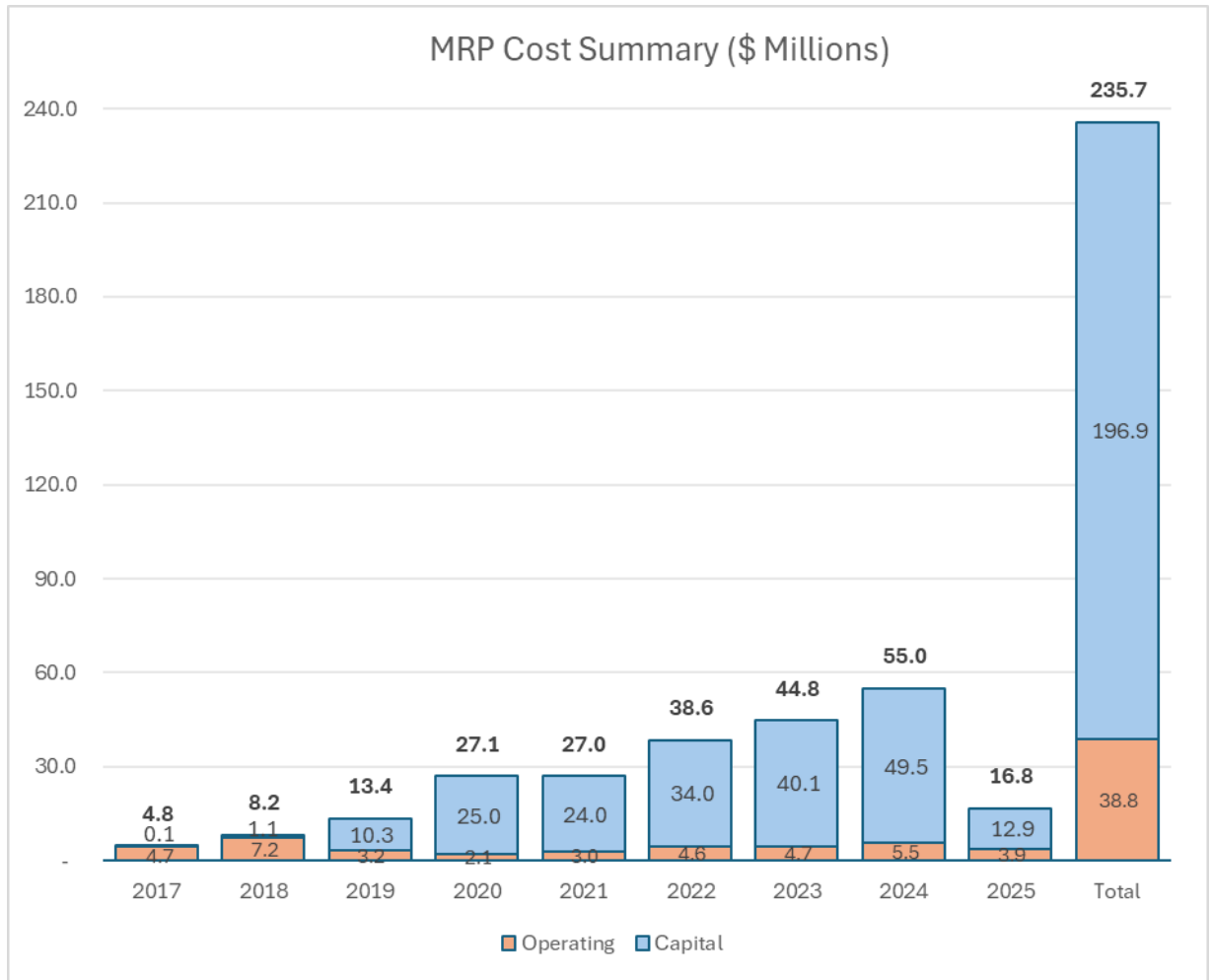
2.2 Schedule

The Market Renewal Program's go-live date was May 1, 2025, which achieved the approved project go-live date of May 2025.

The formal MRP closure date was August 1, 2025.

2.3 Cost

Total project costs were \$235.7 million, within the Board approved budget of \$240 million.



3. Approved Project Changes

Three exception reports were filed for the Market Renewal Program: PER-105, PER-113, and PER-153 issued April 30, 2021, August 24, 2022 and March 10, 2025, respectively.

3.1 Effects on Original Scope of Work

The scope of work identified under the three Exception Reports remained unchanged as the exceptions extended the time and cost to achieve the approved scope.

3.2 Effects on Schedule

PER-105 revised the in-service date from September 2023 (March 2023 plus 6 months of contingency) to May 2024 (November 30, 2023 plus 6 months of contingency).

PER-113 revised the in-service date to May 2025 inclusive of schedule reserve.

PER-153 reflected a change in budget and did not impact the in-service date.

3.3 Effects on Costs

PER-105 revised the budget envelope from \$170 million (\$154 million plus \$16 million contingency) to \$177.7 million (\$167.7 million plus \$10 million contingency).

PER-113 increased the budget to \$233 million (\$218 million plus \$15 million contingency).

PER-153 increased the budget to \$240 million (\$225 million plus \$15 million contingency) to account for uncontrollable, variable interest rate costs.

3.3 Other Impacts, if any

N/A

4. Business Objectives

Quantitative and qualitative benefits identified in the MRP Business Case will be measured after the first year of operation, starting six months after Go Live to allow for system steady state to be achieved. As specified in the *Integrated Project Plan*, actual market data comparing pre-and post-MRP outcomes will be used to measure the following:

- Improved alignment between energy price signals and system needs
- Improved real-time operational certainty for market participants and the IESO
- Improved price certainty for market participants ahead of real-time
- Reduced frequency of operator interventions for unit commitments
- Reduced out-of-market payments
- Eliminated gaming opportunities associated with Congestion Management Settlement Credits

Document Control

Authors:

Prepared By	Role
Jennifer Tsai	Project Manager*

Project Management Adherence Review:

Reviewed By	Role
Anil Agrawal	Project Management Office
Rhea Jagdeo	Project Management Office

Financial Review:

Reviewed By	Role
Ramneek Kahlon	Advisor, Financial Planning & Analysis

Content Reviewers:

Reviewed By	Role
Nicholas Ingman	Director, Enterprise Project Delivery
Anja Vukovic	Program Manager*
Jessica Savage	Vice President – Markets, Settlements, & Sector Development, and Program Delivery Executive*

Approvals:

Approved By	Role
Lesley Gallinger	Program Sponsor*

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References:

Document Title	Document ID
Market Renewal Program – Program Charter	TOR-4
Market Renewal Program – Energy Stream Business Case	BC-165
Exception Report #1 for Market Renewal Program – Energy	PER-105
Exception Report #2 for Market Renewal Program – Energy	PER-113
Exception Report #3 for Market Renewal Program – Energy	PER-153
MRP Energy – Integrated Program Plan	PPLN-148
MRP Lessons Learned	MGV-03

– End of Document –



JULY 30, 2025

MRP Implementation Lessons Learned

Anja Vukovic

Nicholas Ingman

Implementation

Purpose:

Discussion item to provide a summary of program delivery successes and learnings from MRP's Lesson Learned review.

Executive Summary:

Following the successful delivery of MRP in May 2025, MRP's PMO met with program's leadership team to review key learnings and successes with a focus on governance, management, and implementation efforts.

This report outlines several learnings and successes across four themes:

- Planning
- Implementation
- Accountability & Decision-Making
- Team Dynamics

Background

- Many of the success and learnings from this MRP review align closely with the 2023 Blackline report on Project Portfolio Delivery, which highlighted tactical and cultural opportunities to enhance project delivery at the IESO
- MRP PMO and Enterprise Change collaborated on developing the recommendations contained herein, relevant to the delivery of future large-scale, transformational projects

Discussion Questions

- Were there any learnings or successes that surprised you?
- Are there any key takeaways we may have missed?
- What learnings or successes would you like your teams to carry forward from MRP?

Area: Planning – Successes (S)

S1	The structured use of schedule reserves enabled the project team to proactively manage anticipated issues arising from complex solution development and testing activities. Recommendation: Given its success, the structured contingency approach used in MRP should be considered for future multi-year, complex initiatives. Assigned to: Enterprise Project Delivery (EPD) Status: This structured approach is now widely adopted as standard practice for large-scale, multi-phase projects and programs.
S2	Defining phase-specific milestones ensured teams remained focused on monthly priorities and deadlines, supporting consistent and timely reporting. Recommendation: Maintain milestone tracking throughout all project phases to help teams stay aligned on priorities. Assigned to: Enterprise Project Delivery (EPD) Status: Identifying key milestones by project phase and incorporating them into project reporting is a standard practice across our projects and programs.
S3	Organizing project efforts by workstreams—rather than by individual solutions or deliverables—enhanced cross-functional collaboration across teams including Implementation, IT, QA, PMO, Legal, Market Rules, and both Internal and External Readiness. Recommendation: Consider introducing workstreams to better coordinate and manage efforts in larger projects. Assigned to: Enterprise Project Delivery (EPD) Status: Having initiated this approach in larger projects (e.g. Future@Work), there is a plan in place to formalize the recommendation in the Project Considerations document under development by the Project Delivery Working Group (PDWG).

Area: Planning – Successes (S)

S4	Between 2019 and 2022, the MRP leadership team raised several concerns regarding accessibility, availability, capability, and timeliness of project management activities performed utilizing MS Project. These issues included limited licensing, delayed or incomplete schedule updates, excessive time spent in status meetings, maintenance of multiple schedule versions, unreliable resource reporting, and the inability to scenario-test schedule changes effectively. In response, MRP's senior leadership decided in August 2022 to discontinue the use of MS Project and procure Smartsheets. This transition addressed many of the previously identified challenges by offering: • Broader access through flexible licensing • Real-time collaborative messaging and tracked dialogue • Audit trails for monitoring cell changes • Automated workflows for task follow-ups, reducing the need for meetings • Scenario testing capabilities for impact-informed schedule adjustments • Customizable dashboards to help teams focus on priority items • Centralized, workflow-driven trackers for action items, change requests, and logs (e.g., decisions, issues, risks) The adoption of Smartsheets has significantly improved cross-functional collaboration and project visibility across teams. Recommendation: Explore project management platforms with advanced collaborative capabilities to further improve team coordination and project visibility. Assigned to: Enterprise Project Delivery (EPD) Status: EPD is finalizing the acquisition of a new Project Portfolio Management (PPM) tool designed to enhance collaboration and support scalable scheduling across a variety of project types—including large programs, agile initiatives, and business-led efforts. The tool is expected to be operational by year-end.
S5	Since the establishment of Baseline Five, the program governance structure, roles, and responsibilities have been revisited to better support adaptability in response to changes in scope, personnel, technology, and vendor engagement. This review also enabled consideration of outstanding or previously unscoped work, shifting priorities, team capacity, and skill gaps. In parallel, the program has continued to refine its operational practices, including adjustments to meeting structures and cadence, enhancements to schedule updating and reporting processes, and the introduction of specialized roles such as Integration Lead, Environment Lead, and Project Managers focused on schedule integration. Recommendation: To ensure continued alignment and adaptability, the governance structure should be reviewed and refined throughout the project lifecycle, with particular attention to long-duration initiatives. Assigned to: Enterprise Project Delivery (EPD) Status: This recommendation will be included in the Project Considerations document currently under development by the Project Delivery Working Group (PDWG).

Area: Planning – Learnings (L)

- L1** Several foundational elements should have been developed during the project planning phase and continuously monitored throughout implementation, rather than being introduced mid-way when changes to large data structures were more difficult to manage. These include:
- **A detailed Work Breakdown Structure (WBS):** Designed with business processes, workstreams, and end-users in mind, the WBS should enable budget and cost breakdowns (e.g., assignment to unique cost center codes), account for undefined scope or unassigned resources, and support clearer tracking of deliverable readiness as they transition to the line of business.
 - **A comprehensive resource plan:** This should include a clearly defined RACI matrix, a breakdown of unique roles and responsibilities, required skillsets, and capacity needs across all deliverables. Such a plan would help mitigate risks related to resource absences, turnover, lack of succession planning, and reactive decision-making.
 - **A robust requirements traceability structure and process:** This should map relationships such as:
 - Business processes → business requirements → functional requirements → solutions → test scenarios → test cases
 - Business processes → business requirements → market rules/manuals → internal SOPs → test scenarios → test cases

Establishing these elements early would have supported more effective project execution, risk mitigation, and stakeholder alignment.

Recommendation: Develop a Work Breakdown Structure (WBS), a RACI matrix, and a requirements traceability framework prior to implementation, and ensure sufficient resources—both personnel and tools—are in place to support successful execution.

Assigned to: Enterprise Project Delivery (EPD)

Status: The Project Delivery Working Group (PDWG) is incorporating this recommendation into the forthcoming Project Considerations document.

Area: Planning – Learnings (L)

L2	The program’s transition plan would have been more effective had it clearly defined the following key elements: • Deliverables, including processes, solutions, defects, and resources • Timing and duration of the transition period • Confirmed ownership of processes and solutions • Specific areas where support from the line of business was required While the focus was primarily on directly impacted business units, extending visibility to other units and involving them in early go-live planning discussions could have improved organizational alignment and supported smoother adoption. Recommendation:To strengthen future change management initiatives, ensure that transition planning includes comprehensive stakeholder engagement and clearly defined ownership and deliverables from the outset. Assigned to: Enterprise Project Delivery (EPD) Status: Leverage the products developed during MRP to standardize the change management approach for future large-scale projects, including ERP initiatives.
L3	The Qtest application, used for defect tracking and reporting, was not initially configured to group defects by user or stakeholder, nor to generate customized views. As a result, teams had to manually track and report defects outside of the application, leading to inefficiencies and potential inconsistencies. Recommendation: EPD should collaborate with Quality Assurance to establish a standardized defect reporting process within Qtest, including stakeholder-specific views and grouping capabilities. Assigned to: Enterprise Project Delivery (EPD)/ Quality Assurance Status: EPD will work with Quality Assurance to explore enhanced approaches for defect tracking and reporting that support multi-stakeholder visibility and reduce reliance on manual processes.
L4	Market Participants should have been engaged at least three months prior, instead of one month prior, to the Market Trials and/or End-to-End Testing ensuring enough time for Market Participants' inputs to be incorporated in test strategy and plans, validate the details of settlement statements required for sufficient testing coverage, and better define test report content and test reporting expectations. Recommendation: Share learnings with future project teams and incorporate early Market Participant engagement, ideally 3 months prior to testing Assigned to: Enterprise Project Delivery (EPD) Status: EPD will share this learning with project teams involved in initiatives requiring significant Market Participant testing.

Area: Implementation – Successes (S)

S6	Lessons learned from the Replacement of Settlements System (RSS) project prompted MRP to conduct pre-testing of solution interfaces (e.g., ETLs) prior to integration testing. This proactive approach helped identify and resolve integration issues early, contributing to a successful outcome. Recommendation: The Quality Assurance team should continue incorporating interface pre-testing into test planning activities ahead of integration testing phases. Assigned to: Quality Assurance Status: Completed
S7	The continued use of a centralized test case management tool (e.g., qTest) across all testing phases—including those executed by Market Participants (MPs)—enabled direct submission of test results to IESO. This approach improved traceability and streamlined the tracking of test outcomes and associated defects. Recommendation: N/A Assigned to: Quality Assurance Status: qTest remains the centralized test case management tool in use for all projects.
S8	The "batch" process has proven effective in managing a high volume of Market Rule (MR) changes in collaboration with the Technical Panel (TP) and stakeholders. Recommendation: Consider adopting the batch process for future market rule amendments, particularly for large-scale change initiatives. Assigned to: Market Rules Status: Market Rules team is considering this approach.

Area: Implementation – Learnings (L)

L5	Establishing early touchpoints with line of business process and solution stewards at the start of the implementation phase is essential. This ensures the project team is informed of operational changes that may affect solution environment availability, updates to operating systems and business processes, and the use of shared resources. Recommendation: For larger projects, the project team should proactively account for planned line-of-business changes alongside other project interdependencies. Assigned to: Enterprise Project Delivery (EPD) Status: This approach has been successfully implemented as part of ERP.
L6	Access permissions for IT systems and infrastructure should be requested in bulk and well in advance of testing effort. This reduces last-minute, individual requests and improves coordination with the Access Management team. Recommendation: Project Managers should be advised to schedule access permissions for systems and environments early in the project timeline, particularly ahead of testing phases. Assigned to: Enterprise Project Delivery (EPD) Status: EPD will share this learning with the Project Managers at an upcoming divisional meeting.

Area: Accountability & Decision Making – Successes (S)

S9	Delegating decision-making authority to the project by the Lines of Business contributed to timely and effective approvals of Market Rules, Market Manuals, Internal Manuals, Process Specifications, Solution Specs (VCRs), etc. Recommendation: Teams are encouraged to delegate decision-making authority to the project, where applicable. Assigned to: Enterprise Project Delivery (EPD) Status: This lessons learned will be shared with project teams and sponsors involved in larger and more complex projects.
S10	The Change Advisory Board (CAB) and change management process was reviewed and revised to improve resource utilization and budget efficiency. As part of this revision, the program manager delegated decision-making authority to supervisors and project managers for project deliverables under a defined financial threshold, while reserving higher-impact decisions for CAB review. This approach enabled faster turnaround of change requests. Recommendation: Consider implementing a CAB with delegated authority levels to efficiently manage scope changes in large-scale projects. Assigned to: Enterprise Project Delivery (EPD) Status: This recommendation will be included in the Project Considerations document currently being developed by the Project Delivery Working Group (PDWG).
S11	A clearly defined project vision including specific go-live criteria, helped align the team and maintain focus on the desired outcomes. Team commitment to this vision contributed to successful project execution. Recommendation: Establish clear and measurable objectives, including go-live criteria, at the outset of the project to ensure alignment and focus throughout the delivery lifecycle. Assigned to: Enterprise Project Delivery (EPD) Status: This practice is embedded in EPD's standard project delivery methodology. The importance of setting clear and measurable objectives will be reinforced in upcoming project planning sessions.
S12	The readiness team played a critical role in supporting stakeholder engagement and adoption by conducting formal impact and readiness assessments, and by serving as a liaison between internal and external stakeholders. Recommendation: For larger-scale projects with multiple deliverables and stakeholder groups, consider establishing a dedicated readiness team. Assigned to: Enterprise Project Delivery (EPD) Status: This recommendation will be included in the Project Considerations document currently being developed by the Project Delivery Working Group (PDWG).

Area: Accountability & Decision Making – Learnings (L)

- | | |
|-----------|---|
| L7 | <p>Integrating Quality Assurance (QA) Analysts and Business Analysts (BAs) into the development and implementation teams from the start of the implementation phase, enhances alignment and testing efficiency. Assigning these roles to specific system testing efforts within dedicated workstreams ensures focused execution and better coverage.</p> <p>Recommendation: For larger projects with multiple workstreams, embed QA Analysts and Business Analysts into specific workstreams early in the implementation phase to support targeted testing and delivery.</p> <p>Assigned to: Enterprise Project Delivery (EPD)</p> <p>Status: As part of EPD's standard project delivery approach, QA Analysts and Business Analysts are engaged early, typically during the Planning Phase. For larger projects, EPD will consider embedding these roles into specific workstreams during implementation.</p> |
| L8 | <p>Execution efficiency was impacted by the complexity and number of roles involved in reviewing and approving project artifacts such as documents, invoices, defect fixes, change requests, and priority decisions. While the PMO made adjustments post re-baselining, defining governance processes and accountabilities earlier in the planning phase would have enhanced decision-making and reduced delays.</p> <p>Recommendation: When establishing project governance, clearly define which roles are responsible for reviewing and approving key project artifacts to streamline decision-making and improve execution efficiency.</p> <p>Assigned to: Enterprise Project Delivery (EPD)</p> <p>Status: This recommendation will be included in the Project Considerations document currently being developed by the Project Delivery Working Group (PDWG).</p> |

Area: Team Dynamics – Successes (S)

S13	Regular touchpoints between cross-functional teams within MRP were essential for sustaining momentum across workstreams. These included bi-weekly project alignment meetings, workstream-specific sessions, and team-to-team coordination, all of which supported timely decision-making and collaboration. Recommendation: Establish and maintain consistent touchpoints across project workstreams throughout the project lifecycle to promote alignment, accountability, and execution momentum. Assigned to: Enterprise Project Delivery (EPD) Status: This practice is embedded in EPD's standard project delivery methodology. EPD will continue to reinforce its importance with project managers during planning and execution phases.
S14	Organized social events played a key role in fostering strong working relationships among team members. Examples included recurring monthly MRP socials—brief meetings focused on celebrating accomplishments, sharing team updates through interactive activities—and informal gatherings to mark major milestones. These events contributed to team cohesion and morale. Recommendation: Reinforce the importance of team-building activities and social interactions throughout the project lifecycle, particularly for long-duration projects, to support collaboration and recognize individual and team achievements. Assigned to: Enterprise Project Delivery (EPD) Status: This practice is part of EPD's standard approach, especially for longer-term initiatives. We will continue to emphasize its value with project managers during planning and execution.
S15	Leadership and the project team demonstrated an adaptive mindset by being open to change, actively listening to new ideas, and embracing alternative approaches. This flexibility enabled the team to pivot effectively and improve outcomes throughout the project lifecycle. Recommendation: Encourage and support a culture of adaptability and continuous improvement by empowering teams to challenge existing practices and explore innovative solutions. Assigned to: Enterprise Project Delivery (EPD) Status: EPD will continue to evolve its standard practices to support innovation and flexibility, enabling teams to achieve project outcomes while maintaining operational excellence.

Area: Team Dynamics – Successes (S) Cont'd

S16	A proactive, risk-based approach was applied to guide communication, work scheduling, and decision-making both at the project level and within the Steering Committee. This approach enabled timely identification and escalation of risks, helping to prioritize actions and allocate resources effectively. Recommendation: Integrate proactive risk identification and reporting into project governance to ensure decision-makers are equipped with timely and relevant information to manage uncertainties. Assigned to: Enterprise Project Delivery (EPD) Status: EPD is restructuring Project Steering Committee meeting agendas to place greater emphasis on risk management and ensure risks are consistently reviewed and addressed.
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CCC INTERROGATORY 3

Issue 1.0 – Revenue Requirement, Operating Costs and Capital Spending

1-CCC-3

INTERROGATORY

Reference:

- Exhibit D, Tab 1, Schedule 1, pp. 2-3

Preamble:

Questions

Please provide a more detailed explanation of the \$14.4M increase in 2023-2025 costs associated with the “net impact of under-capitalization.” As part of the response, please breakout the individual drivers for this cost increase (e.g., project timing delays, etc.).

RESPONSE

The requested analysis to break out the individual drivers for undercapitalization would need to be completed manually therefore the IESO is unable to undertake the requested additional analysis within the timeframe provided for interrogatories within this proceeding. The projects identified in the IESO's responses to 1-SEC-18 represent the projects for which schedule variances were reported. The IESO is providing the following additional context regarding undercapitalization, the IESO has an annual capital FTE plan which is created to align with the expected level of effort required to execute capital projects based on the initial capital plan. The primary drivers for variances can be driven by a combination of factors including:

- Project timing delays – in the event capital projects are delayed then resources who may have had their hours allocated to capital work may instead be shifted to work on other capital projects, projects that may be operating in nature, or core work (not project related) depending on the nature of the work and/or the resource skills available.

- 1 • Prioritization of resources – in the event there are resource availability shortages (such
2 as vacancies, or new or emerging priorities that need to be managed) then FTE that
3 may otherwise have worked on capital projects could be redeployed to other priority work
4 (which may or may not be project related).
- 5 • Cloud computing – The capital plan is developed at a point in time and includes
6 assumptions on system solutions for planning purposes (based on historic experience).
7 The 2023-2025 business planning period saw an increase in the number of solutions
8 which were Software as a Service (SaaS or cloud) which are accounted for as an
9 operating expense. As a result, resources who would have had their time allocated to
10 capital work were instead reflected in operating expense.

11 Note that over the three-year 2023-2025 period, the IESO had an average FTE of 931 in line
12 with its approved Business Plan. Through these years the IESO effectively reprioritized its staff
13 towards the key priorities of the organization, which may shift over the business planning
14 period. Through this reprioritization compensation dollars may be attributed to operating costs
15 compared to capital costs, as dictated by generally accepted accounting standards.

CCC INTERROGATORY 4

Issue 1.0 – Revenue Requirement, Operating Costs and Capital Spending

1-CCC-4

INTERROGATORY

Reference:

- Exhibit D, Tab 1, Schedule 3, pp.1-2

Preamble:

Question(s):

- a) Please further explain the statement that funding for 19 FTEs associated with DSM was shifted from the global adjustment to the IESO fee. More specifically, please advise whether these 19 FTEs were already employed by the IESO but their compensation was previously funded in a different manner.
- b) Please provide the positions/roles that comprise the six FTEs that “support both strategy and workforce planning.”

RESPONSE

- a) Yes, the 19 FTE associated with DSM were already employed by the IESO, but their compensation was funded through Global Adjustment instead of the IESO fee. Their funding shifted to the IESO in January 2025 upon the conclusion of the 2021-2024 Conservation and Demand Management (CDM) framework.
- b) The six FTEs that support both strategy and workforce planning are as follows:
 - HRIS Data Specialist (Human Resources Information System)
 - Talent Acquisition Advisor
 - HR Business Partner

- 1 • Manager Organizational Design
- 2 • Manager Total Rewards
- 3 • Director Corporate Strategy

CCC INTERROGATORY 5

Issue 1.0 – Revenue Requirement, Operating Costs and Capital Spending

1-CCC-5

INTERROGATORY

Reference:

- Exhibit D, Tab 1, Schedule 3, Attachment 3 p.6

Preamble:

Question(s):

Please provide a table that shows a comparison of the compensation benchmarking results as shown on p. 6 of the Mercer study and the compensation benchmarking results as filed in the 2023-2025 IESO revenue requirement application.

RESPONSE

See Tables 1 and 2 below.

Table 1: Comparison of Compensation Benchmarking Results; Target Total Cash Compensation (TTC) Relative to Energy Sector Market Median

Employee Group	(2022 Mercer Review)	2025 Mercer Study (p. 6)
Management	-2%	-20%
Society (SOC)	+3%	+11%
Power Workers' Union (PWU)	+12%	+10%
Overall IESO	+1%	-4%

Table 2: Comparison of Total Remuneration (TREM) Results; Total Remuneration Relative to Energy Sector Market Median

Employee Group	(2022 Mercer Review)	2025 Mercer Study (p. 6)
Management	+2%	-17%
Society (SOC)	+11%	+16%
Power Workers' Union (PWU)	+20%	+13%
Overall IESO	+9%	-1%
* Based on the 2025 Mercer Non-Executive Total Remuneration Review (page 6) and the benchmarking results from the 2022 Mercer review that was filed in support of the 2023–2025 IESO Revenue Requirement Application EB-2022-0318		

CCC INTERROGATORY 6

Issue 1.0 – Revenue Requirement, Operating Costs and Capital Spending

1-CCC-6

INTERROGATORY

Reference:

- Exhibit D, Tab 2, Schedule 1, pp.1-3

Preamble:

Question(s):

a) Please provide the actual interest rate for the credit facility for each year of the 2023-2025 period and the forecast interest rate for the credit facility for each year of the 2026-2028 period.

b) Please provide the current actual interest rate and the forecast interest rate (after renegotiation) for the note payable.

c) Please further explain the basis for the assumption that the 2026-2028 volume of funds settled for the market will decline below 2025 actuals.

d) For each year of the 2023-2028 period, please breakout the short-term investment income between market interest income and corporate interest income.

e) Please provide a table showing for each year of the 2023-2028 actual / forecast period:

i. The total dollar value of the funds settled for the market

ii. The number of investment income settlement days

iii. The average overnight interest rate

iv. The resulting short-term interest income

As part of the response, please explain how the number of investment income settlement days is derived / forecast.

RESPONSE

a) See Table 1 below.

Table 1: Credit Facility and Note Payable Interest Rates, 2023-2028

	2023	2024	2025	2026 Forecast	2027 Forecast	2028 Forecast
Credit Facility Interest Rate	5.12%	4.75%	2.91%	2.50%	2.50%	2.50%
Note Payable Interest Rate	2.96%	4.78%	4.78%	3.60%	2.50%	2.50%
Note: The interest rate term is June 30 th - June 29 th (12 months).						

b) The renegotiated rate on the note payable is 3.08% effective June 30, 2026 for a three-year period ending June 29, 2029. Table 2 below shows the updated interest rate forecast after renegotiation. For 2026, the blended interest rate is 3.93% as there was a higher interest rate for the first half of the year. The debt was renewed after the 2026-2028 Business Plan was submitted.

Table 2: Note Payable Forecast Interest Rate After Renegotiation, 2026-2028

	2026	2027	2028
Note Payable Forecast Interest Rate (After Renegotiation)	3.93%	3.08%	3.08%

c) In the IESO's forecast model, settlement volumes available to earn interest is a combination of dollars flowing through the market, settlement days and interest rates. Total settlement dollars available to earn revenue are lower in 2026 compared to 2025 primarily due to lower

expected interest rates and a fewer number of days where funds are held and available to earn interest. See table 4 in part e) below for more information.

d) See Table 3 below.

Table 3: Short-Term Investment Income by Source, 2023-2028

	2023 Actual	2024 Actual	2025 Actual	2026 Budget	2027 Budget	2028 Budget
Market Interest Income (\$M)	17.9	18.2	11.3	8.3	9.0	9.9
Corporate Interest Income (\$M)	0.7	0.5	0.4	0.4	0.4	0.4
Total (\$M)*	18.7	18.7	11.9	8.8	9.5	10.3
*Note: differences due to rounding						

e) Annual market settlement actuals are shown below in Table 4. For purposes of investment income, the IESO does not forecast market settlements, rather the IESO utilizes historical trends and apply high-level adjustments for changes in interest rates and available settlement days. Further, not all balances that are settled are available to earn investment income, those that are able to earn investment income have different settlement days dependent on the settlement type and the market and contracts settlement calendar.

Table 4: Market Interest Income Calculation, 2023-2028

	2023 Actual	2024 Actual	2025 Actual	2026 Forecast	2027 Forecast	2028 Forecast
Annual Settlement (\$Bs)	22.0	23.8	26.3			
Est. Settlement Days	5.6	5.4	5.4	4.9	5.1	5.2
Interest Rate	5.1%	4.8%	3.0%	2.5%	2.5%	2.5%
Interest Income (\$M)	17.9	18.2	11.3	8.3	9.0	9.9

CCC INTERROGATORY 7

Issue 1.0 – Revenue Requirement, Operating Costs and Capital Spending

1-CCC-7

INTERROGATORY

Reference:

- Exhibit E, Tab 2, Schedule 1, pp.4-6

Preamble:

Questions

With respect to the Space Needs Program, please provide:

- The budget for each phase of the program as set out in the relevant project charters
- The revised budgets for each phase of the program and the internal documentation showing the revision to the budget and the basis for the revision (as applicable)
- The latest actuals/estimates for the completion of each phase of the program.

RESPONSE

- The Future@Work Project represents Phase 3 of Space Needs Program and builds on earlier phases. Phase 1 consisted of a study to see how the IESO could potentially optimize its footprint and develop some conceptual designs. Phase 2 built on this work, considering the effects of the Pandemic, and concluded with the Office Pilot Project in 2022. Phase 1 was managed under operating expenses and Phase 2 had an approved capital budget of \$2.4 million.

- ii. There is only one approved Project Charter, V 2.0¹, for the Space Needs Program Phase 3 – Future@Work Project. The Project Charter outlines the budget for each project Phase (see Table 1 below):

Table 1: Future@Work Project Charter Budget and Contingency by Phase

Phase	Budget	Contingency	Total
Planning Phase	\$2.7 M	\$0.2 M	\$2.9 M
Execution - Adelaide	\$9.8 M	\$4.4 M	\$14.2 M
Execution - Clarkson	\$46.8 M	\$13.2 M	\$60.0 M
Total	\$59.3 M	\$17.8 M	\$77.1 M

There have not been any formal changes to the approved project budget since the approval of the Project Charter V 2.0, which was approved on December 18, 2024.

- iii. Table 2 below shows the latest actuals (as of June 30, 2026) and forecasts for each of the Project's phases.

Table 2: Future@Work Actuals and Estimate at Completion by Phase

Phase	Budget, incl. Contingency	Actuals (As of June 30, 2026)	Estimate at Completion
Planning Phase	\$2.9M	\$2.6M	\$2.6M
Execution Phase – Adelaide	\$14.2M	\$11.3M	\$12.2M
Execution Phase – Clarkson	\$60M	\$10.7M	\$50.1M
Total	\$77.1M	\$24.6M	\$64.9M

¹ Project Charter: Space Needs Program Phase 3 – Future@Work: <https://www.ieso.ca/-/media/Files/IESO/Document-Library/corporate/applications/project-charter-space-needs-program-phase-3.pdf>

CME INTERROGATORY 1

Issue 1.0 – Revenue Requirement, Operating Costs and Capital Spending

1-CME-1

INTERROGATORY

- Exhibit C, Tab 2, Schedule 1, p.1

Preamble:

The IESO indicates that it is committed to prudent cost management to support affordability, including the implementation of internal efficiencies. The IESO states that to support this objective, it has set a one per cent annual efficiency target over the business cycle, to be achieved through internal efficiencies including, but not limited to, leveraging Artificial Intelligence (AI), minimizing red tape and streamlining internal processes.

Question:

(a) Please explain how the IESO arrived at a one per cent annual efficiency target.

(b) Please explain in detail how the one per cent annual efficiency target will support cost management and affordability for ratepayers.

(c) What specific initiatives are the IESO currently undertaking or plan to undertake during the time covered by this application that the IESO believes will increase its internal efficiency. Please provide details and include the anticipated impact on efficiency of each measure.

(d) Please provide the IESO's view on whether this efficiency target should be incorporated into the regulatory scorecard. Why or why not?

RESPONSE

a) See response to 1-OEB Staff-2 c).

b) See response to 1-SEC-9.

1 c) See response to 1-SEC-3 b).

2 d) The IESO's view is that the Regulatory Scorecard should focus on outcomes that help
3 the OEB and stakeholders assess the reasonableness of the IESO's revenue requirement
4 and reflect the IESO's core functions, rather than internal management objectives.
5 Existing measures, such as variance from the OEB-approved revenue requirement and
6 Total Expenses/MWh, provide a more meaningful indication of efficiency and cost-
7 effectiveness.

8 The 1% efficiency commitment is an internal management target intended to drive
9 continuous improvement by identifying savings opportunities and mitigating costs. See
10 response to 1-OEB Staff-2 for more information.

11 As a newly introduced target, it has not yet established a performance history,
12 demonstrated consistent measurement over time, or been tested against changing
13 responsibilities and government-directed initiatives. Before considering its inclusion in
14 the Regulatory Scorecard, it would be prudent to assess over several years whether it
15 provides a meaningful, stable, and reliable indicator of efficiency.

CME INTERROGATORY 2

Issue 1.0 – Revenue Requirement, Operating Costs and Capital Spending

1-CME-2

INTERROGATORY

Reference:

- Exhibit D, Tab 1, Schedule 2, pp. 2-3

Preamble:

At page 3, Table 14, the IESO provides a summary of OM&A for M&R costs. The IESO states, "The 2026 budgeted costs of \$63.9 million are higher than 2025 actual results by \$4.7 million driven by additional resources to support market evolution operations and improve market efficiency through the Renewed Market. The 2027 and 2028 budgeted costs of \$74.4 million and \$77.5 million reflect annual increases of \$10.5 million and \$3.1 million respectively [...]"

Question:

Please explain and justify the year-over-year increase to OM&A expense for M&R, which represents an over 30% increase between 2025 and 2028, including the request for a \$10.5 million increase in 2027.

RESPONSE

The M&R budget includes 10.5 incremental FTEs in 2026, 5.5 incremental FTEs in 2027 and 3.0 incremental FTEs in 2028. These resources will support Enhanced Market Operations and the Renewed Market, including work arising from the Streamlining the Connection Process and DER Data Sharing report backs under the IEP Directives. These resources will support increasing volumes and complexity associated with processing new connection requests, including large loads, integrating new resources into processes, tools and systems, coordinating the integration of \$7 billion in new transmission infrastructure with other energy sources, and supporting the

1 integration of Distributed Energy Resources (DERs) and energy storage. These resources will
2 also support increasingly complex market operations, including the Day Ahead Market (DAM),
3 outage management, operational compliance, market and system dispatching improvements,
4 and the increased volume and complexity of settlement transactions associated with continued
5 market evolution, including the management of over \$25 billion of market settlements each
6 year.

7 In addition, Professional & Consulting and Contracted Services costs increase by approximately
8 \$4.0 million between 2026 and 2027. These resources provide specialized market design,
9 technical, engineering, project implementation, and contracted labour support to address the
10 increasing complexity of the IESO's operating environment, manage temporary resourcing
11 requirements, and support one-time activities that do not warrant permanent staffing.

CME INTERROGATORY 3

Issue 1.0 – Revenue Requirement, Operating Costs and Capital Spending

1-CME-3

INTERROGATORY

Reference:

- Exhibit D, Tab 1, Schedule 3, pp. 2-3

Preamble:

Tables 25 and 26 outline the Historic and Budgeted Average Number of Employees and Operating Compensation Expenses, respectively. For 2023, the IESO's average FTE count was 53 FTEs below the OEB-approved budget. For 2024, the IESO's average FTE count was 16 FTEs below the OEB-approved budget. Still, for those years, the IESO's compensation expenses were \$26.5 million and \$18.3 million higher than budget. Further, the 2025 actual operating compensation expense of \$193 million was \$38.5 million higher than the OEB approved budget. The IESO indicates that part of this over-budget compensation stems from the repeal of Bill 124 and "increased benefit utilization post-COVID".

Question:

a) Please indicate whether the IESO expects increased post-COVID benefit utilization to continue.

b) Please explain what the IESO has learned from these budget overages and whether the IESO has made changes to its forecasting to better predict and budget for compensation related changes.

RESPONSE

a) The Business Plan includes assumptions on benefit expenses that are based on historic trending information, plus estimated inflation increases. Therefore, the 2026-2028 Business

1 Plan assumptions include some expectation of increased usage post-COVID based on our
2 most recent experience.

- 3 b) Both COVID and the repeal of Bill 124 were extraordinary events therefore we have not
4 made changes to our forecast methodologies to account for these unique situations.
5 However, given that we experienced higher than anticipated vacancy rates in the first two
6 years of the 2023-2025 business planning period, we did adjust our planning process to
7 account for a phased in approach for incremental resources over the 2026-2028 period in
8 alignment with our actual experience. The 2023-2025 Business Plan assumed a vacancy rate
9 of 4% in each year of the plan while the 2026-2028 Business Plan assumes the vacancy will
10 be the highest in 2026 (7%) and decline to 6% in 2027 and 5% in 2028. Finally, given the
11 financial impact of cloud computing on the IESO's Business Plan, and the recent shifts in the
12 technological landscape, the organization is implementing new processes to strengthen its
13 ability to manage, monitor, and forecast both project-related and cloud driven operating
14 costs to support effective decision-making and financial stewardship.

CME INTERROGATORY 4

Issue 1.0 – Revenue Requirement, Operating Costs and Capital Spending

1-CME-4

INTERROGATORY

Reference:

- Exhibit D, Tab 2, Schedule 1, pp. 1-2

Preamble:

The IESO states that the interest expense on its OFA Note Payable and Credit Facility was higher than budgeted primarily due to higher than budgeted interest rates and credit facility usage.

Question:

(a) Please specify the quantum by which the actual interest expense was higher than the budgeted amount.

(b) Please explain why credit facility usage was higher than budgeted for the 2023-2025 fiscal years.

(c) Please state how the IESO is forecasting its credit usage to ensure that budgeted interest rates and credit facility usage are accurate for the 2026-2028 period.

RESPONSE

- a) See Exhibit D-2-1, page 1, Table 28: Net Interest Expense from 2023 to 2028 (\$ millions). For the Ontario Financing Authority Note Payable and Credit Facility, interest expense was \$2.9, \$7.2 and \$6.9 million higher than budget for 2023, 2024 and 2025, respectively.

1 b) The higher-than-budgeted utilization of the credit facility during the 2023–2025 fiscal
2 years was primarily driven by unanticipated cash flow pressures arising from costs
3 associated with the repeal of Bill 124, Powering Ontario’s Growth initiatives, and the
4 Backup Operating Centre project. These expenditures were not anticipated at the time
5 the budgets were developed and resulted in greater reliance on the credit facility to
6 support short-term liquidity requirements.

7 c) Budgeted interest rates are based on interest rate projections provided by major
8 Canadian banks.

9 To assess future liquidity requirements and estimate potential credit facility usage, the
10 IESO maintains a comprehensive three-year cash flow forecast model. The model
11 incorporates projected revenues and expenses from the Revenue Requirement
12 Submission (RRS), planned capital expenditures over the three-year forecast period,
13 anticipated changes in working capital balances, and pension plan contributions that are
14 expected to differ from pension expense recognized in the financial statements.

15 The resulting cash flow forecast is used to determine expected borrowing requirements
16 and estimate interest expense associated with the credit facility over the planning
17 horizon. The interest rate assumption is based on forecasts from Canada’s major banks.

CME INTERROGATORY 5

Issue 1.0 – Revenue Requirement, Operating Costs and Capital Spending

1-CME-5

INTERROGATORY

Reference:

- Exhibit E, Tab 2, Schedule 1, p. 6

Preamble:

The IESO indicates that in 2023 and 2025, there were strategic initiatives / projects included in its portfolio that had either a cost and/or schedule deviation.

Question:

- a) For the Clean Energy Credit Registry & Market initiative, please explain why the “last minute changes” to the process were unforeseen and outside of the control of the IESO.
- b) For initiatives where the “Lessons Learned” include requiring further external stakeholder consultation and/or stakeholder engagement, please explain why stakeholders were not sufficiently engaged and how the IESO plans to improve stakeholder engagement and/or consultation for strategic initiatives in the 2026-2028 period.

RESPONSE

- a) The Clean Energy Credit Registry & Market initiative (CEC project) was undertaken in response to a government directive, with the government determining the terms for how CECs would be sold in Ontario. During implementation, final decisions on the process related to the transfer of CECs and the ultimate recipient of sale were made resulting in the need of modifications to align the solution with the final program design and transaction process, contributing to a delay in project closure.

1 b) The lessons learned for this project identified the importance of additional stakeholder
2 engagement when implementing solutions outside the IESO's traditional business
3 functions. In this case, stakeholders included potential purchasers of CECs. Given the
4 government-directed implementation timeline and the requirement to make CECs
5 available for purchase within prescribed timelines, opportunities for continued
6 engagement following the procurement process were limited.

EDA INTERROGATORY 1

Issue 1.0: Revenue Requirement, Operating Costs and Capital Spending

1-EDA-1

INTERROGATORY

Reference:

- Exhibit A-2-1

Preamble:

The IESO states that enabling Ontario's energy transition will require the active participation of stakeholders, municipalities and Indigenous communities, and it that it seeks to bring together the many voices and perspectives that make up Ontario's electricity system. It does not mention the importance of the distribution sector. The IESO also states that it is committed to engaging with stakeholders. The engagement framework identifies municipalities, Indigenous communities and stakeholders as priority audiences.

Question(s):

- Please explain how the IESO currently engages with LDCs at the executive leadership level on strategic issues affecting electricity distribution and implementation of the energy transition.
- Please identify all formal executive-level forums, committees, or standing meetings through which the IESO engages directly with LDC leadership, including their purpose, frequency, and participating organizations.
- Please explain whether the IESO considers the existing executive-level engagement described in part (b) sufficient to support strategic coordination, implementation of sector priorities, and collaboration with Ontario's LDCs. If so, please explain the basis for that conclusion.

- 1 d) Please discuss whether the IESO considered establishing a dedicated LDC leadership
2 forum that meets at least twice annually. If such a forum was considered but not
3 pursued, please explain why.
- 4 e) If the IESO has not considered establishing such a forum, please explain why it does not
5 believe a semi-annual executive leadership forum with Ontario's LDCs would improve
6 coordination, implementation, and stakeholder engagement in support of Ontario's
7 energy transition.

8 **RESPONSE**

- 9 a) The IESO undertakes executive outreach with local distribution companies (LDCs) to
10 discuss strategic issues on a regular basis. Below are examples from YTD 2026:
- 11 • An IESO/LDC Executive Engagement was held on June 22, 2026, with over 20
12 LDC executives, representing LDCs from across the province and of different
13 sizes, to discuss key strategic issues that are facing the electricity sector. The
14 meeting also included a roundtable discussion on cross-cutting strategic
15 priorities.
 - 16 • Executive leadership speeches with LDC executive audiences:
 - 17 i. On January 21, 2026, IESO Executive Vice President Carla Y. Nell
18 participated in a Regulatory Panel Discussion at the Electricity Distributors
19 Association's (EDA) 2026 EDIST Conference
 - 20 ii. On March 23, 2026, IESO President and CEO Lesley Gallinger participated
21 in a fireside chat with Amanda Klein, President and CEO, Elexicon at
22 EDA's 2026 Enercom Conference
 - 23 • LDC Executives are members of several IESO committees as described in (b)
 - 24 • The IESO Executive and Senior Leadership Teams meet regularly with the
25 executive leadership from LDCs across the province
 - 26 • The IESO routinely hosts tours of the IESO Control Room for LDC Executives and
27 their Board members
 - 28 • The IESO has sponsored the LDC Innovation Award for several years recognizing
29 excellence among the province's LDCs in innovation leadership

1 b) LDCs are members of key IESO committees:

- 2 • Strategic Advisory Committee (SAC¹) - a forum for appointed representatives to
3 present timely policy advice and feedback on matters related to the IESO's
4 mandate directly to the IESO Board of Directors and Executive Leadership Team
5 on behalf of the electricity sector and their constituencies. In addition to regular
6 SAC meetings held throughout the year (five in 2026), additional engagement is
7 undertaken through SAC Working Groups. The SAC currently has members
8 representing distributors, notably:
- 9 i. Amanda Klein, President and CEO, Elexicon Energy, SAC Chair
10 ii. David Fell, President and CEO, Kingston Hydro and Utilities Kingston
- 11 • Technical Panel (TP)² - a forum for appointed representatives to provide advice
12 and recommendations directly to the IESO Board on market rule amendments to
13 ensure the rule language meets the final design intent of the proposed change.
14 Approximately 10 meetings per year.
- 15 i. The IESO is in the process of recruiting a new distributor representative
16 and is engaging directly with the sector, including with the EDA.
- 17 • Associations Liaison Group (ALG) - brings together representative stakeholder
18 and community organizations/associations to identify opportunities to support
19 important initiatives related to the sector's transformation. Membership includes
20 over 20 provincial and national associations, including electricity sector,
21 municipal and Indigenous, mining, gas, and chamber of commerce groups. The
22 EDA is an active participant in the ALG.

23 c) As outlined in (a) and (b), the IESO proactively initiates regular outreach with LDC
24 executives in a wide variety of formats including: dedicated IESO/LDC Executive
25 Engagement for IESO and LDC executives to discuss strategic issues; executive
26 speeches and networking at EDA and industry conferences; LDC participation on
27 multiple IESO executive-level committees meant for direct discussion between LDC

¹ <https://www.ieso.ca/Sector-Participants/Engagement-Initiatives/Strategic-Advisory-Committee/Membership>

² <https://www.ieso.ca/Sector-Participants/Engagement-Initiatives/Technical-Panel/Membership>

1 executives and the IESO Board and Executives; hosting of control room tours for LDC
2 executives and their Board members; and, one-on-one meetings with IESO executives
3 and senior leadership. This multi-faceted approach allows for a regular, diverse and
4 sustained dialogue between the IESO and LDC executives to support strategic
5 coordination, implementation of sector priorities, and collaboration with Ontario's LDCs.

6 d) At the June 22, 2026, IESO/LDC Executive Engagement described in a), the IESO shared
7 its intention to continue with a similar format for engagement with LDC executives on a
8 go forward basis. The IESO will engage directly with LDCs and the EDA as it seeks to
9 plan the next series of meetings, including discussing the appropriate cadence and
10 timing of such meetings.

11 e) See response to d).

EDA INTERROGATORY 2

Issue 1.0: Revenue Requirement, Operating Costs and Capital Spending

1-EDA-2

INTERROGATORY

Reference:

- Exhibit A-2-1

Preamble:

Question(s):

Does the IESO intend to establish a structured executive-level forum with Ontario distributors to coordinate the implementation of:

- the Integrated Energy Plan;
- distribution planning;
- electrification;
- ERP;
- DER integration;
- cyber security;
- sector modernization; and
- major implementation initiatives?

If yes, please provide a response. If not, why not?

RESPONSE

See response to 1-EDA-1 d).

EDA INTERROGATORY 3

Issue 1.0: Revenue Requirement, Operating Costs and Capital Spending

1-EDA-3

INTERROGATORY

Reference:

Exhibit A-2-1, p. 5-6

Preamble:

The IESO states that its engagement approach is intended to "collaborate to solve shared challenges and build enduring partnerships" and that the Strategic Advisory Committee, Associations Liaison Group, and Technical Panel support the transformation of Ontario's electricity sector.

Question(s):

- a) Please explain how the IESO has assessed whether the current level of LDC representation on the Strategic Advisory Committee, Associations Liaison Group, and Technical Panel is sufficient to reflect the expanding role of LDCs in enabling electrification, integrating distributed energy resources, supporting regional planning, and implementing Ontario's energy transition. Please identify the current LDC representation on each committee, including the organizations represented, appointment process, and selection criteria.
- b) Please provide any assessment, analysis, or stakeholder feedback the IESO has relied upon to determine whether the current level of LDC representation supports its objectives of collaborating to solve shared challenges, strengthening sector coordination, and implementing strategic initiatives. If no such assessment has been undertaken, please explain the basis for concluding that the current level of representation remains appropriate.

- 1 c) Please discuss whether additional executive-level participation by LDCs within the
2 Strategic Advisory Committee, Associations Liaison Group, and Technical Panel, or the
3 establishment of a semi-annual executive-level IESO–LDC Leadership Forum, would
4 further support the IESO's objectives of improving strategic coordination, strengthening
5 collaboration, and advancing implementation of Ontario's energy transition. If these
6 options have not been considered, please explain why.

7 **RESPONSE**

- 8 a) Refer to responses in Interrogatory 1-EDA-1 for a full description of LDC representation
9 across key IESO engagement committees and forums. In addition to these groups, LDCs
10 also participate in the IESO's formal engagements¹ sharing their feedback and
11 perspectives on initiatives shaping the electricity sector.

12 With regards to the appointment process and selection criteria, for the Strategic
13 Advisory Committee (SAC) and Technical Panel (TP), when vacancies exist, a call for
14 membership nominations is included in the IESO's weekly E-bulletin sent to over 4,000
15 subscribers. The IESO also leverages our relationship with the Electricity Distributors
16 Association (EDA) and the Ontario Energy Association (OEA) to solicit membership
17 recommendations and conducts targeted outreach to ensure appropriate committee
18 membership. Following the submission of applications, the IESO reviews the
19 qualifications of applicants, holds interviews with IESO executives who then make
20 recommendations to the IESO Board of Directors for appointments to committee
21 membership. For the Associations Liaison Group (ALG), membership is open to
22 associations involved in shaping Ontario's energy transition and associations select their
23 representative to the ALG.

- 24 b) There are currently two (2) local distribution company executive members on the SAC
25 with one acting as the Chair - serving as a leader and helping to direct the committee's
26 work. See response (b) of interrogatory 1-EDA-1 for membership details. SAC
27 membership is designed to bring together perspectives from a wide variety of

¹ <https://www.ieso.ca/Sector-Participants/Engagement-Initiatives/Engagements>

1 constituencies including electricity consumers, generators and storage, distributors and
2 transmitters, related energy businesses and services, and Ontario communities. Given
3 the breadth of perspectives sought from SAC, the membership is designed to provide a
4 balanced view of all constituencies from across the province.

5
6 The distributor representative position is currently vacant for the TP and as noted in the
7 TP meeting minutes from June 9, 2026, there is a continued search for a distributor
8 representative. Similar to SAC, given the breadth of perspectives sought from TP, the
9 membership is designed to provide a balanced view of all constituencies from across the
10 province.

11 c) SAC – refer to response (b)

12 TP – refer to response (b)

13 ALG – refer to response (a)

14 IESO-LDC Executive Leadership Meeting – refer to response (d) in interrogatory 1-EDA-
15 1.

16

17

EDA INTERROGATORY 4

Issue 1.0: Revenue Requirement, Operating Costs and Capital Spending

1-EDA-4

INTERROGATORY

Reference:

Exhibit A-1-5

Exhibit D-1-1

Preamble:

The IESO states that OM&A growth over the 2026-2028 period includes investments in enhancing cybersecurity.

Question(s):

Please explain how the IESO will partner with Ontario distributors to strengthen cybersecurity resilience during the 2026-2028 period. In the response:

- a) Please identify each planned cybersecurity engagement or information-sharing initiative, its objectives, implementation timeline, and the role of LDCs.
- b) Please explain how Ontario distributors have been, or will be, engaged in the development and implementation of these initiatives.
- c) Please identify any anticipated operational, staffing, technology, training, reporting, or financial impacts on distributors, including any estimated incremental costs or FTE requirements.
- d) Please explain how the IESO will coordinate with existing distributor cybersecurity programs to minimize duplication, administrative burden, and downstream implementation costs.

e) Please explain how the IESO will ensure cybersecurity initiatives complement, rather than duplicate, existing distributor cybersecurity programs and investments in the sector.

RESPONSE

a) The IESO will continue to provide cybersecurity products and services to LDCs and will evolve these offerings based on ongoing sector feedback. Planned enhancements currently under consideration include:

- More direct threat notifications;
- Development of additional cybersecurity playbooks to support sector preparedness and response; and
- New opportunities for cyber-related data collection, analysis, and information sharing.

The objective of these initiatives is to strengthen sector-wide situational awareness, improve cyber resilience, and enhance coordination across the electricity sector.

While no formal implementation timeline has been established, these enhancements are expected to be explored and, where appropriate, implemented during the business planning period.

LDCs will continue to play an important role through participation in Lighthouse activities, providing input and feedback to inform the ongoing development and refinement of cybersecurity products and services, and contributing to sector-wide information-sharing efforts.

b) Distributors have been engaged and are active contributors to the evolution and enhancement of the Lighthouse program. At regular intervals Lighthouse seeks feedback from distributors and/or their respective associations through roundtables and surveys.

1 c) There is no charge from the IESO for participation in Lighthouse programs and services.
2 Accordingly, the IESO has not developed estimates of incremental distributor costs or
3 FTE requirements associated with participation. Any costs incurred by distributors would
4 be determined by the distributor and would depend on its own operational, technology,
5 cybersecurity, and resourcing requirements.

6
7 d) The IESO will coordinate with distributors and industry associations and will consider
8 stakeholder feedback in the ongoing development of its cybersecurity programs and
9 services. This engagement will help identify opportunities to minimize duplication with
10 distributor programs, reduce administrative burden, and avoid unnecessary
11 implementation costs.

12
13 e) See answer d) Lighthouse is designed to complement, not replace or duplicate, existing
14 distributor cyber security programs and investments.

EDA INTERROGATORY 5

Issue 1.0: Revenue Requirement, Operating Costs and Capital Spending

1-EDA-5

INTERROGATORY

Reference:

Exhibit C-1-1, p.2

Exhibit A-1-5, p.4-5

Preamble:

The IESO states that it established a Prioritization Committee which is comprised of cross-functional leaders, to review and prioritize investments that form the basis of the IESO's three-year operating and capital budget. The IESO further states that the Committee was established in response to the OEB's recommendation to enhance its process for assessing and re-prioritizing work during the business planning cycle.

Question(s):

- a) Please describe the governance, mandate, membership, reporting structure, and decision-making authority of the Prioritization Committee.
- b) Please identify all members of the Prioritization Committee, including their titles and the organizations they represent.
- c) Please confirm whether the Prioritization Committee is comprised solely of IESO personnel. If not confirmed, please identify all external organizations represented.
- d) Please explain how the IESO ensures that the Prioritization Committee's prioritization decisions reflect the perspectives of Ontario's electricity sector, including Local Distribution Companies, municipalities, transmitters, generators, Indigenous communities, and other affected stakeholders.

- 1 e) Please provide the prioritization criteria used by the Committee and explain how
2 customer value, affordability and downstream implementation impacts are incorporated
3 into investment decisions.
- 4 f) Please discuss whether the IESO has considered including executive-level representation
5 from LDCs or other sector participants on the Prioritization Committee or establishing a
6 formal stakeholder advisory mechanism to provide input into the Committee's
7 prioritization decisions. If not, please explain why.
- 8 g) Please explain how the governance of the Prioritization Committee aligns with the IESO's
9 stated objective of collaborating with stakeholders to solve shared challenges and build
10 enduring partnerships.

11 **RESPONSE**

- 12 a) See 1- OEB Staff –1 part b)
- 13 b) See 1- OEB Staff –1 part b)
- 14 c) Yes, the Prioritization Committee is comprised solely of IESO personnel.
- 15 d) The Prioritization Committee members bring an enterprise-wide perspective to
16 incremental investment decision-making, collectively representing the full breadth of the
17 IESO's responsibilities. The Prioritization Committee is not intended to function as a
18 stakeholder representative body, it incorporates stakeholder considerations through the
19 business cases submitted for evaluation and through the expertise of the Committee
20 members, whose day-to day responsibilities, operational knowledge and cross-functional
21 expertise requires them to understand sector needs, policy priorities, operational
22 requirements, and stakeholder feedback to recommend prudent allocation of resources
23 aligned to current and emerging organizational, sector and strategic direction as
24 described in part a).

1 e) Each business unit was required to submit a business case documenting their need for
2 incremental investment and/or required project investment (i.e. capital). The business
3 case laid out key criteria including, but not limited, to identified operational efficiency
4 savings, cross functional enterprise impact, connection to strategy implementation,
5 strategic risks, operational risk, ratepayer value etc.

6 The Committee reviewed and challenged each business case, including the scope,
7 timing, and enterprise-wide impacts of proposed investments. Investments were
8 evaluated based on alignment with government direction, existing commitments,
9 operational requirements, sector needs, and expected benefits. The IESO also
10 considered associated resource requirements and ratepayer impacts as part of its overall
11 assessment.

12 f) The IESO has not considered including executive-level representatives from LDCs or
13 other sector participants as members of the Prioritization Committee. The Committee's
14 purpose is to evaluate and prioritize internal IESO incremental investment requests and
15 make recommendations to the Executive Leadership Team regarding investments for
16 inclusion in the Business Plan. As such, membership is comprised of IESO senior leaders
17 who are accountable for delivering the IESO's statutory mandate, managing
18 organizational resources, and assessing investments with an enterprise lens approach.
19 Stakeholder perspectives are incorporated into IESO decision-making through extensive
20 engagement activities and established advisory forums, including the Strategic Advisory
21 Committee, Associations Liaison Group, direct executive engagement with LDCs, and
22 broader stakeholder consultations. These mechanisms provide input into the
23 development of IESO priorities, initiatives, and business cases that may be considered
24 through the business planning and prioritization process.

25 See response to Interrogatory 1-EDA-1(b) for additional details on LDC participation.

26 g) As described in response f) above, the IESO's various engagement forums offer
27 opportunities to gather stakeholder input for consideration in the development of IESO
28 priorities, initiatives, and business cases that may be considered through the business
29 planning and prioritization process described in response a).

EDA INTERROGATORY 6

Issue 1.0: Revenue Requirement, Operating Costs and Capital Spending

1-EDA-6

INTERROGATORY

Reference:

Exhibit A-2-2

Exhibit A-1-5

Preamble:

The IESO's electricity demand, resource adequacy and long-term planning forecasts are relied upon by the sector, including LDCs to support distribution system planning, customer connection planning, capital investment decisions, distributed energy resource integration, and implementation of Ontario's energy transition. These forecasts also inform broader sector investment and policy decisions.

Question(s):

- a) Please explain how the IESO measures the accuracy of its electricity demand, peak demand, resource adequacy and long-term planning forecasts, including the methodologies, performance metrics, governance processes and forecast-to-actual analyses used.
- b) Please provide the forecast-to-actual results for each of the IESO's major forecasting activities for each of the last ten years, including all supporting calculations and an explanation of any material variances.
- c) Please identify all forecast accuracy measures, targets, tolerances, key performance indicators, scorecards or other performance measures that are reported to the IESO's Board of Directors or Executive Leadership.

- 1 d) Please explain how the IESO evaluates the downstream impacts of forecast variances on
2 the energy sector, including impacts on:
- 3 i. Capital Investment Planning;
 - 4 ii. customer connection planning;
 - 5 iii. distributed energy resource integration;
 - 6 iv. staffing and resource planning; and
 - 7 v. customer costs.

8 **RESPONSE**

9 a) The IESO incorporates learnings from historical demand outcomes into its forecasting
10 processes through ongoing review and analysis of actual electricity demand. Historical demand
11 data, including both observed and weather-normalized demand, are examined to calibrate and
12 refine baseline forecasting models, ensuring they remain relevant and reflective of current
13 conditions. Any changes in demand trends or key drivers identified through this review are
14 incorporated into subsequent forecast updates.

15 The IESO's long-term forecasts are developed using established forecasting methodologies. The
16 long-term Annual Planning Outlook (APO) forecast builds on the Reliability Outlook forecast,
17 which is based on an econometric demand model trained using several years of historical
18 demand and economic data. This provides a foundation that is informed by recent observed
19 trends while maintaining a focus on future system needs and evolving market conditions.

20 While the IESO reviews historical demand outcomes and incorporates those learnings into
21 future forecast updates, it does not maintain formal forecast accuracy performance metrics or
22 systematic forecast-to-actual analyses for its long-term electricity demand forecasts. Given the
23 long-term nature of these forecasts, they are subject to uncertainty as economic conditions,
24 policy environments, technology adoption, and customer behaviours evolve over time. As a
25 result, the IESO's approach is focused on regularly updating forecasts and underlying
26 assumptions as new information becomes available to support resource adequacy assessments
27 and long-term electricity system planning.

- 1 b) See Exhibit H-1-EDA 6 Attachment 1 – Forecast & Actuals
- 2 c) There are no IESO Board of Director or Executive Leadership reported long-term demand
- 3 forecast accuracy measures, targets, tolerances, key performance indicators, scorecards or
- 4 other performance measures; see response to a).
- 5 d) The IESO does not evaluate the downstream impacts of forecast variances on the energy
- 6 sector.
- 7 The IESO's iterative planning and resource acquisition cycles, which are purposefully designed
- 8 for flexibility, help manage forecast variances by providing the ability to adapt to fluctuations in
- 9 demand and to develop actions that are reflective of needs. The updated forecasts and
- 10 reliability needs are then published in the Annual Planning Outlook.

EDA INTERROGATORY 7

Issue 1.0: Revenue Requirement, Operating Costs and Capital Spending

1-EDA-7

INTERROGATORY

Reference:

Exhibit A-2-2

Exhibit G-2-1

Exhibit B-1-2

Preamble:

The IESO states that one of its strategic objectives is to support a reliable, affordable and sustainable electricity system. Affordability is also identified as a foundational principle of Ontario's Integrated Energy Plan. The IESO's proposed Corporate Performance Measures and Regulatory Scorecard include operational and financial performance metrics; however, it does not appear to include standardized productivity or customer-value measures that would allow stakeholders to assess whether increases in operating costs and staffing levels are delivering value for Ontario electricity customers.

By comparison, electricity distributors are routinely required to provide information that enables the OEB to assess productivity and value for money, including employee cost schedules, FTE information, and metrics such as cost per customer through RRR reporting and Chapter 2 Filing Requirements for Rate Applications.

Question(s):

- a) Please explain why the IESO's Corporate Performance Measures and Regulatory Scorecard do not include productivity, affordability, customer value or other efficiency metrics that would enable stakeholders to assess whether increases in the IESO's

revenue requirement, staffing complement and operating costs are delivering measurable benefits to Ontario electricity customers.

- b) Please complete Appendix 2-L (Recoverable OM&A Cost per Customer and per FTE) for each year from 2023 through 2028. In addition, please supplement the filed Appendix 2-K, where necessary, to present the employee cost information in the same format required of Ontario electricity distributors for the years 2023 through 2028 below.

Table 2-L – Recoverable OM&A Cost per Customer and per FTE

Appendix 2-L	2023 Actual	2024 Actual	2025 Actual	2026 Forecast	2027 Forecast	2028 Forecast
O&M Costs						
Administrative Expenses						
Total Recoverable OM&A						
Number of Customers						
Number of FTEs						
Customers per FTE						
O&M Cost per Customer						
Administrative Cost per Customer						
Total OM&A Cost per Customer						
O&M Cost per FTE						
Administrative Cost per FTE						
Total OM&A Cost per FTE						

Table 2-K – Employee Costs

Appendix 2-K	2023 Actual	2024 Actual	2025 Actual	2026 Forecast	2027 Forecast	2028 Forecast
Number of Employees (FTEs including Part-Time)						
Management (including executive)						
Non-Management (union and non-union)						
Total FTEs						
Salaries and Wages						
Pension Costs						
Other Benefits						
Incentive Compensation						
Other Employee Costs						
Total Employee Costs						

1

2 **RESPONSE**

3 a) The IESO's Corporate Performance Measures and Regulatory Scorecard are designed to
4 reflect the IESO's unique role as a public-sector agency. The measures were specifically
5 developed to assess performance against the IESO's strategic objectives, statutory
6 responsibilities, and the activities funded through its usage fees. The IESO's Corporate
7 Performance Measures, as described in Exhibit A-2-2 and Attachments, support the
8 monitoring of performance towards strategic objectives and priorities set out in the
9 IESO's 2026-2028 Business Plan. The measures consider five critical dimensions:
10 strategy, operations, customer experience, finance and employees. The IESO's
11 Regulatory Scorecard, consistent with the recommendations of the independent
12 Elenchus review filed in EB-2017-0150, focuses on outcomes that are relevant to the

IESO's responsibilities and for which the IESO can reasonably be held accountable. The Regulatory Scorecard includes measures such as variance from approved budgets, planning outcomes, conservation results, operational effectiveness, and other indicators that enable stakeholders to assess whether the IESO is delivering its mandate effectively and efficiently. Both the Corporate Performance Measures and Regulatory Scorecard are periodically reviewed and updated to ensure they remain aligned with the IESO's evolving responsibilities and strategic priorities.

- b) The IESO is not comparable in its role to distributors, it performs a unique province-wide system operation, market administration, planning, procurement and reliability role, the IESO does not have a specific count of customers therefore Table 2-L is not applicable to the IESO.

Appendix 2-K	2023 Actual	2024 Actual	2025 Actual	2026 Forecast	2027 Forecast	2028 Forecast
Management (including executive)	159	179	187	192	192	193
Non- Management (union and non- union)	702	753	814	807	851	875
Average Number of FTEs¹	861	932	1001	999	1043	1068
Salaries and Wages	114.8	129.2	149.6	157.3	172.4	183.8
Pension Costs ²	10.8	10.8	11.2	15.8	13.2	13.6
Other Benefits	38.0	26.0	32.0	35.0	37.1	40.6
Incentive Compensation	\$0.2	\$0.2	\$0.2	\$0.2	\$0.2	\$0.2
Other Employee Costs ³						
Total Employee Costs¹	163.8	166.2	193.0	208.3	222.9	238.2

¹While FTE are total core operating and capital FTE, employee costs are core operating costs only as aligned with our operating business plan.

²Pension costs in this table are for Pension only, while other tables/responses may include Pension and Other Post Employment Benefits (OPEB) combined. OPEB is reflected in "Other Benefits" in this response. Further effective January 1, 2011, the IESO adopted Canadian PSAS with a transition date of January 1, 2010. The adoption of PSAS was accounted for by retroactive application with restatement of prior periods subject to the requirements in Section PS 2125, First-time Adoption by Government Organizations. The annual amount recovered is transferred from the Regulatory Deferral Account to the PSAS Transition Item accumulated deficit each year. This is included in the above.

³The IESO does not have other employee costs. As such, no amounts are reported under these categories for any of the years presented.

EDA INTERROGATORY 8

Issue 1.0: Revenue Requirement, Operating Costs and Capital Spending

1-EDA-8

INTERROGATORY

Reference:

Exhibit A-1-5, p.2

Exhibit B-1-2

Preamble:

The IESO states that it has "a demonstrated track record of delivering cost savings to ratepayers through market efficiencies and procurement activities" and that "actions taken to date will equate to more than \$1 billion in savings over the next decade."

Question(s):

- a) Please identify each initiative included in the projected \$1 billion in savings and provide the forecast savings attributable to each initiative by year.
- b) For each initiative, please provide the methodology, assumptions, baseline, and calculations used to estimate the savings, including whether the savings represent cost reductions, avoided costs, procurement efficiencies, or other benefits.
- c) Please indicate whether the savings are forecast or realized, whether they are expressed in nominal or present-value dollars, and identify the period over which they will be achieved.
- d) Please explain how the IESO will measure, monitor, and publicly report progress toward achieving the projected \$1 billion in savings, including the performance metrics and reporting frequency.
- e) Please provide any internal business cases, analyses, Board materials, or supporting documentation relied upon in developing the estimate of more than \$1 billion in savings.

RESPONSE

a) While the IESO does not directly generate revenue for the province, it has a demonstrated track record of delivering value through the processes it administers, including competitive procurements, contract negotiations, and other IESO-led initiatives. The examples below illustrate some of the value streams expected to benefit the electricity system and ratepayers over the next 10 years and are not intended to be exhaustive.

Initiatives	Savings	Description
Small Hydro Program (SHP)	\$250M (2030-2043)	The IESO will re-secure existing hydroelectric resources under new contract terms. Savings are calculated by comparing the cost to ratepayers of maintaining eligible resources under their previous contracts vs under the SHP or NHP contracts. Savings are forecasted.
Northern Hydro Program (NHP)	\$150M per year (2030-2050)	
Medium-Term 2 Procurement	\$239M (2026-2034)	The IESO re-secured existing resources under new contract terms. Savings are calculated by comparing the cost to ratepayers of maintaining eligible resources under their previous contracts vs under the new Medium-Term 2 contracts. Savings are forecasted.
Market Renewal	\$700M (2025-2035)	Implemented a more efficient electricity market with the figured determined from our Market Renewal Energy Stream Business Case

b) See response to a)

c) See response to a)

d) This is not a Business Plan performance metric and is not intended for ongoing reporting. Rather, it provides a high-level estimate of the expected benefits associated with various IESO initiatives.

- 1 e) As noted in part (d), this is not a reported performance metric and is not intended for
- 2 ongoing reporting. The estimate reflects an assessment of the expected benefits associated
- 3 with various IESO initiatives.

EDA INTERROGATORY 9

Issue 1.0: Revenue Requirement, Operating Costs and Capital Spending

1-EDA-9

INTERROGATORY

Reference:

Exhibit D-1-2

Exhibit D-1-3

Exhibit G-1-1, Attachment 11

Preamble:

Question(s):

- a) The application states that the 2026 budget reflects operating at "historical and approved headcount levels," but it does not provide the number of approved and actual MACD FTEs for each year. Please provide the number of approved and actual MACD FTEs for each year from 2023 through the forecast years 2026-2028.
- b) The application provides total MACD OM&A by year (e.g., 2025 actual, 2026-2028 budgets) but does not break the budget into labour, consulting, IT, legal or other cost categories. Please provide the OM&A budget for MACD for each year from 2023 through 2028, identifying labour, consulting, information technology, legal and all other material cost categories.
- c) The application says the 2026 budget reflects operating at historical and approved headcount levels, suggesting no net increase, but it never explicitly identifies FTE changes or responsibilities. This question remains useful because it forces the IESO to reconcile that statement. Please identify all incremental FTEs and OM&A funding requested for MACD in the 2026-2028 Revenue Requirement Application and describe the responsibilities associated with each incremental position.

- d) Please explain the specific evidence demonstrating that additional MACD resources are required. In the response, please provide:
- i. annual investigations commenced and completed;
 - ii. annual audits completed;
 - iii. annual enforcement orders, negotiated settlements and notices issued;
 - iv. average investigation timelines; and
 - v. any performance indicators used by the IESO to assess MACD effectiveness.
- e) The EDA notes that publicly reported enforcement activity has remained relatively low and declined for many years, and questions whether the IESO has demonstrated an “enforcement gap”. Please explain why additional MACD resources are required where the existing compliance and enforcement program appears to be operating effectively at current staffing levels.
- f) Please quantify the expected operational improvements, efficiencies, service-level improvements, or risk reductions associated with the requested incremental MACD resources and explain how the IESO intends to measure whether those benefits have been achieved over the 2026-2028 period.

RESPONSE

a) Table 1: Market Assessment and Compliance Division Average FTE

Average FTE	2023 Budget	2023 Actual	2024 Budget	2024 Actual	2025 Budget	2025 Actual	2026 Budget	2027 Budget	2028 Budget
Market Assessment and Compliance Division	7	6	7	7	14	8	14	14	14

b) **Table 2: Market Assessment and Compliance OM&A Breakdown**

(\$million)	2023 Budget	2023 Actual	2024 Budget	2024 Actual	2025 Budget	2025 Actual	2026 Budget	2027 Budget	2028 Budget
Market Assessment and Compliance	2.4	2.2	2.5	2.2	3.7	3.6	4.5	4.8	4.9
Compensation & Benefits	1.4	1.4	1.5	1.3	2.7	1.6	3.1	3.3	3.5
Professional & Consulting	0.2	-	0.2	-	0.2	1.1	0.6	0.6	0.6
Regulatory Fee	0.7	0.7	0.7	0.8	0.7	0.9	0.8	0.8	0.8
Other OM&A	0.1	0.1	0.1	0.1	0.1	0.0	-	0.1	-

c) There are no incremental FTEs or OM&A funding requested for the Market Assessment and Compliance Division (MACD) in the 2026-2028 Revenue Requirement Application. In the previously approved 2023-2025 business plan, MACD had planned for incremental costs and resources associated with the transfer as of May 1, 2025 of the Market Power Mitigation (MPM) framework administration following the MRP implementation (as explained in response to EDA Issue 1.0 Interrogatory #3 filed June 15, 2023 EB-2022-0318 Exhibit H Tab 1.0 Schedule 6.03 – EDA 3 Page 3 of 4, and in response to EP Interrogatory #4 filed June 15, 2023 EB-2022-0318 Exhibit H Tab 1.0 Schedule 7.04 – EP 4 Page 1 of 1)

In 2025, actual compensation and benefits were lower than planned in the previous budget primarily due to vacancies in the Market Assessment Unit (MAU). The staffing of these MAU positions was planned in the 2026-2028 business plan to be completed gradually by Q1 2026; therefore, the increase in compensation and benefits from 2025 actuals to 2026 budget reflects the fulfilment of these vacancies. The work of the MAU is in support of the OEB's Market Surveillance Panel, as a standing obligation codified in the 2005 IESO-OEB Protocol.

d) No additional MACD resources are requested (see answer (c) above). The information contained in the IESO's fee-funded financial statements does not include resources

1 supporting MACD's enforcement work, but rather reflects work of the MAU and the work
2 of the MPM team (see response to question (c) and EP Issue 4.0 Interrogatory #12 of
3 the 2023-2025 RRS filed June 15, 2023 EB-2022-0318 Exhibit H Tab 4.0 Schedule 7.12 –
4 EP 12 Page 1 of 2).

5 e) See response to question (c).

6 Enforcement activities for 2026-2028 are funded through a separate Market Rule-
7 prescribed Adjustment Account - where payments related to penalties, damages fines
8 and payment adjustments arising from resolved settlement disputes are received and
9 used to reimburse the IESO for associated costs.

10 f) See response to question (c).

EDA INTERROGATORY 10

Issue 1.0: Revenue Requirement, Operating Costs and Capital Spending

1-EDA-10

INTERROGATORY

Reference:

Exhibit G-1-1, Attachment 11

Exhibit D-1-2

Preamble:

Question(s):

- a) The Internal Audit Report identifies recommendations related to MACD case management and controls over access to enforcement information. Please provide the implementation status of each recommendation and identify any that remain outstanding.
- b) Please confirm whether MACD investigative files and enforcement information are accessible only by MACD personnel. If not, identify:
 - i. the IESO business units with access;
 - ii. the nature and purpose of that access; and
 - iii. the controls used to preserve MACD's independence.
- c) Please describe the governance and information-sharing protocols between MACD and the Lighthouse cybersecurity program.

RESPONSE

The IESO is not seeking funding for the MACD enforcement function in this revenue requirement submission and therefore views these questions as being outside of the scope of this proceeding. Nevertheless, the IESO is prepared to confirm the following:

- 1 a) MACD received approval to initiate the project to procure an Enforcement Case
2 Management Tool to address, among other things, the first audit recommendation and is
3 currently in the planning phase of the project lifecycle. The second recommendation has
4 been completed as indicated in evidence filed April 22, 2026, EB-2026-0142 Exhibit G Tab 1
5 Schedule 1 Attachment 11 Page 10 of 51.
- 6 b) MACD files and enforcement information are separate from the rest of the IESO. MACD
7 is supported by various service groups within the IESO (e.g., Facilities, IT, etc.), so access is
8 exercised as needed to provide their services.
- 9 c) There is no information sharing between MACD and the Lighthouse cybersecurity
10 program at this time.
11

EDA INTERROGATORY 14

Issue 1.0: Revenue Requirement, Operating Costs and Capital Spending

1-EDA-14

INTERROGATORY

Reference:

Exhibit G-1-1, Attachment 7

Preamble:

Question(s):

- a) LECL recommends that, over the longer term, the IESO consider using Activity-Based Costing ("ABC") for certain shared costs, such as information technology, subject to an appropriate cost-benefit analysis. Please advise whether the IESO has undertaken, or intends to undertake, such a cost-benefit analysis.
- b) If yes, please provide:
 - i. the scope and status of the review;
 - ii. the anticipated implementation timeline;
 - iii. the categories of costs being evaluated for ABC treatment; and
 - iv. the expected impact on cost causation, transparency, and the allocation of costs between domestic and export customers.
- c) If no, please explain why the IESO has not pursued LECL's recommendation and whether it intends to continue relying on its current allocation methodology for the foreseeable future.

RESPONSE

- a) See 1 – STAFF –3, 5.1 SEC – 25 and Exhibit G-1-1 Attachment 1 for further details.
- b) See response to a)
- c) See response to a)

EDA INTERROGATORY 15

Issue 1.0: Revenue Requirement, Operating Costs and Capital Spending

1-EDA-15

INTERROGATORY

Reference:

Exhibit F-1-1

Exhibit A-1-5

Preamble:

Question(s):

The OEB previously approved an operating reserve of \$10 million and did not approve the IESO's request for a \$15 million reserve in its last multi-year application. Please explain what new evidence justifies increasing the operating reserve directly from \$10 million to \$30 million, and demonstrate why such a significant increase is prudent, reasonable, and in the best interests of Ontario ratepayers. In the response, provide the quantitative analysis, risk assessment and alternatives considered in determining that \$30 million represents the minimum prudent reserve.

The IESO proposes to increase the operating reserve in the Forecast Variance Deferral Account ("FVDA") from \$10 million to \$30 million. The application states that recent deficits were driven in part by the repeal of Bill 124 and other extraordinary cost pressures, while those higher costs have also been incorporated into the proposed revenue requirement.

Please explain why it is reasonable to both permanently increase the revenue requirement to reflect these costs and triple the operating reserve. In the response, please:

- i) identify which risks supporting the \$30 million reserve are recurring rather than one-time;

- 1 ii) explain why a threefold increase in the operating reserve is justified where Bill 124
2 was a one time event; and
3 iii) provide the analysis demonstrating why lower reserve levels (e.g., \$15 million or \$20
4 million) would be insufficient.

5 **RESPONSE**

- 6 i) The operating reserve is used to manage unforeseen events, such as new changes
7 in financial markets (i.e. interest rates, discount rates etc.), government directives
8 and legislative changes that could not reasonably have been anticipated or
9 mitigated. Our experience during the 2023-2025 business plan demonstrated that a
10 \$10 million reserve was insufficient over a three-year planning horizon. This change
11 reflects our response to that outcome and strengthens our ability to manage
12 unforeseen events. The Business Plan incorporates the investments required to
13 implement known government directives, however given the rapid pace of change
14 there is a risk that new and emerging priorities will be identified that require
15 additional investments beyond what has already been contemplated. Further, their
16 remains volatility in geopolitical environments, which has an impact on other
17 economic factors such as tariffs, interest rates, foreign exchange and market
18 returns. This uncertainty underscores the need for enhanced financial flexibility so
19 the IESO can swiftly and effectively respond to emerging policy requirements, sector
20 growth and geopolitical shifts while providing rate stability for Ontarians.

- 21
22 ii) See Interrogatory 4- STAFF -1 a)
23

- 24 iii) See Interrogatory 4 -STAFF –1 a).

EDA INTERROGATORY 16

Issue 1.0: Revenue Requirement, Operating Costs and Capital Spending

1-EDA-16

INTERROGATORY

Reference:

Exhibit G-1-1, Attachment 12

Exhibit D-1-2

Exhibit D 1-2, Attachment 1

Exhibit D-1-3, Attachment 1

Preamble:

Question(s):

a) Please identify all Full-Time Equivalents (FTEs), employee costs, consulting costs and other OM&A expenditures previously assigned to the Market Renewal Program (MRP) that have been transferred to ongoing operations following MRP implementation.

b) For each transferred resource, please identify:

i. the originating MRP function or work program;

ii. the receiving business unit, division or department;

iii. the year in which the transfer occurred;

iv. the associated annual FTEs and OM&A costs transferred; and

v. whether the transferred work represents:

c) continuation of existing MRP responsibilities,

d) new ongoing operational responsibilities, or

e) new activities not previously performed under the MRP.

f) Please identify all new business units, divisions or organizational functions established since approval of the previous Revenue Requirement Application, indicating whether each was created, in whole or in part, using former MRP resources.

1 g) Please provide the following summary:

Receiving Business Unit / Division	MRP Function Transferred	Transfer Year	FTEs Transferred	Annual Cost (\$000)	New Division Created (Y/N)	Description of Ongoing Responsibilities
Total						

2

3 h) Please reconcile the total transferred FTEs and costs identified above to:

- 4 • Attachment 12 (Market Renewal Program Full Time Equivalents);
- 5 • Appendix 2-JC (OM&A Business Unit Table); and
- 6 • Appendix 2-K (Employee Costs),

7 showing how former MRP resources have been reflected in the 2026-2028 Revenue

8 Requirement.

9 **RESPONSE**

10 a) Shown for areas where there were incremental FTEs compared to 2025, transferred upon

11 the conclusion of MRP.

Resource Category	2025 FTEs	Description	Associated Costs
Information Technology	10	Existing core-project IT staff temporarily assigned to MRP and reabsorbed into core business (to support new projects) following MRP completion.	\$2.1M Annual Cost
Market Readiness & Customer Experience	2	Resources retained following go-live to support operation and sustainment of the renewed market.	\$0.5M Annual cost
Total	12		\$2.6M Annual Cost

1
2
3 b)

Originating MRP function or work program	Receiving Business Unit and Division	Year of Transfer	Associated Costs	Classification of work
Solution Delivery & Commissioning – Design & Development 10 FTEs	Information Technology & Services - Business Solutions and Service Delivery	2025	\$2.1M Annual Cost	Ongoing operational responsibilities: Resources have returned to supporting the IESO's broader technology portfolio and are focused on addressing accumulated IT debt, maintaining critical infrastructure, enhancing cyber security, and delivering strategic technology projects identified in the 2026-2028 Business Plan. Current priorities include the Network Security Upgrade, Network Upgrade Program, Wallboard Video Wall Display Project, DDMS and MPIS Project, ERP, ADCS and MFT Replacement initiatives, and SCADA/EMS and PSS upgrades.

Market Renewal Operations – Outreach and Strategy 2 FTEs	Market, Settlements and Sector Development - Market Readiness & Customer Experience)	2025	\$0.5M Annual Cost	New ongoing operational responsibilities: Supports market participant readiness, training/education, communications, stakeholder engagement, customer inquiries, customer issues and challenges, customer experience, and continuous review and refinement of tools and processes to support the effective transition to steady state operations in the renewed market and as the market continues to evolve.
---	--	------	-----------------------	---

1

2 f)

New Division Created	Former MRP Resources Utilized
Partnerships, Research and Sustainability	No
Future At Work	No
Market, Settlements and Sector Development (comprised of 3 existing divisions and one new division – Market Readiness & Customer Experience)	Yes - 2 Former MRP Resources

3

4

1 g)

Receiving Business Unit / Division	MRP Function Transferred	Transfer Year	FTEs Transferred	Annual Cost (\$000)	New Division Created (Y/N)	Description of Ongoing Responsibilities
Markets & Reliability - Market, Settlements and Sector Development	Market Participant Readiness, Training & Stakeholder Engagement	2025	2	\$0.5M	Y	Supports market participant readiness, training/education, communications, stakeholder engagement, customer inquiries, customer issues and challenges, customer experience, and continuous review and refinement of tools and processes to support the effective transition to steady state operations in the renewed market and as the market continues to evolve.

2

3

4 h) **Attachment 12:** reports 29 regular MRP FTEs in 2025. Upon completion of MRP activities,
5 12 of these resources were transferred to ongoing business units, consisting of 10 FTEs
6 transferred to Information Technology Services and 2 FTEs transferred to Market, Settlements
7 and Sector Development.

8 The transferred FTEs and associated costs are reflected in the 2026-2028 Revenue Requirement
9 through the receiving business units identified below. The reconciliation to Appendix 2-JC
10 (OM&A Business Unit Table) and Appendix 2-K (Employee Costs) is below:

11

12

Appendix 2-JC Reference	Appendix 2-K Reference	FTEs Transferred	2026 Employee Costs	2027 Employee Costs	2028 Employee Costs
Markets & Reliability – Market, Settlements & Sector Development	Management	2	\$0.5M	\$0.5M	\$0.6M
Information & Technology Services – Business Solutions and Service Delivery	Non – Management Regular	10	\$2.1M	\$2.2M	\$2.3M
Total		12	\$2.6M	\$2.7M	\$2.9M

1

2

EDA INTERROGATORY 17

Issue 1.0: Revenue Requirement, Operating Costs and Capital Spending

1-EDA-17

INTERROGATORY

Reference:

Exhibit E-2-1

Exhibit D-1-2

Exhibit D-1-3

Exhibit B-1-2

Preamble:

The IESO's 2026-2028 Business Plan includes significant investments in the Enabling Resources Program (ERP) to support Ontario's energy transition. As LDCs will play a key role in implementing ERP initiatives, an understanding of the IESO's organizational resource allocation is necessary to assess downstream implementation impacts and enable LDC resource planning.

Question(s):

161. Please provide, for each year from 2023 through 2028, the operating budget, capital budget, FTE complement, consulting expenditures, and other material costs attributable to ERP, by IESO business unit and division.

19a) Please identify the IESO business units and divisions responsible for delivering ERP initiatives and describe the responsibilities assigned to each.

21b) Please identify all FTEs and funding reallocated to ERP from other IESO business units or divisions since 2023, identifying the originating business unit/division, receiving business unit/division, and the associated operating and capital budget transfers.

24c) Please explain how the IESO has assessed the downstream staffing, operational, information technology, training, and financial resource requirements that ERP implementation is expected to impose on Ontario LDCs, and how the IESO's ERP resource planning supports coordination with distributors to enable implementation.

RESPONSE

11) 1. See Table 1 below.

22) Table 1 – ERP Budget submitted in the 2023-2025 and 2026-2028 Business Plans

ERP	2023 Budget (\$M)	2024 Budget (\$M)	2025 Budget (\$M)	2026 Budget (\$M)	2027 Budget (\$M)	2028 Budget (\$M)
CAPEX	0.3	0.6	3.3	9.7	8.6	11.4
OPEX	0.8	0.9	0.9	-	-	3.1

3

4 The Enabling Resources Program (ERP) is a Capital Project with an assigned capital and
5 operating budget as shown above, these amounts correspond to those submitted in the
6 respective 3-year Business Plans; expenditures are tracked at the project level therefore the
7 information cannot be presented by business unit and division as requested.

8 Consulting dollars are not a separate expense type and would be accounted for within either
9 the operating or capital budget depending on the appropriate accounting treatment for the cost.

10 There are no other material costs attributable to ERP to report. The project budget in 2026-
11 2028 is net of Natural Resources Canada funding (NRCan) and OPEX represents the incremental
12 cost to the IESO.

13 There were no incremental resources included in the 2023-2025 Business Plan as the project
14 was in early planning stages. The 2026-2028 project budget does not include an allocation for
15 incremental FTE as these resources are fully funded by external funding. For reference
16 purposes, ERP budgeted for an average of 22.5 direct resource FTEs, who are budgeted to be
17 fully dedicated to the project. These resources reside within the ERP division of the Markets &
18 Reliability business unit. Subject matter experts from other business units are involved in the
19 project in various capacities, representing their respective divisions, as part of their regular
20 duties.

21 a) ERP is a Division within the Markets & Reliability business unit responsible for delivering ERP
22 initiatives. See Interrogatory 3-EP-11-part a) and c) for further details. Other business units
23 supporting the ERP project as part of their regular duties include: Information and

1 Technology Services, Corporate Services, Legal Resources and Corporate Governance,
2 Corporate Relations, Engagement and Strategy. Information & Technology Services support
3 solution design, development, and quality assurance. Corporate Services provide project
4 management, business analysis, change management, procurement, and financial services
5 support. Legal Resources and Corporate Governance lead development of market rule
6 amendments. Corporate Relations, Engagement and Strategy facilitate sector engagement.
7 Subject matter experts from across the IESO are contributing technical input into the design
8 and implementation of ERP initiatives, where relevant.
9

10 b) There is no reallocation of FTEs or budget from one Business Unit to another.
11

12 c) The IESO has not completed an assessment of the resource, operational or financial impacts
13 of ERP on Ontario's electricity distributors. ERP has undertaken extensive engagement with
14 LDCs of all sizes through targeted outreach, public engagements, site visits to control
15 rooms, and bilateral discussions with individual distributors. These activities support ERP's
16 implementation and transition planning, particularly for the Data Sharing and Transmission-
17 Distribution Coordination workstreams, and help ensure coordination with distributors as
18 implementation progresses. ERP's public engagement schedule including past and future
19 engagements for ERP workstreams can be found here: [https://ieso.ca/Sector-](https://ieso.ca/Sector-Participants/Engagement-Initiatives/Engagements/Enabling-Resources-Program)
20 [Participants/Engagement-Initiatives/Engagements/Enabling-Resources-Program](https://ieso.ca/Sector-Participants/Engagement-Initiatives/Engagements/Enabling-Resources-Program)
21

EDA INTERROGATORY 18

Issue 1.0: Revenue Requirement, Operating Costs and Capital Spending

1-EDA-18

INTERROGATORY

Reference:

Exhibit A-1-5

Exhibit B-1-2

Preamble:

The IESO states that implementation of Ontario's Integrated Energy Plan (IEP) will require expanded planning, coordination and implementation activities across the electricity sector, including LDCs. The Application requests additional staffing and funding to support these responsibilities.

Question(s):

- a) Please explain whether the IESO has assessed the resource, operational and financial impacts of the Integrated Energy Plan on Ontario's LDCs.
- b) If such an assessment has been completed, please provide the assessment, including:
 - i. the anticipated incremental responsibilities expected of distributors;
 - ii. the estimated incremental FTE, capital and OM&A requirements for distributors;
 - iii. the expected implementation timelines; and
 - iv. any assumptions regarding distributor capacity and funding.
- c) If no such assessment has been completed, please explain how the IESO determined that distributors possess sufficient capacity and resources to implement the additional responsibilities contemplated under the Integrated Energy Plan.
- d) Please identify all mechanisms the IESO has established, or proposes to establish, to coordinate resource planning with distributors to ensure that responsibilities assigned

1 under the Integrated Energy Plan are supported by appropriate funding, staffing and
2 implementation timelines.

- 3 e) Please discuss how the IESO considered the downstream cost impacts on electricity
4 distributors and their customers when developing the staffing and funding requests
5 included in this Application.

6 **RESPONSE**

- 7 a) The IESO has not completed an assessment of the resource, operational or financial
8 impacts of Ontario's Integrated Energy Plan on Ontario's electricity distributors.

- 9
10 b) Not applicable. Please see response a)

- 11
12 c) The IESO has not made a determination with respect to distributors possessing
13 sufficient capacity or resources to implement any additional responsibilities
14 contemplated under the Integrated Energy Plan.

- 15
16 d) The IESO has not established mechanisms to determine or ensure distributor funding,
17 staffing or implementation timelines. Those matters are for distributors and the OEB, as
18 applicable, to address through regulatory processes.

19
20 The IESO is involved in a number of coordination mechanisms under the Minister's
21 Directives to the IESO and OEB that are intended to support integrated planning and
22 better alignment across the sector. These include the gas-electric information-sharing
23 forum, regional and bulk planning enhancements, DER valuation and implementation
24 roles, DER consideration in planning processes, DER data sharing, and other work
25 related to Distribution System Operators or non-wires solutions.

- 26
27 e) The IESO developed the staffing and funding requests in this Application to enable the
28 IESO to fulfill the responsibilities assigned to it under the Minister's Directives and to
29 fulfill core responsibilities. IESO staffing and funding requests are not intended to fund

1 distributor activities, nor do they include an assessment of distributor costs. The IESO
2 cannot assess the downstream cost impacts of Integrated Energy Plan implementation
3 on individual distributors or their customers. Distributor-specific costs are matters for
4 distributors to bring forward, and for the OEB to consider, through the applicable
5 regulatory processes.

ENERGY PROBE INTERROGATORY 1

Issue 1.0 – Revenue Requirement, Operating Costs and Capital Spending

1-EP-1

INTERROGATORY

Reference:

- Exhibit B, Tab 1, Schedule 2, Page 8, “Accelerating the Big Build”.

Preamble:

Question(s):

- Please explain what is Big Build.
- What was the original schedule of Big Build before it was accelerated?
- What was IESO’s role in the Big Build before it was accelerated?
- When was Big Build Accelerated?
- What is IESO’s role now that Big Build has been accelerated?
- What is the current schedule of Big Build?

RESPONSE

- The IESO’s recent Annual Planning Outlooks (APO) have forecasted that Ontario’s demand for electricity will grow over the coming decades with the most recent 2025 APO forecasting a high scenario of up to 90% growth by 2050. Ensuring Ontario’s electricity system can support this level of growth will require significant investment in both existing and new electricity infrastructure in every corner of the province. This sector wide effort has been thematically described as the Big Build, and is composed of a number of programs, processes, and investments being made by multiple parties in

1 the sector. The IESO's Business Plan includes resourcing to accelerate the Big Build that
2 are within the IESO's span of control including enhancing scenario planning, introducing
3 new procurement tools and processes, and expanding our engagement capacity
4 recognizing the number of new communities, stakeholders, and rightsholders
5 participating in the Big Build. There is no specific end date for the Big Build. From the
6 IESO's perspective, the pace of investment is guided by the pace of growth in the
7 province which the IESO re-assess each year.

8 b) As described in response a) above, Big Build is a thematic description of a sector-wide
9 effort rather than a discrete initiative, therefore questions b) to f) are not applicable.

10 c) See response a).

11 d) See response a).

12 e) See response a).

13 f) See response a)

ENERGY PROBE INTERROGATORY 2

Issue 1.0 – Revenue Requirement, Operating Costs and Capital Spending

1-EP-2

INTERROGATORY

Reference:

- Exhibit B-2-1, Attachment 2, Page 17

Preamble:

Question(s):

How was the 82% effectiveness of Stakeholder Engagement determined? Please show all calculations and explain sources of the numbers used in deriving the 82% figure.

RESPONSE

Each year, the IESO undertakes a survey of stakeholders, communities (Indigenous communities, municipalities) and customers to better understand their level of familiarity, trust and confidence in the IESO, as well as their overall experience engaging with the organization. The survey was conducted by a third-party firm, and all responses were provided to the IESO in aggregate form to ensure confidentiality of responses.

As part of the survey, the IESO asked "Which of the following best reflects your overall experience with IESO engagements? (1) Exceeded my expectations, (2) Met my expectations, or (3) Fallen below my expectations." In the 2024 survey, 82% of respondents reported that their experience with IESO engagements met or exceeded expectations.

- 1 The results of the 2024 survey were shared with the IESO Strategic Advisory Committee (SAC)
- 2 at their July 16, 2025 meeting, including a memo¹ to review the survey results as well as a
- 3 presentation² on the key survey findings.

¹ Strategic Advisory Committee Memo, 2024 Stakeholder and Community Engagement Survey: <https://www.ieso.ca/-/media/Files/IESO/Document-Library/sac/2025/SAC-20250716-Engagement-Survey-Memo.pdf>

² IESO Stakeholder and Community Engagement Survey Presentation (October 2024): <https://www.ieso.ca/-/media/Files/IESO/Document-Library/sac/2025/SAC-20250716-2024-IESO-Engagement-Survey-Key-Findings.pdf>

ENERGY PROBE INTERROGATORY 3

Issue 1.0 – Revenue Requirement, Operating Costs and Capital Spending

1-EP-3

INTERROGATORY

Reference:

- Exhibit B-2-1, Attachment 2, page 19

Preamble:

Question:

- a) What is phishing?
- b) Is phishing a positive or negative activity and is it better to have higher or lower phishing trend?
- c) How was the 98.4% Phishing Metrics Trend determined? Please show all calculations and explain sources of the numbers used in deriving the 98.4% figure.

RESPONSE

- a) Phishing is a type of social engineering attack, often using e-mail or text messaging, where the attacker tries tactics such as deception and/or fear to expose sensitive information or perform an action that results in a compromise of systems and/or information. A victim may be pressured to click on a link where they are prompted to enter login credentials exposing them to the threat actor or to install software containing malware that encrypts accessible files preventing users from accessing them and holding their systems and information for ransom.

1 b) Phishing attacks are considered to be a negative activity as these can cause a serious
2 disruption and/or compromise to an organizations systems and information.
3 Organizations can run simulated phishing campaigns to determine how susceptible their
4 resources are to this type of attack and take steps to improve susceptibility such as
5 through security awareness activities and training – this would be considered a positive
6 activity.

7
8 As it relates to phishing attack trends, it would be better for organization if these attacks
9 did not occur at all, however this isn't the reality of the threat landscape. The threat
10 landscape today involves regular phishing attacks occurring against organizations.

11
12 As it relates to simulated phishing campaign trends, (i.e. those performed by authorized
13 and approved staff to determine their own organizations susceptibility to falling victim to
14 a possible attack), it's ideal to have a low fail rate and a high pass rate. The higher
15 percentage at which recipients of a phishing communication do not fall victim the better
16 chances your organization has to avoid becoming compromised or disrupted by a
17 phishing attack.

18
19 c) A third-party solution is used to manage and execute IESO simulated phishing
20 campaigns and show results, (i.e. those that didn't take an action that might
21 compromise IESO systems or information such as clicking on a link or attachment or
22 providing login credentials). IESO calculates the annual simulated phishing campaign
23 results by summing the campaign percentages for that year. See Table 1 below.

24

25

1 **Table 1: Annual Simulating Phishing Campaign Results**

Campaign Number	Pass Rate (%)
1	99.84
2	99.77
3	99.16
4	92.47
5	99.05
6	99.38
7	99.05
8	99.92
Total	788.64

2

ENERGY PROBE INTERROGATORY 4

Issue 1.0 – Revenue Requirement, Operating Costs and Capital Spending

1-EP-4

INTERROGATORY

Reference:

- Exhibit B-2-1, Attachment 2, page 26

Preamble:

Question:

- a) What are "Accumulated Remeasurement Gains"?
- b) Why did Accumulated Remeasurement Gains increase from \$5,097 to 13,633 during 2024?

RESPONSE

- a) Accumulated remeasurement gains/(losses) under Public Sector Accounting Standards (PSAS) represent unrealized gains/(losses) on financial instruments until sale, settlement, or realization.
- b) The Accumulated Remeasurement Gains increase noted in the question corresponds to 2023. Accumulated Remeasurement Gains increased by about \$8.5 million in 2023 driven by a gain in portfolio investments of about \$8.5 million, offset by an unrealized loss in foreign exchange of \$2,000.

ENERGY PROBE INTERROGATORY 5

Issue 1.0 – Revenue Requirement, Operating Costs and Capital Spending

1-EP-5

INTERROGATORY

Reference:

- Exhibit D-1-1, page 2

Preamble:

“Computer software and service costs were \$16.4 million higher than budget, of which \$5.9 million is driven by cloud computing and project-related spending and the remaining \$10.5 million is driven by cost pressures for various IT system maintenance and license expenses.”

Question(s):

- Please explain why cloud computing would increase costs.
- If cloud computing increased costs, why did the IESO adopt cloud computing?
- Did the move to cloud computing result in retirement of any IESO owned servers or other computer hardware?

RESPONSE

- Cloud computing solutions (often referred to as Software as a Service, or SaaS solutions) are expensed as incurred while on-premise solutions are capitalized and expensed through amortization over the life of the asset (in compliance with generally accepted accounting principles). This does not mean the solution is more expensive (cloud solutions may be less expensive than on premise solutions), but rather the timing of when the cost is reflected in the operating budget has shifted as it occurs when the solution is implemented rather than through amortization expense (which is spread over the useful life of the asset).

- 1 b) The IESO did not adopt cloud computing. Rather, the IESO selects a technology
2 solution based on established criteria as part of the project plan and competitive
3 procurement process. This process considers many factors, including the solutions
4 ability to achieve organizational objectives, total cost, vendor supportability,
5 maintenance requirements and cybersecurity requirements. See Exhibit E-1-2 for more
6 information on the project management lifecycle. Many vendors are moving away from
7 traditional on-premise solutions and instead offering cloud (or SaaS) solutions, resulting
8 in a higher number of cloud solutions being selected. The treatment of cloud computing
9 vs. on-premise solution is based on accounting treatment guidelines.
- 10 c) The move to cloud computing does not necessarily result in the retirement of IESO-
11 owned servers or other computer hardware. Capital assets are retired when they are no
12 longer in service or are no longer expected to provide future economic benefits. While
13 some assets may be retired as new solutions, including cloud-based solutions, are
14 implemented, retirement decisions are based primarily on an asset's useful life and
15 business need rather than the move to cloud computing itself.

ENERGY PROBE INTERROGATORY 6

Issue 1.0 – Revenue Requirement, Operating Costs and Capital Spending

1.1-EP-6

INTERROGATORY

Reference:

- Exhibit D-1-2, page 7

Preamble:

“The 2026 budget of \$72.3 million represents an increase of \$5.9 million compared to 2025 actuals, primarily reflecting investments to support cybersecurity, information and data governance, and artificial intelligence. Additional increases relate to tools and systems required to enable new connections and resource integration, key project-related costs, software expenses such as the Meter Data Management System, and standard inflationary adjustments and union-negotiated merit increases.”

Questions:

- Please file a detailed 2026 budget of \$72.3 million showing amounts for each of the categories mentioned in the preamble.
- Please file a detailed list of the categories causing the increase of \$5.6 million.

RESPONSE

- The IESO does not use activity-based accounting and cannot provide the breakdown as requested. In-year tracking and forecasting is done on a business unit basis, as business units work cross-functionally on the categories listed. See response to 1-OEB Staff-3 for more information.

See Table 1 below for the breakdown by expense category:

1 **Table 1: 2026 OM&A Budget by Expense Category**

Expense Category	Expense (\$M's)
Compensation & Benefits	\$35.1
Professional & Consulting	\$3.4
Computer Software/Hardware	\$32.2
Other Operating & Admin	\$1.6
Total OM&A	\$72.3

2

3 b) The increase of \$5.9M from 2025 actuals to 2026 budget is per Table 2 below.

4 **Table 2: Increase from 2025 Actuals to 2026 Budget by Expense Category**

Expense Category	Expense (\$M's)
Compensation & Benefits	\$3.4
Professional & Consulting	\$1.9
Computer Software/Hardware	\$1.7
Other Operating & Admin	(\$1.1)
Total OM&A	\$5.9

5

6 Note: The primary driver of the Professional & Consulting spend increase is due to vendor
7 operating costs for key projects included in the 2026-2028 Business Plan, including projects
8 such as (but not limited to) Data Centre Capacity Program, Network Security Upgrade, File
9 Server Upgrade.

ENERGY PROBE INTERROGATORY 7

Issue 1.0 – Revenue Requirement, Operating Costs and Capital Spending

1-EP-7

INTERROGATORY

Reference:

- Exhibit D-1-2, page 8

Preamble:

“These pressures were partially offset by continued underspending on external legal counsel fees”.

Questions:

- a) What was the amount of underspending on external legal counsel fees?
- b) What was the reason for underspending?
- c) Should the budget be reduced by the amount of underspending? Please explain your answer.

RESPONSE

- a) Underspending on legal fees was \$0.1 million in 2023, \$0.2 million in 2024, and \$1.5 million in 2025.
- b) The need for external legal counsel spending is unpredictable and does not always follow a historic pattern as it depends on the volume and nature of legal actions that are occurring, and these legal actions are driven by external requirements. In 2023-2025, fewer legal actions resulted in underspending compared to the budget.

- 1 c) As noted in b) above, due to the unpredictable nature of legal actions the IESO believes
- 2 it is prudent and reasonable to return to its baseline budget in 2026-2028 as future
- 3 expectations are not strongly influenced by past results.

ENERGY PROBE INTERROGATORY 8

Issue 1.0 – Revenue Requirement, Operating Costs and Capital Spending

1-EP-8

INTERROGATORY

Reference:

Exhibit E-2-1, page 2

Preamble:

Questions:

a) Please explain what the change in the accounting treatment for cloud computing solutions was and why it shifted costs from capital to operating costs.

b) Please provide the amounts of the costs that were shifted and when were they shifted.

c) Were any assets retired because of the shift? If the answer is yes, were the retirements treated as an adjustment to accumulated depreciation?

RESPONSE

a) See response to 1-EP-5 a).

b) See Exhibit D-1-1, Table 9: 2023-2025 OMA Expenses. Computer software/service cost pressures driven by project work and cloud computing were \$0.1 million, \$1.3 million and \$4.5 million in 2023 to 2025 respectively (total \$5.9 million). In addition, the shift to cloud based solutions contributed to the undercapitalization pressure of \$2.8 million, \$5.6 million and \$6.0 million respectively (total \$14.4 million). See response to 1-CCC-3 for more information on undercapitalization.

c) See response to 1-EP-5 c).

OEB STAFF INTERROGATORY 1

Issue 1.0 – Revenue Requirement, Operating Costs and Capital Spending

1-OEB Staff-1

INTERROGATORY

Reference:

1. Decision and Order (EB-2024-0004)
2. Exhibit C-1-1, page 2

Preamble:

In the Decision and Order for the IESO's 2024-2025 Incremental Revenue Requirement application (EB-2024-0004), the OEB required the IESO to provide "[a]n assessment of its processes for assessing and re-prioritizing plans to mitigate usage fees to accommodate unexpected work".

In Ref 2, the IESO noted that it introduced an enhanced review process establishing the Prioritization Committee, which reinforces a collaborative and transparent process with a focus on enterprise thinking. The IESO further noted that this process looks at reprioritizing during the business-planning cycle, within divisions and within the organization, to ensure resources are appropriately allocated to strategic priorities.

Question(s):

- a) When was the Prioritization Committee established?
- b) The IESO provided an introduction to the enhanced review process and the Prioritization Committee in Ref 2. Please provide an assessment of the Prioritization Committee's enhanced review process, as required in Ref 1.

- 1 c) Please provide examples of any re-prioritized plans and associated efficiencies achieved
2 through the enhanced review process.

3 **RESPONSE**

- 4 a) The Prioritization Committee was established in January 2025.

- 5 b) The IESO acknowledged the Board's recommendation that it undertake an assessment
6 of the IESO's processes for assessing and re-prioritizing plans to mitigate impacts on
7 usage fees while accommodating unexpected work. In response, the IESO created the
8 Prioritization Committee. The Committee is comprised of senior leadership
9 representatives from each business unit, providing an enterprise-wide perspective on
10 organizational priorities.

11 The Committee was utilized as part of the 2026-2028 business planning process. It
12 reviewed and assessed incremental investment proposals and provided
13 recommendations on investments to be included in the Business Plan to the Executive
14 Leadership Team (ELT), which then recommended the plan to the Board of Directors.

15 Overall, this process represented a meaningful improvement over previous practices,
16 strengthening enterprise-wide visibility, collaboration, and decision-making, and
17 supporting a more coordinated assessment of investments and priorities.

18 During the 2026-2028 business planning period, the IESO continues to apply an
19 enterprise-wide approach to evaluating incremental investment proposals, primarily
20 through the ELT. This approach supports the ongoing evaluation of emerging priorities
21 and resource requirements, enabling the IESO to align resources with its highest-priority
22 needs as circumstances evolve. Building on the experience gained through the 2026-
23 2028 business planning process, the IESO is looking to leverage the Prioritization
24 Committee to make reprioritization recommendations to the ELT.

25 The IESO regularly meets with the ELT and the Board of Directors to present year-to-
26 date results and updated forecasts. In addition, a formal Interim Outlook is prepared

1 annually, recommended by the ELT, and approved by the Board of Directors before
2 being submitted to the Minister of Energy and Mines. This Outlook provides updated
3 forecasts for the business planning period, as well as an initial outlook for the early
4 years of the subsequent Business Plan.

5 c) Through the business planning process, the Committee was able to reduce the Business
6 Plan FTE requirement from an initially proposed 146 full-time equivalent staff ("FTE") to
7 97 FTE over three years. This outcome was primarily driven by the following:

- 8 • Limiting the scope of investments to established prioritized criteria.
- 9 • Driving collaborative opportunities across multiple lines of business to avoid
10 duplication of effort and minimize expense and resource requirements. For
11 example, where an investment impacted multiple lines of business, the
12 Prioritization Committee leveraged historical staffing ratios to identify instances
13 where requests fell outside the norm, resulting in discussions to ensure
14 alignment across all impacted areas of the business.
- 15 • Phasing resource investments over the three-year period by incorporating
16 historical trends on length to hire and onboarding, resulting in a practical and
17 phased hiring plan to onboard the required FTEs and minimize expense
18 requirements within the business planning period.

OEB INTERROGATORY 2

Issue 1.0 – Revenue Requirement, Operating Costs and Capital Spending

1-OEB Staff-2

INTERROGATORY

Reference:

1. Exhibit B-2-1 - 2026-2028 Business Plan (Business Plan), page 16
2. Exhibit B-2-1, page 17 – Detailed Financials

Preamble:

In Ref 1, the IESO stated that in addition to the efficiencies it achieved within the 2023 2025 Business Plan, it remains committed to continuously seeking opportunities to recognize savings and mitigate costs. The IESO further stated that it has included a 1% annual efficiency target through the business cycle that will be achieved by leveraging AI, minimizing red tape and streamlining internal processes in alignment with our strategic goals.

In Ref 2, the Detailed Financials table shows efficiency target amounts of \$3.3 million, \$7.0 million and \$10.7 million for 2026, 2027 and 2028 respectively.

Question(s):

- a) Please briefly discuss the efficiencies that the IESO achieved within the 2023 2025 business cycle.
- b) Is 2026-2028 the first business cycle where the IESO has included an efficiency target adjustment in its revenue requirement budget?
- c) On what basis is the 1% efficiency target determined?
- d) How were the efficiency target amounts in Ref 2 derived? Please provide a brief description of the calculations.

RESPONSE

a) During the 2023-2025 business planning period the IESO achieved a number of efficiencies. See below for some examples of the achievements implemented during the 2023-2025 business planning period:

- Firewall Rule Request Workflow: Streamlined a manual and multi-ticket workflow, designing a unified, NERC-compliant process. Through this the IESO saved approximately 3,500 hours, and a decrease in applicable tickets by 66%.
- Grid Project Database Enhancement: Expanded, amalgamated and integrated data to provide a clear and complete view of the status of Ontario's energy transformation as it relates to grid project through system integration. Through this project there was an increase to applicable data accessibility by 60%, and 2500 hours saved annually across 11 divisions and four business units.
- Monthly Demand Side Management Settlement Checks: Implemented a series of automated solutions, leading to time savings of six days per month.
- Streamlining the Quarterly Reliability Outlook (RO) which is a resource-intensive process to refine and condense the report and eliminate redundant content, resulting in enhanced clarity, faster content and more up to date information, estimated quarterly time savings of 125+ hours.
- Developed standardized process and workflow automation to triage incoming requests for Legal Services, reducing overall cycle time for legal requests by 63%, saving the IESO legal team over 250 hours annually, as well as avoided costs due to the solution being built with existing tools.
- Developed and implemented a new Generation Contracts Management System (GCMS) to consolidate data and process needs, improving consistency and accuracy and reducing reliance on IT support.
- Optimized the software review and approval process at the IESO resulting in software reviews taking 142 fewer days than before, while still ensuring thorough reviews are done for all requests.

- Refined and automated the Battery Energy Storage System approval process which led to a cycle time reduction of approximately 70%, reducing the amount of time it takes for these reviews to be processed from 10-15 weeks down to 3-5 weeks.
- Developed an inbox management solution for IESO Resource Acquisition to streamline notifications relating to the IESO's procurement of new electricity resources resulting in 220 hours of annual time savings.
- Other improvement opportunities included automation and workflow efficiencies in Access Control reviews, annual performance reviews and employee onboarding processes.

b) Yes. The 2026-2028 Business Plan period is the first business cycle in which the IESO has included a financial efficiency target adjustment in its revenue requirement.

c) The one per cent efficiency target is a management-established target intended to drive continuous improvement while recognizing the operational realities of the organization. As a forward-looking target, it reflects management's assessment of a level of efficiency improvement that is both meaningful and achievable, while minimizing the risk of unintended impacts to strategic priorities and operational performance.

The target reflects management's expectation that efficiency opportunities will be identified and realized across the organization throughout the business planning period. Efficiency initiatives are expected to arise from ongoing efforts within business units and are subject to review and validation by Finance before being reflected in business unit budgets. Consistent with the objective of embedding continuous improvement throughout the organization, the target is expected to be achieved through a broad range of incremental improvements across business units, rather than through a small number of large, discrete initiatives.

Accordingly, the target represents a financial commitment to achieving approximately \$21 million in ongoing cost savings over the 2026-2028 business planning period, and

these savings have been removed from the IESO's revenue requirement and proposed fees. Given its forward-looking nature, the appropriateness of the target can only be fully evaluated in retrospect based on actual outcomes achieved during the business planning period. The IESO will assess performance against the target through its regular reporting to the executive leadership team and Board of Directors.

- d) The one per cent efficiency target was applied against the gross revenue requirement, thus reducing it, on a cumulative basis. See Table 1 below for the calculations. The IESO is committed to the financial efficiency targets, with organizational efforts underway to ensure the achievement of the one per cent target for 2026 and beyond.

Table 1: Calculation of 2026-2028 Efficiency Target Amounts

(\$ Millions)	2026	2027	2028	Total
Total Revenue Requirement Before Efficiencies	\$332.1	\$364.2	\$375.1	\$1071.4
1% In-Year Target	\$3.3	\$3.6	\$3.8	\$10.7
Add: Prior Year Target		\$3.3	\$7.0	\$10.3
Cumulative Target in the Business Plan	\$3.3	\$7.0	\$10.7	\$21.0

OEB INTERROGATORY 3

Issue 1.0 – Revenue Requirement, Operating Costs and Capital Spending

1-OEB Staff-3

INTERROGATORY

Reference:

1. Exhibit B-2-1, page 17 – Detailed Financials Table
2. Exhibit B-2-1 Attachment 4 – 2025 Annual Report and Audited Financial Statements

Preamble:

In Ref 1, the IESO provided the following “Detailed Financial” table to outline the 2025 2028 revenues and expenses:

	2025 Original Budget	2025 Revised Budget	2025 2 nd Interim Outlook	2026 Budget	2027 Budget	2028 Budget
Revenue						
IESO Usage Fee –						
Annual Expenses	229.7	235.1	235.1	309.9	338.3	345.6
IESO Usage Fee –						
Reserve Restoration	-	-	-	18.9	18.9	18.8
Total Revenue	229.7	235.1	235.1	328.8	357.2	364.4
Expenses						
Baseline Expenses	188.6	194.0	212.9	230.6	248.2	254.2
Accelerating the Big Build	11.3	11.3	12.5	16.0	19.4	20.8
Resource Adequacy	8.1	8.1	9.0	10.0	11.1	12.1
Stakeholder & Rights-holder						
Engagement	3.2	3.2	3.5	6.0	8.3	8.7
Enabling Economic Growth						
in the Short Term	4.2	4.2	9.3	18.9	24.7	28.5
Enhanced Market Operations	4.2	4.2	6.0	14.3	20.7	24.3
Demand-Side Management	-	-	3.3	4.6	4.0	4.2
Delivering on Our Core						
Mandate	5.3	5.3	7.7	16.3	21.3	22.5
Sustaining Technology,						
Evolving Processes & Tools	2.2	2.2	2.4	5.3	6.5	6.5
Cyber Security	2.1	2.1	3.6	5.3	6.1	6.3
Investing in Organizational						
Talent & Skills	1.0	1.0	1.7	3.5	4.8	5.9
Artificial Intelligence	-	-	-	0.6	2.1	2.0
Info & Data Governance	-	-	-	1.1	1.3	1.3
Facilities Maintenance	-	-	-	0.5	0.5	0.5
Enhancing System &						
Integrated Planning	-	-	-	-	-	-
Efficiency Target	-	-	-	(3.3)	(7.0)	(10.7)
Operating Expenses						
Sub-Total	209.4	214.8	242.4	278.5	306.6	315.3
Amortization	27.0	27.0	29.2	37.1	40.4	40.3
Net Interest	(9.2)	(9.2)	(9.0)	(5.2)	(8.4)	(9.7)
Registration Fee	-	-	(0.5)	(0.5)	(0.3)	(0.3)
Market Renewal Program	2.5	2.5	2.5	-	-	-
Total Expenses	229.7	235.1	264.6	309.9	338.3	345.6
Operating Reserve / Deficit	-	-	(29.5)	18.9	18.9	18.8
Accumulated Operating						
Reserve			(26.6)	(7.7)	11.2	30.0

1 In Ref 2, the IESO provided its 2025 Annual Report and Audited Financial Statements.

2 **Question(s):**

3 a) Please update the "Detailed Financials" table with the same layout as presented in Ref 1
4 with the following items:

5 i) Please insert a column for "2025 Actual" and update the amounts in light of the
6 2025 Annual Report and Audited Financial Statements.

7 ii) Please insert a column for "2026 Forecast" and enter the amounts for each row
8 using the latest available information. Please briefly discuss the information
9 source.

10 **RESPONSE**

11 i) The IESO is not able to provide actual or forecast details in the manner requested in
12 reference 1 as the "Detailed Financials" layout is prepared manually and expenses
13 are categorized by management to inform readers of the rationale and cost drivers
14 behind incremental investments being requested in the Business Plan.

15 The IESO manages and reports actual costs at the business unit level rather than
16 through an activity-based accounting framework. Implementing activity-based
17 costing would require investments in data architecture/reporting, system and
18 process integration, methodology development, and ongoing resource support to
19 establish and maintain reliable activity-level cost allocations. In addition, many
20 overhead and shared-service costs would require subjective allocation
21 methodologies, which could reduce the precision and usefulness of the resulting
22 information relative to the effort and cost required to produce it.

23 ii) See response to i) above.

OEB STAFF INTERROGATORY 4

Issue 1.0 – Revenue Requirement, Operating Costs and Capital Spending

1-OEB Staff-4

INTERROGATORY

Reference:

1. Exhibit B-2-1 - Business Plan, page 14

Preamble:

The IESO is proposing to increase the revenue requirement by 40% in 2026, 9% in 2027 and 2% in 2028. In the Reference, the IESO stated that a significant portion of the 2026 increase is due to legacy cost pressures and cost deferrals from the 2023-2025 Business Plan – driven primarily by the reversal of the cap on salary rate increases from Bill 124 – that the IESO has absorbed without passing the impacts to ratepayers. The IESO further noted that despite these increases, it remains consistent at 1.2% of overall system costs throughout the cycle.

Question(s):

- a) Within the 40% (or \$93.7 million) revenue requirement increase in 2026, please indicate how much is due to “legacy cost pressures and cost deferrals”. Please provide a breakdown by cost drivers.
- b) Please elaborate on the statement “a significant portion of the 2026 increase is due to legacy cost pressures and cost deferrals from the 2023-2025 Business Plan”. Does it mean that a portion of the 2026 revenue requirement will be used to recover previous costs incurred in 2023-2025? In 2023-2025, how did the IESO resolve the cost pressures from incremental costs which were not included in the Business Plan?

- 1 c) Please indicate for which "legacy cost pressures" items, the IESO has absorbed the cost
2 impacts without passing the impacts to ratepayers to date. What is the total amount?
3 What does it mean for the IESO to absorb these costs?
- 4 d) The Reference states that "despite these increases, the IESO remains consistent at
5 1.2% of overall system costs throughout the cycle". Please explain what this statement
6 means. Please explain what the "1.2% of overall system costs" is. Please provide
7 calculation of the 1.2% rate.
- 8 e) The Reference states that "this step change largely represents a one-time correction to
9 address the structural deficit to bring the IESO back to a balanced budget for the 2026-
10 2028 Business Plan." Please explain what the "one-time correction" is. What is the
11 amount pertaining to the "one-time correction"?
- 12 f) The Reference states that "for the average residential electricity bill, this would translate
13 to a projected per month increase of 48 cents, with 44 of the 48-cent increase occurring
14 in 2026". Please provide calculations for the bill impact results.

15 **RESPONSE**

- 16 a) Of the 40% increase in 2026, a total of 17 % is attributable to legacy cost pressures and
17 cost deferrals. See response to 1-VECC-1 for more information on the breakdown of cost
18 drivers.
- 19 b) In the 2023-2025 business planning period, any cost pressures which could not be
20 mitigated were carried as a deficit by the IESO. As a not-for profit entity, the IESO will
21 need to recover this deficit over the 2026-2028 business planning period and a portion
22 of this is included in the revenue requirement in the 2026 revenue requirement.
- 23 c) See response to 1-VECC-1 for more information on the legacy cost pressures. As noted
24 in part b) above, the IESO deferred these costs as they were held as a deficit and not
25 passed onto the ratepayer at the time they were incurred. In order to fund these

pressures, the IESO took on additional temporary debt from the Ontario Financing Authority.

d) In the 2025 Annual Planning Outlook, the IESO publishes the long-term cost of electricity as part of the capacity expansion scenario module¹. The IESO calculates the annual revenue requirement as a percentage of the total system cost as noted in Table 1 below. The IESO remains consistent at 1.2% of overall system costs, throughout the 2026-2028 cycle, which is a strong indicator that costs are aligned with overall projected system growth.

Table 1: IESO Revenue Requirement as a Percentage of Total System Costs

	(\$M)
2026 IESO Revenue Requirement	\$328.8
Total Cost of Electricity Service (Nominal)	\$27,159.8
IESO % of System Costs	1.2%

e) The one-time correction refers to a one-time recovery of the \$26.6 million accumulated reserve deficit. The accumulated deficit was generated in the 2023-2025 business planning period, driven primarily by the overturning of Bill 124. As included in the 2026-2028 Business Plan, the accumulated reserve deficit will be restored equally over three years.

f) The impact on the average residential electricity bill was calculated using the formula below. The calculation is shown in Table 2.

$$\text{Cost per ratepayer per month} = \text{Revenue Requirement} / \text{Annual Volume} \times \text{Average Monthly Household Consumption}$$

Table 2: Estimated Monthly Residential Bill Impact

¹ IESO 2025 Annual Planning Outlook Capacity Expansion Scenario Module: <https://www.ieso.ca/-/media/Files/IESO/Document-Library/planning-forecasts/apo/2025/Capacity-Expansion-Scenario-Costs-and-Emissions-Module-Data.xlsx>

	2025	2026	2027	2028
Revenue Requirement (\$M)	\$235.1	\$328.8	\$357.2	\$364.4
*2025 APO Volumes (MWh)	161.5	161.5	165.7	174.9
**Ontario Household MWh = 0.75/month or 9/year	0.75	0.75	0.75	0.75
Cost per Ratepayer per Month	\$1.09	\$1.53	\$1.62	\$1.56
Monthly Change		\$0.44	\$0.09	(\$0.06)
*Calculations in the 2026–2028 Business Plan used 2025 APO volumes, the most up-to-date volumes available at that time. **The estimated Ontario Household MWh = 0.75/month or 9/year is based on the average Ontario Customer usage, published by the OEB				

OEB STAFF INTERROGATORY 5

Issue 1.0 – Revenue Requirement, Operating Costs and Capital Spending

1-OEB Staff-5

INTERROGATORY

Reference:

1. Independent Electricity System Operator licence, EI-2013-0066, as amended August 20, 2025, page 11:

22.2 Cyber Security Information Sharing

22.2.1 The Licensee shall, in consultation with licensed transmitters and licensed distributors in the province, carry out the services, referred to as Cyber Security Information Sharing services, outlined in 22.2.2 a) and b).

22.2.2 The Licensee shall:

(a) Provide and promote centralized Cyber Security Information Sharing services, accessible to all licensed transmitters and distributors, including, without limitation:

i. Cyber Security Situational Awareness – provide consolidated and easily understood information about, and analyses of, potential cyber security risks and events that may impact the electricity sector.

ii. Information exchange – develop and maintain a centralized mechanism for sharing cyber security best practices.

2. Ontario Cyber Security Standard, as amended November 6, 2025, p.3:

A transmitter or distributor shall participate in the IESO's Lighthouse service and will confirm its participation as required by the OEB. Participation will be evidenced by the transmitter or distributor:

- having signed the participation agreement provided by the IESO
- having been granted access to the Lighthouse Member Portal by the IESO
- having established a secure network connection with the IESO's Lighthouse solution infrastructure

3. Exhibit B-2-1, Attachment 1, page 9 of 50:

This includes the expansion of our flagship Lighthouse program to include Canadian entities outside of Ontario, providing improved cyber situational awareness and information sharing for the sector.

4. Exhibit B-1-2, page 17 of 36

5. Exhibit B-2-1, Attachment 2, page 9 of 53:

Since 2019, as part of its commitment to reducing cyber risks posed by emerging threats, the IESO has been providing the Lighthouse program. Lighthouse is offered to all licensed Ontario distributors and transmitters at no cost, providing near-real-time analysis of potential external threats, as well as providing sector specific threat intelligence products, services and training. By 2024, the number of organizations participating in Lighthouse encompassed about 99.75 per cent of all Ontario ratepayers/customers.

Question(s):

- a) How many total Lighthouse participants are there? How many Lighthouse participants are not OEB licensed distributors or transmitters? Please describe those entities (e.g. industry, size, location).
- b) Please describe the services provided by the Lighthouse program.
- c) Do Lighthouse participants that are not OEB licensed distributors or transmitters benefit from the Lighthouse program? Please explain.

- d) Do Lighthouse participants that are not OEB licensed distributors or transmitters pay a fee to participate in the Lighthouse program? If yes, please provide information about the fees charged. If no, why not?
- e) In 2026, how many FTEs are required to operate and maintain the Lighthouse program?
- f) The following cyber security expenses are contained in Ref 4 (\$ million).

	2025 Original Budget	2025 Revised Budget	2025 2 nd Interim Outlook	2026 Budget	2027 Budget	2028 Budget
Cyber Security	2.1	2.1	3.6	5.3	6.1	6.3
Lighthouse						

- i) Please complete the above table for Lighthouse expenses.
- ii) Please explain the increase of \$1.5 million for cyber security between the 2025 Revised Budget and the 2025 2nd Interim Outlook.
- iii) Please explain the increase of \$1.7 million for cyber security between the 2025 2nd Interim Outlook and the 2026 Budget.
- g) Please describe the training provided by the IESO that is referenced in Ref 5.
- i) Who receives the training?
- ii) Are training participants charged fees? If yes, describe the fees. If no, why not?

RESPONSE

- a) There are currently 73 fully onboarded Lighthouse participants, 10 of which are not OEB-licensed distributors or transmitters. These 10 entities are all within the electricity sector industry, varying in size, and are geo-located within Canada.

- 1 b) The Lighthouse program provides near real-time analysis for cyber threats, sector
2 specific threat intelligence sharing such as security advisories, security best practices
3 and materials such as training, playbooks, and table-tops in a box.
- 4 c) Yes. All Lighthouse participants receive the same products and services whether they
5 are an OEB-licensed distributor, transmitter, or not. Lighthouse participants enhance the
6 IESO's visibility into the Canadian electricity sector threat landscape through information
7 sharing, supporting the development of Lighthouse products and services, and this
8 enhances the overall value of the program.
- 9 d) No. Having a cost to participate in Lighthouse creates a barrier for entry. The more
10 entities that participate the greater threat visibility and value received for IESO and all
11 Lighthouse participants. Threat visibility helps IESO produce relevant products and
12 services, it also offers a better picture of the electricity threat landscape. If an OEB-
13 licensed generator, for example, was a Lighthouse participant and through the
14 participation of non OEB-licensed participants we learned of a threat, the IESO can
15 share those threat details along with potential remediation actions with them and other
16 Lighthouse participants. The participation of non OEB-licensed participants benefits all
17 Lighthouse members including OEB-licensed distributors and transmitters supporting a
18 more secure, safe, and reliable grid.
- 19 e) Information Security resources work on number of different priority activities and are
20 not solely dedicated to the Lighthouse program. As a result, we are not able to quantify
21 the exact number of FTEs who directly support this work.
- 22 f) i) Please note the IESO does not do activity-based accounting and cannot complete the
23 table as requested. In-year tracking and forecasting is done on a business unit basis, as
24 business units work cross-functionally to deliver the initiatives listed. See Exhibit D-1-2,
25 Attachment 1 for more information on IT-related costs.

1 ii) The increase of \$1.5 million for cyber security between the 2025 Revised Budget and
2 the 2025 2nd Interim Outlook is attributed to costs related to cloud computing solutions
3 to support data loss prevention and cloud access security projects.

4 iii) The increase of \$1.7 million for cyber security between the 2025 2nd Interim Outlook
5 and 2026 budget is related to:

- 6 • Incremental resources to support the expanded nature and volume of reporting
7 with respect to the new regulatory standards for cyber security incidents driven
8 by the OEB's Cyber Security Standard (amended in August 2025).
- 9 • Investments for key initiatives to further strengthen security, improve regulatory
10 compliance and increase security resiliency, which is central to the Government
11 of Ontario's priorities in the Integrated Energy Plan. Investments include work
12 related to a zero-trust framework, vulnerability management, security program
13 assessments, such as a privileged access management gap assessment, as well
14 as the implementation of enhancements to upgrade key cyber security
15 components across the IESO and ensure robust protection against evolving cyber
16 threats.

17 g) IESO hosts an annual training session that often includes training from federal/provincial
18 partners and other industry leaders. Training sessions cover the topic of cyber security
19 and span into specifics about cyber threats, security operations and intelligence, insider
20 threats, mental health within cyber security, and incident response.

21 i) Training is available to all Lighthouse participants.

22 ii) No, the IESO does not charge a fee for training. As training helps to improve cyber
23 security knowledge, and charging a fee to attend the training would create a barrier for
24 participation.

OEB STAFF INTERROGATORY 6

Issue 1.0 – Revenue Requirement, Operating Costs and Capital Spending

1-OEB Staff-6

INTERROGATORY

Reference:

- Exhibit D-1-1, pages 2-3, Table 9

Preamble:

In the Reference, the IESO stated that its actual 2023-2025 Operations, Maintenance and Administration (OM&A) expenses of \$714.9 million were \$89.2 million higher than the OEB approved OM&A budget of \$625.7 million. The IESO listed the cost drivers and associated amounts in the Reference.

Question(s):

- Among the cost drivers discussed in the Reference, please indicate which ones are considered as unplanned cost pressure caused by unforeseen changes and why. What is the total variance amount that these cost drivers contributed to?
- For the rest of the cost drivers that are not included in the response to part a), please provide explanations for the variances between budget and actual. What is the total variance amount that these cost drivers contributed to?

RESPONSE

All of the cost pressures listed in Table 9 were unplanned as is explained in the accompanying text in Exhibit D-1-1. The total variance amounts attributable to these cost pressures for each of 2023, 2024 and 2025, and for the cumulative three-year period, are detailed in Table 9. The IESO is not going to undertake the requested exercise of sorting these unplanned costs pressures into arbitrary and undefined categories.

OEB STAFF INTERROGATORY 7

Issue 1.0 – Revenue Requirement, Operating Costs and Capital Spending

1-OEB Staff-7

INTERROGATORY

Reference:

- Exhibit D-1-1, pages 4-8, Tables 10-12

Preamble:

In the Reference, the IESO provided year-over-year cost driver analysis for the 2026-2028 OM&A expenses.

Question(s):

- a) With respect to the expenses to support the three key initiatives (accelerating the Big Build, enabling economic growth in short term, and delivering on core mandate), please discuss how the expenses were determined among the three years. Why are the forecast expenses supporting each of all three initiatives in a consistently increasing trend?
- b) In the Reference, the IESO provided the following variance analysis related to the pension and OPEB amounts:
 - 2026 budget versus 2025 actual: \$7.8 million higher pension and OPEB expenses
 - 2027 budget versus 2026 budget: \$1.7 million lower pension and OPEB expenses
 - 2028 budget versus 2027 budget: \$1.8 million higher pension and OPEB expenses
- i. Please explain the drivers and the basis of the variances listed above and discuss the reasonableness of these variances.

1 ii. Please provide a description of the key actuarial assumptions made for the 2026-
2 2028 budget amounts.

3 iii. Please identify and explain the variance between the 2025 actual and 2025
4 approved amounts for pension and OPEB expenses.

5 c) Please provide explanations for the cost driver item "Phasing assumption for spending
6 ramp-up and smoothing of ratepayer impact". What kind of costs/spending were
7 included in this category? How were the associated amounts determined for each of the
8 three years?

9 **RESPONSE**

10 a) The incremental investment required to support the key initiatives was phased over the
11 three-year planning period in alignment with the expected timing of report backs and
12 deliverables, particularly with respect to the Integrated Energy Plan and electricity
13 demand-side management Framework. Where investment is related to incremental Full-
14 Time Equivalent (FTE), in addition to aligning resources with the timing of deliverables,
15 the IESO also incorporated historical trends on length to hire, onboarding and cascading
16 impacts in order to reflect a practical and phased hiring plan to onboard the required
17 FTEs and minimize financial expense. The planned FTE from 2026-2028 increases on an
18 annual basis (999, 1,043 and 1,068 respectively) which is contributing to the year-over-
19 year increase to support the key initiatives.

20 b) See response to 1-SUP-3.

21 c) In 2026 the IESO included a corporate phasing assumption of \$6.4 million dollars as a
22 cost offset to cap the overall revenue requirement increase in 2026 to 40% to smooth
23 the impact to ratepayers. In 2027 this cost offset was reversed and in 2028 it was
24 eliminated. On a three-year basis the net impact is zero to both the IESO and
25 ratepayers, however by deferring revenue from 2026 to 2027 ratepayers will experience
26 a smoother cost increase year-over-year, before the rate declines in 2028.

OEB STAFF INTERROGATORY 8

Issue 1.0 – Revenue Requirement, Operating Costs and Capital Spending

1-OEB Staff-8

INTERROGATORY

Reference:

- Exhibit D-1-3, pages 1-3, Tables 25 and 26

Preamble:

In the Reference, the IESO provided historic and budgeted average number of employees and associated compensation expenses for 2023-2028.

Question(s):

- a) What is the IESO's current (as of July 2026) number of FTEs? What is the current number of vacancies?
- b) Please rebuild Tables 25 and 26 by replacing the row items with business units. The column titles should remain unchanged. (i.e. The tables will show FTEs and compensation information by business unit.)
- c) Based on the updated tables in part b), please discuss how the information presented in the tables is in line with the OM&A Business Unit analysis that the IESO provided in Exhibit B-1-2 (including Table 13).
- d) Table 25 shows that there will be a budgeted FTE annual increase of 44 and 25 in 2027 and 2028 respectively. Please provide more detailed explanations for the drivers of these increases.

e) Please calculate compensation per average employee for each Approved/Actual/Budget year column and present the results in a row added to Table 26. Please provide explanations for any variances among the years 2025-2028.

RESPONSE

a) IESO's FTEs as of June 30th, 2026 are 994. Current number of vacancies are 71, the 2026 Budget assumed 76 vacancies (7% vacancy rate). For reference, the FTEs in the Buiness Plan are net of assumed vacancies.

b) See Tables 1 and 2 below.

Table 1: Historic and Budgeted Average Number of Employees (Capital and Operating Expenses FTEs) by Business Unit

Average FTE by Business Units	Historic Approved and Actual						Budget		
	2023 OEB Approved	2023 Actual	2024 OEB Approved	2024 Actual	2025 OEB Approved	2025 Actual	2026	2027	2028
Markets & Reliability	213	202	229	224	235	304	296	304	311
Power System Development	133	129	152	146	138	181	172	179	184
Corporate Relations, Engagement & Strategy	69	64	80	65	91	69	80	91	92
Information and Technology Services	146	144	145	144	155	174	197	209	218
Legal Resources and Corporate Governance	78	75	86	84	87	95	100	104	105
Market Assessment and Compliance Division	7	6	7	7	14	8	14	14	14

CEO Office	3	3	3	4	3	3	3	3	3
Corporate Services	130	125	132	125	137	94	103	104	105
Human Resources	26	30	26	34	26	34	34	35	36
Market Renewal	109	83	88	99	44	39	-	-	-
Total	914	861	948	932	930	1,001	999	1,043	1,068

1 **Table 2: Historic and Budgeted Operating Compensation Expenses (\$ millions) by Business Unit**

Historical Approved and Actual							Budget		
IESO Business Unit	2023 OEB Approved	2023 Actual	2024 OEB Approved	2024 Actual	2025 OEB Approved	2025 Actual	2026	2027	2028
CEO Office	1.5	1.7	1.5	1.9	1.6	1.5	1.6	1.6	1.6
Compensation & Benefits	1.2	1.3	1.3	1.5	1.3	1.3	1.3	1.3	1.3
Other OM&A	0.3	0.4	0.2	0.4	0.3	0.2	0.3	0.3	0.3
Markets and Reliability	41.6	43.6	46.5	50.9	48.2	59.2	63.9	74.4	77.5
Compensation & Benefits	39.7	42.3	44.2	49.5	46.7	56.3	62.1	65.4	69.6
Other OM&A	1.9	1.3	2.3	1.4	1.5	2.9	1.8	9.0	7.9
Power System Development	24.6	25.9	30.5	33.1	29.5	40.6	41.1	44.1	45.3
Compensation & Benefits	23.0	24.4	28.2	30.9	27.4	37.5	38.5	40.8	43.7
Other OM&A	1.6	1.5	2.3	2.2	2.1	3.1	2.6	3.3	1.6
Corporate Relations, Engagement and Strategy	14.9	14.4	12.9	13.0	14.6	17.1	19.6	23.6	23.8
Compensation & Benefits	12.3	12.2	10.5	10.2	12.2	14.0	17.3	19.9	21.3
Other OM&A	2.6	2.2	2.4	2.8	2.4	3.1	2.3	3.7	2.5
Information and Technology Services	46.8	48.7	49.4	54.8	51.6	66.4	72.3	78.8	81.0
Compensation & Benefits	20.7	22.7	21.8	24.5	22.7	31.8	35.1	38.9	42.4
Other OM&A	26.1	26.0	27.6	30.3	28.9	34.6	37.2	39.9	38.6
Legal Resources and Corporate Governance	29.5	28.3	32.1	31.9	33.8	34.6	39.1	42.0	43.0

Historical Approved and Actual							Budget		
IESO Business Unit	2023 OEB Approved	2023 Actual	2024 OEB Approved	2024 Actual	2025 OEB Approved	2025 Actual	2026	2027	2028
Compensation & Benefits	15.5	14.8	17.0	16.0	17.8	18.8	22.4	23.8	25.1
Other OM&A	14.0	13.5	15.1	15.9	16.0	15.8	16.7	18.2	17.9
Market Assessment and Compliance	2.4	2.2	2.5	2.2	3.7	3.6	4.5	4.8	4.9
Compensation & Benefits	1.4	1.4	1.5	1.3	2.7	1.6	3.1	3.3	3.5
Other OM&A	1.0	0.8	1.0	0.9	1.0	2.0	1.4	1.5	1.4
Corporate Services	23.8	25.8	24.3	27.5	25.5	27.0	30.1	30.8	32.1
Compensation & Benefits	12.1	13.4	12.8	15.1	14.0	16.4	18.4	19.2	20.4
Other OM&A	11.7	12.4	11.5	12.4	11.5	10.6	11.7	11.6	11.7
Human Resources	6.2	6.5	6.4	7.4	6.4	8.4	8.2	8.9	9.0
Compensation & Benefits	4.3	4.8	4.4	5.7	4.5	6.5	6.6	6.8	7.3
Other OM&A	1.9	1.7	2.0	1.7	1.9	1.9	1.6	2.1	1.7
Corporate Adjustment ¹	0.7	17.6	0.6	3.3	(0.1)	1.7	(1.9)	(2.4)	(2.9)
Compensation & Benefits	3.3	22.3	3.2	6.3	3.2	5.6	3.5	3.4	3.6
Other OM&A	(2.6)	(4.7)	(2.6)	(3.0)	(3.3)	(3.9)	(5.4)	(5.8)	(6.5)
Market Renewal	5.3	4.7	4.4	5.5	2.5	3.9	-	-	-
Compensation & Benefits	3.8	4.2	3.1	5.2	2.0	3.2	-	-	-
Other OM&A	1.5	0.5	1.3	0.3	0.5	0.7	-	-	-
Total OM&A Expenses	197.3	219.4	211.1	231.5	217.3	264.0	278.5	306.6	315.3

Note: Numbers may not add due to rounding.

Historical Approved and Actual							Budget		
IESO Business Unit	2023 OEB Approved	2023 Actual	2024 OEB Approved	2024 Actual	2025 OEB Approved	2025 Actual	2026	2027	2028
¹ Corporate Adjustment includes the amortization of accumulated deficit resulting from the Public Sector Accounting Standards (PSAS) transition item, unallocated benefit adjustments (primarily related to non-recurring Other Post-Employment Benefit), recovery of overhead from non-core operating segments and net recoveries related to other government programs.									

c) The IESO has provided average FTEs and compensation and benefits costs by business unit for the 2023-2028 period. See response to a) and b) above. Average FTEs include both operating and capitalized resources, consistent with the staffing information presented in Exhibit D-1-3, Table 25, while compensation and benefits costs represent operating expenditures only, consistent with Exhibit D-1-2, including Table 13. Given these differences, the relationship between FTE levels and compensation and benefits costs may not align directly.

The historical budgeted FTEs in Table 1 are aligned with the original approved budgets for 2023-2025, established prior to a subsequent reorganization. As a result, variances between historical budgeted and actual FTEs and the corresponding compensation and benefits costs may not align directly at the business unit level. Differences reflect organizational restructuring that resulted in the transfer of positions across business units, as well as incremental staffing identified in Exhibit D-1-3 (pages 2-3) to support evolving operational and strategic priorities. Additional variances are attributable to hiring delays, vacancies, temporary resource additions, and position overlaps during transitions.

d) The IESO has taken a phased approach for new FTEs to better align resources with initiatives and mitigate expenses over the business planning period. The incremental investment is aligned proportionately with the IESO's three pillars in the business plan. The additional FTEs are necessary to support:

- **Procurement, Resource Adequacy and Contract Administration:**

Additional resources to design, administer and manage expanding Long-Term (LT) and Medium-Term (MT) procurements, ancillary services, non-wires alternatives, and the growing volume and complexity of procurement contracts, consistent with the IEP report back on Streamlining IESO-led Procurement Processes.

- **Resource Planning and System Development:** Resources to develop long-term forecasts and multiple growth scenarios, support electrification and

1 decarbonization objectives, coordinate with stakeholders, and integrate new
2 resources and planned transmission investments into electricity system planning.

- 3 • **Stakeholder, Rightsholder and Regional Engagement:** Resources to
4 support increasing engagement requirements with municipalities, Indigenous
5 communities, customers, and sector participants, including the 13 Regional
6 Plans, the Indigenous Energy Support Program, evolving regulatory
7 requirements, and the IEP report back on Planned Changes to Regional and Bulk
8 Planning Engagement.
- 9 • **Market Evolution and Grid Modernization:** Resources to evolve real-time
10 markets, improve market efficiency, integrate Distributed Energy Resources
11 (DERs), energy storage and emerging technologies, and enhance operational
12 flexibility to support a more diverse electricity supply mix.
- 13 • **Resource Integration and System Operations:** Investments in processes,
14 tools and systems to enable new connections, support market participation by
15 new resources and large loads, enhance Control Room operations, and facilitate
16 the integration of new transmission and energy infrastructure.
- 17 • **Settlement Operations:** Resources to manage the increasing volume and
18 complexity of settlement transactions associated with the renewed and evolving
19 market.
- 20 • **Demand-Side Programs:** Resources to support the expansion and
21 implementation of the Demand Side Management Framework.
- 22 • **Cyber Security and System Resilience:** Resources to strengthen cyber
23 security capabilities, including support for the 24/7 Security Operations Centre,
24 Ontario's Lighthouse program, and broader reliability and resilience objectives
25 identified in the Integrated Energy Plan.

- **Data and Information Governance:** Investments to enhance information management, data governance, and decision-support capabilities.
- **Regulatory Compliance and Reliability:** Resources to address expanding regulatory, market rule, compliance and reliability standard requirements.
- **Technology, Corporate Services and Operational Excellence:** Investments in sustaining technology, modernizing processes and tools, managing an increasingly complex project portfolio, and supporting financial management, capital oversight, procurement, vendor management, and continuous improvement initiatives.
- **Workforce and Organizational Capability:** Resources to address the increasing volume and complexity of strategic workforce planning, labour relations, organizational change management, and talent development initiatives.

e) See Table 3 below.

Table 3: Compensation per Average FTE

Total Operating Compensation (Salary, Wages & Benefits)	2023 Budget	2023 Actual	2024 Budget	2024 Actual	2025 Budget	2025 Actual	2026 Budget	2027 Budget	2028 Budget
Executive and Board	4.7	4.8	4.9	4.6	5.0	5.2	5.8	5.8	5.8
Management	30.5	35.4	32.0	36.8	33.1	42.0	46.7	47.2	49.2
Non-Management Regular	91.4	115.7	99.8	115.3	107.1	133.8	144.7	158.2	170.9
Non-Management Temporary	10.7	7.9	11.3	9.5	9.3	12.0	11.1	11.7	12.3
Total (\$millions)	137.3	163.8	147.9	166.2	154.5	193.0	208.3	222.9	238.2
Total Average Operating FTE	763	737	811	801	820	931	939	983	1008
Compensation per Average FTE (\$millions)	0.18	0.22	0.18	0.21	0.19	0.21	0.22	0.23	0.24

1 As compensation dollars are operating in nature for purposes of the business plan, the chart
2 above excludes capital FTEs and is calculating the average compensation per operating FTE.
3 The average cost remains generally consistent across the 2025 to 2028 period, reflecting the
4 standard impacts of inflation and actuarial pension adjustments, with no material variances
5 observed.

OEB STAFF INTERROGATORY 9

Issue 1.0 – Revenue Requirement, Operating Costs and Capital Spending

1-OEB Staff-9

INTERROGATORY

Reference:

- Exhibit D-2-1, pages 1-3, Table 28

Preamble:

In the Reference, the IESO stated that its short-term investment income is a combination of market interest income and corporate interest income.

Question(s):

- As shown in Table 28, the actual 2023 and 2024 short-term investment income amounts are significantly higher than approved level. What is the basis for the IESO's forecast of its income from short-term investment? Please discuss the process used by the IESO to forecast the short-term investment income. Has there been any recent update in this process?
- Please elaborate on the reasons for the decreased 2026-2028 short-term investment income.

RESPONSE

- Short-term investment income consists of two components: market interest income and corporate interest income. Market interest income is earned on funds flowing through the IESO wholesale electricity market in accordance with the Market Rules, while corporate interest income is generated from the IESO's short-term money market investments. Market interest income is the primary driver of overall short-term investment income.

1 Funds within the wholesale market are generally held for a minimum of two business
2 days, consistent with the market settlement calendar. As a result, market interest
3 income is primarily influenced by the volume of funds processed through the market,
4 number of days held in IESO bank accounts and prevailing overnight interest rates. The
5 IESO forecasts market interest income based on historical trends in market fund
6 volumes, market settlement calendar and interest rate projections provided by major
7 Canadian banks.

8 There have been no recent changes to the methodology used by the IESO to forecast
9 short-term investment income.

10 The main driver for higher than budgeted short-term investment income in 2023 and
11 2024, is higher interest rates, in alignment with market conditions.

- 12 b) Market investment income is budgeted to be lower in 2026-2028 primarily due to lower
13 interest rates, in addition to fewer available settlement days.

OEB STAFF INTERROGATORY 10

Issue 1.0 – Revenue Requirement, Operating Costs and Capital Spending

1-OEB Staff-10

INTERROGATORY

Reference:

1. Exhibit E-2-1, page 1, Table 29
2. Exhibit E-2-1, page 3, Table 30
3. Exhibit E-2-1, page 8, Table 32
4. OEB Staff Interrogatories - EB-2022-0318, page 11

Preamble:

The IESO is requesting a capital budget of \$170 million for the 2026-2028 period, of which \$95 million is to be allocated to the IESO's Core Project Portfolio.

It is noted that for the 2023-2025 period, the IESO underspent its cumulative OEB approved capital budget by approximately 7%. The cumulative underspend was driven largely by an approximate \$20 million underspend on the IESO's Core Project Portfolio (notably, a \$13 million underspend on the Space Needs Program).

It is also noted that the IESO's underspend of its cumulative approved capital budget for 2019 to 2022, inclusive, amounted to approximately 17%.

Question(s):

- a) Considering the consistent underspending on capital reported in the above references, please justify the requested capital expenditures for 2026, 2027, and 2028. What

1 lessons has the IESO learned that it has applied to improve capital expenditures related
2 budgeting in this application?

3 **RESPONSE**

4 a) While historical capital spending has been below forecast, a significant contributor to the
5 underspend during 2023-2025 period was the delayed capital expenditures of IESO
6 Facilities and IT Infrastructure related projects. As a result, expenditures associated with
7 these initiatives were deferred beyond the periods originally contemplated in prior
8 business plans, creating a variance between planned and actual capital spending.

9 The requested capital investments for 2026–2028 are based on a more mature
10 understanding of project scope, resource requirements, and implementation timelines.
11 The forecasts have been informed by updated delivery schedules and reflect the current
12 portfolio of approved and anticipated strategic initiatives required to support the IESO's
13 evolving business, operational, and regulatory objectives.

14 A key lesson learned from previous planning cycles was the need to strengthen the
15 process for identifying and prioritizing capital initiatives before inclusion in the business
16 plan. In response, the IESO implemented an enhanced project intake and ideation
17 process for this planning cycle. This enhanced approach required earlier engagement
18 with business sponsors, more rigorous assessment of project readiness, and improved
19 validation of resource and delivery assumptions before initiatives are incorporated into
20 capital forecasts.

21 These improvements have increased confidence in the timing and accuracy of planned
22 expenditures by ensuring that projects included in the forecast are better defined,
23 aligned with organizational priorities, and supported by more realistic delivery plans. The
24 result is a capital budget that more accurately reflects the organization's anticipated
25 investment needs and its capacity to execute those investments over the 2026–2028
26 period.

1 Accordingly, the requested capital expenditures represent the investments necessary to
2 advance strategic priorities while reflecting a strengthened planning methodology,
3 described above, designed to improve forecast accuracy, capital deployment, and overall
4 portfolio execution.

OEB STAFF INTERROGATORY 11

Issue 1.0 – Revenue Requirement, Operating Costs and Capital Spending

1-OEB Staff-11

INTERROGATORY

Reference:

1. Exhibit E-2-1
2. Exhibit E-2-1, Attachment 11, page 4

Preamble:

The IESO requested a capital budget of \$77.1 million for its Space Needs Program, of which \$17.8 million is allocated as capital contingency. For 2026, the IESO has requested \$20.2 million, an approximate 55% increase from the \$13 million budgeted for 2025. The IESO noted in its application that construction delays are driving the Space Needs Program underspend, citing a forecasted completion date of Q1 2028.

Question(s):

- a) Please explain whether the project budget or contingency amount has changed since the project was initially approved and, if so, provide the reasons for the change.
- b) Please explain the basis for the proposed 2026 Space Needs Program expenditure forecast.
- c) Please identify the specific project milestones, procurement activities, and construction activities that support the proposed level of expenditure in 2026.
- d) Please provide the risk assessment, cost-estimating methodology, or other analysis used to establish the contingency amount.
- e) Please explain why the current contingency level remains appropriate in light of the project's historical expenditure deferrals and delays.

RESPONSE

a) The overall project budget and associated contingency amount for Space Needs Program Phase 3 – Future@Work remains unchanged from that approved in Project Charter version 2.0 on December 18, 2024¹. The later than anticipated start of construction at both Adelaide and Clarkson has led to a shifting of costs.

b) The 2026 project expenditure forecast is comprised of largely construction related costs for both Adelaide and Clarkson office locations. The 2026 project costs can be found in Table 1 below.

Table 1: 2026 Project Expenditure by Cost Category

Cost Category	Project Expenditure (\$M)
IESO Labour	\$1.1M
Contract Service (Design & Construction related)	\$16.5M
IT Networking and Computing Equipment	\$0.6M
Furniture & Facilities	\$1.4M
Administration Charges	\$0.6M
Total	\$20.2M

c) The level of expenditure is in support of the following milestones:

- Renovation of Adelaide 18th floor which opened in June 2026.
- Renovation of Suite 1802 (small remaining Suite on the 18th floor) - scheduled to be complete Summer 2026.
- Renovation of Clarkson Ground Floor – In progress, scheduled to be complete Q1 2027.
- Design and construction of an additional parking lot to accomodate the increased building occupancy – Scheduled to be complete by the end of 2026/early 2027.

¹ Project Charter: Space Needs Program Phase 3 – Future@Work: <https://www.ieso.ca/-/media/Files/IESO/Document-Library/corporate/applications/project-charter-space-needs-program-phase-3.pdf>

Procurement activities include:

- Office Furniture and Chairs supply and installation
- Desktop computing and network equipment
- Audio Visual equipment supply and installation
- Signage and wayfinding
- Note: All procurements related to construction/renovation activities were procured by the General Contractor/Construction Manager.

Construction activities include:

- **Adelaide** – Drywall and glazing wall construction; electrical, plumbing, HVAC installation; ceiling and lighting installation; carpeting and painting for the 18th floor, including Suite 1802.
- **Clarkson** – Demolition and relocation of existing walls, ceilings, HVAC and electrical system; construction of new washrooms and excavation for new sanitary lines; relocation of the café space to the ground floor and addition of a patio; enclosing the small balcony on the 3rd floor; drywall and glazing wall construction; electrical, plumbing, HVAC installation; ceiling and lighting installation; carpeting and painting for the ground floor; construction of parking lot expansion including lighting, fencing, storm sewer, bioswale and asphalt parking surface.

- d) The development of project costs were based on Class C estimates developed by the General Contractors representing an industry standard estimation accuracy of - 5%/+20%. IESO related costs were developed using parametric estimation based on previous phases of the Space Needs Program. A 10% management reserve was also applied to reflect the level of unknowns related to a project of this size and complexity.
- e) The IESO believes that the level of contingency remains appropriate given our experience with the Adelaide renovation and our understanding of the level of change orders necessary to address unknown site conditions and design evolution over the course of the construction at Clarkson.

OEB STAFF INTERROGATORY 12

Issue 1.0 – Revenue Requirement, Operating Costs and Capital Spending

1-OEB Staff-12

INTERROGATORY

Reference:

1. Exhibit E-2-1, Attachment 2
2. Exhibit E-2-1, Attachment 11, page 4

Preamble:

The IESO has estimated a total capital expenditure of \$22 million (including contingency) and a total estimated operating expenditure of \$1.5 million to complete its Facilities Maintenance Program. The program includes mechanical upgrades, electrical system reliability and security systems replacement projects at the IESO's Clarkson facility.

The IESO also includes critical investments in IESO aging infrastructure at the IESO's Clarkson office in their capital budget request for their Space Needs Program. The IESO explains that the program's investments made in electrical and mechanical systems at the Clarkson (Mississauga) location are needed to support the renovated space and provide continuity of the facility's operation for at least 15 more years.

Question(s):

- a) Please confirm whether any electrical or mechanical investment scope is shared or overlaps between the Facilities Maintenance Program and the Space Needs Program for the 2026–2028 period.
- b) If yes, please identify the overlapping investments and explain how costs are allocated between the two programs. If no, please explain how the IESO ensured there is no duplication of capital expenditures across the two programs.

RESPONSE

a) There are no overlapping costs between the Facilities Maintenance Program and the Space Needs Program, however the Future@Work Project does include some facilities upgrades that are required as a result of the renovation work.

b) A separate funding case has been developed and approved to fund the mechanical upgrades required to maintain the operation of the Clarkson Facility. The project team ensures that any equipment, supply and installation costs associated with these upgrades is allocated to appropriate cost accounts. Any mechanical, electrical or security upgrades required to support the new renovation are identified and charged to the Future@Work Project.

PWU INTERROGATORY 1

Issue 1.0 – Revenue Requirement, Operating Costs and Capital Spending

1-PWU-01

INTERROGATORY

Reference:

- Exhibit C-2-1, Attachment 1, Page 1 of 1

Preamble:

The reference indicates that total exports volume (TWh) for the 2023-2025 was 56.7 TWh, which is an average of 18.9TWh per year whereas the partially actual and forecasted exports for the 2026-2028 period is 28.9 TWh, which is an average of 9.6 TWh per year.

Question:

- Please explain the drivers and assumptions behind the drastic decrease in forecasted exports.

RESPONSE

- See response to 2-HQEM-1.

PWU INTERROGATORY 2

Issue 1.0 – Revenue Requirement, Operating Costs and Capital Spending

1-PWU-02

INTERROGATORY

Reference:

- Exhibit G-1-1, Attachment 7, page 14 of 70

Preamble:

The reference indicates that one of the many actions that the IESO is required to undertake as directed by the IEP Implementation directive is to assess Export opportunities:

Export opportunities: Working with the Ministry, the IESO must engage neighboring provinces on electricity trade opportunities and assess potential new interconnections, reporting by October 31st, 2025, on viable projects, investment needs, and economic and emissions implications. It is also instructed to monitor and evaluate future US export opportunities for Ontario's non-emitting power

Question:

- Please provide the report that the IESO filed with the Ministry regarding export opportunities. If a report has not been prepared yet, please describe the work the IESO has undertaken, a summary of the findings thereof, and the status of the full report.

RESPONSE

- The IESO's 2026-2028 Revenue Requirement Submission is based on a Business Plan that has been reviewed and approved by the Minister of Energy and the review of the IESO's application should be focused on the IESO's OM&A and capital expenditures. This

- 1 request is outside the scope of the issues and evidence relevant to the IESO's 2026-
- 2 2028 Revenue Requirement Submission.

PWU INTERROGATORY 3

Issue 1.0 – Revenue Requirement, Operating Costs and Capital Spending

1-PWU-03

INTERROGATORY

Reference:

- Exhibit D-1-1, page 3 of 12, Line 13-17

Preamble:

In addition, under-capitalization of resources (due to capital project timing delays, prioritization of resources and a shift from capital to operating costs for cloud computing solutions) drove \$14.4 million of operating cost pressure, which was partially offset by higher than planned attrition savings of \$6.8 million.

Question:

- Please identify and describe the projects that were delayed - including the original planned timelines and actual timelines - that led to under capitalization.
- For each of the 2023-2025 years, please provide planned and actual FTE attrition levels (retirements, voluntary resignations, involuntary departures, etc.)
- Please provide planned/forecasted attrition levels assumed in the planning of FTEs for 2026, 2027, and 2028.
- Please provide the number of staff eligible to retire in 2026, 2027, and 2028

RESPONSE

a) See response to 1-CCC-3 for information on the drivers for under-capitalization. The projects identified in the IESO's responses to 1-SEC-18 represent the projects for which schedule variances were reported.

b) See Table 1 below for budget and actual attrition levels for 2023-2025.

Table 1: Budget and Actual Attrition Level from 2023-2025

Attrition	2023 Budget	2023 Actual	2024 Budget	2024 Actual	2025 Budget	2025 Actual
FTE	5%	10%	5%	6%	5%	2%

c) See Table 2 below for planned attrition levels for 2026-2028.

Table 2: Planned Attrition Levels for 2026-2028

Attrition	2026 Budget	2027 Budget	2028 Budget
FTE	7%	6%	5%

d) See table 3 below for the number of staff eligible to retire in 2026, 2027, and 2028.

Table 3: Eligible Retirements - Based on Earliest Unreduced Retirement Date

Year	Count of Employees
2026	35
2027	22
2028	25

PWU INTERROGATORY 4

Issue 1.0 – Revenue Requirement, Operating Costs and Capital Spending

1-PWU-04

INTERROGATORY

Reference:

- Exhibit D-1-3, Attachment 1 Appendix 2-K

Preamble:

Question(s):

a) Please reproduce and provide the table in excel spreadsheet format breaking out the Non-Management Regular and Non-Management Temporary categories by union representation, i.e., PWU, Society.

b) In terms of IESO's resource needs to execute its core functions and undertake new government-directed initiatives, please explain whether the proposed staffing levels for 2026-2028 represent minimum, expected or optimal and identify potential risks if the planned staffing complement is not achieved.

RESPONSE

a) See response to 1-SUP-1 a).

b) The proposed staffing levels for 2026-2028 represent the minimum FTE requirements necessary to deliver the government's priorities and the IESO's core mandate. If the planned staffing complement is not achieved, there is a risk of delays in the delivery of key initiatives and reduced organizational flexibility to respond to emerging priorities. The IESO continues to actively recruit, retain, and develop talent to mitigate these risks.

PWU INTERROGATORY 5

Issue 1.0 – Revenue Requirement, Operating Costs and Capital Spending

1-PWU-5

INTERROGATORY

Reference:

- Exhibit D-1-3, page 8 of 13

Preamble:

Effective March 31, 2025, an averaging period of 60 months, rather than 36 months, now determines pensionable earnings for both PWU and Society.

Question(s):

- Please confirm these negotiated changes in pension plan – including the change in the undiscounted early retirement rule from Rule 85 to Rule 82, are changes that the IESO committed to undertake in its last revenue requirement application (EB-2022-0318).
- Please confirm whether these changes are reflected in the Mercer report (D-1-3, Attachment 3): Non-Executive Total Remuneration Review, filed with the current application
- Please provide any analyses or report/s that quantify forecasted savings from these two negotiated changes in plan which will lower IESO's pension contribution

RESPONSE

- The IESO confirms that it identified in its 2023-2025 Revenue Requirement Submission EB-2022-0318 a planned initiative that effective March 31, 2025, an averaging period of 60 months, rather than 36 months, would determine pensionable earnings for both PWU and Society and also, that effective March 31, 2025, the undiscounted early retirement

1 rule for PWU and Society would change to reflect the Rule of 85 (age & service) from
2 the Rule of 82, not from Rule 85 to Rule 82 as stated in the question.

3 b) The IESO confirms that the negotiated pension plan changes are reflected in the 2025
4 Non-Executive Total Remuneration Review filed with the current application.

5 c) The most recent actuarial valuation of the IESO registered pension plan completed on
6 January 1, 2025 states that these changes decreased the pension plan's expected
7 annual cost, prior to the application of provisions for adverse deviation, by \$1.0 million
8 in 2025 and by an additional \$235,000 in 2026. This represents reductions of 0.66% and
9 0.15% of pensionable earnings, respectively.

1 **SEC INTERROGATORY 1**

2 Issue 1.1 Is the IESO's Fiscal Year 2026 revenue requirement of \$328.8 million appropriate?

3 1-SEC-1

4 **INTERROGATORY**

5 **Reference:**

6 **Preamble:**

7 **Question(s):**

8 Please provide a copy of all budget guidance documents that were issued regarding the budgets
9 that underlie this application.

10 **RESPONSE**

11 See the attachments to 1-SEC-2: Attachment 1 – Board Material Business Plan, Attachment 2 -
12 2026-2028 Business Plan

AUGUST 28, 2025

2026-2028 Business Plan and Corporate Performance Measures

Ernest Chui

Vice President, Corporate Services and Chief Financial Officer

Sarah Bolduc

Director, Corporate Finance

Steven Chopowick

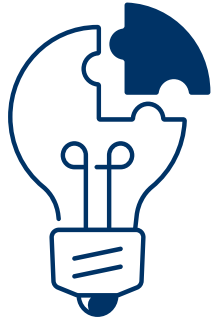
Director, Risk, Performance, Resilience and Internal Audit

Purpose and Summary

Purpose of Item: The Board of Directors approve the 2026-2028 Business Plan and Corporate Performance Measures.

Executive Summary:

Context Setting

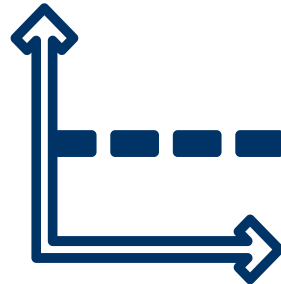


Setting the context for the IESO, enabling province's growth with an expanding mandate

Examples of delivering value to Ontario

2026-2028 Business Plan Foundation

Baseline \$ Increase



Baseline increase = 29% vs. 2025 driven by external factors and cost deferral from the 2023-2025 Business Plan (i.e. Bill 124, negotiated union contracts)

Incremental Investment



Incremental Investment = ~15% over 3yrs

Three main categories of investment:

1. Support Core Mandate
2. Enabling Economic Growth in the Short Term
3. Accelerating Ontario's Big Build

Operating Reserve = \$30M



Increase the operating reserve from \$10M to \$30M to provide additional flexibility to adapt to new and emerging policy priorities and/or unknown cost pressures (i.e. Bill 124) while maintaining rate stability to rate payers.

1% Efficiency Target



Enduring 1% Efficiency target set incrementally in each year of the budget.

Background and Timelines

The IESO is a not-for-profit organization established in the Electricity Act, 1998 under the jurisdiction of the Ontario Minister of Energy & Mines and consolidated with the Province of Ontario. Revenues are driven by the IESO Usage Fee, which are charged to market participants on a usage basis, as approved through the 3-yr Business Plan.

Work Done to Date

March 2025 – 2026-2028 Baseline Preview – Audit Committee

June 2025 – 2026-2028 Business Plan Preview – Audit Committee and Board of Directors

June 2025 – Ministry of Energy and Mines Briefing

July 2025 – Ministry of Energy and Mines Assistant Deputy Minister and Deputy Minister Briefing

August 2025 – Ministry of Energy and Mines Minister Office Briefing

August 15th – IESO Executive Approval

Next Steps

August 27th – IESO Audit Committee Recommendation to Board of Directors

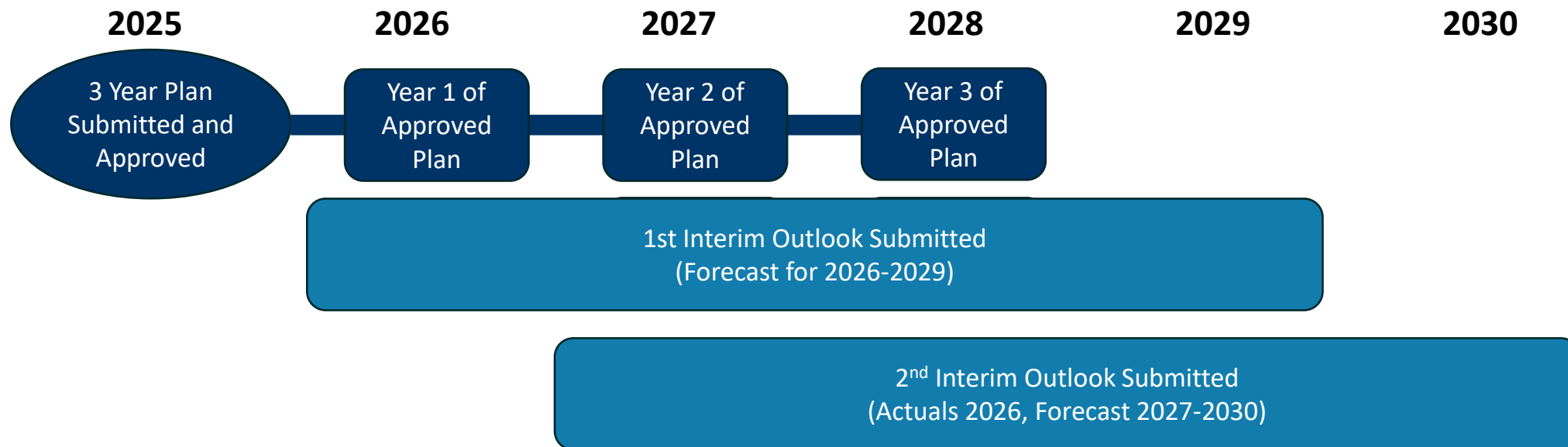
August 28th – IESO Board of Directors Approval

August 29th – Submission to the Minister of Energy and Mines for concurrent approval

TBD – Ontario Energy Board Rate Application is due by November 1st, or within a reasonable timeframe if we are unable to file by this timeline (i.e. if Ministerial concurrent approval is close to or on this date).

Background on Business Planning Process

IESO operates under a 3-year Business Planning cycle approved by the Minister and the OEB. During interim years, IESO submits an outlook which provides an update on the plan and a preliminary estimate into the next 3-year planning period.



Setting the Context for the Organization and the Plan



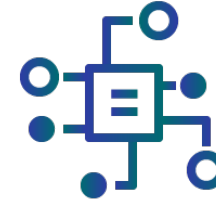
Delivering a Critical Service

At the core of its mandate – the IESO is responsible for ensuring the reliability, affordability and sustainability of Ontario’s electricity system. The IESO must continue to perform each and every day through the business plan period to ensure electricity is available where and when it’s needed. Currently, the IESO represents a very small portion of the total cost of the electricity system in Ontario (approximately 1.2% in 2026-2028).



Enabling the Province’s Growth

Ontario’s electricity system needs are forecasted to increase 75% by 2050, driven by a growing population, expanding industry, and the electrification of the economy. Through this period, the IESO will need to plan, acquire, and operate a growing system that includes more resources, new technologies, and increasingly sophisticated customers.



Supporting an Expanding Mandate

The IESO’s mandate is expected to continue to expand through this period with the government’s focus on energy as a cornerstone of its economic strategy and the release of the Integrated Energy Plan (IEP). The IESO needs to be capable of delivering on its mandate so that it in turn has the support of government to pursue its own strategic objectives.

IESO's Value to Ontario

While the IESO does not directly generate revenue for the province, it has a record of providing value back to the province that should be considered as part of its revenue request. Through competitive procurements, contract negotiations, and other IESO led initiatives, the organization is expected to **secure over a billion dollars in cost savings for ratepayers over the next decade.** On the right are just a few examples of projects driving positive ratepayer impact.

Examples of IESO Initiatives Driving Value		
Initiative	Savings	Description
Small Hydro Program	\$250M (2029-2043)	Negotiated more favourable program terms versus existing contracts
Market Renewal Program	\$700M (2025-2035)	Implemented a more efficient electricity market
Capacity Auction	\$200M (2021-2024)	Used competition to drive more favourable outcomes
Bruce Refurbishment Negotiations	\$100M+ to date	Challenged and scrutinized refurbishment plans to find savings for ratepayers

Foundation for the 2026-2028 Business Plan

The Ontario Government has established a clear vision for the future of Ontario's energy system. A system that will catalyze economic growth, turn energy security into national security, and underpin societal well-being and economic prosperity for generations to come.

The IESO's 2026-2028 Business Plan has been built to deliver on this vision by:

1. Ensuring we can continue to reliably operate an increasingly complex electricity system
2. Investing in opportunities to derive more value from the infrastructure in place today
3. Accelerating our efforts to plan, engage and develop new infrastructure for tomorrow

All the initiatives outlined in the Business Plan draw directly from the IESO's Corporate Strategy with an emphasis on driving operational excellence across all areas of the business.

Business Plan Components

Baseline	Incremental Investment to Enable Government's Vision		
<u>External Impacts to IESO Baseline Operating Costs</u> Unavoidable cost to continue delivering existing service to the province. A significant portion a result of cost deferral from the 2023-2025 Business Plan	<u>Investments Required to Support Core Mandate</u> Net new investments required to allow the IESO to continue to deliver its current suite of services to the province	<u>Enabling Economic Growth in Short Term</u> Incremental investments that will enable more economic growth and support customer investment prior to new infrastructure being built.	<u>Accelerating Ontario's Big Build</u> Incremental investments that will accelerate the pace of new infrastructure development while maintaining affordability.

Driving IESO's Strategy and Operational Excellence

The IESO recognizes that investment alone will not be sufficient. Foundational to the success of this business plan is the ongoing evolution of the IESO's corporate culture. Ensuring that both existing and new areas of the IESO's Business are outcome focused, lean, and value oriented.

Jurisdictional Scan

The IESO conducted a jurisdictional scan to identify key insights with comparator organizations to assess the reasonability of the IESO's 2026-2028 business plan.

As seen below organizations across the sector are seeing significant budget increases.

ORGANIZATION	BUDGET CHANGES	OTHER VARIANCES	KEY DRIVERS
Alberta Electric System Operator (AESO)	23% increase in 2025 in general and administrative costs	18% in Full-Time Equivalents (FTEs) and 86% increase in consulting	Restructured Energy Market (REM) Technical Design Addressing near-term reliability concerns
California Independent System Operator (CAISO)	18% increase in 2025 Grid Management Charge (GMC) Revenue Requirement	8% increase in Operations and Maintenance (O&M) from 2024 and increase of 18 FTEs	High penetration of renewables, wildfire mitigation, and distributed energy resource (DER) growth
Electric Reliability Council of Texas (ERCOT)	40% increase in 2024 budget (approved)	20.28% increase in FTEs (171 positions)	Extreme weather events, need for improved grid resilience, debt strategy, revenues, etc.
North American Reliability Corporation (NERC)	8.2% increase in total program budget for 2025 8.7% increase in personnel costs	4.9% increase in FTEs	Energy, Security, Agility, and Sustainability Examples include: grid transformation, cybersecurity design, Information Technology (IT) and Operational Technology (OT) monitoring, agility in developing standards and internal processes, succession planning, and overall cybersecurity initiatives
	The total budget increase over the period 2022–2025 (excluding 2021 as the increase was flat due to the COVID-19 pandemic) is approximately 41.63%		Personnel costs, the expansion of cybersecurity programs (Cybersecurity Risk Information Sharing Program (CRISP), Electricity Information Sharing and Analysis Center (E-ISAC)), greater reliance on contractors and consultants, and growing investments in IT and grid modernization efforts
Toronto Hydro	Operations, Maintenance and Administration (OM&A) average of 4% increase in the 2025-2029 period Approximately 44% increase in Capital Invest. 2025-2029 over 2020-2024 period	Needs a 25% increase in FTEs Approved 4% increase OM&A for 2025	Technology, grid modernization, upgrade aging infrastructure, facilities, fleet, IT, and emission reductions

Budget Increases: Organizations in the sector are requesting budget increases ranging from 2.5% to 23% for the period 2024 to 2026, justified by the need to address reliability challenges, integration of DERs, invest in technology and aging assets.

Workforce Expansion: Proposed increases in full-time equivalents (FTEs) range from 4.9% to 25% across organizations, driven by the need to manage increased complexity of the work and critical timelines associated to the accelerated pace of the energy transition, which requires substantial investments in modernizing the grid, integrating DERs and ensuring grid resilience amid growing climate-related risks.



Overview of Baseline Operating Costs

Baseline Increase

As signaled in our 2nd Interim Outlook, there is a large step change expected in 2026, prior to any incremental investments. This step change is estimated at 29% in 2026 and is based on the costs required to restore the reserve and reset to our new baseline.

2025 Revenue Requirement = \$235M			
	2026 2026 vs. 2025	2027 2027 vs. 2026	2028 2028 vs. 2027
Legacy Pressures	7%	-	-
Reset to 2025	10%	-	-
2026-2028 Baseline	12%	6%	1%
2026 Baseline – Apr 2025	29%	6%	1%
YoY Incremental Investment \$	\$68M	\$18M	\$5M
Total Incremental Investment \$	\$68M	\$86M	\$91M

Baseline Categories

Legacy Pressures – Include restoring the \$10M reserve over 3 years and Demand Side Management (DSM) moving from Global Adjustment to IESO Fee.

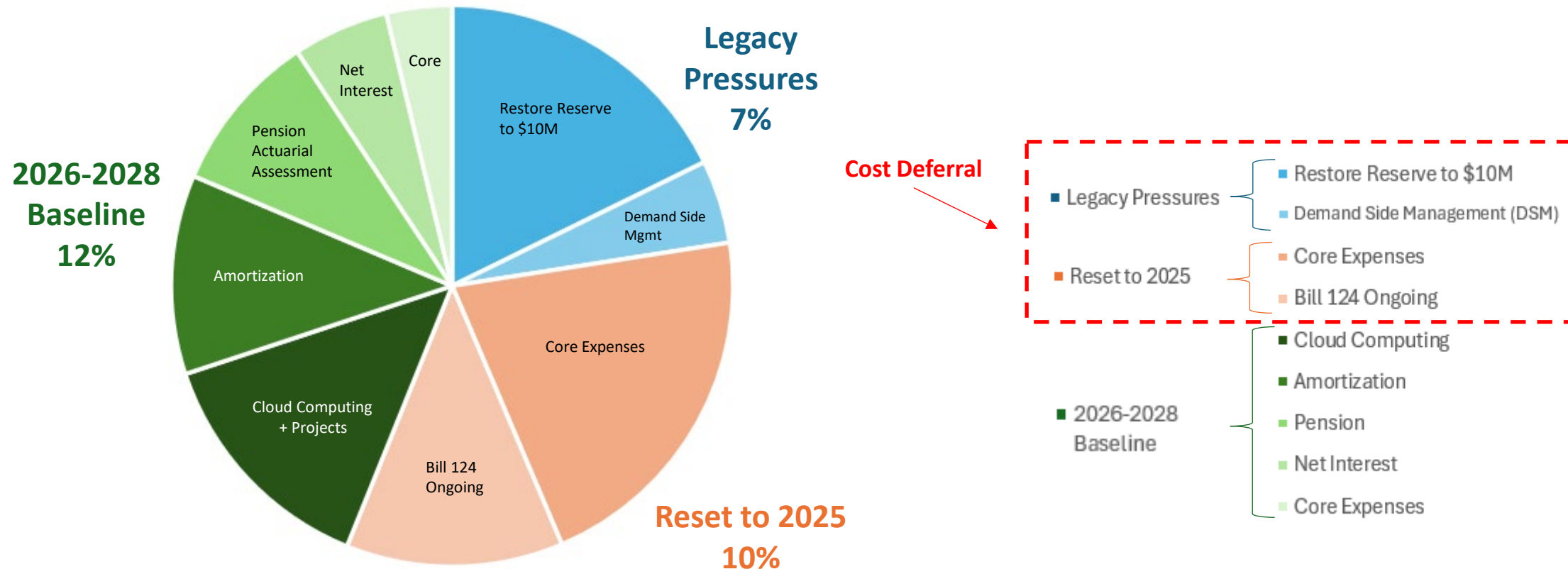
Reset to 2025 – Pressures that pre-date 2026, including ongoing annual impacts from Bill 124 and core expense increases (i.e. compensation costs from re-openers, membership costs etc). The core expense increases have been largely contained in the 2023-2025 Business Plan due to increased revenue from increased demand

2026-2028 Baseline – Baseline cost increases that start post fiscal 2025, including negotiated union increases, anticipated inflationary impacts, Market Renewal Program amortization, net interest, cloud-based solution OPEX, pension actuary expense liability etc. These are pressures that relate to activity already in run rate and are not new investments.

Elements of Baseline Operating Costs

The following charts provide a breakdown of elements of the 29% Baseline revenue requirement increase (2026 vs. 2025).

The 29% includes the reserve restoration up to \$10M – restoring equally over three years





Components of Incremental Investments to Enable Government's Vision

Incremental Investments to Enable Government Vision

A modest increase of ~15% over three years allows the IESO to meet the IEP and report-backs while continuing to deliver on our core mandate, enable economic growth in short term and accelerate Ontario's Big Build.

To achieve these objectives, we need to invest in additional resources, tools and systems, which is driving the need for incremental investment dollars in the 2026-2028 Business Plan.

	2026 2026 vs. 2025	2027 2027 vs. 2026	2028 2028 vs. 2027
Investments to Support Core Mandate	3.5%	1.5%	0.5%
Enabling Growth in the Short Term	4.0%	1.5%	1.0%
Accelerating the Big Build	1.5%	1.0%	0.5%
YoY Incremental Investment % to Revenue Requirement	9%	4%	2%
YoY Incremental Investment \$	\$22M	\$14M	\$6M
Total Incremental Investment \$	\$22M	\$36M	\$42M

Note: Rounded to nearest 0.5%

Incremental Investments to Enable Government Vision

The below reflects the 15% incremental investment by each of the three sub-categories and key investment areas.

(in Millions of Canadian Dollars)	2026 Budget	2027 Budget	2028 Budget
Continuing to Deliver Core Mandate	8.6	13.6	14.8
Sustaining Technology, Evolving Processes & Tools	2.9	4.1	4.1
Investing in Organizational Talent and Skills	1.8	3.1	4.2
Cybersecurity	1.7	2.5	2.7
Artificial Intelligence	0.6	2.1	2.0
Info & Data Governance	1.1	1.3	1.3
Facilities Maintenance	0.5	0.5	0.5
Enabling Economic Growth in the Short Term	9.6	15.4	19.2
Enhanced Market Operations	8.3	14.7	18.3
Demand Side Management (DSM)	1.3	0.7	0.9
Accelerating the Big Build	3.5	6.9	8.3
Stakeholder and Rightsholder Engagement	2.5	4.8	5.2
Resource Adequacy	1.0	2.1	3.1
Total Incremental Investments	\$21.7	\$35.9	\$42.3
YoYChange	\$21.7	\$14.2	\$6.4

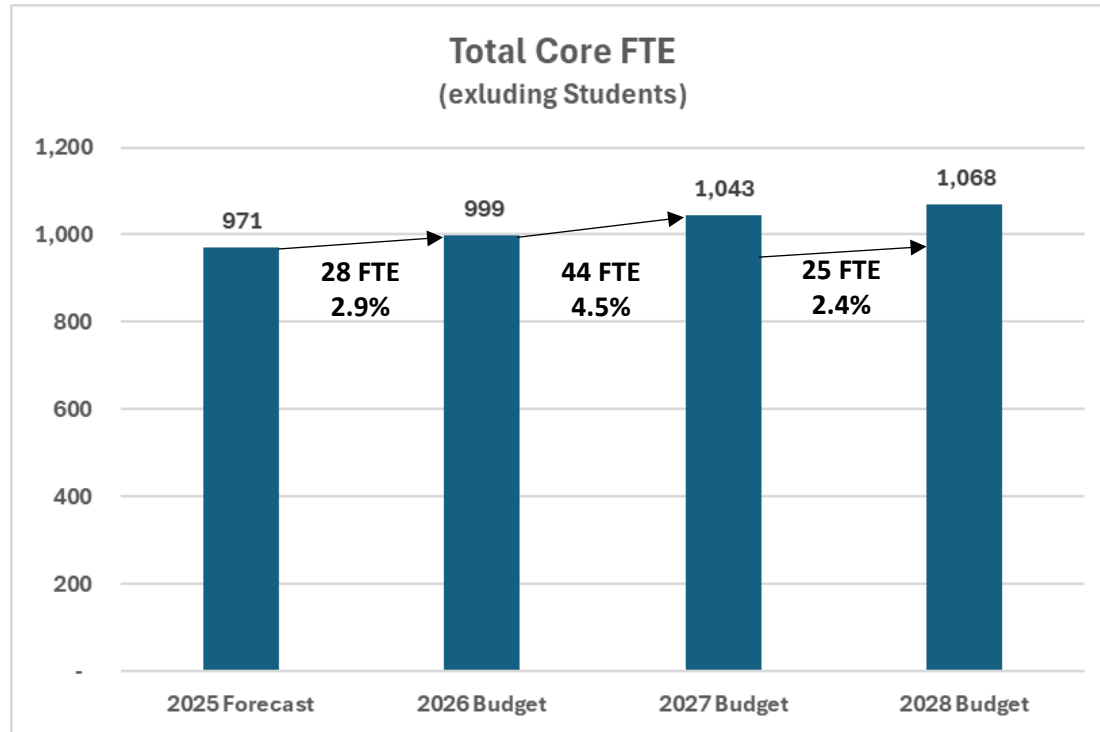
Delivering On Our Core Mandate— Investments are focused on renewal and replacement of IT software and investments, ensuring the organization continues to meet increasingly complex regulations and cybersecurity obligations, all while investing in our people to attract and retain top talent, and our footprint to support our growth.

Enabling Economic Growth in the Short Term— Focus is on investing tools and processes to support customer connections, deliver on more energy efficiency programs and extracting value from existing resources, such as ERP and the renewed market. This investment will allow us to support and meet the report backs included within the IEP

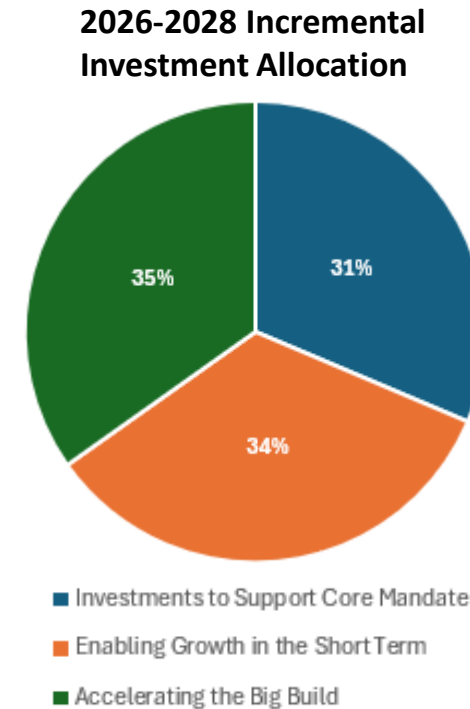
Accelerating the Big Build— Focus is on continuing to execute on larger and new procurements, galvanizing support with the sector, communities and government to support new infrastructure and undertaking more frequent and complex planning assessments. This investment will allow us to support and meet the report backs included within the IEP

Full Time Equivalent (FTE) Staffing

- The IESO has taken a three-year phased in for approach for new FTE in order to better align resources with initiatives and mitigate expenses over the business plan period
- Overall, headcount is expected to grow **97 FTE** at an average rate of **3.3%** per year over the 2026-2028 business planning timeline
- The incremental investment is aligned proportionately with the IESO's three pillars in the business plan, and the staff mix is consistent with the current allocation of management and non-management staff



Note: 2025 is the Interim Outlook vs Budget to reflect previously communicated changes such as Demand Side Management staff moving from Global Adjustment to the Usage Fee and bringing in-house previously outsourced services as per Union requirements.





Revenue Requirement Summary

2026-2028 Revenue Requirement Increase

The three-year business plan includes an overall increase of 15% for incremental investment, which will allow the IESO to execute the vision in the IEP and report-backs, while further positioning the IESO to provide reliable and affordable energy to Ontarians in an increasingly complex environment.

2025 Revenue Requirement = \$235M

	2026 2026 vs. 2025	2027 2027 vs. 2026	2028 2028 vs. 2027
Baseline Increase ¹	29%	6%	1%
Incremental Investment	9%	4%	2%
Operating Reserve Increase from \$10 to \$30M	3%	0%	0%
1% Efficiency Target	(1)%	(1)%	(1)%
Total YoY Increase %	40%	9%	2%
Revenue Requirement =	\$329M	\$357M	\$365M
IESO Cost / System =	1.2%	1.2%	1.2%
\$/Rate Payer/Mth* =	\$1.53	\$1.62	\$1.56
Total YoY Mthly Change	\$0.44	\$0.09	\$(0.06)

2026 vs 2025 monthly ratepayer is \$0.44 driven by:

- Baseline - \$0.31
- Incremental - \$0.10
- Operating Reserve Increase - \$0.04
- Efficiency – (\$0.01)

Note:

1 - This assumes the reserve is restored and increased over 3 years equally.

Financial Summary

		2026	2027	2028
2025 Revenue Requirement \$ Millions		\$235	\$235	\$235
Baseline	Total \$ Millions	\$68	\$86	\$91
	YoY % Increase	29%	6%	1%
Increase Operating Reserve to \$30M	Total \$ Millions	\$7	\$7	\$7
	YoY % Increase	3%	0%	0%
Incremental Investment to Enable Government's Vision	Investments Required to Support Core Mandate	\$9	\$14	\$15
	Enabling Growth in Short Term	\$9	\$15	\$19
	Accelerating Big Build	\$4	\$7	\$8
	Total \$ Millions	\$22	\$36	\$42
	YoY % Increase	9%	4%	2%
Operational Excellence	Total \$Ms - 1% Efficiency Challenge (benefit)	\$(3)	\$(7)	\$(10)
	YoY % Increase	(1)%	(1)%	(1)%
Total Business Plan	Total Increase \$ Millions	\$94	\$122	\$130
	Revenue Requirement \$ Millions	\$329	\$357	\$365
	YoY % Increase	40%	9%	2%



Corporate Performance Measures

Corporate Performance Measures - Background

- The IESO's corporate performance management provides an important level of oversight for the organization and its stakeholders helping to ensure accountability and course correction, as needed.
- Under Section 8.1 of the memorandum of understanding (MOU), the IESO must include a discussion of performance measures, including both outcome and output based measures, and targets for the Business Plan Cycle.
- Performance Measures and Targets have been refreshed based on the business plan's priorities and existing strategy.
- Measures on the IESO's balanced score card considers five critical dimensions – strategy, operations, customer experience, finance and employees.

Corporate Performance Measures - Summary

- Directional draft measures were presented to the Board in June for feedback.
- Subsequently to the June Board meeting, measures and targets have been adjusted, reviewed and validated based on Director, VP and CEO feedback.
- To aid the Board's understanding of the measures and what the desired outcomes mean, Measure Profilers and Performance Descriptions are available as an information resource
- Performance measures for the 2026-2028 Business Plan are outlined on **slide 23**. These measures were approved by the ELT on August 11.

2026-2028 Corporate Performance Measures

Business Plan Vision	Ref#	Business Plan Priority	Measure	Targets								
				2026			2027			2028		
				Thresholds			Thresholds			Thresholds		
				Below Expectations	Meets	Exceeds	Below Expectations	Meets	Exceeds	Below Expectations	Meets	Exceeds
Continuing to Deliver Core Mandate	1	Resource Adequacy •Short term	Short-term (day ahead) forecast accuracy (within tolerance)	+/- 2.5%	+/- 2.25%	+/- 2.0%	+/- 2.5%	+/- 2.25%	+/- 2.0%	+/- 2.5%	+/- 2.25%	+/- 2.0%
	2	System Operations	(I) Plans in place to ensure that resource adequacy reliability standards are met for the next 5 years	-	100%	-	-	100%	-	-	100%	-
			(II) Number of Potential Non-Compliance "PNCs" with NERC high-risk reliability standards	>1	1	0	>1	1	0	>1	1	0
	3	Market Performance	Alignment between energy price signals and system needs	0-1 of 6 LMPs Pass	2-4 of 6 LMPs pass	5-6 of 6 LMPs pass	0-1 of 6 LMPs Pass	2-4 of 6 LMPs pass	5-6 of 6 LMPs pass	0-1 of 6 LMPs Pass	2-4 of 6 LMPs pass	5-6 of 6 LMPs pass
	4	Employee Experience	Composite index score of employee experience questions supporting the achievement of the IESO’s organizational strategy	≥2 points below 2025 base	≤1 points below or above 2025 base	≥2 points above 2025 base	≥2 points below 2026 score	≤1 points below or above 2026 score	≥2 points above 2026 score	≥2 points below 2027 score	≤1 points below or above 2027 score	≥2 points above 2027 score
Enabling Economic Growth in the Short Term	5	System and Transmission Planning	Enhancing and improving the interconnection process to connect more energy – weighted average of normalized time to connect (system impact assessment + registration)	>17 mths	14-17 mths	<14 mths	>16 mths	13-16 mths	<13 mths	>15 mths	12-15 mths	<12 mths
	6	Demand Side Management (DSM)	Percentage achieved of target DSM electricity savings (reductions)	<90%	90%-105%	>105%	<90%	90%-105%	>105%	<90%	90%-105%	>105%
Accelerating the Big Build	7	Resource Adequacy •Long term	Generation capacity procurement effectiveness – ratio of awarded (MW) to target (MW) within tolerance	<80%	80%-120%	Board Discretion	<80%	80%-120%	Board Discretion	<80%	80%-120%	Board Discretion
Driving Operational Excellence	8	Sector Trust in Strategy	Composite survey index for the sector’s trust in the IESO to deliver its Corporate Strategy	<67%	67%-74%	>74%	<67%	67%-74%	>74%	<67%	67%-74%	>74%
	9	Strategic Project Delivery	Strategic initiatives’ progress according to their approved schedule	<83%	84%-86%	>88%	<86%	87%-89%	>90%	<89%	90%-92%	>92%
	10	Financial	Percentage variance from the OEB-approved budget (actual vs. budget within tolerance range)	+/- 6%	+/- 5%	+/- 4%	+/- 6%	+/- 5%	+/- 4%	+/- 6%	+/- 5%	+/- 4%



Next Steps

Next Steps

Date	Description
August 27 th	IESO Audit Committee Recommendation to Board of Directors
August 28 th	IESO Board of Directors Approval
August 29 th	Submission to the Minister of Energy and Mines for concurrent approval
TBD	Following Minister’s Concurrent Approval: File 2026-2028 revenue requirement submission with the Ontario Energy Board



Appendix

Bill 124

- Bill 124, which included a 3-yr “moderation period” of capped salary increases, was enacted June 2019, and overturned November 2022.
- **The 2023-2025 Business Plan was submitted September 1st 2022, prior to the Bill being overturned.** One of the assumptions of the 2023-2025 Business Plan was that Bill 124 would be upheld and remain in effect.
- The IESO has been carrying the Bill 124 costs since 2023, the main driver of the \$40M forecasted deficit for the 2023-2025 Business Plan.
- As a not-for-profit organization we are required to maintain a balanced budget, therefore we will be recouping the following in the 2026-2028 Business Plan:
 1. Legacy Pressures – \$40M – 2023-2025 Business Plan deficit driven by Bill 124 one-time retro payment + ongoing costs
 2. Ongoing Pressures – \$8-9M/yr – of ongoing costs related to the Bill 124 reset.

Note: Union re-openers triggered by the overturn of Bill 124 drove additional cost pressures in addition to the above and have also been incorporated. Some examples of these cost pressures include changes to benefit packages, additional union negotiation wage increases etc.

Operating Financial Assumptions

The starting point to the 2026-2028 Budget is the Interim Outlook which includes significant cost pressures and cost deferral related to the 2023-2025 Business Plan (i.e. Bill 124). Additional assumptions for the 2026-2028 plan are:

Compensation



Salary – ~3.5% union negotiated

Benefits – in line with benefit package, updated pension actuary valuation and utilization trends

Operating & Administrative



2% inflationary assumption

Interest



- Rate = overnight interest rate
- Increased debt facility
- Reduced interest-bearing days on settlement \$

Cloud Computing



Increased % of projects are shifting from capital to operating due to cloud-based arrangements.

Budget based on a historical trending analysis + known projects that are cloud based

Amortization



Tied to capital plan, Market Renewal Program full year amortization in 2026

Operating Reserve



Increased from \$10M to \$30M to allow more flexibility to adapt to new/emerging policies and unknown cost pressures, all while providing rate stability

Efficiency Target



1% enduring efficiency target, incrementally added to each year of the plan

Investments Required to Support Core Mandate

- Throughout the business planning period, the IESO needs to continue to deliver its core mandate of operating a reliable, affordable and sustainable electricity system
- As our operating environment becomes increasingly complex, continuing to deliver this mandate will require incremental investments

Major Drivers

- | | |
|--|--|
| <ul style="list-style-type: none">• Renewal, replacement and enhancement of IT software including new investments in AI• Ongoing investments into IESO's real estate footprint to support and enable IESO's growing number of employees | <ul style="list-style-type: none">• Ensuring the organization continues to meet increasingly complex regulatory and cybersecurity obligations• Maintaining competitive compensation and benefit packages to ensure IESO can retain top talent |
|--|--|

Enabling Growth in the Short Term

- With the urgent need in Ontario to support businesses, industry and economic growth, the IESO cannot solely rely on significant new infrastructure to come into service.
- For the organization to be successful, it must make investments to enable economic growth with the infrastructure that is already in place or already under development. This includes finding creative solutions to connecting new large loads to the grid during a period where the infrastructure is approaching capacity limits (e.g. EV manufacturing and data centres).
- It must also continue to re-orient its processes to be more customer-focused, ensuring potential investors in the province can make informed and efficient investment decisions.

Enabling Growth in the Short Term – Major Drivers

Project Description

Developing Better Tools and Processes to Support Customer Connections

Investing in more sophisticated system modelling tools and technical expertise that will allow IESO to more precisely and efficiently connect more customers to the system without jeopardizing reliability and safety.

Delivering More Energy Efficiency Programs

Following the government decision to launch the largest framework of energy efficiency programs in Ontario's history, IESO will need more staff to deliver an expanded portfolio of programs. These programs in turn can reduce demand on our currently electricity infrastructure and help keep energy costs affordable for homes and businesses.

Extracting More Value from Existing Resources

Progressing work on the Enabling Resources Program will allow the IESO to develop new systems and tools that will allow storage and distributed resources to be used more efficiently and provide more value in our electricity market.

Accelerating The Big Build

- The APO forecast that demand for Ontario electricity is expected to increase 75% by 2050 with the need for the next tranche of new infrastructure beginning to emerge and grow through the 2030s.
- Meeting this demand will require the IESO to not only acquire new infrastructure but accelerate the pace in which it is planned, procured and developed – this includes supporting both IESO-led procurements and assessing government-led investments (e.g. new nuclear).
- It will also require the IESO to galvanize support for new infrastructure across governments, the electricity sector, capital markets, municipalities and Indigenous leaders.

Accelerating The Big Build – Major Drivers

Project Description

Continuing to Execute Larger and New Procurements

More resources are required to execute larger and a greater number of different procurements such as more specific procurements for non-wires alternatives and ancillary services. This includes both procurement administration and post procurement contract management.

Galvanizing Support With Sector, Communities and Government

Engaging, gathering intelligence, and building relationships with stakeholders and rightsholders will become more intensive as economic development intensifies. Of particular importance is ensuring IESO can build community support (Municipal and Indigenous) as it is a requirement for any new infrastructure.

Undertaking More Complex and Frequent Planning Assessments

To ensure the IESO is managing uncertainty and guiding responsible investment decisions by the province, the IESO must undertake more frequent and complex planning scenarios. This includes assessing multiple growth scenarios, preparing for integrated gas/electric planning and the ongoing re-assessment of procurement targets to ensure procurements are designed to provide best outcomes for ratepayers.

Strategic Risks

Risk #	Risk Event Description	Core Strategy		
		Drive & Guide the Sector's Future	Advanced Reliability & Cost-Effectiveness within an Evolving System	Drive Business Transformation
1	Material undersupply of capacity and energy at a provincial and regional level in the near-term timeframe (2027-2029).	X	X	X
2	IESO actions to identify and secure supply is not seen as credible by the stakeholder community.	X	X	
3	IESO's information technology systems and data are disrupted by cybersecurity threats.	X	X	X
4	Malicious actors, through cyber and physical attacks, impacting non-IESO owned assets required for operating the IESO-controlled grid.	X	X	
5	A regulatory decision or recommendation is made that impedes the ability to advance strategic priorities.	X	X	
6	Culture, people, processes and tools misaligned to IESO's role in leading the sector.	X	X	X
7	Ineffective processes for acquiring, developing and deploying talent with key and hard to find skills and capabilities.	X	X	X
8	New large load connection requests, introduce material vulnerabilities to maintaining reliability.		X	
9	Inverter-Based Resources (IBRs) disconnecting from the grid unnecessarily and unexpectedly.		X	

Business Plan 2026–2028

Independent Electricity System Operator
September 1, 2025



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Letter from the President & CEO

We are at a critical juncture for Ontario's electricity sector.

The pace of change is accelerating with new infrastructure being planned and built, more choice emerging for consumers to manage their energy use, economic development underway in communities across the province and electrification happening all around us. With electricity demand in the province forecast to grow significantly over the longer term, the Independent Electricity System Operator (IESO) is focused on ensuring our system remains reliable, affordable and sustainable and positioned to enable economic growth as we secure our shared energy future.

In this era of renewed global uncertainty and rising geopolitical tensions, we are navigating the ripple effects of shifting Canada-U.S. trade dynamics. Our sector and the economy are deeply intertwined, and these changes are compelling us to adapt, recalibrate and confront new challenges head-on. While ongoing complexities are part of the landscape, there are significant nation-building and energy security opportunities to be seized for Ontario and for Canada.

Energy has become a key enabler of the province's economic policy. The government's release of the province's first ever integrated energy plan, *Energy for Generations*, in June 2025 highlights this with a vision for the future of Ontario's energy system, one that will support economic growth and fuel prosperous communities and businesses. The IESO appreciates the opportunity to have provided input into the plan that aligns to our Corporate Strategy, and we are now entrusted to deliver on key initiatives in support of the government's long-term energy vision — a mandate that is foundational to this business plan.

In recognition of the increasing role energy is playing across the economy, the government has tasked the IESO with a greater role in supporting economic development. This provincial direction affirms the IESO's critical role in promoting the growth and prosperity that is key to the economic and social well-being of Ontario residents and businesses.

Recent successes demonstrate our readiness for the challenge ahead. We have just launched the second Long-Term (LT2) Request for Proposals for new capacity and energy from all resource types, the largest competitive energy procurement in Ontario to date. We have unlocked key transmission bottlenecks to serve reliability, growth in demand and economic development. We have launched Ontario's renewed electricity market, improving the way electricity is scheduled and priced across the province to make the most cost-effective use of our increasingly diverse supply mix. We have completed the largest energy storage procurement ever in Canada, ensuring Ontario's supply needs will be met this decade. We have fostered Indigenous partnerships in energy projects, strengthened relationships with municipalities and supported their engagement on electricity matters, and we continue to build new relationships with non-traditional partners.

With the renewed market now operating successfully, evolving our markets while maintaining reliability will be an ongoing effort to support the rapid expansion of Ontario's electricity system. We will be laser-focused on finding opportunities to unlock more value from storage, co-located hybrid facilities and distributed energy resources (DER) through the Enabling Resources Program (ERP). The

first deliverable for the ERP will put tools in place that will help system operators more efficiently manage storage on the grid and help storage owners more effectively participate in the market.

Keeping system costs down is key to energy affordability, a top issue for businesses and families. The IESO has a demonstrated track record of delivering cost savings to ratepayers as demonstrated by the Market Renewal Program (MRP), which has implemented a more efficient electricity market; the Small and the Northern Hydro Programs, where the IESO is negotiating more favourable terms compared with existing contracts; our medium-term procurements, which have re-committed resources at lower costs; and the Bruce Power refurbishment negotiations, where additional savings were secured as part of refurbishment plans. These actions taken to date will equate to more than \$1 billion in savings over the next decade.

The IESO accomplished a great deal during our previous business cycle, particularly related to the government's *Powering Ontario's Growth* plan that laid the groundwork for the province's recently released long-term integrated energy plan, *Energy for Generations*. With this direction in place, the IESO will continue to accelerate the Big Build and leverage the actions already in motion to attract smart investments in new infrastructure that will spur further investments across our sector and make the system future-ready. And while we increase the pace of building new infrastructure in the province, we must also avail ourselves of opportunities to do more with the system we already have in place, to find value and support industry, all while ensuring electricity remains reliable, affordable and sustainable. This means enabling short-term economic growth that optimizes existing infrastructure and drives down costs, making it easier for businesses to connect to the grid. In other words, we will work to ensure our electricity system is available and ready to support the growth of communities, as well as new investments in our province.

Additionally, as part of our core mandate to operate a reliable, affordable and sustainable electricity system, we will invest in artificial intelligence (AI) tools, cyber security technology and data governance processes that keep our systems safe in an increasingly complex operating environment. And we will continue to invest in our people and our organization to empower leaders and teams to deliver on our priorities. As we continue to foster a corporate culture that is focused on delivering outcomes for Ontarians, we will also need to deepen our talent pool, ensuring we have the skills in place not just to support our day-to-day operations, but to enable the accelerated build-out of the system of the future.

To meet this critical moment in the evolution of Ontario's energy system, we must grow as an organization in lockstep with the electricity grid and the sector. The IESO is requesting a Revenue Requirement of \$329 million in the first year, a 40 per cent increase from 2025. Three-quarters of this increase is the result of legacy pressures and previously deferred costs, including the one-time impact of Bill 124. In 2027 and 2028, the IESO is seeking to increase its Revenue Requirement to \$357 million and \$365 million, or by 9 per cent and 2 per cent year over year, respectively, with investments focused on ensuring the IESO can continue to deliver our core mandate, enable growth in the short term and accelerate the Big Build. Throughout the upcoming cycle, the IESO expects to account for just 1.2 per cent of the system cost each year, ensuring the IESO is growing and delivering outcomes in direct alignment with the growth of the system and positioning the IESO to enable the vision outlined in the integrated energy plan.

Despite the many uncertainties that lie ahead, we are confident that as we connect today and power tomorrow, we will play a key role in growing our economy as we work in partnership with businesses,

municipalities and Indigenous communities — following our shared path toward a prosperous and clean energy future. Ontario's economic growth depends on the strength of our electricity system, and the IESO is uniquely positioned to drive and guide the sector as we build out our system for generations to come.

We are ready.

Lesley Gallinger, MBA, CPA, CPA (Illinois), C.Dir.

President & CEO

HIGHLIGHTING THE IESO MANDATE

At the core of its mandate, the IESO is responsible for ensuring the reliability, affordability and sustainability of Ontario's electricity system. The following initiatives demonstrate the breadth and impact of our work.



SYSTEM & MARKET OPERATIONS

Control Room supported by ~1,000 servers and 150 IT tools, many of which will need continual updates as we evolve with grid expansion and associated changes.



TRANSMISSION EXPANSION

20 transmission plans under development; 13 new transmission projects underway.



RESOURCE PROCUREMENTS

More than 10 new active procurements streams with most emphasizing competition to drive value for ratepayers; 30 new competitively procured greenfield projects underway from previous procurements.



ENGAGEMENT

Hundreds of engagements are held across the province with businesses and industry, communities and Indigenous rights-holders, to build support for the IESO's work.



ENERGY EFFICIENCY

Delivering a 12-year, \$10.9B energy efficiency framework, which includes programs for families and businesses.



PROGRAM ADMINISTRATION

Administering \$40M/yr in government grant programs ranging from innovation to Indigenous capacity enhancements.



CYBER SECURITY

Growing responsibility for a more complex cyber security environment across both the IESO and the sector.



COMPLEX PLANNING

Need to plan for rapid demand growth, the prudent and orderly sequencing of hundreds of billions in new infrastructure, and the integration of multiple energy types.



POLICY ADVICE

10 government report-backs delivered in 2024 ranging from detailed policy analysis to billion-dollar project assessments.



2026–2028 Business Plan – IESO Priorities

Introduction

A reliable, affordable and sustainable electricity system is fundamental to the economic prosperity and well-being of all Ontarians. Each and every day, they count on the IESO to ensure electricity is available where and when it is needed.

The IESO works at the heart of Ontario’s electricity system delivering an essential service to support economic growth. Through collaborative and purposeful work with market participants, municipalities, Indigenous communities, government bodies and a vast range of other partners in the energy sector and beyond, we deliver key services across the electricity sector including: managing the power system in real time, planning and procuring resources to meet the province’s future energy needs, enabling energy efficiency and demand-side management (DSM), and delivering a more efficient electricity marketplace to support sector evolution.

The IESO plays a unique and critical role in Ontario’s energy ecosystem — and in the province as a whole — as well as in enabling a future state that drives economic growth, delivers electricity reliability and underpins societal well-being and prosperity for generations to come. The IESO remains focused on its mandate to maintain a reliable, affordable and sustainable electricity system as well as support Ontario’s economic growth.

Since the refresh of our five-year Corporate Strategy in 2022, changes to the IESO’s operating environment have emerged, driven by government policy and regulation, public sentiment, technology and economics. In 2025, we conducted a mid-cycle review to assess our Corporate Strategy within the context of these interconnected drivers to respond to the changing energy landscape. This business plan signals how the organization is refining its strategic approach in alignment with the province’s integrated energy plan, and it adds more specificity and detail on how we plan to maintain operational excellence in an evolving electricity system while making incremental investments to support the Ontario government’s plan for economic growth in the coming years. As such, the IESO’s *2026–2028 Business Plan* has been built to deliver on this vision by:

- Ensuring we can continue to reliably operate an increasingly complex electricity system;
- Investing in opportunities to derive more value from the infrastructure in place today; and
- Accelerating our efforts to plan, engage across and beyond the sector, and develop new infrastructure for tomorrow.

Accelerating the Big Build

There is an urgent need for new electricity infrastructure to be built across the province to meet our long-term forecasts for demand growth. Meeting this demand will require the IESO to accelerate the pace of new infrastructure planning, procurement and development while maintaining affordability; as well as engagement efforts to galvanize support across governments, the electricity sector, capital markets, and with municipalities and Indigenous communities.

Communities across the province are growing, and electricity is being relied on to do more than ever, powering transportation, industry and home heating. At the same time, trade uncertainty and geopolitical tensions are posing risks to the Ontario economy, and the need to accelerate the build-out of our energy system has become even more critical to protecting Ontario's economic prosperity — and Canada's national sovereignty — for generations to come.

In response, the IESO is moving faster to build bigger, leveraging actions already in motion to make smart investments in new infrastructure and the system future-ready. One of the most important initiatives underway in support of these efforts is the LT2 RFP, the largest competitive electricity procurement ever in Ontario. With demand forecast to grow at a significant rate, the IESO has increased energy and capacity targets, as well as the frequency of procurement windows to happen on an annual basis.

While the LT2 RFP is open to all forms of large generation and storage, the IESO is also moving forward with procurements for other existing and new resources. The IESO will support the next steps in the Ontario New Nuclear Feasibility Study by working with Ontario Power Generation and Bruce Power on early planning for additional nuclear generation. This includes building on the impact assessment work for Bruce "C" to advance the next stages of new nuclear pre-development work. We have launched a Request for Information focused on long lead-time resources, in particular long-duration energy storage and new hydroelectric generation. And, in recognition of the proliferation of smaller resources located in local distribution networks, a Local Generation Program is being developed that will secure existing and new resources under 10 MW.

As new sources of generation and storage are built, and new consumers connect to the grid, an expansion of our transmission system will be critical to efficiently move electricity across the province. Major transmission infrastructure is already underway or planned across the province, with more expected in the coming years. To build transmission more cost-effectively, the IESO has just launched a transmitter registry as part of the upcoming Transmitter Selection Framework, which will encourage competition among transmitters, encourage innovation and put downward pressure on costs. It also creates new opportunities for Indigenous communities and responds to the growing leadership role they have been taking in transmission development.

Accomplishing this will also require the IESO to galvanize support for new infrastructure development across governments, the electricity sector, capital markets, municipalities and Indigenous communities. We will accomplish this by building on the strength of our relationships through purposeful, inclusive, timely, accessible, traceable and transparent engagements, as set out in the IESO's External Relations Engagement and Indigenous Engagement Frameworks. We will underpin all

this work by continuing to leverage the expertise and knowledge from our Strategic Advisory Committee, Associations Liaison Group and Technical Panel.

As we embark on this work, it means gathering input and building relationships with a broader range of non-traditional sector participants to build support for new electricity infrastructure development. Our work in this area will continue to be guided by the External Relations Engagement and Indigenous Engagement Frameworks, which have been designed to chart a collective path for the IESO, stakeholders, municipalities and Indigenous communities to work together recognizing the value of different perspectives as we collectively shape our energy future.

When considering all these initiatives to build more infrastructure, it is important to keep in mind the associated planning, contract management and engagement work and resources necessary to ensure success. As of this publication, the IESO already manages more than 33,000 contracts representing 27,000 MW of installed capacity with another 4,000 MW under development, and incremental investments will be made to administer the increasing portfolio of contracts from ongoing and future procurements.

In addition to being involved in 13 regional electricity plans and seven bulk transmission planning processes as of this publication, incremental investments will be made to undertake more complex and frequent planning assessments of our increasingly sophisticated system to manage uncertainty and support responsible investment decisions for the province. This includes assessing multiple growth scenarios; preparing for integrated gas-electric planning; and the ongoing reassessment of acquisition targets to ensure procurements are designed to provide not only the best outcomes for ratepayers, but also the best information to help potential investors in Ontario make informed and efficient business decisions. Finally, the IESO will work with the province to unlock new trade and nation-building opportunities, including assessing new and expanded transmission interconnections with our neighbours, particularly to strengthen east-west trade and create new pathways for electricity to flow across Canada.

Looking ahead, supporting the government's economic growth policies will be a main driver of the IESO's actions and initiatives. We will build on our work in 2024, when we delivered 10 reports back to government ranging from detailed policy analysis to billion-dollar project assessments. We will carry this out by driving and guiding policy and sector dialogue on the configuration of the future energy system. We will also deepen our strategic relationships across and beyond the sector to cover broader aspects of the system, including new Canadian interties, increasing co-ordination between transmission and distribution systems, continued gas-electric co-ordination, streamlined energy procurement processes and supporting Indigenous engagement in procurements. This will ensure not only confidence among those with whom we engage, but also effective co-operation of planning efforts in partnership with the Ministry of Energy and Mines and the Ontario Energy Board (OEB) as we drive and guide the sector's future to accelerate the build-out of the system.

Enabling Economic Growth in the Short Term

Alongside efforts to accelerate the Big Build and enable long-term prosperity, there is an urgent and immediate need to support businesses, industry and economic growth in Ontario. To this end, energy efficiency has been and will continue to be crucial to helping residents, businesses and communities manage their costs, while also reducing demand on the grid in the near term. With large businesses and industry making investments that are reshaping Ontario's economy, the IESO is committed to evolving our business alongside them. Through this plan, the IESO is driving to become a more customer-oriented organization, from our first engagements with a business looking to invest in the province all the way through their final connection and participation in Ontario's electricity market. As the system evolves, the IESO will advance reliability and cost-effectiveness by making investments to derive more value from infrastructure that is already in place or under development by creating further opportunities to participate in electricity markets.

While new large infrastructure is being built, there are more immediate steps the IESO is taking to support economic development. DSM tools continue to be an invaluable resource for maintaining reliability and keeping costs low, and programming is expanding. This was reaffirmed when we launched the 2025–2036 Electricity Demand Side Management Framework (eDSM Framework) at the beginning of 2025, which builds on the success of the previous framework and is the largest and longest commitment to energy efficiency programs in Ontario's history, all delivered under the trusted Save on Energy brand. This 12-year, \$10.9-billion framework will be delivered through an expanded portfolio of new and enhanced programs that reduce demand on our existing electricity infrastructure and provide continuing opportunities for families and businesses to keep their energy costs affordable.

While energy efficiency programs help all consumer segments manage their energy use and save costs, a customer-oriented approach is also needed to help new businesses connect to the grid. Ontario's reliable, affordable and sustainable electricity system continues to attract business development, and as more large businesses consider investing in our province — there are about 15,000 MW of large step loads moving through the IESO's connection process as of this publication — we need to find creative ways to make it easier for them to connect to the grid. We will build on this work by continuing to support the customer and meet them where they are at on their electricity journey. To do so, the IESO is implementing a "concierge-style" approach to ensure customers understand where and how to connect, while streamlining and simplifying our processes so that we can guide customers from start to finish.

This approach also reflects how the electricity needs of large customers are evolving. Data centres and electric arc furnaces consume large amounts of power in unique ways, and a more collaborative approach is needed to ensure they can connect quickly while also maintaining grid reliability. Connecting these and other new customers will also require investing in more sophisticated system modelling and monitoring tools, technical expertise and training that will allow the IESO to more effectively and efficiently connect larger, more complex, and a growing number of customers to the system without jeopardizing reliability and safety. These types of tools are also needed to manage

the battery energy storage systems procured to date, as well as intermittent resources, like wind and solar, to be procured in the future.

Lastly, in addition to supporting economic development through energy efficiency programs and a more collaborative, customer-oriented approach, the IESO is extracting more value from existing resources and opportunities to expand participation in our markets and support reliability. With the successful rollout of the MRP now complete, we are extending the focus of our ongoing efforts to evolve the real-time markets to improve market efficiency by moving forward on the ERP. This program builds on the foundation of the renewed market and represents the next step in the IESO's planned market evolution. The immediate focus is on enhancing market and system operations to accommodate the thousands of megawatts of battery storage that are starting to connect to the grid.

As the ERP evolves, efforts will be made to develop new systems and tools to enable not just storage, but also new co-located hybrid resources and an expanding fleet of DERs to be used more efficiently and provide more value in our electricity market. The ERP will also work with distributors to improve the co-ordination of DERs that can support the distribution and bulk power systems. With projects executed under the ERP, new participation models will be in place to enable these resources to provide capacity, energy and ancillary services; and support the safe, reliable and efficient operation of the bulk electricity system.

Delivering on Our Core Mandate

Throughout the business planning period, the IESO must continue to deliver its core mandate of operating a reliable, affordable and sustainable electricity system. Accelerating the Big Build and enabling short-term economic growth are immense tasks, so it is imperative that the IESO invests in its people and processes to ensure we continue to operate the grid reliably and affordably. As our environment becomes increasingly complex, the organization will make the incremental investments that allow us to maintain operational excellence, including in our talent and new technologies.

Net new investments will be required to allow the IESO to continue to deliver its current suite of services to the province. Going forward in the 2026–2028 cycle, we already foresee a fast-changing sector with tighter operating conditions as the province grows, hundreds of new market rules and reliability standards, more cyber threats and an increasingly sophisticated suite of system software and AI-driven tools to manage. This reinforces the need for us to invest and remain focused on how we deliver our core mandate.

As the province and the grid grow, the IESO will need to manage an increasingly complex operating environment. To put the challenge in perspective, when Algoma Steel’s electric arc furnaces — of which the first was recently completed — turn on, they ramp up from 75 MW to 300 MW of load demand in less than 25 seconds and will do so up to 12 times an hour. That is the equivalent of adding a city the size of Sault Ste. Marie to the grid and then removing it up to 12 times an hour. Ensuring industrial businesses such as Algoma Steel have the confidence in the electricity system requires ongoing investment in the people, processes and tools that operate and maintain the grid. This includes increasing the number of employees operating and supporting the Control Room, new tools to manage the electricity market, and ensuring our workforce continues to have the skills needed to maintain Ontario’s world-class track record of reliability.

To maintain our reputation for reliability, we are also putting in place plans to ensure resource adequacy reliability standards are met for the next five years amid the evolving operational environment to give the market — that is, investors — a clear view of how the IESO will meet system needs, whether through competitive procurement, bilateral contracting or government action. As a sector leader, we will also ensure system reliability through adherence to North American Electric Reliability Corp. (NERC) standards.

The IESO Control Room is supported by more than 1,000 pieces of IT software and equipment that are critical to keeping the lights on 24 hours a day, 365 days a year. Many of these tools and infrastructure will reach their end of life during this planning period and will need to be updated, maintained or upgraded. The IESO will need to make investments as it manages, prioritizes and co-ordinates the management of its IT assets and infrastructure. This includes identifying opportunities to introduce new technologies that can enhance the effectiveness of our operations.

The development of AI and the ever-growing complexity of the electricity system have highlighted the critical importance of maintaining an IT infrastructure that provides robust and reliable data, and a cyber security program that is safe and secure. We will continue to meet these obligations by maintaining best practices that uphold the integrity of the bulk system. The growth of AI is a key

initiative to support this work to improve our business processes, technology and tools. To this end, the IESO will make new investments in AI; deepen the integration of Lean Six Sigma practices that maximize value and minimize waste across the organization; and accelerate our ability to evolve and optimize our internal processes, technologies and tools to safeguard against cyber security threats. This will also improve our organizational efficiency as we minimize red tape and streamline internal processes in alignment with our strategic goals.

Data is a critical, insightful resource the IESO relies upon in much of our work to enhance our decision-making and drive efficiency. Data governance will have significant impacts on future efficiency opportunities and cost savings through streamlining workflows and automation, and so we will also create a dedicated data governance function to help us enhance data quality and realize efficiency savings through improved productivity across the IESO. Critical to success of AI and machine-learning implementation/usage is data governance, which will enhance business efficiency, innovation and competitive advantages in multiple areas of the IESO's work, including price and demand forecasting, grid stability and energy trading. Maintaining an enhanced data governance regime will require investments to implement, upgrade and replace critical technology solutions, such as the IESO's file server platforms, which support our ability to effectively manage and govern this data as well as limit potential disruptions.

With Ontario's energy sector rapidly evolving and the modern workplace transforming at a breakneck pace, investing in learning and development to optimize our talented workforce is more important than ever. We are taking a strategic, future-focused approach to managing our talent resources, positioning the IESO as an employer of choice in a competitive and dynamic market. As our team grows, employees will be provided with meaningful opportunities to build future-ready capabilities — enhancing their technical, creative and critical-thinking skills. They will be empowered to embrace emerging technologies, lead innovation and step confidently into leadership roles that shape the future. Fostering a culture of continuous improvement will be central to our strategy to build resilience, promote retention and strengthen employee engagement and connection to the organization. To support this, the IESO has launched an Employee Value Proposition that reinforces that our people are not just part of our organization, they are the driving force behind our collective success and future impact.

Other investments to help attract, retain and support our growing number of employees will touch on different areas, from maintaining competitive compensation to attract top talent to creating a modern, technology-enabled, activity-based workplace over an optimized real estate footprint through our ongoing Future@Work project. The Future@Work project is renovating our Adelaide and Clarkson locations so that they can support our growing workforce and find more efficient, collaborative and productive approaches for employees to undertake their work. During the construction phase of this project, we are being persistent with finding schedule and cost efficiencies while minimizing disruption to both the project and IESO employees. Savings have occurred through deferred asset replacement and preventative maintenance, which has extended asset longevity overall and maximized the IESO's return on investment. The IESO remains focused on ensuring employees operate under a work model that supports a collaborative, high-performing and efficient workforce in line with industry best practices. As part of our ongoing work to enhance our corporate footprint, the IESO will continue to monitor and assess work model changes within the government, across our sector peers as well as the employment landscape more broadly.

Financial Overview

The *2026–2028 Business Plan* reflects the IESO’s commitment to supporting the province’s first ever integrated energy plan, *Energy for Generations*, with investments to deliver on the work needed to accelerate the Big Build and enable short-term economic growth. At the same time, investments are required to support our core mandate,¹ allowing the IESO to continue to successfully operate in our increasingly complex and evolving environment, and ensure Ontario’s electricity system is reliable, affordable and sustainable. This is all underpinned by a drive towards continuous improvement and operational excellence, balancing costs with affordability through internal efficiencies where possible.

To enable the IESO to support the government’s vision, ensuring we meet the increasing demand of Ontario and grow in lockstep with the sector — all while addressing legacy pressures and investing in core operations — the IESO is proposing to increase its Revenue Requirement by 40 per cent in 2026, 9 per cent in 2027 and 2 per cent in 2028. A significant portion of the 2026 increase is due to legacy cost pressures and cost deferrals from the *2023–2025 Business Plan* — driven primarily by the reversal of the cap on salary rate increases from Bill 124 — that the IESO has absorbed without passing the impacts to ratepayers. (The *2023–2025 Business Plan* had been submitted to the Minister before Bill 124 was repealed.) Despite these increases, the IESO remains consistent at 1.2 per cent of overall system costs throughout the cycle, a strong indicator that costs are aligned with overall projected system growth.

As a not-for-profit corporate entity, this step change largely represents a one-time correction to address the structural deficit to bring the IESO back to a balanced budget for the *2026–2028 Business Plan*. For the average residential electricity bill, this would translate to a projected per month increase of 48 cents, with 44 of the 48-cent increase occurring in 2026.²

After a thorough review, staffing levels are targeted to increase by on average 3.3 per cent annually over three years to 1,068 full-time equivalents (FTE). These investments will allow the IESO to effectively execute on the government’s vision and support ongoing operations in an increasingly complex environment. The IESO has taken a three-year, phased-in approach for the staffing additions to better align resources with initiatives and mitigate expenses over the business plan period, including consideration for expected onboarding time and organizational downstream impacts. Through rigorous review, we have considered the enduring nature of the underlying work while leveraging new ways of doing things to ensure we are meeting Ontario’s needs in the most financially prudent manner.

Incremental Investments to Enable the Government’s Vision

The IESO is seeking an approximate 15 per cent incremental investment over three years in the *2026–2028 Business Plan* to effectively support the Ontario government’s economic growth policies in the coming years as well as our core work to continue delivering the organization’s existing suite of

¹ As part of its mandate, the IESO operates several programs that are funded from other sources that are not included in this business plan, including the Smart Metering Entity, market rule enforcement and education and certain energy efficiency programs.

² Rates have been calculated based on *2025 Annual Planning Outlook*.

services to the province. As highlighted in more detail in the previous section, there are three main priorities the IESO is addressing in this business planning cycle.

Accelerating the Big Build – The IESO is being asked to support the province through its work on 13 regional electricity plans and seven bulk transmission plans. The IESO is conducting ongoing programs and competitive long- and medium-term procurements for the foreseeable future to provide nearly 6 GW of capacity and 17 TWh of energy by 2034. The IESO will also be responsible for post-procurement contract management activities throughout project development and commercial operations. To achieve the plan set out in *Energy for Generations*, the IESO is investing in a significant level of engagement for planning and procurement with various partners, including different levels of governments, the electricity sector, capital markets, municipalities and Indigenous communities.

Enabling Economic Growth in the Short Term – The IESO is developing the tools and resources needed to implement the eDSM Framework which, over the first three-year period, aims to achieve at least 4.6 TWh of electricity savings, 900 MW of peak demand savings and net system savings of \$2.8 billion through programs that support cost-saving businesses and residences. Growth is also enabled by continuing to invest in evolving the real-time markets to improve market efficiency, support reliability and achieve net ratepayer savings, as we are doing with the ERP, which builds on the foundation of the renewed market and represents the first step in the IESO's planned market evolution. In addition, the IESO is developing a Market Evolution Framework, a structured approach for planned market evolution to support the efficient utilization of existing and future resources. Lastly, the organization will need to enhance market operations and streamline connection processes to support thousands of megawatts in data centre and industrial load connection requests, the integration of \$7 billion of new transmission infrastructure into the system, the addition of thousands of megawatts of energy storage resources as well as supply mix changes.

Delivering on Our Core Mandate – As the operating environment becomes more complex, we need to make incremental investments that allow us to continue to deliver our core mandate of ensuring a reliable, affordable and sustainable electricity system. This includes investing in cyber security to protect our operations, avoid market disruptions and ensure our system and assets are safeguarded and secure; as well as devoting more resources into our system, tools and processes to keep pace with these changes. Moreover, with the growth of AI, the IESO is streamlining workflows and automating processes that will support future efficiencies and create organizational capacity for higher-priority work. In addition, continued investments in program and change management will improve internal resource efficiency, driving savings on implementation costs. Lastly, the IESO will maintain its median competitive compensation and benefit packages to ensure the organization continues to retain and attract top talent, which is critical to allow the IESO to effectively execute our mandate.

Baseline Pressures

The 2026 Revenue Requirement is driven primarily by baseline pressures, driving 32 points of the 40 per cent increase. A large portion of this increase comprises legacy cost pressures that predate 2026, including restoring the \$10-million operating reserve the IESO was compelled to expend in a 2023–2025 business cycle that is projected to run a deficit of \$41.6 million. This deficit is primarily owing to the reversal of the cap on salary rate increases from Bill 124 and the shift of the DSM funding mechanism from the Global Adjustment fee to the IESO Usage Fee; this funding shift is cost-neutral

to the overall system. The IESO was able to maintain stability to the ratepayer, with all these costs being deferred through the *2023–2025 Business Plan*.

Layered onto this are additional legacy costs that were primarily contained in 2023–2025 through diligent cost containment, higher net interest revenue and increased demand usage. With the reset of the demand projections and reduced interest rates, these costs will no longer be offset and will need to be recovered in 2026–2028 to maintain a balanced budget. These costs include increases to regulatory membership fees and ongoing Bill 124 impacts, including those driven by collective bargaining re-opener negotiations.

On a go-forward basis, the *2026–2028 Business Plan* will see incremental cost pressures relating to increases in actuarial pension expenses, a decrease in net interest revenue due to fewer investment income settlement days and reduced interest rates, wage increases from collective bargaining and non-compensation inflationary impacts. Amortization expense is expected to rise as a result of the approved capital plan, including the full-year impact of the MRP, which went live May 2025. The IESO continues to see incremental shifts towards cloud-based solutions, including replacements for our Meter Data Management System (MDMS) and Corporate and Market Financial Systems.

In light of the IESO's mandate and the unprecedented pace of change in Ontario's energy sector, the IESO is proposing to raise its operating reserve to \$30 million for the upcoming three-year planning cycle. The original \$10-million reserve was set under the assumption of a stable, one-year planning horizon, but in recent years, the sector has undergone transformative and rapid changes, exposing the IESO to greater, and less predictable operational and financial pressures.

In the IESO's 2023–2025 Revenue Requirement Submission, a proposed reserve increase to \$15 million was not approved, leaving the IESO operating with insufficient reserves just as unforeseen events, such as new government directives and legislative changes (e.g., *Powering Ontario's Growth* and Bill 124), imposed unanticipated costs. These pressures have underscored the need for enhanced financial flexibility so the IESO can swiftly and effectively respond to emerging policy requirements, sector growth and geopolitical shifts while ensuring rate stability for Ontarians. This requested increase better aligns with the realities of a three-year planning cycle and rapid sector transformation.

Overall, the baseline cost increase represents the unavoidable cost to continue delivering existing service to the province, with a significant portion a result of cost deferral from the *2023–2025 Business Plan*, which are being passed through in this business plan to maintain a balanced budget.

Efficiencies

The IESO is committed to balancing costs with affordability through internal efficiencies where possible. In addition to the efficiencies we achieved within the *2023–2025 Business Plan*, we remain committed to continuously seeking opportunities to recognize savings and mitigate costs. As a result, we have included a 1 per cent annual efficiency target through the business cycle that will be achieved by leveraging AI, minimizing red tape and streamlining internal processes in alignment with our strategic goals.

Detailed Financials

The following table outlines *2026–2028 Business Plan* operating revenues and expenses:

Pro Forma Statement of Operations
For the Year Ended December 31
(in Millions of Canadian Dollars)

	2025 Original Budget	2025 Revised Budget	2025 2nd Interim Outlook	2026 Budget	2027 Budget	2028 Budget
Revenue						
IESO Usage Fee – Annual Expenses	229.7	235.1	235.1	309.9	338.3	345.6
IESO Usage Fee – Reserve Restoration	-	-	-	18.9	18.9	18.8
Total Revenue	229.7	235.1	235.1	328.8	357.2	364.4
Expenses						
Baseline Expenses	188.6	194.0	212.9	230.6	248.2	254.2
Accelerating the Big Build	11.3	11.3	12.5	16.0	19.4	20.8
Resource Adequacy	8.1	8.1	9.0	10.0	11.1	12.1
Stakeholder & Rights-holder Engagement	3.2	3.2	3.5	6.0	8.3	8.7
Enabling Economic Growth in the Short Term	4.2	4.2	9.3	18.9	24.7	28.5
Enhanced Market Operations	4.2	4.2	6.0	14.3	20.7	24.3
Demand-Side Management	-	-	3.3	4.6	4.0	4.2
Delivering on Our Core Mandate	5.3	5.3	7.7	16.3	21.3	22.5
Sustaining Technology, Evolving Processes & Tools	2.2	2.2	2.4	5.3	6.5	6.5
Cyber Security	2.1	2.1	3.6	5.3	6.1	6.3
Investing in Organizational Talent & Skills	1.0	1.0	1.7	3.5	4.8	5.9
Artificial Intelligence	-	-	-	0.6	2.1	2.0
Info & Data Governance	-	-	-	1.1	1.3	1.3
Facilities Maintenance	-	-	-	0.5	0.5	0.5
Enhancing System & Integrated Planning	-	-	-	-	-	-
Efficiency Target	-	-	-	(3.3)	(7.0)	(10.7)
Operating Expenses Sub-Total	209.4	214.8	242.4	278.5	306.6	315.3
Amortization	27.0	27.0	29.2	37.1	40.4	40.3
Net Interest	(9.2)	(9.2)	(9.0)	(5.2)	(8.4)	(9.7)
Registration Fee	-	-	(0.5)	(0.5)	(0.3)	(0.3)
Market Renewal Program	2.5	2.5	2.5	-	-	-
Total Expenses	229.7	235.1	264.6	309.9	338.3	345.6
Operating Reserve / Deficit	-	-	(29.5)	18.9	18.9	18.8
Accumulated Operating Reserve			(26.6)	(7.7)	11.2	30.0

Year-over-Year Variance (2026 vs Revised Budget & Outlook)

40% 9% 2%

Year-over-Year Variance (2026 vs Original Business Plan)

43%

Capital

The *2026–2028 Business Plan* capital envelope supports investments across the three business plan drivers (Accelerating the Big Build, Enabling Economic Growth in the Short Term and Delivering on Our Core Mandate) with commitments made on an individual basis. This approach is consistent with prior business plans and allows the appropriate level of flexibility to manage change over the business planning timeframe. Appendix 3 indicates the breakdown of investments across these three categories. The overall capital budget requirement for 2026–2028 is slightly lower than for 2023–2025, reflecting the completion of the MRP and the relocation of our Backup Control Centre in 2025, as well as a ramp-up of expenditures for the Space Needs Program and the ERP. The budget for the Future@Work project reflects a shift in spending as a result of a later-than-anticipated start of construction activities for our Adelaide and Clarkson System Control Centre locations.

Increases in the core operations portfolio reflect a significant investment in our System Control Centre’s mechanical, electrical and structural infrastructure and the replacement or upgrade of a number of critical business systems, including our Supervisory Control and Data Acquisition (SCADA)/Energy Management System (EMS), Dispatch Scheduling Optimizer (DSO), Market Information Management (MIM), Control Room phone system and wallboard infrastructure. These increases are partially offset by the need to expense other large investments such as the replacement of our MDMS and Corporate and Market Financial Systems, which will be supported by cloud-based solutions that cannot be capitalized.

Capital Budget Request (\$ Millions)	2025 Budget	2025 2nd Interim Outlook	2026 Budget	2027 Budget	2028 Budget	3-Year Total
Core Portfolio	\$27.3	\$23.5	\$30.5	\$34.2	\$30.3	\$95.0
Enabling Resources Program	\$3.3	\$6.0	\$9.7	\$8.6	\$11.4	\$29.6
Space Needs Program						
Future@Work	\$13.0	\$21.0	\$20.2	\$15.6	\$9.5	\$45.3
Backup Operating Centre	-	\$2.0	-	-	-	
Market Renewal Program	\$28.0	\$16.1	-	-	-	
Total Capital Envelope	\$71.6	\$68.6	\$60.5	\$58.4	\$51.1	\$170.0

Full-Time Equivalent Staffing

The IESO has taken a three-year, phased-in approach for new FTEs to better align resources with initiatives and mitigate expenses over the business plan period. Over the three years, the IESO will add FTEs at an average of 3.3 per cent for each year of this business plan, for a total increase of 97

FTEs over three years compared with our 2025 Forecast.³ These additions are evenly split into each of the three main areas of incremental investment: accelerating the Big Build, enabling short-term economic growth and delivering on our core mandate.

In 2026, employees returning from supporting the MRP will be leveraged for other key project initiatives, including the ERP, a significant focus over the next several years.

Throughout the three years of the business plan, new incremental investments will be focused on work to support enhanced market operations, increased stakeholder engagement to support the integrated energy plan, continued investments in DSM and Resource Adequacy as well as resources for core work to evolve our processes and tools. Our phased-in approach to hiring allows for more seamless onboarding and organizational integration while managing costs and downstream impacts in a financially prudent manner. By 2028, the IESO will fully onboard resources, bringing the average FTE count to 1,068.

Average Full-Time Equivalents (FTEs)	2025 Revised Budget	2025 2nd Interim Outlook	2026 Budget	2027 Budget	2028 Budget
Core Operations	886	932	999	1,043	1,068
Market Renewal Program	44	39	-	-	-
Total FTEs	930	971	999	1,043	1,068

³ The 2025 Forecast is aligned to the second Interim Outlook of the 2023–2025 business cycle, *Interim Year Business Outlook 2023–2027*, where the IESO had identified a 41 FTE increase primarily due to DSM staff moving to Core Operations from Global Adjustment funding, as well as insourcing resources as per Union requirements. Refer to the *Interim Year Business Outlook 2023–2027* for more details.

Appendix 1 – IESO Performance Management – Measures and Targets

The IESO's performance management program provides an important level of oversight for the organization and its stakeholders and communities, and it helps to ensure accountability and course correction, as needed. The IESO has developed measures and targets to track and align ongoing performance to the priorities of the organization. The tracked measures within the framework are intended to support the monitoring of performance towards strategic objectives and priorities in the IESO's *2026–2028 Business Plan*.

The performance measures and targets allow for measurement of the IESO's performance with regard to service delivery, reliability and meeting the needs and expectations of stakeholders and communities over time.

Business Plan Vision	Business Plan Priority	Measure	Targets		
			2026 Thresholds		
			Below Expectations	Meets	Exceeds
Delivering on Our Core Mandate	Resource Adequacy – Short Term	1. Short-term (day-ahead) forecast accuracy (within tolerance)	+/- 2.5%	+/- 2.25%	+/- 2.0%
	System Operations	2.(i) Plans in place to ensure that resource adequacy reliability standards are met for the next 5 years	-	100%	-
		2.(ii) Number of Potential Non-Compliance “PNCs” with NERC high-risk reliability standards	>1	1	0
	Market Performance	3. Alignment between energy price signals and system needs	0-1 of 6 LMPs Pass	2-4 of 6 LMPs pass	5-6 of 6 LMPs pass
	Employee Experience	4. Composite index score of employee experience questions supporting the achievement of the IESO’s organizational strategy	≥2 points below 2025 base	≤1 points below or above 2025 base	≥2 points above 2025 base
Enabling Economic Growth in the Short Term	System and Transmission Planning	5. Enhancing and improving the interconnection process to connect more energy – weighted average of normalized time to connect (system impact assessment + registration)	>17 mths	14-17 mths	<14 mths
	Demand Side Management (DSM)	6. Percentage achieved of target DSM electricity savings (reductions)	<90%	90%-105%	>105%
Accelerating the Big Build	Resource Adequacy – Long Term	7. Generation capacity procurement effectiveness – ratio of awarded (MW) to target (MW) within tolerance	<80%	80%-120%	Board Discretion
Driving Operational Excellence	Sector Trust in Strategy	8. Composite survey index for the sector’s trust in the IESO to deliver its Corporate Strategy	<67%	67%-74%	>74%
	Strategic Project Delivery	9. Strategic initiatives’ progress according to their approved schedule	<83%	84%-86%	>88%
	Financial	10. Percentage variance from the OEB-approved budget (actual vs. budget within tolerance range)	+/- 6%	+/- 5%	+/- 4%

Business Plan Vision	Business Plan Priority	Measure	Targets		
			2027 Thresholds		
			Below Expectations	Meets	Exceeds
Delivering on Our Core Mandate	Resource Adequacy – Short Term	1. Short-term (day-ahead) forecast accuracy (within tolerance)	+/- 2.5%	+/- 2.25%	+/- 2.0%
	System Operations	2.(i) Plans in place to ensure that resource adequacy reliability standards are met for the next 5 years	-	100%	-
		2.(ii) Number of Potential Non-Compliance “PNCs” with NERC high-risk reliability standards	>1	1	0
	Market Performance	3. Alignment between energy price signals and system needs	0-1 of 6 LMPs Pass	2-4 of 6 LMPs pass	5-6 of 6 LMPs pass
	Employee Experience	4. Composite index score of employee experience questions supporting the achievement of the IESO’s organizational strategy	≥2 points below 2026 score	≤1 points below or above 2026 score	≥2 points above 2026 score
Enabling Economic Growth in the Short Term	System and Transmission Planning	5. Enhancing and improving the interconnection process to connect more energy – weighted average of normalized time to connect (system impact assessment + registration)	>16 mths	13-16 mths	<13 mths
	Demand Side Management (DSM)	6. Percentage achieved of target DSM electricity savings (reductions)	<90%	90%-105%	>105%
Accelerating the Big Build	Resource Adequacy – Long Term	7. Generation capacity procurement effectiveness – ratio of awarded (MW) to target (MW) within tolerance	<80%	80%-120%	Board Discretion
Driving Operational Excellence	Sector Trust in Strategy	8. Composite survey index for the sector’s trust in the IESO to deliver its Corporate Strategy	<67%	67%-74%	>74%
	Strategic Project Delivery	9. Strategic initiatives’ progress according to their approved schedule	<86%	87%-89%	>90%
	Financial	10. Percentage variance from the OEB-approved budget (actual vs. budget within tolerance range)	+/- 6%	+/- 5%	+/- 4%

Business Plan Vision	Business Plan Priority	Measure	Targets		
			2028 Thresholds		
			Below Expectations	Meets	Exceeds
Delivering on Our Core Mandate	Resource Adequacy – Short Term	1. Short-term (day-ahead) forecast accuracy (within tolerance)	+/- 2.5%	+/- 2.25%	+/- 2.0%
	System Operations	2.(i) Plans in place to ensure that resource adequacy reliability standards are met for the next 5 years	-	100%	-
		2.(ii) Number of Potential Non-Compliance “PNCs” with NERC high-risk reliability standards	>1	1	0
	Market Performance	3. Alignment between energy price signals and system needs	0-1 of 6 LMPs Pass	2-4 of 6 LMPs pass	5-6 of 6 LMPs pass
	Employee Experience	4. Composite index score of employee experience questions supporting the achievement of the IESO’s organizational strategy	≥2 points below 2027 score	≤1 points below or above 2027 score	≥2 points above 2027 score
Enabling Economic Growth in the Short Term	System and Transmission Planning	5. Enhancing and improving the interconnection process to connect more energy – weighted average of normalized time to connect (system impact assessment + registration)	>15 mths	12-15 mths	<12 mths
	Demand Side Management (DSM)	6. Percentage achieved of target DSM electricity savings (reductions)	<90%	90%-105%	>105%
Accelerating the Big Build	Resource Adequacy – Long Term	7. Generation capacity procurement effectiveness – ratio of awarded (MW) to target (MW) within tolerance	<80%	80%-120%	Board Discretion
Driving Operational Excellence	Sector Trust in Strategy	8. Composite survey index for the sector’s trust in the IESO to deliver its Corporate Strategy	<67%	67%-74%	>74%
	Strategic Project Delivery	9. Strategic initiatives’ progress according to their approved schedule	<89%	90%-92%	>92%
	Financial	10. Percentage variance from the OEB-approved budget (actual vs. budget within tolerance range)	+/- 6%	+/- 5%	+/- 4%

Appendix 2 – Enterprise Risk Management

At the IESO, risk management is an integrated discipline that supports informed decision-making throughout the organization. We recognize the pivotal role it plays in balancing strategic planning with business execution and compliance. This facilitates informed decision-making and a conscious evaluation of the upside opportunity and downside aspect of risk.

Our integrated approach to managing risk recognizes the need for clear, timely direction and support from our Board of Directors and senior business unit and functional management.

Our starting point for managing risk is our strategic planning process, from which relevant external and internal threats and opportunities are derived and key risks are identified. Risks and opportunities are identified by observing, analyzing and anticipating trends along with macroeconomic, industry-specific, regional and local developments. Senior management assesses the risks to achieving our strategic objectives and incorporates measures into corporate and operating plans to mitigate these risks if they exceed our target risk levels.

The IESO uses a risk management ranking methodology to assess the key risks specific to our achieving our strategic and business plan objectives. Our top strategic risks, aligned with the IESO's strategic objectives and their associated residual risk assessment, are as follows:

Risk	Risk Assessment: Critical
	Mitigating Actions
Material undersupply of capacity and energy at a provincial and regional level in the near-term timeframe (2027–2029). Medium-term timelines are becoming more critical within our strategic planning time horizon. As the province’s reliability co-ordinator, the IESO must comply with, oversee and enforce reliability standards and processes that are set by several regulatory bodies within and outside of Ontario. The concern on undersupply arises from not having sufficient time to address given long lead times needed to build infrastructure and ability to respond to changes in demand.	• Advance initiatives under the Resource Adequacy Framework to design and execute procurements for acquisition of committed and contracted resources • Ensure transmission planning programs integrate climate change considerations and account for new capacity connection • Enhance planning and forecast tools with medium- and long-term energy supply considerations • Timely delivery of Annual Planning Outlooks as a tool to provide stakeholders with much-needed insights into opportunities for existing and emerging resources • Align with government to overcome potential barriers to procurements and challenges to new facility development • Deliver the Enabling Resources Program roadmap to introduce new grid-connected resources

Risk	Risk Assessment: Medium
	Mitigating Actions
IESO actions to identify and address supply shortfalls not seen as credible by the stakeholder community. The stakeholder community in effect authorizes the IESO to take action and provide the resources necessary to create value towards the achievement of cost-effective reliability. Not having credibility with the stakeholder community can impede what may be the right approach to deliver optimized balance needed.	• Advance initiatives under the Resource Adequacy Framework to design and execute procurements to the acquisition of new supply • Deliver Enabling Resources Program roadmap to introduce new grid-connected resources • Develop a mindful engagement approach for stakeholders, Indigenous communities and municipalities • A climate adaptation and resiliency (CAR) multi-year road map is being developed and will consider physical climate risks in planning and procurement. A governance structure has been established, and action plans are being refined based on available resourcing.
Risk	Risk Assessment: High
	Mitigating Actions
The IESO's information technology systems and data are disrupted by cyber security threats. Cyberattacks on the IESO's technology system and data can be highly disruptive to reliability, business systems and data protection through exploiting vulnerabilities across people, processes, and technology. These threats arise from malicious intent, financial motivation, ignorance, complacency, domestic and nation-state threat actors. This risk needs to be monitored to protect the business, employees, and safeguard critical data, systems, and facilities from being compromised.	• Promote a culture of cyber security awareness through policies, training • Improve incident response capabilities and communications • Implement targeted solutions to help better identify and mitigate malicious threat actors from launching successful attacks • Enhance Security Operations Centre, threat intelligence capabilities and upgrade network architecture, data management and security controls

Risk	Risk Assessment: High
	Mitigating Actions
Malicious actors, through cyber and physical attacks, impacting non-IESO owned assets required for operating the IESO-controlled grid. Cyber and physical attacks targeting critical infrastructure are on the rise that necessitates a concerted sector response from government, regulatory bodies, market participants and the IESO to augment prevention and response efforts. A holistic view and understanding of market participants' cyber security postures and program objectives is required to develop an informed and co-ordinated approach to cyber resiliency for the Ontario electricity sector.	• Maintain robust reliability practices and contingency plans to respond to significant disruptions • Support and work with the OEB on rolling out mandatory incident reporting for transmission and distribution entities to promote cyber information sharing and situational awareness across the sector • Leverage the IESO's influence, regulatory tools, and authority to ensure compliance and cyber resilience • Conduct sector-wide threat assessments to identify vulnerabilities • Support external activities through development of playbooks and participation in broader groups and forums
Risk	Risk Assessment: Medium
	Mitigating Actions
A regulatory decision or recommendation is made that impedes the ability to advance strategic priorities. Many aspects of the IESO's strategic priorities will appear before the OEB for approval or review, and while the OEB is typically aligned with IESO direction on the sector's future, this may not always be the case. If the OEB makes a decision that is counter to IESO direction, it can impede our ability to accomplish priority initiatives or decrease the benefits of those initiatives.	• Participate in long-term energy planning framework consultations with the OEB and the provincial government • Execute a refreshed regulatory strategy to provide ongoing thought leadership on regulatory matters

Risk	Risk Assessment: High
	Mitigating Actions
Culture, people, processes and tools misaligned to the IESO’s role in leading the sector. Meeting the demands of transformation is a complex process involving alignment of leadership, practices and culture. To deliver the organization’s shared goals and meet the demands of sector transformation, the IESO will need to transform. Evolved maturity of the IESO’s culture, people, processes and tools will all be enabled by having established the necessary pre- and co-requisite change readiness supports.	• Acquire business and grid control tools to support transformation • Implement roles and accountabilities framework that aligns with organizational design and support reorganizations/new-builds for current and future states. • Develop future resource capability considering employee skillsets, available technology, business learnings, and succession planning • The IESO’s Future@Work project, focused on implementing an employee-centric, activities-based workplace, is expected to complete construction at the IESO’s Adelaide location in Q1 2026 and at the Clarkson location in Q1 2028. • A Change Management Centre of Excellence (COE) has been established with a mandate to standardize change management methodology across the organization and dedicated resources have been assigned to several large impactful projects in the 2026–2028 timeframe, including the Enabling Resources Program and the Future@Work project. • Project Delivery Working Group was established to advance work activities and achieve improved project performance, delivery of more projects on time and budget, improve visibility to project progress, risks and interdependencies, and drive greater accountability across project efforts

Risk	Risk Assessment: High
	Mitigating Actions
Ineffective processes for acquiring, developing and deploying talent with key and hard to find skills and capabilities. Given structural changes in the post-pandemic labour market and a rapidly evolving electricity system towards a decarbonized future, it is imperative that the IESO develops forward-looking talent strategies to attract, retain and train. Talent constraint concerns arise from not having a thorough understanding of the unique skill sets required to implement the IESO's Corporate Strategy.	• Activate Employee Value Proposition (EVP), a clear expression of what makes the IESO an employer of choice and defines the unique experience of working at the organization • Advance workforce planning initiatives to provide an enterprise framework that aligns resourcing with prioritization of business objectives

Risk	Risk Assessment: Medium
	Mitigating Actions
New large load connection requests, introduce material vulnerabilities to maintaining reliability standards in regions where tight system conditions already exist. Acceleration of economic development and decarbonization initiatives are increasing demand for large load connections to Ontario's grid. It will be challenging to connect all of the volume of expected new large load and adhere to mandatory reliability standards where regional transmission constraints already exist. The operability of the grid will be further challenged by these proposed changes. Delays in connecting large load or connecting loads where it will aggravate existing system limitations could result in undesirable reliability and reputational impacts to the IESO.	• Continue to provide advice to the Ministry of Economic Development, Job Creation and Trade (MEDJCT) on suitable sites for new industrial customers • Updating Market Manual (MM) 1.4 & Ontario Resource and Transmission Assessment Criteria (ORTAC) • Advance in-house development of analytical tools to monitor system voltages and enable operation of the grid at higher limits • Enhance communications on the IESO's connection assessment and approval (CAA) process for customers • Implement a connection process dashboard to create awareness of large load connection requests • Improve collaboration with a significant transmission provider on customer connection queue to obtain information on large load customers that may apply to the IESO for a system impact assessment

Risk	Risk Assessment: High
	Mitigating Actions
Inverter-Based Resources (IBRs) disconnecting from the grid unnecessarily and unexpectedly The increasing pace of decarbonization is driving significant growth in the adoption of renewable inverter-based resources (IBRs), primarily wind, solar, and battery energy storage. The rapid proliferation of IBRs pose substantial challenges to grid stability and reliability due to their inherent characteristics, potential interactions, and high dependability on software parameters. Power oscillations and the tendency to disconnect during system events can lead to system instability, cascading failures, and widespread blackouts.	• Develop Electromagnetic Transient Simulation (EMT) Tools to assess IBR reliability performance. These advanced software tools can mimic the real-world control software. • Dedicated EMT team was set up to maintain EMT tools, develop IBR models, perform equipment-level and system-level reliability studies, and validate the simulation models to mimic IBR performance. • Advance the Phasor Measurement Unit (PMU) project, which when implemented in Q4 2027 will enhance the accuracy of IBR models in operational and planning studies by leveraging PMU data from the IESO Model Validation Process

Appendix 3 – Capital Spending

Summary of 2026–2028 Capital Spending

Change Initiatives/Projects (\$Millions)	2026 Budget	2027 Budget	2028 Budget
Accelerating the Big Build			
Capacity Auction Enhancement	\$1.2	\$0.7	\$0.7
Other Initiatives/Projects (Less than \$1 million)	\$0.9	\$0.3	\$0.3
Accelerating the Big Build Total	\$2.2	\$1.0	\$1.0
Enabling Economic Growth in the Short Term			
Enabling Resources Program (ERP)	\$9.7	\$8.6	\$11.4
Commercial Reconciliation System Improvements	\$0.9	\$0.9	\$0.9
DLRT - Dynamic Limits in Real Time Program - Project 2	\$0.6	\$0.6	\$0.6
Contract Settlement Solution	\$0.4	\$1.3	-
Online IESO Enhancement	\$1.3	-	-
Other Initiatives/Projects (Less than \$1 million)	\$2.1	\$0.7	-
Enabling Economic Growth in the Short Term Total	\$15.0	\$12.0	\$12.8
Delivering on Our Core Mandate			
Space Needs Program Phase 3 - Future @ Work	\$20.2	\$15.6	\$9.5
Facilities Maintenance Program 2026–2028	\$5.5	\$8.4	\$3.8
SCADA/EMS AND PSS Upgrade	-	\$0.9	\$5.5
Network Upgrade Program	\$1.3	\$1.3	\$5.9
DSO and SMDP Upgrade	-	\$2.5	\$4.6
DDMS and MPIS Upgrade	\$1.7	\$5.0	-
Network Security Program	\$0.4	\$0.9	\$2.8
Adopt Buy Model For User Computers	\$0.6	\$0.6	\$0.5
Data Centre Capacity Program	\$0.7	\$1.1	\$0.7
Wallboard Video Wall Display Replacement	\$0.6	\$2.3	-
MIM Replacement Project	\$0.4	\$1.2	\$0.7
Data Governance Program Projects	-	\$0.6	\$0.6
ADCS and MFT Replacement	\$1.4	-	-
Backup System Refresh	\$1.3	-	-
Network WAN Infrastructure	\$1.1	-	-
Data Warehouse Optimization	-	\$1.1	-
Customer Interaction Center (CIC) Replacement	\$1.1	-	-
Other Initiatives/Projects (Less than \$1 million)	\$7.1	\$3.7	\$2.8
Delivering on Our Core Mandate Total	\$43.3	\$45.3	\$37.3
Total for all Investment Categories	\$60.5	\$58.4	\$51.1

2026–2028 Capital Plan Details

Project Name	Project Description
Capacity Auction Enhancement	This project will enable the IESO to engage with stakeholders on meaningful improvements to the auction, ensuring it supports the IESO's ability to maintain real-time reliability and continues to serve as a dependable revenue stream for its diverse group of suppliers.
Online IESO Enhancement	This project will streamline interactions with market participants and within the IESO during the connection process, improving the customer experience and allowing the IESO to more effectively enable new/modified connections to the power system.
Commercial Reconciliation System Improvements	This project will enhance the Commercial Reconciliation System and related business procedures that were introduced in 2023. While the new system has delivered notable improvements in functionality and flexibility, several targeted enhancements will ensure that it continues to meet evolving operational demands and business requirements efficiently.
DLRT - Dynamic Limits in Real Time Program - Project 2	The Dynamic Limits in Real Time (DLRT) Program will develop the capability to calculate system operating limits as close as possible to real time, and to automate the implementation of those limits in the tools used to monitor system security and to dispatch resources. This second Project in the Program will continue to develop processes and tools for further Control Room integration of real-time limits.
Contract Settlement Solution	Given the amount of contract settlements being calculated annually, the end-user computing tools that have been in place for 10+ years will no longer effectively accommodate the Contract Settlements team's business needs. This project will introduce new tools to manage this increased volume of contract settlements.
Space Needs Program Phase 3 - Future @ Work	Phase 3 of the Space Needs Program — "Future@Work" — will result in renovated office spaces across an optimized footprint and the implementation of a number of building enhancements and improvements. The project will create a modern, activity-based workspace that meets the needs of its evolving business and workforce. This project represents the most significant investment in the IESO's facilities since the IESO's Control Centre was built in the late 1980s.
Facilities Maintenance Program 2026–2028	As part of a broader 10-year plan to mitigate operational, financial and safety risks, this program will replace and upgrade critical mechanical, structural and electrical systems at the IESO's System Control Centre.
Supervisory Control and Data Acquisition (SCADA)/Energy Management System	This project will upgrade the IESO's SCADA/EMS and PSS systems, which are used to monitor and manage the IESO-controlled grid. By upgrading this critical infrastructure, which is reaching end of support, the IESO will

(EMS) and Power System Simulator (PSS) Upgrade	enhance system performance, improve real-time monitoring capabilities, and ensure continued effective grid management.
Network Upgrade Program	This program and associated projects will future-proof the IESO's network by ensuring upgrading aging components such as the Wide-Area Network (WAN), Load Balancers, Corporate PBX, and user access infrastructure. These upgrades will enhance scalability and prevent service disruptions resulting from hardware nearing end of life.
Dispatch Schedule Optimization (DSO) and Settlement Mitigation Data Preparation (SMDP) Upgrade	The DSO and SMDP solutions are integral to the operation of the IESO-administered market and require ongoing support and renewal to ensure operational continuity post Market Renewal Program (MRP) go live. This project will update the underlying software and infrastructure to maintain system stability and performance.
Dispatch Data Management System (DDMS) and Market Power Information System (MPIS) Upgrade	This project will maintain the sustainability, scalability, and security of these critical IESO systems by integrating modern technologies, improving system performance, and enabling greater flexibility to meet evolving energy market needs.
Network Security Program	This program and its associated projects will upgrade critical cyber security components across the IESO to defend against evolving threats and align with modern security standards to ensure continuity, resilience, and regulatory compliance.
Adopt Buy Model For User Computers	By adopting a purchase model versus the existing lease model, the IESO can more cost-effectively manage its user computing needs.
Data Centre Capacity Program	Regular capacity assessments have revealed constraints in the IESO's data centre due to aging hardware, limited infrastructure scalability, and increased requests for system capacity. This program will ensure long-term operational sustainability of the IESO's IT infrastructure.
Wallboard Video Wall Display Replacement	To maintain critical situational awareness in the IESO control rooms, this project will replace end-of-life display wall units at both the Primary and Backup Control Centres. The new solution will ensure continued operational reliability and compliance, supporting the IESO's 24/7 grid monitoring capabilities.
Market Information Management (MIM) Replacement Project	The current MIM solution is reaching end-of-support from the current vendors. The IESO will take the opportunity of the MIM system upgrade to bring these capabilities in house, reducing costs and increasing agility. This initiative will enable the IESO to gain full control over the solution,

	foster internal expertise, and ensure continued operational efficiency by modernizing the underlying technology.
Data Governance Program Projects	The Data Governance Program and associated projects will allow the IESO can keep pace with the fast-moving advances in data management by developing advanced Data Architecture and leverage more advanced technologies to realize benefits for the organization and industry.
ADCS and MFT Replacement	This project will replace the core technologies, Automated Document Creation Service (ADCS) and Managed File Transfer (MFT), that support our reporting infrastructure used by market participants to access both public and private reports. The project will provide a more integrated, flexible, modernized, and future-proof solution meeting the evolving needs of the IESO and market participants.
Backup System Refresh	This project will replace the IESO's legacy Commvault servers with modern, supported infrastructure to address risks related to hardware failure, performance, and cyber threats. The project will also introduce enhanced cyber security features such as ransomware protection and isolated recovery environments, while migrating existing backup data.
Network Wide-Area Network (WAN) Infrastructure	The IESO's WAN connects all IESO locations and facilitates communication with market participants via a dedicated WAN provider. Much of the current WAN infrastructure is approaching end of life and requires replacement to maintain reliable and secure connectivity. This project will modernize the WAN environment to support ongoing operations and future scalability.
Data Warehouse Optimization	This project will invest in and update the IESO's data analytics procedures and infrastructure. The organization will benefit from improving the management, efficiency, and use of information and data that drives decisions.
Customer Interaction Centre (CIC) Replacement	The CIC system provides phone functionality that enables voice communication for the IESO's Control Room. This project will replace aging hardware and software to maintain secure, stable, and modernized operations and introduce enhanced resilience and voice performance.

**Independent Electricity
System Operator**

1600-120 Adelaide Street West
Toronto, Ontario M5H 1T1

Phone: 905.403.6900

Toll-free: 1.888.448.7777

E-mail: customer.relations@ieso.ca

ieso.ca

 [@IESO_Tweets](https://twitter.com/IESO_Tweets)

 linkedin.com/company/IESO

1 **SEC INTERROGATORY 2**

2 Issue 1.1 Is the IESO's Fiscal Year 2026 revenue requirement of \$328.8 million appropriate?

3 1-SEC-2

4 **INTERROGATORY**

5 **Reference:**

6 **Preamble:**

7 **Question:**

8 Please provide a copy of all documents that were provided to the Board of Directors in their
9 decision to approve the underlying budget contained in the Business Plan and this Application.

10 **RESPONSE**

11 See attachments to this response: Attachment 1 – August AC Material Business Plan, and
12 Attachment 2 – Board Material BP Resolution

AUGUST 27, 2025

2026-2028 Business Plan

Ernest Chui

Vice President, Corporate Services and Chief Financial Officer

Sarah Bolduc

Director, Corporate Finance

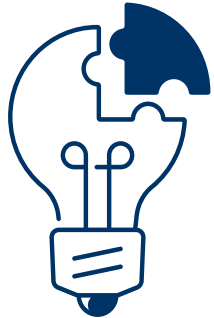
Purpose and Summary

Filed: July 29, 2026; EB-2026-0142, Exhibit H-1-SEC-2, Attachment 1, Page 2 of 33

Purpose of Item: Review the proposed 2026-2028 IESO Business Plan and *recommend* to the Board of Directors for *approval*.

Executive Summary:

Context Setting

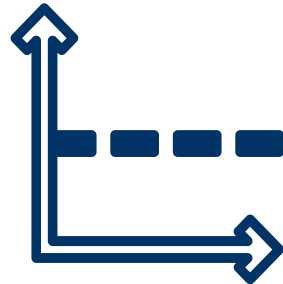


Setting the context for the IESO, enabling province's growth with an expanding mandate

Examples of delivering value to Ontario

2026-2028 Business Plan Foundation

Baseline \$ Increase



Baseline increase = 29% vs. 2025 driven by external factors and cost deferral from the 2023-2025 Business Plan (i.e. Bill 124, negotiated union contracts)

Incremental Investment



Incremental Investment = ~15% over 3yrs

- Three main categories of investment:
1. Support Core Mandate
 2. Enabling Economic Growth in the Short Term
 3. Accelerating Ontario's Big Build

Operating Reserve = \$30M



Increase the operating reserve from \$10M to \$30M to provide additional flexibility to adapt to new and emerging policy priorities and/or unknown cost pressures (i.e. Bill 124) while maintaining rate stability to rate payers.

1% Efficiency Target



Enduring 1% Efficiency target set incrementally in each year of the budget.

Background and Timelines

The IESO is a not-for-profit organization established in the Electricity Act, 1998 under the jurisdiction of the Ontario Minister of Energy & Mines and consolidated with the Province of Ontario. Revenues are driven by the IESO Usage Fee, which are charged to market participants on a usage basis, as approved through the 3-yr Business Plan.

Work Done to Date

March 2025 – 2026-2028 Baseline Preview – Audit Committee

June 2025 – 2026-2028 Business Plan Preview – Audit Committee and Board of Directors

June 2025 – Ministry of Energy and Mines Briefing

July 2025 – Ministry of Energy and Mines Assistant Deputy Minister and Deputy Minister Briefing

August 2025 – Ministry of Energy and Mines Minister Office Briefing

August 15th – IESO Executive Approval

Next Steps

August 27th – IESO Audit Committee Recommendation to Board of Directors

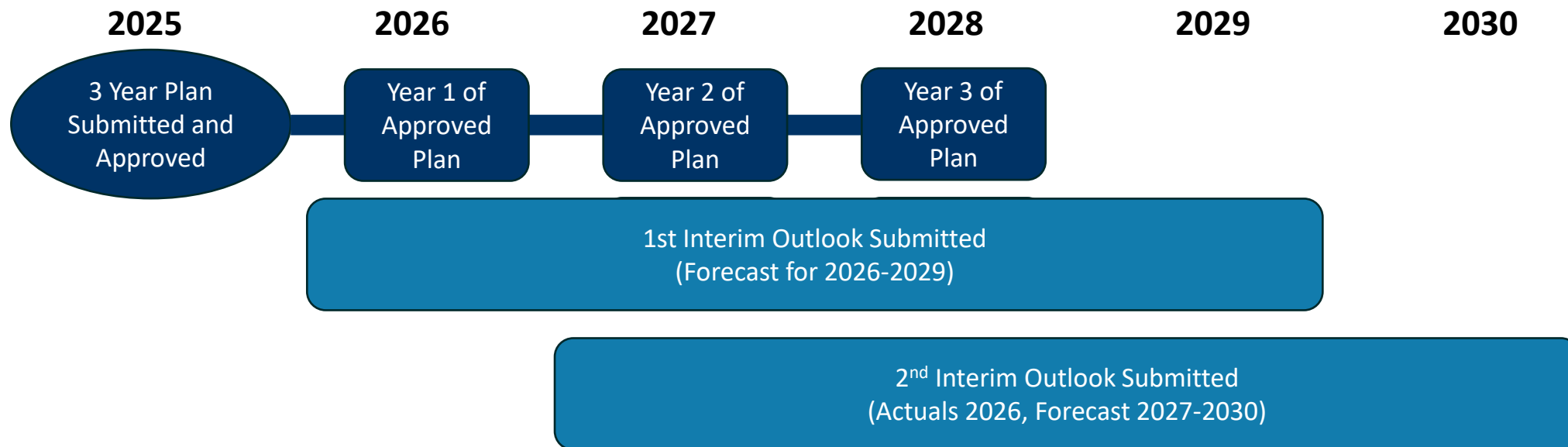
August 28th – IESO Board of Directors Approval

August 29th – Submission to the Minister of Energy and Mines for concurrent approval

TBD – Ontario Energy Board Rate Application is due by November 1st, or within a reasonable timeframe if we are unable to file by this timeline (i.e. if Ministerial concurrent approval is close to or on this date).

Background on Business Planning Process

IESO operates under a 3-year Business Planning cycle approved by the Minister and the OEB. During interim years, IESO submits an outlook which provides an update on the plan and a preliminary estimate into the next 3-year planning period.



Setting the Context for the Organization and the Plan



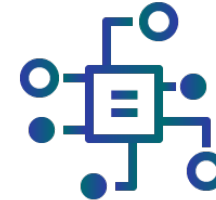
Delivering a Critical Service

At the core of its mandate – the IESO is responsible for ensuring the reliability, affordability and sustainability of Ontario’s electricity system. The IESO must continue to perform each and every day through the business plan period to ensure electricity is available where and when it’s needed. Currently, the IESO represents a very small portion of the total cost of the electricity system in Ontario (approximately 1.2% in 2026-2028).



Enabling the Province’s Growth

Ontario’s electricity system needs are forecasted to increase 75% by 2050, driven by a growing population, expanding industry, and the electrification of the economy. Through this period, the IESO will need to plan, acquire, and operate a growing system that includes more resources, new technologies, and increasingly sophisticated customers.



Supporting an Expanding Mandate

The IESO’s mandate is expected to continue to expand through this period with the government’s focus on energy as a cornerstone of its economic strategy and the release of the Integrated Energy Plan (IEP). The IESO needs to be capable of delivering on its mandate so that it in turn has the support of government to pursue its own strategic objectives.

IESO's Value to Ontario

While the IESO does not directly generate revenue for the province, it has a record of providing value back to the province that should be considered as part of its revenue request. Through competitive procurements, contract negotiations, and other IESO led initiatives, the organization is expected to **secure over a billion dollars in cost savings for ratepayers over the next decade.** On the right are just a few examples of projects driving positive ratepayer impact.

Examples of IESO Initiatives Driving Value		
Initiative	Savings	Description
Small Hydro Program	\$250M (2029-2043)	Negotiated more favourable program terms versus existing contracts
Market Renewal Program	\$700M (2025-2035)	Implemented a more efficient electricity market
Capacity Auction	\$200M (2021-2024)	Used competition to drive more favourable outcomes
Bruce Refurbishment Negotiations	\$100M+ to date	Challenged and scrutinized refurbishment plans to find savings for ratepayers

Foundation for the 2026-2028 Business Plan

The Ontario Government has established a clear vision for the future of Ontario's energy system. A system that will catalyze economic growth, turn energy security into national security, and underpin societal well-being and economic prosperity for generations to come.

The IESO's 2026-2028 Business Plan has been built to deliver on this vision by:

1. Ensuring we can continue to reliably operate an increasingly complex electricity system
2. Investing in opportunities to derive more value from the infrastructure in place today
3. Accelerating our efforts to plan, engage and develop new infrastructure for tomorrow

All the initiatives outlined in the Business Plan draw directly from the IESO's Corporate Strategy with an emphasis on driving operational excellence across all areas of the business.

Business Plan Components

Baseline	Incremental Investment to Enable Government's Vision		
<u>External Impacts to IESO Baseline Operating Costs</u> Unavoidable cost to continue delivering existing service to the province. A significant portion a result of cost deferral from the 2023-2025 Business Plan	<u>Investments Required to Support Core Mandate</u> Net new investments required to allow the IESO to continue to deliver its current suite of services to the province	<u>Enabling Economic Growth in Short Term</u> Incremental investments that will enable more economic growth and support customer investment prior to new infrastructure being built.	<u>Accelerating Ontario's Big Build</u> Incremental investments that will accelerate the pace of new infrastructure development while maintaining affordability.

Driving IESO's Strategy and Operational Excellence

The IESO recognizes that investment alone will not be sufficient. Foundational to the success of this business plan is the ongoing evolution of the IESO's corporate culture. Ensuring that both existing and new areas of the IESO's Business are outcome focused, lean, and value oriented.

Jurisdictional Scan

The IESO conducted a jurisdictional scan to identify key insights with comparator organizations to assess the reasonability of the IESO's 2026-2028 business plan.

As seen below organizations across the sector are seeing significant budget increases.

ORGANIZATION	BUDGET CHANGES	OTHER VARIANCES	KEY DRIVERS
Alberta Electric System Operator (AESO)	23% increase in 2025 in general and administrative costs	18% in Full-Time Equivalents (FTEs) and 86% increase in consulting	Restructured Energy Market (REM) Technical Design Addressing near-term reliability concerns
California Independent System Operator (CAISO)	18% increase in 2025 Grid Management Charge (GMC) Revenue Requirement	8% increase in Operations and Maintenance (O&M) from 2024 and increase of 18 FTEs	High penetration of renewables, wildfire mitigation, and distributed energy resource (DER) growth
Electric Reliability Council of Texas (ERCOT)	40% increase in 2024 budget (approved)	20.28% increase in FTEs (171 positions)	Extreme weather events, need for improved grid resilience, debt strategy, revenues, etc.
North American Reliability Corporation (NERC)	8.2% increase in total program budget for 2025 8.7% increase in personnel costs	4.9% increase in FTEs	Energy, Security, Agility, and Sustainability Examples include: grid transformation, cybersecurity design, Information Technology (IT) and Operational Technology (OT) monitoring, agility in developing standards and internal processes, succession planning, and overall cybersecurity initiatives
	The total budget increase over the period 2022–2025 (excluding 2021 as the increase was flat due to the COVID-19 pandemic) is approximately 41.63%		Personnel costs, the expansion of cybersecurity programs (Cybersecurity Risk Information Sharing Program (CRISP), Electricity Information Sharing and Analysis Center (E-ISAC)), greater reliance on contractors and consultants, and growing investments in IT and grid modernization efforts
Toronto Hydro	Operations, Maintenance and Administration (OM&A) average of 4% increase in the 2025-2029 period Approximately 44% increase in Capital Invest. 2025-2029 over 2020-2024 period	Needs a 25% increase in FTEs Approved 4% increase OM&A for 2025	Technology, grid modernization, upgrade aging infrastructure, facilities, fleet, IT, and emission reductions

Budget Increases: Organizations in the sector are requesting budget increases ranging from 2.5% to 23% for the period 2024 to 2026, justified by the need to address reliability challenges, integration of DERs, invest in technology and aging assets.

Workforce Expansion: Proposed increases in full-time equivalents (FTEs) range from 4.9% to 25% across organizations, driven by the need to manage increased complexity of the work and critical timelines associated to the accelerated pace of the energy transition, which requires substantial investments in modernizing the grid, integrating DERs and ensuring grid resilience amid growing climate-related risks.



Overview of Baseline Operating Costs

Baseline Increase

As signaled in our 2nd Interim Outlook, there is a large step change expected in 2026, prior to any incremental investments. This step change is estimated at 29% in 2026 and is based on the costs required to restore the reserve and reset to our new baseline.

2025 Revenue Requirement = \$235M			
	2026 2026 vs. 2025	2027 2027 vs. 2026	2028 2028 vs. 2027
Legacy Pressures	7%	-	-
Reset to 2025	10%	-	-
2026-2028 Baseline	12%	6%	1%
2026 Baseline – Apr 2025	29%	6%	1%
YoY Incremental Investment \$	\$68M	\$18M	\$5M
Total Incremental Investment \$	\$68M	\$86M	\$91M

Baseline Categories

Legacy Pressures – Include restoring the \$10M reserve over 3 years and Demand Side Management (DSM) moving from Global Adjustment to IESO Fee.

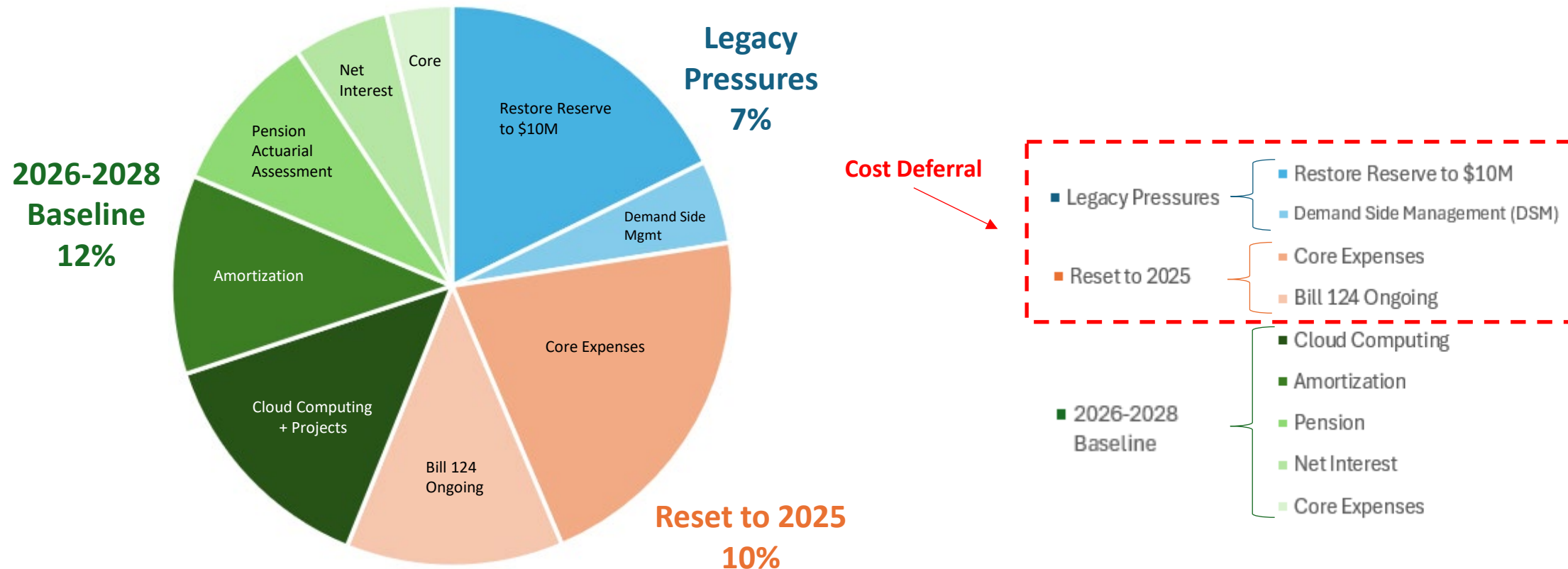
Reset to 2025 – Pressures that pre-date 2026, including ongoing annual impacts from Bill 124 and core expense increases (i.e. compensation costs from re-openers, membership costs etc). The core expense increases have been largely contained in the 2023-2025 Business Plan due to increased revenue from increased demand

2026-2028 Baseline – Baseline cost increases that start post fiscal 2025, including negotiated union increases, anticipated inflationary impacts, Market Renewal Program amortization, net interest, cloud-based solution OPEX, pension actuary expense liability etc. These are pressures that relate to activity already in run rate and are not new investments.

Elements of Baseline Operating Costs

The following charts provide a breakdown of elements of the 29% Baseline revenue requirement increase (2026 vs. 2025).

The 29% includes the reserve restoration up to \$10M – restoring equally over three years





Components of Incremental Investments to Enable Government's Vision

Incremental Investments to Enable Government Vision

A modest increase of ~15% over three years allows the IESO to meet the IEP and report-backs while continuing to deliver on our core mandate, enable economic growth in short term and accelerate Ontario's Big Build.

To achieve these objectives, we need to invest in additional resources, tools and systems, which is driving the need for incremental investment dollars in the 2026-2028 Business Plan.

	2026 2026 vs. 2025	2027 2027 vs. 2026	2028 2028 vs. 2027
Investments to Support Core Mandate	3.5%	1.5%	0.5%
Enabling Growth in the Short Term	4.0%	1.5%	1.0%
Accelerating the Big Build	1.5%	1.0%	0.5%
YoY Incremental Investment % to Revenue Requirement	9%	4%	2%
YoY Incremental Investment \$	\$22M	\$14M	\$6M
Total Incremental Investment \$	\$22M	\$36M	\$42M

Note: Rounded to nearest 0.5%

Incremental Investments to Enable Government Vision

The below reflects the 15% incremental investment by each of the three sub-categories and key investment areas.

(in Millions of Canadian Dollars)	2026 Budget	2027 Budget	2028 Budget
Continuing to Deliver Core Mandate	8.6	13.6	14.8
Sustaining Technology, Evolving Processes & Tools	2.9	4.1	4.1
Investing in Organizational Talent and Skills	1.8	3.1	4.2
Cybersecurity	1.7	2.5	2.7
Artificial Intelligence	0.6	2.1	2.0
Info & Data Governance	1.1	1.3	1.3
Facilities Maintenance	0.5	0.5	0.5
Enabling Economic Growth in the Short Term	9.6	15.4	19.2
Enhanced Market Operations	8.3	14.7	18.3
Demand Side Management (DSM)	1.3	0.7	0.9
Accelerating the Big Build	3.5	6.9	8.3
Stakeholder and Rightsholder Engagement	2.5	4.8	5.2
Resource Adequacy	1.0	2.1	3.1
Total Incremental Investments	\$21.7	\$35.9	\$42.3
YoYChange	\$21.7	\$14.2	\$6.4

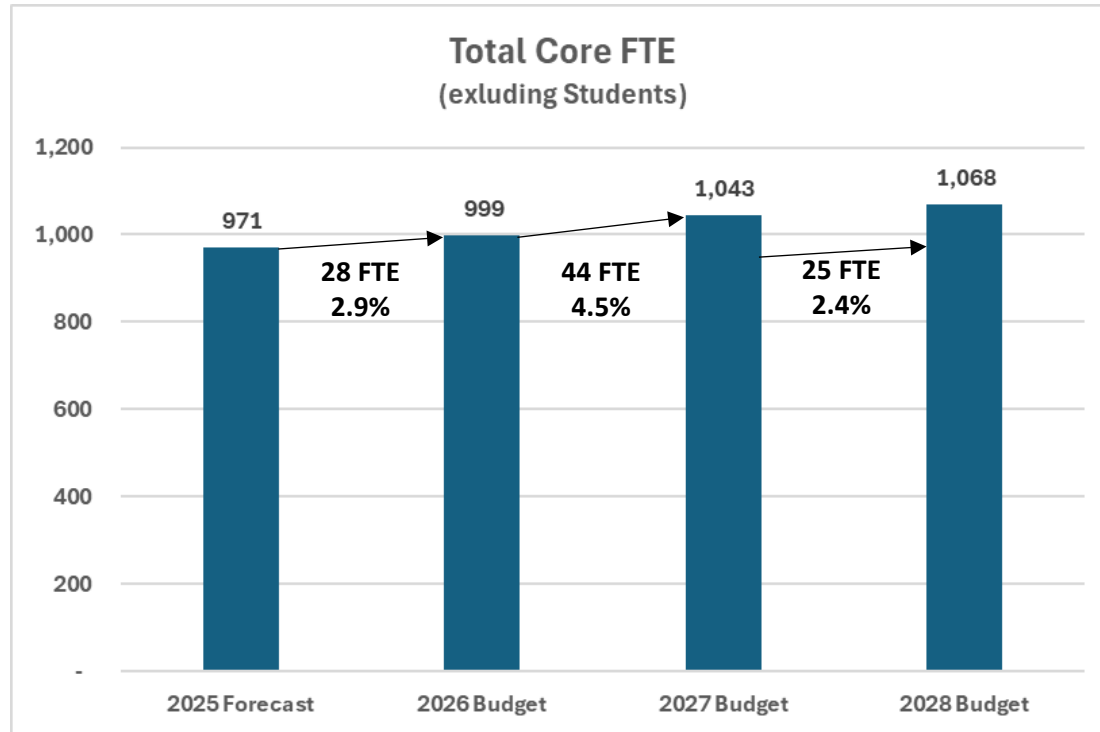
Delivering On Our Core Mandate— Investments are focused on renewal and replacement of IT software and investments, ensuring the organization continues to meet increasingly complex regulations and cybersecurity obligations, all while investing in our people to attract and retain top talent, and our footprint to support our growth.

Enabling Economic Growth in the Short Term— Focus is on investing tools and processes to support customer connections, deliver on more energy efficiency programs and extracting value from existing resources, such as ERP and the renewed market. This investment will allow us to support and meet the report backs included within the IEP

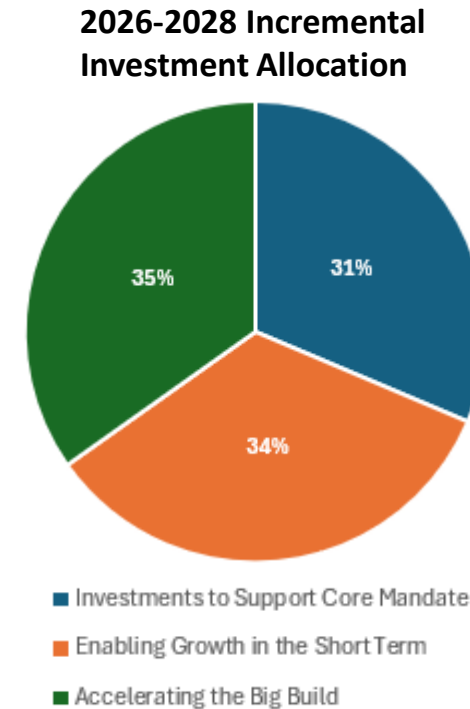
Accelerating the Big Build— Focus is on continuing to execute on larger and new procurements, galvanizing support with the sector, communities and government to support new infrastructure and undertaking more frequent and complex planning assessments. This investment will allow us to support and meet the report backs included within the IEP

Full Time Equivalent (FTE) Staffing

- The IESO has taken a three-year phased in for approach for new FTE in order to better align resources with initiatives and mitigate expenses over the business plan period
- Overall, headcount is expected to grow **97 FTE** at an average rate of **3.3%** per year over the 2026-2028 business planning timeline
- The incremental investment is aligned proportionately with the IESO's three pillars in the business plan, and the staff mix is consistent with the current allocation of management and non-management staff



Note: 2025 is the Interim Outlook vs Budget to reflect previously communicated changes such as Demand Side Management staff moving from Global Adjustment to the Usage Fee and bringing in-house previously outsourced services as per Union requirements.





Revenue Requirement Summary

2026-2028 Revenue Requirement Increase

The three-year business plan includes an overall increase of 15% for incremental investment, which will allow the IESO to execute the vision in the IEP and report-backs, while further positioning the IESO to provide reliable and affordable energy to Ontarians in an increasingly complex environment.

2025 Revenue Requirement = \$235M

	2026 2026 vs. 2025	2027 2027 vs. 2026	2028 2028 vs. 2027
Baseline Increase ¹	29%	6%	1%
Incremental Investment	9%	4%	2%
Operating Reserve Increase from \$10 to \$30M	3%	0%	0%
1% Efficiency Target	(1)%	(1)%	(1)%
Total YoY Increase %	40%	9%	2%
Revenue Requirement =	\$329M	\$357M	\$365M
IESO Cost / System =	1.2%	1.2%	1.2%
\$/Rate Payer/Mth* =	\$1.53	\$1.62	\$1.56
Total YoY Mthly Change	\$0.44	\$0.09	\$(0.06)

2026 vs 2025 monthly ratepayer is \$0.44 driven by:

- Baseline - \$0.31
- Incremental - \$0.10
- Operating Reserve Increase - \$0.04
- Efficiency – (\$0.01)

Note:

1 - This assumes the reserve is restored and increased over 3 years equally.

Financial Summary

		2026	2027	2028
2025 Revenue Requirement \$ Millions		\$235	\$235	\$235
Baseline	Total \$ Millions	\$68	\$86	\$91
	YoY % Increase	29%	6%	1%
Increase Operating Reserve to \$30M	Total \$ Millions	\$7	\$7	\$7
	YoY % Increase	3%	0%	0%
Incremental Investment to Enable Government's Vision	Investments Required to Support Core Mandate	\$9	\$14	\$15
	Enabling Growth in Short Term	\$9	\$15	\$19
	Accelerating Big Build	\$4	\$7	\$8
	Total \$ Millions	\$22	\$36	\$42
	YoY % Increase	9%	4%	2%
Operational Excellence	Total \$Ms - 1% Efficiency Challenge (benefit)	\$(3)	\$(7)	\$(10)
	YoY % Increase	(1)%	(1)%	(1)%
Total Business Plan	Total Increase \$ Millions	\$94	\$122	\$130
	Revenue Requirement \$ Millions	\$329	\$357	\$365
	YoY % Increase	40%	9%	2%

Next Steps

Date	Description
August 27 th	IESO Audit Committee Recommendation to Board of Directors
August 28 th	IESO Board of Directors Approval
August 29 th	Submission to the Minister of Energy and Mines for concurrent approval
TBD	Following Minister’s Concurrent Approval: File 2026-2028 revenue requirement submission with the Ontario Energy Board



Appendix

Bill 124

- Bill 124, which included a 3-yr “moderation period” of capped salary increases, was enacted June 2019, and overturned November 2022.
- **The 2023-2025 Business Plan was submitted September 1st 2022, prior to the Bill being overturned.** One of the assumptions of the 2023-2025 Business Plan was that Bill 124 would be upheld and remain in effect.
- The IESO has been carrying the Bill 124 costs since 2023, the main driver of the \$40M forecasted deficit for the 2023-2025 Business Plan.
- As a not-for-profit organization we are required to maintain a balanced budget, therefore we will be recouping the following in the 2026-2028 Business Plan:
 1. Legacy Pressures – \$40M – 2023-2025 Business Plan deficit driven by Bill 124 one-time retro payment + ongoing costs
 2. Ongoing Pressures – \$8-9M/yr – of ongoing costs related to the Bill 124 reset.

Note: Union re-openers triggered by the overturn of Bill 124 drove additional cost pressures in addition to the above and have also been incorporated. Some examples of these cost pressures include changes to benefit packages, additional union negotiation wage increases etc.

Operating Financial Assumptions

The starting point to the 2026-2028 Budget is the Interim Outlook which includes significant cost pressures and cost deferral related to the 2023-2025 Business Plan (i.e. Bill 124). Additional assumptions for the 2026-2028 plan are:

Compensation



Salary – ~3.5% union negotiated

Benefits – in line with benefit package, updated pension actuary valuation and utilization trends

Operating & Administrative



2% inflationary assumption

Interest



- Rate = overnight interest rate
- Increased debt facility
- Reduced interest-bearing days on settlement \$

Cloud Computing



Increased % of projects are shifting from capital to operating due to cloud-based arrangements.

Budget based on a historical trending analysis + known projects that are cloud based

Amortization



Tied to capital plan, Market Renewal Program full year amortization in 2026

Operating Reserve



Increased from \$10M to \$30M to allow more flexibility to adapt to new/emerging policies and unknown cost pressures, all while providing rate stability

Efficiency Target



1% enduring efficiency target, incrementally added to each year of the plan

Investments Required to Support Core Mandate

- Throughout the business planning period, the IESO needs to continue to deliver its core mandate of operating a reliable, affordable and sustainable electricity system
- As our operating environment becomes increasingly complex, continuing to deliver this mandate will require incremental investments

Major Drivers

- | | |
|--|--|
| <ul style="list-style-type: none">• Renewal, replacement and enhancement of IT software including new investments in AI• Ongoing investments into IESO's real estate footprint to support and enable IESO's growing number of employees | <ul style="list-style-type: none">• Ensuring the organization continues to meet increasingly complex regulatory and cybersecurity obligations• Maintaining competitive compensation and benefit packages to ensure IESO can retain top talent |
|--|--|

Enabling Growth in the Short Term

- With the urgent need in Ontario to support businesses, industry and economic growth, the IESO cannot solely rely on significant new infrastructure to come into service.
- For the organization to be successful, it must make investments to enable economic growth with the infrastructure that is already in place or already under development. This includes finding creative solutions to connecting new large loads to the grid during a period where the infrastructure is approaching capacity limits (e.g. EV manufacturing and data centres).
- It must also continue to re-orient its processes to be more customer-focused, ensuring potential investors in the province can make informed and efficient investment decisions.

Enabling Growth in the Short Term – Major Drivers

Project Description

Developing Better Tools and Processes to Support Customer Connections

Investing in more sophisticated system modelling tools and technical expertise that will allow IESO to more precisely and efficiently connect more customers to the system without jeopardizing reliability and safety.

Delivering More Energy Efficiency Programs

Following the government decision to launch the largest framework of energy efficiency programs in Ontario's history, IESO will need more staff to deliver an expanded portfolio of programs. These programs in turn can reduce demand on our currently electricity infrastructure and help keep energy costs affordable for homes and businesses.

Extracting More Value from Existing Resources

Progressing work on the Enabling Resources Program will allow the IESO to develop new systems and tools that will allow storage and distributed resources to be used more efficiently and provide more value in our electricity market.

Accelerating The Big Build

- The APO forecast that demand for Ontario electricity is expected to increase 75% by 2050 with the need for the next tranche of new infrastructure beginning to emerge and grow through the 2030s.
- Meeting this demand will require the IESO to not only acquire new infrastructure but accelerate the pace in which it is planned, procured and developed – this includes supporting both IESO-led procurements and assessing government-led investments (e.g. new nuclear).
- It will also require the IESO to galvanize support for new infrastructure across governments, the electricity sector, capital markets, municipalities and Indigenous leaders.

Accelerating The Big Build – Major Drivers

Project Description

Continuing to Execute Larger and New Procurements

More resources are required to execute larger and a greater number of different procurements such as more specific procurements for non-wires alternatives and ancillary services. This includes both procurement administration and post procurement contract management.

Galvanizing Support With Sector, Communities and Government

Engaging, gathering intelligence, and building relationships with stakeholders and rightsholders will become more intensive as economic development intensifies. Of particular importance is ensuring IESO can build community support (Municipal and Indigenous) as it is a requirement for any new infrastructure.

Undertaking More Complex and Frequent Planning Assessments

To ensure the IESO is managing uncertainty and guiding responsible investment decisions by the province, the IESO must undertake more frequent and complex planning scenarios. This includes assessing multiple growth scenarios, preparing for integrated gas/electric planning and the ongoing re-assessment of procurement targets to ensure procurements are designed to provide best outcomes for ratepayers.

Strategic Risks

Risk #	Risk Event Description	Core Strategy		
		Drive & Guide the Sector's Future	Advanced Reliability & Cost-Effectiveness within an Evolving System	Drive Business Transformation
1	Material undersupply of capacity and energy at a provincial and regional level in the near-term timeframe (2027-2029).	X	X	X
2	IESO actions to identify and secure supply is not seen as credible by the stakeholder community.	X	X	
3	IESO's information technology systems and data are disrupted by cybersecurity threats.	X	X	X
4	Malicious actors, through cyber and physical attacks, impacting non-IESO owned assets required for operating the IESO-controlled grid.	X	X	
5	A regulatory decision or recommendation is made that impedes the ability to advance strategic priorities.	X	X	
6	Culture, people, processes and tools misaligned to IESO's role in leading the sector.	X	X	X
7	Ineffective processes for acquiring, developing and deploying talent with key and hard to find skills and capabilities.	X	X	X
8	New large load connection requests, introduce material vulnerabilities to maintaining reliability.		X	
9	Inverter-Based Resources (IBRs) disconnecting from the grid unnecessarily and unexpectedly.		X	



Corporate Performance Measures

Corporate Performance Measures - Background

- The IESO's corporate performance management provides an important level of oversight for the organization and its stakeholders helping to ensure accountability and course correction, as needed.
- Under Section 8.1 of the memorandum of understanding (MOU), the IESO must include a discussion of performance measures, including both outcome and output based measures, and targets for the Business Plan Cycle.
- Performance Measures and Targets have been refreshed based on the business plan's priorities and existing strategy.
- Measures on the IESO's balanced score card considers five critical dimensions – strategy, operations, customer experience, finance and employees.

Corporate Performance Measures - Summary

- Directional draft measures were presented to the Board in June for feedback.
- Subsequently to the June Board meeting, measures and targets have been adjusted, reviewed and validated based on Director, VP and CEO feedback.
- To aid the Board's understanding of the measures and what the desired outcomes mean, Measure Profilers and Performance Descriptions are available as an information resource.
- Performance measures for the 2026-2028 Business Plan are outlined on **slide 33**. These measures were approved by the ELT on August 11.

2026-2028 Corporate Performance Measures

Business Plan Vision	Ref#	Business Plan Priority	Measure	Targets								
				2026			2027			2028		
				Thresholds			Thresholds			Thresholds		
				Below Expectations	Meets	Exceeds	Below Expectations	Meets	Exceeds	Below Expectations	Meets	Exceeds
Continuing to Deliver Core Mandate	1	Resource Adequacy •Short term	Short-term (day ahead) forecast accuracy (within tolerance)	+/- 2.5%	+/- 2.25%	+/- 2.0%	+/- 2.5%	+/- 2.25%	+/- 2.0%	+/- 2.5%	+/- 2.25%	+/- 2.0%
	2	System Operations	(I) Plans in place to ensure that resource adequacy reliability standards are met for the next 5 years	-	100%	-	-	100%	-	-	100%	-
			(II) Number of Potential Non-Compliance "PNCs" with NERC high-risk reliability standards	>1	1	0	>1	1	0	>1	1	0
	3	Market Performance	Alignment between energy price signals and system needs	0-1 of 6 LMPs Pass	2-4 of 6 LMPs pass	5-6 of 6 LMPs pass	0-1 of 6 LMPs Pass	2-4 of 6 LMPs pass	5-6 of 6 LMPs pass	0-1 of 6 LMPs Pass	2-4 of 6 LMPs pass	5-6 of 6 LMPs pass
	4	Employee Experience	Composite index score of employee experience questions supporting the achievement of the IESO’s organizational strategy	≥2 points below 2025 base	≤1 points below or above 2025 base	≥2 points above 2025 base	≥2 points below 2026 score	≤1 points below or above 2026 score	≥2 points above 2026 score	≥2 points below 2027 score	≤1 points below or above 2027 score	≥2 points above 2027 score
Enabling Economic Growth in the Short Term	5	System and Transmission Planning	Enhancing and improving the interconnection process to connect more energy – weighted average of normalized time to connect (system impact assessment + registration)	>17 mths	14-17 mths	<14 mths	>16 mths	13-16 mths	<13 mths	>15 mths	12-15 mths	<12 mths
	6	Demand Side Management (DSM)	Percentage achieved of target DSM electricity savings (reductions)	<90%	90%-105%	>105%	<90%	90%-105%	>105%	<90%	90%-105%	>105%
Accelerating the Big Build	7	Resource Adequacy •Long term	Generation capacity procurement effectiveness – ratio of awarded (MW) to target (MW) within tolerance	<80%	80%-120%	Board Discretion	<80%	80%-120%	Board Discretion	<80%	80%-120%	Board Discretion
Driving Operational Excellence	8	Sector Trust in Strategy	Composite survey index for the sector’s trust in the IESO to deliver its Corporate Strategy	<67%	67%-74%	>74%	<67%	67%-74%	>74%	<67%	67%-74%	>74%
	9	Strategic Project Delivery	Strategic initiatives’ progress according to their approved schedule	<83%	84%-86%	>88%	<86%	87%-89%	>90%	<89%	90%-92%	>92%
	10	Financial	Percentage variance from the OEB-approved budget (actual vs. budget within tolerance range)	+/- 6%	+/- 5%	+/- 4%	+/- 6%	+/- 5%	+/- 4%	+/- 6%	+/- 5%	+/- 4%

SEC INTERROGATORY 3

Issue 1.1 Is the IESO's Fiscal Year 2026 revenue requirement of \$328.8 million appropriate?

1-SEC-3

INTERROGATORY

Reference:

Preamble:

Question:

Please provide full details of all productivity and efficiency measures that

a) the IESO undertook in between 2023 and 2025, and

b) specifically plans to undertake in each of 2026, 2027, and 2028. Please quantify the savings for each of (a) and (b) and provide all calculations.

RESPONSE

a) See response to 1-Staff-2 a).

b) See response to 1-Staff-2 c).

Further, to support this work, the IESO recently launched an Efficiency Framework led collaboratively by its Strategy, Lean Centre of Excellence and Finance teams. The Framework is a consistent, easy-to-use model for identifying, delivering, and celebrating improvements. It brings all existing efforts (e.g., Lean Centre of Excellence, leadership objectives, employee feedback on efficiencies) into one integrated approach and is applicable to every team and every level. The Framework focuses on three streams of savings:

- Financial Savings – Initiatives that reduce or avoid costs, recover funds or eliminate spending and contribute directly to the one per cent annual target. Business Units

1 are responsible for finding efficiencies for their areas, these savings are then
2 validated by Finance before a budget reduction/adjustment is made to the unit's
3 budget.

- 4 • Productivity Gains – Improvements that make work faster, easier or more effective,
5 freeing up capacity for higher value work.
- 6 • External Value Add – Enhancements that improve experiences for customers,
7 stakeholders, market participants and communities.

8 In 2026, the IESO delivered approximately \$830,000 in cost avoidance primarily through
9 contract negotiations for the Enabling Resources Program (ERP) project costs, and
10 generated an estimated 3,000 hours in annual productivity gains through process
11 simplification, automation, and improved ways of working.

12 Efficiencies identified to date indicate that savings will be achieved through incremental
13 improvements across the organization rather than a small number of large initiatives.
14 Examples include automating information governance workflows, reducing the battery
15 storage connection process from 10-15 weeks to 3-5 weeks, streamlining executive meeting
16 management through a custom-built application, and bringing select processes in-house to
17 reduce reliance on external suppliers. The IESO will continue to identify and report to the
18 executive leadership team and Board of Directors savings as they are realized through the
19 business plan period.

SEC INTERROGATORY 4

Issue 1.1 Is the IESO's Fiscal Year 2026 revenue requirement of \$328.8 million appropriate?

1-SEC-4

INTERROGATORY

Reference:

Exhibit C-1-1, p.2

Preamble:

The IESO references the establishment of a Prioritization Commitment arising from the recommendations in the OEB's EB-2024-0004 decision, stating: "This process looks at reprioritizing during the business-planning cycle, within divisions and within the organization, to ensure resources are appropriately allocated to strategic priorities. The prioritization steps are also followed for capital projects, where the IESO consistently re-prioritizes the portfolio mid-cycle to ensure it meets emerging needs."

Question:

Please provide further details including which projects were reprioritized during the business-planning cycle that led to the budget included in the Application.

RESPONSE

See response to 1-OEB Staff-1 b) and c).

The capital portfolio included in the Application, as set out in Exhibit E-2-1, Attachment 1, reflects the outcome of ongoing planning, prioritization, and portfolio management processes, and those projects included in the Application represent the portfolio that was determined to best support the IESO's strategic priorities and delivery objectives at the time of Business Plan development. As priorities evolve, initiatives may be accelerated, deferred, re-sequenced, or otherwise adjusted to align with enterprise objectives.

SEC INTERROGATORY 5

Issue 1.1 Is the IESO's Fiscal Year 2026 revenue requirement of \$328.8 million appropriate?

1-SEC-5

INTERROGATORY

Reference:

- Exhibit D-1-1, p.4-8

Preamble:

As part of the annual variance analysis, the IESO includes for each of 2026 to 2027 "Phasing assumption for spending ramp-up and smoothing of ratepayer impact".

Question(s):

Please explain in detail what phasing assumptions and smoothing of ratepayer impact the IESO has undertaken and provide all underlying calculations and assumptions.

RESPONSE

The IESO's management established a target to limit the 2026 revenue requirement to a 40% increase compared to 2025 actual OM&A Expenses in order to phase spending and smooth the impact of the required increases on ratepayers. To achieve the 40% target, the IESO reduced its 2026 Revenue Requirement by \$6.4 million (as shown in the line item "Phasing assumption for spending ramp-up and smoothing of ratepayer impact" in Table 10 of Exhibit D-1-1) and reallocated the full amount to the 2027 revenue requirement.

The corresponding line items in Tables 11 and 12 of Exhibit D-1-1 show amounts of \$12.8 million and \$(6.4) million, respectively, as they are comparisons to the preceding year (i.e. the amount in Table 11 reflects the difference between the \$6.4 million reduction in 2026 and the reallocation of that \$6.4 million to 2027 for a total of \$12.8 million).

SEC INTERROGATORY 6

Issue 1.1 Is the IESO's Fiscal Year 2026 revenue requirement of \$328.8 million appropriate?

1-SEC-6

INTERROGATORY

Reference:

- Exhibit D-1-1, p.10

Preamble:

Question(s):

With respect to the costs related to 2025-2036 eDSM, please explain what, if any, IESO administrative costs are recovered through procurement directives under section 24.32(5) of the Electricity Act as opposed to IESO revenue requirement and fees.

RESPONSE

All IESO costs to administer the 2025-2036 eDSM Framework are recovered through the 2025-2036 eDSM directives issued on November 7, 2024 and December 19, 2024, with the exception of IESO FTE costs which are recovered through the IESO usage fees.

SEC INTERROGATORY 7

Issue 1.1 Is the IESO's Fiscal Year 2026 revenue requirement of \$328.8 million appropriate?

1-SEC-7

INTERROGATORY

Reference:

- Exhibit D-1-1, page 9-12

Preamble:

The IESO has listed a number of key initiatives that over the 2026 to 2028 period involve multiple business units.

Question(s):

For each key initiates, please provide the total cost each year between 2023 to 2028, and the detailed basis for the incremental costs proposed in each of 2026 to 2028 (e.g. number of incremental FTE, new programs initiatives included within the broader key innovative and proposed budgets, etc.).

RESPONSE

The IESO does not use activity-based accounting and will not be able to provide a breakdown of the costs of these discrete activities. See response to 1-Staff-3 for more information. Also, the initiatives identified in the 2026–2028 Business Plan reflect priorities for the current planning period and therefore may differ from, or not be applicable to, those contained in the 2023–2025 Business Plan. As a result, the IESO is unable to provide a breakdown of the incremental costs by key initiative for the 2023-2025 period. See Table 1 and Table 2 below for the incremental costs and FTE in the 2026-2028 period for the investments identified in Exhibit D-1-1, pages 9-12. Note that Table 1 has combined the incremental impacts from Exhibit D-1-1, Table 10, Table 11 and Table 12 for convenience.

1 **Table 1: Incremental Investment, 2026-2028 (\$ millions)**

Incremental Investment (\$M's)	2025 OM&A	2026 Budget	2027 Budget
Accelerating the Big Build	3.5	3.4	1.4
<i>Resource Adequacy</i>	1.0	1.1	1.0
<i>Stakeholder and Rightsholder Engagement</i>	2.5	2.3	0.4
Enabling Economic Growth in the Short Term	9.6	5.8	3.8
<i>Enhanced Market Operations</i>	8.3	6.4	3.6
<i>Demand Side Management</i>	1.3	(0.6)	0.2
Delivering on Our Core Mandate	8.6	5.0	1.2
<i>Sustaining Technology, Evolving Processes & Tools</i>	2.9	1.2	-
<i>Cybersecurity</i>	1.7	0.8	0.2
<i>Investing in Organizational Talent and Skills</i>	1.8	1.3	1.1
<i>Artificial Intelligence</i>	0.6	1.5	(0.1)
<i>Info & Data Governance</i>	1.1	0.2	-
<i>Facilities Maintenance</i>	0.5	-	-
Efficiency Target	(3.3)	(3.7)	(3.7)
Total Incremental Investment (\$M's)	18.4	10.5	2.7
Incremental Investment (\$M's)	2026 Budget	2027 Budget	2028 Budget

2

3 **Table 2: Incremental FTE 2026-2028**

FTE	2026	2027	2028
Accelerating the Big Build	17.0	17.0	2.5
<i>Resource Adequacy</i>	3.0	5.0	2.5
<i>Stakeholder and Rightsholder Engagement</i>	14.0	12.0	-
Enabling Economic Growth in the Short Term	15.0	11.0	6.5
<i>Enhanced Market Operations</i>	13.0	9.5	5.5
<i>Demand Side Management</i>	2.0	1.5	1.0
Delivering on Our Core Mandate	16.5	7.5	4.0
<i>Sustaining Technology, Evolving Processes & Tools</i>	8.0	3.0	2.0
<i>Cybersecurity</i>	3.0	2.0	2.0
<i>Investing in Organizational Talent and Skills</i>	2.0	-	-
<i>Artificial Intelligence</i>	-	1.0	-
<i>Info & Data Governance</i>	3.5	1.5	-
<i>Facilities Maintenance</i>	-	-	-
Efficiency Target	-	-	-
Incremental FTE	48.5	35.5	13.0

Hiring Ramp Up	(20.5)	8.5	12.0
Total FTE	28.0	44.0	25.0

1

2 Explanations of the initiatives are outlined in Exhibit D-1-1, pages 9-12, and more information
3 into the investment priorities and can be found in Exhibit B-1-2, 2026 Business Plan. See
4 response to 1-OEB Staff-8 d) for more information on the work that will be completed by the
5 incremental FTE.

SEC INTERROGATORY 8

Issue 1.1: Is the IESO's Fiscal Year 2026 revenue requirement of \$328.8 million appropriate?

1-SEC-8

INTERROGATORY

Reference:

- Exhibit D-1-1, p.12

Preamble:

Question(s):

Please provide further explanation of the types of AI investments the IESO plans to make during the 2026-2028 period.

RESPONSE

During 2026-2028, artificial intelligence (AI) and machine learning (ML) technology capabilities will be planned, designed and built to support IESO's strategic goals and operational needs. The primary focus will include:

- Establishing an initial AI and data governance baseline, creating a framework for future innovation. AI governance will be driven by risk assessment and business value identification. This foundation will enable the renewal, replacement, and enhancement of critical IT systems, including strategic new investments in AI technologies, to support operational efficiency, grid security, and long-term sustainability.
- Investing in AI infrastructure, including the hardware and cloud resources required to support AI workloads.
- Implementing a methodology to pilot identified AI use cases to validate business value proposition prior to proceeding with full development and product ionization. Pilot use case selection will be based on risk assessment and anticipated business value.

- 1 • Implementing development and deployment tools to facilitate the creation, testing, and
- 2 scaling of AI models.
- 3 • Supporting production AI model operations and re-training, where necessary.
- 4 • Enhancing data management and preparation to ensure data is accurately collected,
- 5 cleaned, and accessible for AI applications.

SEC INTERROGATORY 9

Issue 1.1: Is the IESO's Fiscal Year 2026 revenue requirement of \$328.8 million appropriate?

1-SEC-9

INTERROGATORY

Reference:

- Exhibit D-1-1, p.12

Preamble:

The IESO states that it has "included a one per cent annual efficiency target through the business cycle that will be achieved by leveraging AI, minimizing red tape and streamlining internal processes in alignment with our strategic goals."

Question(s):

Please explain how specifically this was included in the budget for 2026 to 2028 that is included in this Application.

RESPONSE

See response to 1-OEB Staff-2 c) and d).

The IESO has incorporated the efficiency target as a cost offset in the amount of one percent per year (which equates to \$3.3 million in 2026, \$7.0 million in 2027 and \$10.7 million in 2028). This allocation reduces the total expense budget and by extension the revenue requirement for the planning period, reducing the IESO fee for ratepayers. An annual target of one per cent will drive the IESO to identify opportunities that are focused on process optimization, waste reduction, productivity improvements, and smarter resource allocation. These efficiencies are intended to be enduring in nature and will drive continued cost savings beyond the current business plan period.

SEC INTERROGATORY 10

Issue 1.1: Is the IESO's Fiscal Year 2026 revenue requirement of \$328.8 million appropriate?

1-SEC-10

INTERROGATORY

Reference:

- Exhibit D-1-2

Preamble:

Question(s):

For each listed IESO business unit, please provide a more detailed breakdown of their OM&A actual/forecast spending for each year between 2023 and 2028

RESPONSE

See response to 1-OEB Staff-8 b), Table 2.

SEC INTERROGATORY 11

Issue 1.4: Is the IESO's 2026 projected staffing levels and compensation (including salaries, benefits, pensions and other post-employment benefits) appropriate?

1-SEC-11

INTERROGATORY

Reference:

- Exhibit D-1-2, Attachment 2

Preamble:

Question(s):

For each management position included in the organizational chart, please provide the number of employees that report to each position.

RESPONSE

See Attachment 1 - Organizational Chart, which includes in brackets for each management position, the number of direct and indirect reports.

SEC INTERROGATORY 12

Issue 1.4: Is the IESO's 2026 projected staffing levels and compensation (including salaries, benefits, pensions and other post-employment benefits) appropriate?

1-SEC-12

INTERROGATORY

Reference:

- Exhibit D-1-3, Attachment 1

Preamble:

Question(s):

Please provide a revised version of Appendix 2-K that breaks down non management into PWU, Society and non-Union members for both regular and temporary.

RESPONSE

See response to 1-SUP-1 a).

SEC INTERROGATORY 13

Issue 1.4: Is the IESO's 2026 projected staffing levels and compensation (including salaries, benefits, pensions and other post-employment benefits) appropriate?

1-SEC-13

INTERROGATORY

Reference:

- Exhibit D-1-3, Attachment 1

Preamble:

Question(s):

For each business unit, please provide the title of the specific positions added or forecast to be added each year between 2025 and 2028. Please provide an explanation of how the IESO specifically determined that the number and type of new positions that would be required for each business unit.

RESPONSE

The IESO is unable to provide a complete list of specific position titles for all forecast additions between 2025 and 2028. While the IESO has identified the number of incremental FTEs required by business unit based upon managements evaluation of the incremental work required, the specific position titles will be finalized through the annual workforce planning and recruitment process. The IESO can provide the incremental resources being added by business unit. See Table 1 below for more information.

The IESO determined resource requirements for each business unit based on organizational strategy, Integrated Energy Plan Implementation Directives, emerging sector priorities, and the work required to maintain and operate an increasingly complex electricity grid. Through discussions with business unit leaders and the Prioritization Committee, the IESO assessed staffing levels and considered the phasing of resource investments before finalizing the

- 1 incremental investments required to achieve the Business Plan objectives, ensuring all requests
- 2 for additional resources were appropriately evaluated prior to inclusion in the submission.

3 **Table 1: Incremental Positions by Business Unit and Year**

Business Unit	2026	2027	2028
Markets and Reliability	10.5	5.5	3.0
Power System Development	3.0	5.5	3.5
Corporate Relations, Engagement and Strategy	11.0	11.0	-
Information and Technology Services	10.5	10.0	6.5
Legal Resources and Corporate Governance	7.0	3.0	-
Corporate Services	4.5	0.5	-
Human Resources	2.0	-	-
Total	48.5	35.5	13.0
Hiring Ramp Up (allocated across all Business Units)	(20.5)	8.5	12.0
Net FTE including Hiring Phasing	28.0	44.0	25.0

SEC INTERROGATORY 15

Issue 1.4: Is the IESO's 2026 projected staffing levels and compensation (including salaries, benefits, pensions and other post-employment benefits) appropriate?

1-SEC-15

INTERROGATORY

Reference:

- Exhibit D-1-3, Attachment 3

Preamble:

Question(s):

With respect to the Mercer, Non-Executive Total Remuneration Review:

- Please detail all methodological changes included in the Mercer Non-Executive Total Remuneration Review compared to the similar review filed in EB-2022-0318.
- Please detail all aspects of the methodology that were determined solely by Mercer and those which were determined either in part or with the IESO.
- Please provide a revised version of Appendix C that breaks out Public Sector into Public Sector Non-Energy and Public Sector Energy, and Private Sector into Private Sector Non Energy and Private Sector Energy.
- [Appendix C] For each Grade, how many IESO employees were there at the time of the Review and how many were included in the Review?
- [Appendix C] Please provide the underlying calculations used to calculate the category and overall totals.

RESPONSE

- The 2025 Mercer Non-Executive Total Remuneration Review used the same overall market-based benchmarking methodology as the review filed in EB-2022-0318, including the assessment of base salary, total cash compensation, pension, benefits, and total

remuneration against selected energy, public sector, and private sector comparator markets. The principal changes between the studies were:

- i. Expanded benchmark job coverage: The number of benchmarked IESO jobs increased from 119 positions in the 2022 review to 197 positions in the 2025 review.
 - ii. Updated comparator organizations: Mercer updated the comparator groups to reflect changes in the IESO's size, labour market, and talent competitors. The Energy comparator group increased from 25 to 31 organizations, the Public comparator group increased from 25 to 30 organizations, and the Private comparator group changed from 43 to 36 organizations.
- b) Mercer applied its standard market benchmarking methodology and was responsible for conducting the compensation, pension, benefits, and total remuneration analysis, including the use of Mercer's proprietary compensation databases and market research, selection of comparator organizations, market analysis, and calculation of the resulting market positioning. Mercer worked with the IESO to identify benchmark positions for comparison to the market. The peer organizations used in the benchmark groups were selected by Mercer and confirmed by the IESO. The IESO provided all position, compensation, pension, and benefits information to Mercer to complete the review.
- c) The IESO is unable to undertake the requested additional analysis within the timeframe provided for interrogatories within this proceeding. The requested additional analysis would require the IESO to procure additional services from Mercer since the underlying data required to produce a further breakdown is proprietary to Mercer.
- d) Table 1 below identifies the grade/band levels for all three jurisdictions at the IESO. The table also identifies the number of employees within a grade at the time of review (third column) and the number of employees that were included in the review (fourth column).

Table 1: Employee Counts by Jurisdiction (PWU, Society, and Management) and Grade/Band

1

Jurisdiction	Grade/Band	Total Number of Employees at the time of Review	Number of employees included in the Review
PWU	1	3	3
	3	1	1
	57	3	1
	58	7	1
	59	3	3
	60	2	0
	61	1	1
	62	17	8
	63	15	10
	64	4	3
	65	8	1
	66	1	1
SOC	MP2	181	43
	MP3	29	15
	MP4	316	135
	MP5	218	105
	MP6	86	32
MGT	Band 3A	4	2
	Band 3B	27	14
	Band 4	74	32
	Band 5A	45	27
	Band 5B	4	4
	Band 6A	15	12
	Band 6B	11	9
	Band 7A	2	2

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e) Appendix C states that the findings were weighted based on the number of IESO incumbents in each benchmark job, and the percentages shown are incumbent-weighted averages. Accordingly, the Management, Society and PWU and the Overall Total results reflect incumbent-weighted averages of the benchmark positions included in the review relative to the applicable comparator market. The detailed underlying calculations used by Mercer to derive the category totals and Overall Total are not part of the scope of the report.

SEC INTERROGATORY 16

Issue 1.7: Is the IESO's 2026 capital expenditure budget of \$60.5 million appropriate?

i-SEC-16

INTERROGATORY

Reference:

- Exhibit E-1-2, p.3

Preamble:

IESO has provided a figure of its Portfolio & Project Management Life Cycle.

Question(s):

Please provide a copy of the full Portfolio & Project Management Life Cycle guidance/approach document.

RESPONSE

See Attachment 1 to this Exhibit

See Attachment 2 to this Exhibit

See Attachment 3 of this Exhibit

See Attachment 4 of this Exhibit

SEC INTERROGATORY 17

Issue 1.7: Is the IESO's 2026 capital expenditure budget of \$60.5 million appropriate?

1-SEC-17

INTERROGATORY

Reference:

- Exhibit E-2-1, p.7

Preamble:

Question(s):

Please provide details regarding a new Project Portfolio Management that the IESO is implementing.

RESPONSE

The IESO implemented a new Project Portfolio Management (PPM) tool, Planisware, to support project, program, and portfolio management activities across the organization. The implementation achieved go-live on May 29, 2026.

Planisware provides enhanced capabilities for portfolio planning, resource management, financial management, reporting, and project oversight, supporting improved visibility and management of the IESO's project portfolio.

The tool supports the implementation of the IESO's Portfolio & Project Management Life Cycle (PPMLC) by providing a centralized platform to support project governance, portfolio oversight, reporting, and lifecycle management activities across the project portfolio.

See response to 1-SEC-16 for more information of the IESO's Project Portfolio Management approach.

SEC INTERROGATORY 18

Issue 1.7: Is the IESO's 2026 capital expenditure budget of \$60.5 million appropriate?

1-SEC-18

INTERROGATORY

Reference:

- Exhibit E-2-1, pages 6-7

Preamble:

Question(s):

For each of the listed strategic initiatives that had a schedule or cost deviation, please provide the original forecast/budgeted cost and schedule, and actual forecast/budgeted cost and schedule, with respect to the deviations.

RESPONSE

See Table 1 below, which provides the original forecast schedule and budget, and the final forecast schedule and budget for the strategic initiatives identified as having a schedule and/or cost variance.

1 **Table 1: Original and Final Forecast Schedule and Budget for Strategic Initiatives**
2 **with a Variance**

Change Initiatives/ Project(s)	Original Forecast Schedule	Final Forecast Schedule	Original Budget (\$ M)	Final Budget (\$ M)	Cost Variance Reason	Schedule Variance Reason
Capacity Auction Enhancement	June 30, 2024	August 16, 2024	4.92	4.49	No material cost variance following project re-baselining and approved exception reporting	The project schedule was revised to support additional stakeholder engagement and implementation activities associated with the approved project scope
IAM Phase 2 – Project 4: Process & Technology Conformance	December 31, 2023	December 15, 2023	0.42	0.45	Additional vendor change orders and actual labour effort exceeded original estimates	No schedule variance
Clean Energy Credits	December 31, 2023	March 21, 2024	1.54	0.89	No material cost variance requiring explanation	Changes arising from government/ministry direction required modifications to the solution and resulted in an extension to the implementation schedule
Wide Area Visualization Environment (WAVE) – Phase 2	April 30, 2025	October 1, 2027	3.18	3.68	Project remains ongoing and final cost variance, if any, will be determined upon project completion	Project activities were placed on hold due to dependencies on the timelines of related initiatives

SEC INTERROGATORY 19

Issue 1.7: Is the IESO's 2026 capital expenditure budget of \$60.5 million appropriate?

1-SEC-19

INTERROGATORY

Reference:

- Exhibit E-2-1, p.7

Preamble:

Question(s):

Are there any on-going strategic initiatives or capital projects, in which the final schedule/budget has changed since originally forecast/budgeted? If so, please provide the original forecast/budgeted cost and schedule, and revised final forecast/budgeted cost and schedule. Please detail all material variances.

RESPONSE

The Customer Interaction Centre (CIC) Replacement project is the only ongoing capital project with a material change to its originally forecast schedule. No material variance to the approved capital budget has been identified. See Table 1 below.

Table 1: Original and Current Forecast Schedule and Budget for Ongoing Capital Project

Change Initiatives/ Project(s)	Original Forecast Completion	Current Forecast Completion	Original Capital Budget (incl. Contingency)	Current Budget Forecast	Schedule Variance Reason
Customer Interaction Center Replacement	November 20, 2026	February 28, 2027	\$4,752,701	\$4,416,995	Schedule revised to reflect updated vendor delivery timelines

SEC INTERROGATORY 20

Issue 1.7: Is the IESO's 2026 capital expenditure budget of \$60.5 million appropriate?

1-SEC-20

INTERROGATORY

Reference:

- Exhibit E-2

Preamble:

Question(s):

For all capital projects with expenditures of over \$2M during the 2026 to 2028 period,

- please provide the full internal business case for the project,
- a cost breakdown similar to that included in E-2-1, Attachment 9, p.18), and
- an explanation of how the forecast costs were determined and how the level of contingency was determined.

RESPONSE

- The IESO will not provide full internal business cases for all projects with expenditures exceeding \$2 million during the 2026-2028 period. The OEB set a materiality threshold of \$4 million for the IESO in EB-2019-0002 and directed that a business case be filed for any project that exceeds this threshold. Project descriptions, expenditure forecasts and cost estimates for projects are provided in Exhibit E-2-1, plus attachments, aligned with the OEB's direction in EB-2019-002. See Exhibit E-2-1, Attachment 10 – \$1 Million - \$4 Million Capital Project Updates, and Project Charters in the attachments to Exhibit E-2-1 for more information.

Projects over \$2 million:

- 1 • Capacity Auction Enhancements (\$3.2 million capital budget): Exhibit E-2-1 -
2 Attachment 10, Page 2
- 3 • Commercial Reconciliation System (\$2.7 million capital budget): Exhibit E-2-1 -
4 Attachment 10, Page 4
- 5 • Online IESO Enhancement Project (\$2.4 million capital budget): Exhibit E-2-1 -
6 Attachment 10, Page 8
- 7 • Adopt Buy Model for Users Computer (\$4.8 million capital budget): Exhibit E-2-1
8 - Attachment 10, Page 10
- 9 • Data Center Capacity Program (\$2.9 million capital budget): Exhibit E-2-1 -
10 Attachment 10, Page 12
- 11 • Wallboard Video Wall Display Replacement Project (\$3.4 million capital budget):
12 Exhibit E-2-1 - Attachment 10, Page 15
- 13 • Market Information Management (\$2.7 million capital budget): Exhibit E-2-1 -
14 Attachment 10, Page 17
- 15 • Backup Refresh Project (\$4.7 million capital budget): Exhibit E-2-1 - Attachment
16 10, Page 21
- 17 • Customer Interaction Center (\$4.1 million capital budget): Exhibit E-2-1 -
18 Attachment 10, Page 25
- 19 • Dynamic Limits in Real-Time Program (\$2.2 million capital budget): Exhibit E-2-1
20 - Attachment 10, Page 32
- 21 • Facilities Maintenance Program 2026-2028 (see: Exhibit E-2-1 Attachment 2 –
22 Facilities Maintenance Program).
- 23 • SCADA/EMS, and PSS Upgrade (see: Exhibit E-2-1 Attachment 3 – Supervisory
24 Control and Data Acquisition/Energy Management System and Power System
25 Stabilizer Upgrade).
- 26 • Network Upgrade Program (see: Exhibit E-2-1 Attachment 4 – Network Upgrade
27 Program).
- 28 • DSO and SMSP Upgrade (see: Exhibit E-2-1 Attachment 5 – Dispatch Schedule
29 Optimization and Settlement Mitigation Data Preparation Upgrade).

- DDMS and MPIS Upgrade (see: Exhibit E-2-1 Attachment 6 – Dispatch Data Management System and Market Power Information System Upgrade).
- Network Security Program (see: Exhibit E-2-1 Attachment 7 – Network Security Program)
- ERP (see: Exhibit E-2-1 Attachment 11 – Material Capital Project Progress Updates).
 - Storage and Hybrid Integration Project PCv2 (Release 1) RRS (see: Exhibit E-2-1 Attachment 8 – ERP - Storage and Hybrid Integration Project PCv2 (Release 1) RRS).
 - ERP Distributed Energy Resources (DER) Integration Project (see: Exhibit E-2-1 Attachment 9 – Project Charter ERP DER Integration Project).
- Space Needs Program Phase 3 - Future@Work (see: Exhibit E-2-1 Attachment 11 –Material Capital Project Progress Updates and Project Charter: Space Needs Program Phase 3 – Future@Work¹).

b) As directed by the OEB in EB-2019-0002, the IESO provides the information requested for material projects with capital budgets over \$4 million. For ongoing capital projects that have a total capital expenditure between \$1 million and \$4 million the IESO provides project updates as presented in Exhibit E-2-1, Attachment 10.

c) Forecast project costs are developed through the IESO's capital planning process, which includes assessment of project scope, resource requirements, vendor and implementation costs, schedule assumptions, and comparable project experience. Contingency amounts are established based on project complexity, stage of development, identified risks, and the level of uncertainty associated with the estimate. The IESO's capital planning is described in Exhibit E-1-2 – Capital Expenditure Planning Process Overview.

¹ Project Charter: Space Needs Program Phase 3 – Future@Work: <https://www.ieso.ca/-/media/Files/IESO/Document-Library/corporate/applications/project-charter-space-needs-program-phase-3.pdf>

SEC INTERROGATORY 21

Issue 1.7: Is the IESO's 2026 capital expenditure budget of \$60.5 million appropriate?

1-SEC-21

INTERROGATORY

Reference:

- Exhibit G-1-1, Attachment 11

Preamble:

Question(s):

Please provide a full copy of the Project Portfolio Delivery Review internal audit.

RESPONSE

See Exhibit H-1-SEC 21 _Project Portfolio Delivery Audit Review

There have been updates to the status of the management action plans for the Project Portfolio Delivery Review since reported in Exhibit C-1-1, Attachment 11. The current status of management action plans is provided in the table below. The IESO has implemented a Project Portfolio Management Tool that provides the functionality to address recommendations 2, 3, and 4.

Audit Report Subject Area & Objective	Recommendations	Management Response	Status
Project Portfolio Delivery Review The objective of this review was to assess to what extent the IESO manages and delivers projects on time and on budget while respecting the project scope and realizing stated benefits. Blackline Consulting was engaged via a competitive bid process to perform this review and work with Internal Audit and the Enterprise Change Division.	1. Independent peer review of the project schedule / resource plans Review the PPMLC to include a peer review / independent review of plans for select projects. The peer review should challenge plans, planning assumptions. This peer review should occur during the planning phase and potential later on in the project depending on its size/ complexity. 2. Formal Integration Process Develop formal integration process that can improve coordination between Business Unit resourcing and project resourcing needs. Introduce a resource analysis tool for evaluating the impact of project changes on key resources across projects and Business Units. As well as enabling scenario modelling of resource changes –particularly with key personnel e.g. SMEs. 3. Enhanced the resource management practices The project team developed a detailed resource management plan and allocated FTEs by resource type and month. However, we did not observe tracking of actuals versus planned which may have contributed to delays and the need to release contingencies.	1. Current practice has the project steering committee and sponsor reviewing and approving the Integrated Project Plans, which includes cost and schedule estimates. The IESO will look at opportunities to include a peer review of the schedule during the planning phase of the project, and inserting appropriate resources to support the review with a priority going to projects with higher complexity. 2. The IESO currently utilizes an internally developed enterprise resource planning tool to manage resource capacity and utilization for projects and has the ability to track “actuals”. The quality of the resource capacity data relies on the accuracy of the estimates provided by resource managers (typically line managers) and the quality of resource utilization (or demand) relies on understanding all of the none core work being undertaken across the organization. Currently ECD does not have visibility of all of this work but is currently looking at expanding the scope of the tool to include operational initiative resource demands to provide a more holistic picture of resource availability and utilization. The IESO has also identified the need for a new Project Portfolio Management Tool in our 2023-	1. Complete 2. Complete 3. Complete 4. Complete 5. September 30, 2026 (Updated)

	4. Reporting: use of the RAIDC log PMs should undergo training and re-iterate the importance, definition and use of the RAIDC log. Particularly differentiate between risks (potential future events) and issues (current problems affecting the project). Flagging defects as issues in the RAIDC log enables proactive attention, timely resolution, and appropriate allocation of resources to address these challenges. Also, include peer review / independent review of the appropriate use of RAIDC and progress reporting occurs regularly. 5. Standardize Lessons Learned Exercise We recommend that IESO adopt a standardized approach to review lessons learned throughout a project lifecycle to inform decision-making. We also recommend that there is more structure to identify lessons learned, potentially using an independent PM to facilitate the process during the closing of each project phase (as per the PPMLC). 6. Evolve the PPMLC to accommodate program management Evolve the PPMLC to accommodate program management and to provide guidance and support of selecting when to use Agile and how to managing projects using an Agile approach.	2025 Business Plan which will improve our capabilities for assessing the impact of project changes on key resources and modelling and assessing different scenarios. This project is currently planned to be initiated in 2024. 3. In 2023 the IESO has enhanced the resource management tool to capture actual effort on projects and make this information available to Project Managers. This will allow Project Managers to re-evaluate forecasts and plans and identify resource constraints. Although schedule and cost variances are already captured in our Project Closure documentation. Starting immediately, we will put more focus on resourcing impacts on schedule and budgets for in-flight and future projects, and starting in Q1 2024 we will institute a quarterly resource review with the PMs to assess critical resource impacts. 4. With the support of the Internal Audit group, Enterprise Change has transitioned from a traditional RAIDC log to a centralized online tool to document risks and issues with projects. (ERM Essentials) The online tool supports more consistent practices and consolidated reporting which allows the PMO to review the portfolio of risks and identify issues across the portfolio. The ECD team also meets monthly to review critical and high project risks and ensure the	
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		consistent application of the tool. We do not currently capture defects as issues in the ERM tool but rather capture these in tools such as JIRA. We will discuss internally to see if evolving this practice would likely lead to more proactive attention of defects. Any resulting actions will be implemented by Q1 2024. 5. The IESO is currently reviewing its practices around the documentation and utilization of lessons learned in order to enhance the existing processes around project initiation including performing lessons learned after each phase of the project and having the lessons learned sessions performed by an independent member of the ECD team, we will also reinforce the benefit and need for Project Managers to review lessons learned of similar projects as part of project planning. As an immediate action, the PMO will coordinate a quarterly meeting with the PMs to capture and share ongoing lessons learned from the projects, starting in December 2023. 6. The development of a formal program management framework in the PPMLC is a work in progress. The IESO currently uses enhanced Project Management approaches to manage programs within its portfolio. These tend to be tailored to each specific program. We do not currently have formalized Program Management	
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		practices. We are currently exploring how to supplement the existing PPMLC to support the determination and selection of programs and establish more formal program management guidelines and practices, specifically around Program Governance, with a target of the end of 2024 to implement a Program structure in the PPMLC. Due to the nature of our IT systems and vendors, there are limited opportunities to use the Agile approach to manage projects, however there is an opportunity to use more hybrid project approaches where elements of the project are developed through Agile (scrum)but the overall project is planned and managed through a predictive (waterfall) approach. We will continue to work with IT to expand our Agile capability as we initiate new projects, to consider more agile approaches in project delivery such as introducing minimal viable products early in the project, piloting and more incremental approaches.	
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Project Portfolio Delivery Review

Independent Electricity System Operator

Final v2.0

September 2023

Notice of Confidentiality

This report is confidential and intended to be solely for the benefit of IESO Management, including the Enterprise Risk Management function, and the Audit Committee of the Board of Directors and not for the benefit of any other person. This report should not be used for any other purpose and should not be quoted, in whole or in part, or otherwise referred to or used for any purpose without the IESO's prior written consent. Any use of this report by a third party, or any reliance or decisions made based on it, are the sole responsibility of such third party. We do not accept any responsibility for any loss or damage incurred by any third party as a result of decisions made or actions taken based on this report.

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Glossary of Terms

Acronym	Definition
ECD	Enterprise Change Division
ARCI	Accountable, Responsible, Consulted, Informed
ETL	Extract, Transform, Load
FTE	Full-time Equivalent
MRP	Market Renewal Project
PM	Project Manager
PMBOK	Project Management Body of Knowledge
PMO	Project Management Office
PPMLC	Portfolio and Project Management Lifecycle
PSC	Project Steering Committee
QA	Quality Assurance
RAIDC	Risks, Action, Issues, Decisions, Controls
SME	Subject Matter Experts
VCR	Vendor Change Request
WAVE	Wide Area View Environment Project

Context (1/2)

Background and Objective

The Independent Electricity System Operator (IESO) each year invests millions of dollars in capital and non-capital projects to introduce new capabilities, transform existing capabilities, and improve service delivery. To manage the projects in a consistent manner, the IESO's Portfolio and Project Management Life Cycle (PPMLC) structure to manage projects.

The objective of this review is to assess to what extent the IESO manages and delivers projects on time and on budget while respecting the project scope and realizing stated benefits.

Blackline Consulting (Blackline) was engaged via a competitive bid process to perform this review and work with Internal Audit (IA) and the Enterprise Change Division (ECD).

Scope

As per IESO's RFS-132 the scope includes:

Culture	Process and Controls				
	Schedule	Integration	Human Resources	Scope Management	Reporting
The role of culture in influencing project delivery	Managing milestones and schedule risks	Cross-divisional planning and execution	Resource capacity	Techniques to manage scope	Effectiveness of project reporting

Scope (cont'd)

The review covers five completed / near complete projects: Fit MicroFit, Office Pilot Project, Improving Accessibility of Operating Reserve (IAOR), SCADA/EMS and the Replacement Settlement System (RSS).

The scope excludes the following:

- ▶ The initiating phase of in-scope projects; and
- ▶ Assessing the skills and capabilities to staff.

Approach

To perform this review, Blackline used the following approach:

- ▶ Phase 1 – Discovery: Gathering relevant information and conducting stakeholder consultation
- ▶ Phase 2 – Analysis: Analyzing project data and synthesizing observations
- ▶ Phase 3 – Insight: Developing opportunities for improvement
- ▶ Phase 4 – Report: documenting the observations, opportunities and presenting it to IESO

Field work began April 2023 and concluded in July 2023.

Context (2/2)

While the focus of this review is to assess to what extent the IESO manages and delivers projects on time and on budget it is also important to understand what the potential future project portfolio. The general sentiment is that IESO's future projects will be more complex.

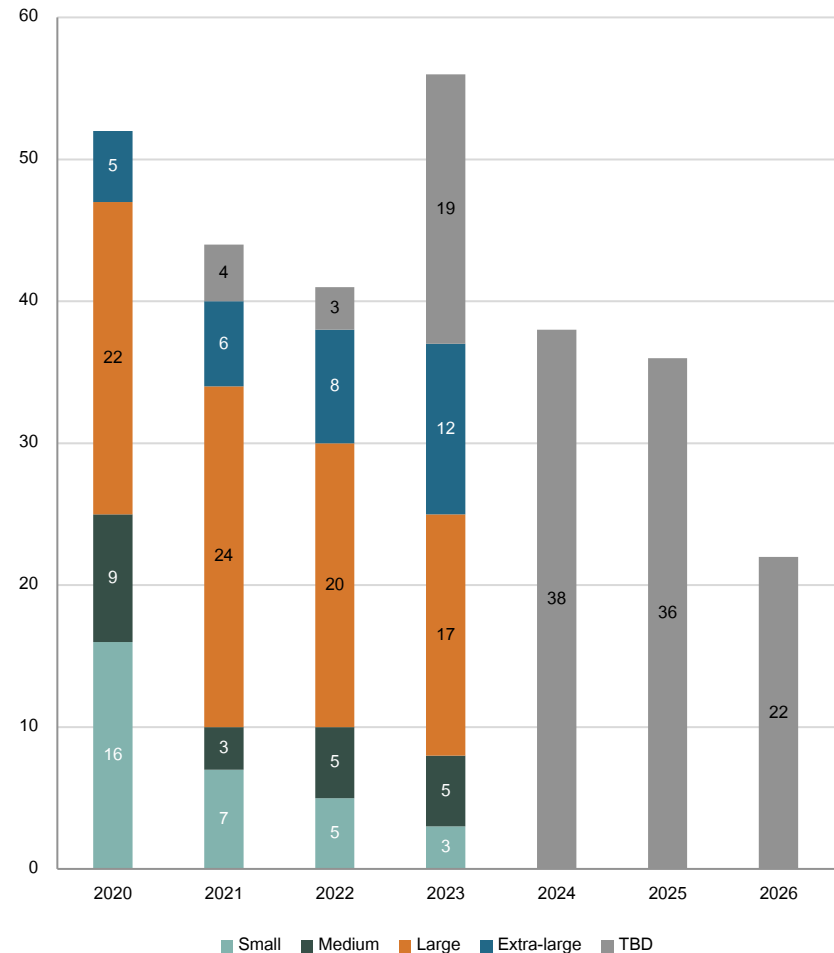
- ▶ There is a perception that in the future, projects will likely be more complex (e.g., first-time endeavours, more stakeholders / business units involved).
- ▶ Analysis of the project portfolio indicates that the total number is not increasing, however the complexion is changing – fewer small projects and more large/extra-large. This may signal a need for more program management structure and capabilities.

There is a perception that the IESO is taking on too many projects at once, which could strain resources and lead to delays.

- ▶ The survey supports this claim. 75% of ECD respondents and 83% of Business Unit respondents say projects are missing key milestones and the original schedule completion date. As well, 87% of ECD respondents and 67% of Business Units respondents disagree that staff are held accountable for these delays.

We believe this is important context because as the IESO moves forward, the impact of some contributing factors to delays may shift.

IESO Project Portfolio Volume and Size 2020-2026*



EXECUTIVE SUMMARY



Executive Summary (1/11)

Our analysis of the five sampled projects indicates that there are several contributing factors that caused delays. We break those factors into three categories:

 Environmental Factors	 Common Factors	 Unique Factors
Observations that set certain conditions in which the IESO operates.	An observation that was common across the majority of projects sampled.	An observation that is unique to one of the projects sampled but it is not representative of the group and may be an isolated factor.
Each factor category will likely require different treatment, below we generalize the treatment plan:		
These factors may require a more holistic approach to addressing or mitigating and likely require more of a strategic change rather than a tactical change to a process or procedure.	The IESO should focus on these aspects as they will likely reoccur and there is sufficient evidence to ensure a change is required.	Monitor future projects – ideally as part of lessons learned to ensure they do not occur again.

The following pages provide a summary of the observations that relate to each factor, followed by a set of recommendations.

Executive Summary (2/11)

Environmental Factors	While not part of our scope, based on our analysis there may also be environmental factors that have an impact on the IESO's ability to deliver projects on schedule: ▶ The organizational structure is a "matrix", which has implications on resource management and the role of a Project Manager (PM). This may not be optimal today and can contribute to resourcing challenges. ▶ There seems to have been a view of optimism on projects versus a culture that embraces risks. Furthermore, some undertones that risk is a negative and reluctant to highlight risks instead of embracing it as a way of thinking and making risk-based decisions. Again, we cannot prove these factors directly impact the project delays sampled, however we believe it is important to note.
	Schedule and budget contingencies are commonly utilized, indicating that time and effort are underestimated / optimistic in the planning phases.
Common Factors	Visibility of resourcing across project schedules and business unit priorities is challenging. This causes issues when changes occur in projects and managing resource capacity. This issue is compounded by the key person dependencies at IESO.
	While tools exist to manage project resources, there are challenges in analyzing changes in schedules at a macro level (across the portfolio). This becomes increasingly important in a matrix organizational structure where resources are not dedicated to projects.
	Critical paths in projects are more emphasized in the execution phase than planning phase.
	Interdependencies between projects not properly managed due to a lack of an integration maturity.
	Lessons learned are not being leveraged to an adequate level.



**Schedule /
Milestone
Delays**

Executive Summary (3/11)

Common Factors (cont'd)	While a value at the IESO is accountability. There is an absence of a structured approach in holding individuals accountable for delays, decision-making, and the execution of lessons learned. The absence of accountability varies on each project and is not necessarily one individual or role.
Unique Factors	The PPMLC does not fully accommodate for managing programs with different approaches being used for each case, something that is likely to be in greater need in the future.
	Lack of understanding (role of PM versus Vendor Management) in communication and escalation procedures with vendors, may have led to contractor and vendor delays.
	The Quality Assurance (QA) team's potential in conducting technical components testing is underutilized.
	IESO is not using additional measures (e.g. Earned Value) to help manage the project which could provide early indication on risks / issues.



**Schedule /
Milestone
Delays**

Executive Summary (4/11)

The following pages provide a set of recommendations that, based on our analysis, would help to reduce the likelihood or impact of project schedule and milestone delays.

Below is a rating system we use for each recommendation to help the IESO prioritize focus.

High <i>(requires immediate action)</i>	Likely to affect the IESO's ability to achieve the Project Management process objectives.
Medium	Somewhat likely to affect the IESO's ability to achieve the Project Management process objectives.
Low	Unlikely to affect the IESO's ability to achieve the Project Management process and control objectives. Opportunity exists to improve the efficiency and effectiveness of the process.

Executive Summary (5/13)

Category	Key Observations	Recommendations	Importance	Management Response
Scope	We observed that some project delays were caused due to lack of understanding the full scope impact of interdependencies. Projects this was observed in: SCADA (SC.3), RSS (RS.3)	► Revise practices for managing dependencies. Specifically monitoring dependencies between projects and creating contingency plans to help mitigate impacts of dependencies.	Low	Enterprise Change maintains a project interdependencies report that captures and monitors interdependencies between projects. The IESO will look at opportunities to improve and potentially centralize contingency planning to support mitigation and trade-off discussions as well as early identification of dependencies during the inception and initiation phases to support better project planning. As an immediate action, the PMO will coordinate a monthly meeting with the PMs to monitor project interdependencies, starting in December 2023.
Schedule	We observed that there was no formal independent peer review of the project schedule / resource plans. This may or may not have contributed directly to the delay but could have identified issues earlier on to mitigate optimistic plans / planning assumptions. Projects this was observed in: MicroFit (MF.11), Office Pilot (OP.11), IAOR (OR.18), SCADA (SC.12), RSS (RS.12)	► Review the PPMLC to include a peer review / independent review of plans for select projects. The peer review should challenge plans, planning assumptions. This peer review should occur during the planning phase and potential later on in the project depending on its size / complexity.	Medium	Current practice has the project steering committee and sponsor reviewing and approving the Integrated Project Plans, which includes cost and schedule estimates. The IESO will look at opportunities to include a peer review of the schedule during the planning phase of the project, and inserting appropriate resources to support the review with a priority going to projects with higher complexity. This practice will start for projects initiating in 2024.

Executive Summary (6/13)

Category	Key Observations	Recommendations	Importance	Management Response
Schedule	We observed that the project schedule critical path begin during the execution phase but not the planning phase. This could cause delays early on resulting in suboptimal resource allocation and reduced flexibility (in terms of not being able to adapt to changing circumstances). Projects this was observed in: IAOR (OR.14), RSS (RS.7)	► Project schedules include the critical path starting from the initial activities and clearly identifying the critical path throughout the project.	Low	The IESO employs a two-stage project approval process that refines the schedule and confirms assumptions during the planning phase that informs the critical path for the execution phase. In the initiation phase of the project we will reinforce the need for Project Managers to include a critical path schedule for the planning and execution phases of the project.
	IESO is not using additional measures (e.g. Earned Value, Schedule Variance, Schedule Performance Index) to help manage the project which could provide early indication on project delays, risks / issues. Projects this was observed in: RSS (RS.9)	► For complex / larger projects PMs should consider using additional measures to help manage the project and keep the project team well-informed of performance.	Low	Although the IESO has had limited success implementing various measures such as earned value and SPI , we will continue to explore metrics that can provide more early warning signals of project issues, particularly on higher complexity projects.

Executive Summary (7/13)

Category	Key Observations	Recommendations	Importance	Management Response
Integration	We observed that test environments were not available as per the plan. Consequently, QA resources supplied by business units were not initially utilized to conduct the technical components required in performance testing. Projects this was observed in: MicroFit (MF.16), RSS (RS.16)	► The IESO establish lead times and potentially Operating Level Agreements (OLAs) to help improve expectation management and reduce the likelihood of wait times for test environments.	Low	Enterprise Change will work with the CIO Office to discuss potential Operating Level Agreements (OLAs) for projects that require test environments. Any resulting actions will be implemented by Q2 2024.

Executive Summary (8/13)

Category	Key Observations	Recommendations	Importance	Management Response
Integration	Resource management was a main contributor for all project delays. We also observed that there may be some confusion within the IESO on which role is responsible for resource management. Compounding resource management is the lack of visibility of resource utilization across projects and day-to-day tasks. Projects this was observed in: MicroFit (MF.12, MF.13), Office Pilot (OP.12, OP.13), IAOR (OR.19, OR.20), SCADA (SC.13, SC.14), RSS (RS.13, RS.14)	▶ Formal integration process that can coordinate between Business Unit resourcing and project resourcing needs. ▶ Introduce a resource analysis tool for evaluating the impact of project changes on key resources across projects and Business Units. As well as enabling scenario modelling of resource changes – particularly with key personnel e.g. SMEs.	High	The IESO currently utilizes an internally developed enterprise resource planning tool to manage resource capacity and utilization for projects and has the ability to track “actuals”. The quality of the resource capacity data relies on the accuracy of the estimates provided by resource managers (typically line managers) and the quality of resource utilization (or demand) relies on understanding all of the non-core work being undertaken across the organization. Currently ECD does not have visibility of all of this work but is currently looking at expanding the scope of the tool to include operational initiative resource demands to provide a more holistic picture of resource availability and utilization. The IESO has also identified the need for a new Project Portfolio Management Tool in our 2023-2025 Business Plan which will improve our capabilities for assessing the impact of project changes on key resources and modelling and assessing different scenarios. This project is currently planned to be initiated in 2024.

Executive Summary (9/13)

Category	Key Observations	Recommendations	Importance	Management Response
Human Resources	The project team developed a detailed resource management plan and allocated FTEs by resource type and month. However, we did not observe tracking of actuals versus planned which may have contributed to delays and the need to release contingencies. Projects this was observed in: MicroFit (MF.19), Office Pilot (OP.20), IAOR (OR.25), SCADA (SC.19), RSS (RS.19, RS.20)	▶ PMs track budget and actual effort during a project including variances. ▶ As well, as part of the project closure ensure a detailed review of variances occurs. Specifically, why it happened to help inform future project resource estimation.	Medium	In 2023 the IESO has enhanced the resource management tool to capture actual effort on projects and make this information available to Project Managers. This will allow Project Managers to re-evaluate forecasts and plans and identify resource constraints. Although schedule and cost variances are already captured in our Project Closure documentation. Starting immediately, we will put more focus on resourcing impacts on schedule and budgets for in-flight and future projects, and starting in Q1 2024 we will institute a quarterly resource review with the PMs to assess critical resource impacts.

Executive Summary (10/13)

Category	Key Observations					Recommendations	Importance	Management Response	
Reporting	We observed that while there is regular progress reporting summarizing the current state and health of the project, the underlining use of RAIDC is inconsistent and underutilized. See below summary RAIDC usage:					▶ PMs undergo training and re-iterate the importance, definition and use of the RAIDC log. Particularly differentiate between risks (potential future events) and issues (current problems affecting the project). Flagging defects as issues in the RAIDC log enables proactive attention, timely resolution, and appropriate allocation of resources to address these challenges. ▶ Peer review / independent review of the appropriate use of RAIDC and progress reporting occurs regularly.	High	With the support of the Internal Audit group Enterprise Change has transitioned from a traditional RAIDC log to a centralized online tool to document risks and issues with projects. (ERM Essentials) The online tool supports more consistent practices and consolidated reporting which allows the PMO to review the portfolio of risks and identify issues across the portfolio. The ECD team also meets monthly to review critical and high project risks and ensure the consistent application of the tool. We do not currently capture defects as issues in the ERM tool but rather capture these in tools such as JIRA. We will discuss internally to see if evolving this practice would likely lead to more proactive attention of defects. Any resulting actions will be implemented by Q1 2024.	
		Risks	Action Log	Issues	Decisions				Changes
	FIT-MICRO FIT	Y	N	N	N				N
	IAOR	Did Not Provide a RAIDC – Progress Report Only							
	SCADA	N	Y	N	Y				Y
	RSS	Did Not Provide a RAIDC – Progress Report Only							
	OFFICE PILOT	Y	N	Y	N				N
	Projects this was observed in: MicroFit (MF.25), IAOR (OR.31), SCADA (SC.24), RSS (RS.26)								

Executive Summary (11/13)

Category	Key Observations	Recommendations	Importance	Management Response
Reporting	We observed certain projects using vendors also experienced delays due to underestimating work volume (RSS), under scoping (SCADA) and procurement issues (OP). Projects this was observed in: Office Pilot (OP.25), SCADA (SC.23), RSS (RS.25)	► We recommend that IESO improve the understanding and difference between PM and Vendor Management's responsibilities as it relates to escalation and communication procedures with vendors. This could be done through a vendor log that enables you to track and record whether list of vendors are reliable and have proven track record in delivering milestones on time.	Low	With immediate effect; we will reinforce the different roles and responsibilities for Project Managers and Contract (Vendor) Managers and will look to enhance our project RACI to ensure there are clear delineations of responsibility for vendor management, including post-project measurement of vendor performance that can documented in the lessons learned.

Executive Summary (12/13)

Category	Key Observations	Recommendations	Importance	Management Response
Project Management and Governance	We observed that lessons learned were identified through conversations with SMEs and that the PMO's database on lessons learnt database was not used effectively for planning purposes at the start or during most projects. We also did not find any evidence of lessons learned documented in some closure reports that would mitigate the delays. Use of lesson learnt could avoid or mitigate the risk of delays in future projects. Projects this was observed in: MicroFit (MF.29), Office Pilot (OP.30), IAOR (OR.35), RSS (RS.31)	▶ We recommend that IESO adopt a standardized approach to review lessons learned throughout a project lifecycle to inform decision-making. ▶ We also recommend that there is more structure to identify lessons learned, potentially using an independent PM to facilitate the process during the closing of each project phase (as per the PPMLC).	High	The IESO is currently reviewing its practices around the documentation and utilization of lessons learned in order to enhance the existing processes around project initiation including performing lessons learned after each phase of the project and having the lessons learned sessions performed by an independent member of the ECD team, we will also reinforce the benefit and need for Project Managers to review lessons learned of similar projects as part of project planning. As an immediate action, the PMO will coordinate a quarterly meeting with the PMs to capture and share ongoing lessons learned from the projects, starting in December 2023.

Executive Summary (13/13)

Category	Key Observations	Recommendations	Importance	Management Response
Project Management and Governance	The PPMLC provide structure for managing projects with some flexibility for adopting aspects of agile. However, it does not provide a formal structure for managing programs. This was particularly evident in one project where it should have been managed as a program rather than a project. Projects this was observed in: RSS (RS.27)	▶ Evolve the PPMLC to accommodate program management. ▶ Evolve the PPMLC to provide guidance and support of selecting when to use Agile and how to managing projects using an Agile approach.	High	The IESO currently uses enhanced Project Management approaches to manage programs within its portfolio. These tend to be tailored to each specific program. We do not currently have formalized Program Management practices. We are currently exploring how to supplement the existing PPMLC to support the determination and selection of programs and establish more formal program management guidelines and practices, specifically around Program Governance, with a target of the end of 2024 to implement a Program structure in the PPMLC. Due to the nature of our IT systems and vendors, there are limited opportunities to use the Agile approach to manage projects, however there is an opportunity to use more hybrid project approaches where elements of the project are developed through Agile (scrum) but the overall project is planned and managed through a predictive (waterfall) approach. We will continue to work with IT to expand our Agile capability as we initiate new projects, to consider more agile approaches in project delivery such as introducing minimal viable products early in the project, piloting and more incremental approaches.

SUPPORTING ANALYSIS



Guide to Reading This Section

Scope Management

Subcategory	Description
Definition	Includes: Project scope elements, clearly defined and documented.
Costs	Includes: Detailed costs provided to support high level costs in the scope.
Assumptions and Dependencies	Includes: Reasoning behind assumptions made, and if they are appropriate, key project dependencies and concurrent projects.
Risks	Includes: High-level risks, mitigation strategies, commentary on format and risk level.
Contingencies	Includes: time and budget contingencies reflected in schedule.

Schedule

Subcategory	Description
Planning	Includes: A high-level work breakdown structure and/or plan been developed considering: Past projects of a similar nature, SME consultation, estimation techniques within the organization, rationale behind determining milestones and determining critical path and it being understood by its stakeholders.
Tracking	Includes: Detailed trackers used for key areas e.g., data migration, to support the project plans.
Approval	Includes: Appropriate stakeholders approved the original plan and/or key changes.
Review Procedure	Includes: Project independently verified/audited, change control process e.g., impact of change on time, cost, quality.

Guide to Reading This Section

Integration

Subcategory	Components
Responsibility	Includes: A defined Integration role for ensuring integration of functional and technical areas.
Integration with the Business Community	Includes: Link into the business community to ensure the end-to-end solution meets business needs, manage effectively the business and process requirements for all business units.
Change Management	Includes: Change management plan, link between change and integration teams.
QA Process	Includes: Key deliverables been subjected to quality-control e.g., walk-throughs, tests, simulations.

Human Resources

Subcategory	Components
Resource Competency	Includes: Current competencies regarding process ownership, PM, technical, master data management, super users.
Resource Estimating Techniques	Includes: Appropriate resourcing estimating techniques employed.
Resource Management Plan	Includes: All the resources and skills needed for the project week-by-week been identified.
Resource Transitioning	Includes: The effectiveness of transitioning (on or off) of resources from the project.
Location	Includes: Location of the resources (e.g., in 1 place).

Guide to Reading This Section

Reporting

Subcategory	Components
Communication Plan	Includes: A high-level and/or detailed communication plan including roles and responsibilities, channels etc. that is documented and approved.
Escalation	Includes: Communication escalation channels, and how issues are escalated up the chain of command.
Suppliers	Includes: Vendor deliverables on time and level of quality.
Progress Report	Includes: Frequency of reports, level of confidence in achieving future milestones.

Project Management & Governance

Subcategory	Components
Framework	Includes: Structure and rationale for the proposed governance framework.
Decision Making	Includes: Understanding of decision-making processes.
Exception Reporting	Includes: Exception report or N/A, change requests: error correction, new requirements, efficiency improvements, user changes.
Lessons Learned	Includes: Lessons learned, mitigation actions.

FIT MICROFIT

Supporting Analysis: FIT MicroFIT Project

Below is a summary of our observations as it relates to the FIT MicroFIT project:

The 33-month schedule including 6 months (22%) of contingency was used up. An additional 5 months (19%) was requested (including two months of contingency) and the release of \$245K (27%) of capital contingency to complete the project. Reasons for delay: 1) A higher number of critical and high severity defects than planned for, 2) Issues resourcing the project, including not adequately accounting for a junior contract management role.

Domain	Rating	Key Observations
Culture	G	▶ The organization's decision-making culture actively incorporates a minimum quorum requirement, shaping the style in which decisions are made.
Scope	A	▶ The project scope expanded to include a reporting tool upgrade and additional document migration. We observed that it may have added to the increase in application defects and therefore the project delay.
Schedule	R	▶ The project team did not adequately account for the complexity of consolidating contract management tools. These complexities are what led to an increase in defects, which resulted in the project delay.
Integration	A	▶ The project team underestimated the document migration and reporting needs of the business units. The additional functions may have added to the increase in defects that resulted in the delay.
Human Resources	A	▶ The project team did not adequately account for all resourcing and required an additional junior contract management role.
Reporting	A	▶ The RAIDC log includes a risk for the defects but not an issue. Defects were the main reason for the delay and the trigger for the exception report which should have been flagged at some point in the project.
Project Management & Governance	A	▶ We did not find any evidence of lessons learned documented in the closure report that would mitigate the delays. We did not find that this contributed directly to the project delay, but more effective use of the lessons learnt database may have prompted the project team to allocate more time to resolve defects.

R	Contributed to project delay or cost overrun	A	May have contributed to delay or cost overrun	G	Did not contribute to delay or cost overrun
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Supporting Analysis (Scope): FIT MicroFIT Project

Below are the details of our analysis by subcategory

Subcategory	Rating	Observations
Definition	A	MF.1 - The project scope expanded to include a reporting tool upgrade and additional document migration. While the project team did not identify the scope expansion as a direct contributor to the delays (in the project closure report), we observed that it may have added to the increase in application defects and therefore the project delay.
Costs	G	MF.2 - We did not observe cost estimation to be a driver for delays or cost overruns. The project team was able to complete all deliverables along with the added scope within the approved budget (including contingency).
Assumptions and Dependencies	A	MF.3 - There was one project dependency identified - Appian BMPS upgrade. However, with the increase in scope, we did not find evidence of the assumptions being revised to reflect a potential increase in defects and contingencies to account for them. Having these could have helped mitigate the delays caused by the increase in defects.
Risks	G	MF.4 - The project team identified the complexity of document extraction and scarcity of business SMEs to support migration as key risks for the project, which is appropriate.
Contingencies	A	MF.5 - The project team allocated a 6-month (22%) contingency to the project schedule. The project extended beyond the contingency and required an additional five months (as per the exception report) to complete. We find that the contingency allocation at the project scope was appropriate for the duration of the project but was insufficient to accommodate the application defects that led to the project delay.

R	Contributed to project delay or cost overrun	A	May have contributed to delay or cost overrun	G	Did not contribute to delay or cost overrun
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Supporting Analysis (Schedule): FIT MicroFIT Project

Below are the details of our analysis by subcategory

Subcategory	Rating	Observations
Planning	R	▶ MF.6 - We observed that the project plan appeared to align with PPMLC processes, including monitoring and control activities and project management artifacts. This is positive as it ensures consistency with the standard set by IESO. ▶ MF.7 - The PM used historical data on the procurement of a new system and document migration and applied an analogous top-down estimate to develop the schedule. However, the project team did not adequately account for the complexity of consolidating contract management tools. These complexities are what led to application defects, which resulted in the project delay.
Tracking	G	▶ MF.8 - The project team used planned and actual values to track adherence to the project schedule. We did not observe any issues with tracking that contributed to the project delay.
Approval	G	▶ MF.9 - The project team consulted several key individuals in developing the schedule, including the sponsor, business lead, and SMEs. We did not find evidence of any issues with the approval process.
Review Procedure	A	▶ MF.10 - The PM used their experience in developing the schedule and validating the estimates provided from the SMEs. ▶ MF.11 - We observed that there was no formal independent peer review process with other PMs. This may not have contributed directly to the delay, but a peer review may have identified the need for more time to test and resolve defects.

R	Contributed to project delay or cost overrun	A	May have contributed to delay or cost overrun	G	Did not contribute to delay or cost overrun
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Supporting Analysis (Integration): FIT MicroFIT Project

Below are the details of our analysis by subcategory

Subcategory	Rating	Observations
Responsibility	G	MF.12 - We found that there was no dedicated integration role on the project. The PM, Business Lead, and Project Sponsor fulfilled the role informally to ensure there was integration of functional and technical areas. However, we did not find the lack of a dedicated role contributed directly to the project delay.
Integration with the Business Community	A	- MF.13 - We found that monthly ECD meetings and regular PM meetings helped identify interactions between different projects. However, the project team underestimated the document migration needs of the business units. The project team reported in the project closure that the increased scope did not contribute to the project delay. However, the additional functions may have added to the application defects that resulted in the delay. - MF.14 - IT and Contract Management managed their resources around their own concurrent projects at the portfolio level. While we did not find evidence of that a lack of coordination around dependencies and concurrent projects contributed directly to the project delay, the project required additional staff time to resolve application defects that did contribute to the delay.
Change Management	G	MF.15 - While a change management plan exists, we did not receive the formal change management plan, but we did not find evidence of issues in change management that contributed to the delay.
QA Process	A	MF.16 - We observed that QA resources supplied by business units were not initially utilized to conduct the technical components required in performance tests, and IT was unable to provide the test environments as per the plan. However, the project team did not identify performance testing issues as direct contributors to the project delay.

R	Contributed to project delay or cost overrun	A	May have contributed to delay or cost overrun	G	Did not contribute to delay or cost overrun
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Supporting Analysis (Human Resources): FIT MicroFIT Project

Below are the details of our analysis by subcategory

Subcategory	Rating	Observations
Resource Competency	G	MF.17 - The PM worked with business unit SMEs to identify the appropriate resources for the project. We did not observe a formal process for assessing resource competencies but did not find evidence that resource competencies contributed to the project delay.
Resource Estimating Techniques	A	MF.18 - The PM used historical data on the procurement of a new system and document migration and applied an analogous top-down estimate to develop the resource plan. This was tested against estimates from the vendor and input from SMEs. While the resource plan included contract management resources, it did not account for a junior contract management role at the start of the project. This may have contributed to the project delay.
Resource Management Plan	A	MF.19 - The project team developed a detailed resource management plan and allocated FTEs by resource type and month. However, we did not observe tracking of actuals versus planned. For example, some project resources such as IT SMEs that are critical to the project were not always available as planned. This may have contributed directly to the project delay as the project required additional staff time to resolve application defects that did contribute to the delay.
Resource Transitioning	A	MF.20 - We observed that there is no standardized onboarding approach, which adds effort and time on the project team. We found that, due to the high turnover rate of offshore resources, this may have contributed to the project delay.
Location	A	MF.21 - We observed that there was a high turnover of offshore resources which required continuous onboarding activities from the project team. We found that this may have contributed to the project delay.

R	Contributed to project delay or cost overrun	A	May have contributed to delay or cost overrun	G	Did not contribute to delay or cost overrun
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Supporting Analysis (Reporting): FIT MicroFIT Project

Below are the details of our analysis by subcategory

Subcategory	Rating	Observations
Communication Plan	G	▶ MF.22 - A formal communication plan does not exist as this project pre-dates the implementation of the PPMLC 2.0 lifecycle. However, we did not observe any communication issues that contributed to the scheduling delays based on our document review and interviews.
Escalation	G	▶ MF.23 - We observed that the PM would raise risks with the business lead and/or sponsor, document them in the risk log and review them with the PSC in monthly meetings. We did not observe issues with the escalation process in this project.
Suppliers	G	▶ MF.24 - There were no issues raised in the exception report, project closure, or interviews around suppliers contributing to the delay.
Progress Report	A	▶ MF.25 - We observed that the progress reports adequately summarize the current state and health of the project. However, the RAIDC log includes a risk for the defects but not an issue. Defects were the main reason for the delay and the trigger for the exception report. As such, defects should have been flagged as an issue at some point in the project.

R	Contributed to project delay or cost overrun	A	May have contributed to delay or cost overrun	G	Did not contribute to delay or cost overrun
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Supporting Analysis (Project Management and Governance): FIT MicroFIT Project

Below are the details of our analysis by subcategory

Subcategory	Rating	Observations
Framework	G	MF.26 - The project team clearly laid out the project governance, which included representation from different levels and impacted business units within the organization. We did not observe any issues with the governance framework that contributed to project delays.
Decision Making	G	MF.27 - We did not find evidence suggesting that the decision-making governance contributed to the delays.
Exception Reporting	G	MF.28 - The project team filed an exception report to extend the project in order to resolve known defects and support initial onboarding. While these factors directly contributed to the project delay, we did not observe any issues with the process of requesting additional time for this project.
Lessons Learned	A	MF.29 - We observed that lessons learned were identified through conversations with SMEs and that the PMO's database on lessons learnt database was not used effectively for planning purposes at the start or during the project. We also did not find any evidence of lessons learned documented in the closure report that would mitigate the delays. We did not find that these two factors contributed directly to the project delay, but more effective use of the lessons learnt database may have prompted the project team to allocate more time to resolve defects.

R	Contributed to project delay or cost overrun	A	May have contributed to delay or cost overrun	G	Did not contribute to delay or cost overrun
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OFFICE PILOT PROJECT

Supporting Analysis: Office Pilot Project

Below is a summary of our observations as it relates to the Office Pilot Project:

Using progressive elaboration, Project Charter 2.0 increased the project timeline by 11 months (73%) including 3 months (12%) of contingency and a total \$357K (11%) capital contingency to account for scheduling uncertainties. This project was delivered within the version 2 schedule.

Domain	Rating	Key Observations
Culture	G	▶ The organization fostered a culture of strong support, characterized by a positive structure and direct communication channels with the CFO.
Scope	A	▶ The project team identified vendor availability and capacity as risks for the project. Version 2 of the charter identifies these issues as what contributed to the re-baselining and increase in scope elements.
Schedule	G	▶ The project team increased the project schedule from 15 months in version 1 of the charter to 26 months (a 73% increase) in version 2 and was able to complete the project within the timeline stipulated in version 2. We observed that the increased timeframe was driven by market conditions, including availability of vendors and subcontractors.
Integration	G	▶ We did not observe any issues with integration with the business community that could have contributed to the re-baselining of the project.
Human Resources	A	▶ We did not observe tracking of actuals versus planned which may have contributed to delays. For example, some project resources such as the Facilities Manager that are critical to the project may not always be available as planned.
Reporting	A	▶ We observed that the General Contractor's availability was the major driver for the difference between version 1 and version 2 of the schedule. However, the project was delivered within the schedule outlined in version 2 of the charter.
Project Management & Governance	G	▶ The project team did not file an exception report, and instead developed a second project charter to extend the project timeline and budget. We observed that the second charter more adequately estimated timeline and budget, and the project concluded within both estimates even with an increased scope.

R	Contributed to project delay or cost overrun	A	May have contributed to delay or cost overrun	G	Did not contribute to delay or cost overrun
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Supporting Analysis (Scope): Office Pilot Project

Below are the details of our analysis by subcategory

Subcategory	Rating	Observations			
Definition	G	▶ OP.1 - The project scope expanded to include additional areas (Clarkson) and meeting room enhancements. The scope expansion was within schedule and budget of project charter version 2. We did not find evidence that this increase in scope contributed to schedule delays.			
Costs	G	▶ OP.2 - We observed that the cost estimates were not adequately calculated for the project in the initial charter. The project team increased the total cost of the project by \$357K (14%) part-way through the initial schedule. The team reported in version 2 of the charter that most of the increase was due to costs submitted by the General Contractor. However, the project team was able to complete the project within budget as identified in version 2 of the charter.			
Assumptions and Dependencies	G	▶ OP.3 - The project team assumed staff would return to office, as this would allow staff to experience the pilot concepts. This assumption seemed appropriate. We did not find evidence of issues in coordination around dependencies and concurrent projects that contributed directly to the project delay or cost overruns from the initial estimates in version 1 of the charter.			
Risks	A	▶ OP.4 - The project team identified vendor availability and capacity as risks for the project. Version 2 of the charter identifies these issues as what contributed to the re-baselining. ▶ OP.5 - We observed that the team did not initially take into consideration delays in receiving permits anywhere in the project charter. We observed that this took twice as long as originally planned but did not contribute directly to re-baselining.			
Contingencies	G	▶ OP.6 - The project team allocated an \$169K (11%) and a 3-month (12%) contingency in version 2 of the charter. The project was concluded within budget and schedule, including contingencies.			
R	Contributed to project delay or cost overrun	A	May have contributed to delay or cost overrun	G	Did not contribute to delay or cost overrun

Supporting Analysis (Schedule): Office Pilot Project

Below are the details of our analysis by subcategory

Subcategory	Rating	Observations
Planning	G	▶ OP.7 - The project activities directly aligned with the PPMLC processes, as outlined in the integrated plan. This is positive as it ensures consistency with the standard set by IESO. ▶ OP.8 - The project team increased the project schedule from 15 months in version 1 of the charter to 26 months (a 73% increase) in version 2 and was able to complete the project within the timeline stipulated in version 2. We observed that the increased timeframe was driven by market conditions, including availability of vendors and subcontractors.
Tracking	G	▶ OP.9 - The project team used planned and actual values to track adherence to the project schedule. We did not observe any issues with tracking that could have contributed to the re-baselining of schedule and budget from version 1 to version 2 of the charter.
Approval	G	▶ OP.10 - We did not find evidence of any issues with the approval process that could have contributed to the re-baselining of schedule and budget from version 1 to version 2 of the charter.
Review Procedure	G	▶ OP.11 - We observed that there was no formal independent peer review process with other PMs. A peer review may have identified the need for more time and budget to account for General Contractor and material overruns. However, we did not find that the absence of a formal process would have mitigated the re-baselining in this case.

R	Contributed to project delay or cost overrun	A	May have contributed to delay or cost overrun	G	Did not contribute to delay or cost overrun
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Supporting Analysis (Integration): Office Pilot Project

Below are the details of our analysis by subcategory

Subcategory	Rating	Observations
Responsibility	G	▶ OP.12 - The PM, Business Lead, and Project Sponsor fulfilled the role to ensure there was integration of functional and technical areas. We found no evidence of issues on the designation of integration responsibilities for this project.
Integration with the Business Community	G	▶ OP.13 - We found that monthly ECD meetings, Advisory Committee for the Space Needs Program and regular PM meetings helped identify interactions between different projects. We did not observe any issues with integration with the business community that could have contributed to the re-baselining of the project.
Change Management	G	▶ OP.14 - We did not receive a formal change management plan, but we did not find evidence of issues in change management that would contribute to the re-baselining of the project.
QA Process	G	▶ OP.15 - We observed that the QA team worked on the IT element of the surface hubs as they were rolled out, while the facilities team conducted walkthroughs to ensure construction deliverables were as expected. We did not observe any issues with the QA process in this project.

R	Contributed to project delay or cost overrun	A	May have contributed to delay or cost overrun	G	Did not contribute to delay or cost overrun
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Supporting Analysis (Human Resources): Office Pilot Project

Below are the details of our analysis by subcategory

Subcategory	Rating	Observations
Resource Competency	G	▶ OP.16 - The PM worked with resource managers and business unit leads to identify the appropriate resources for the project. ▶ OP.17 - We did not observe a formal process for assessing resource competencies, but we did not find evidence that this contributed to re-baselining of the project.
Resource Estimating Techniques	G	▶ OP.18 - The PM worked with resource managers and business unit SMEs to estimate the appropriate resources for the project. ▶ OP.19 - We observed that the PM did not need to request additional resources in the project. We did not find evidence of issues in estimating resources for the project.
Resource Management Plan	A	▶ OP.20 - The project team developed a detailed resource management plan and allocated FTEs by resource type and month. However, we did not observe tracking of actuals versus planned which may have contributed to delays. For example, some project resources such as the Facilities Manager that are critical to the project may not always be available as planned.
Resource Transitioning	G	▶ OP.21 - We found no evidence of issues with transition resources on and off the project that could have contributed to re-baselining the project.
Location	G	▶ OP.22 - We observed that the project team and resources relocated as needed to the different office locations throughout the project. We found no evidence of issues with transferring locations that could have contributed to re-baselining the project.

R	Contributed to project delay or cost overrun	A	May have contributed to delay or cost overrun	G	Did not contribute to delay or cost overrun
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Supporting Analysis (Reporting): Office Pilot Project

Below are the details of our analysis by subcategory

Subcategory	Rating	Observations
Communication Plan	G	OP.23 - The project team produced a detailed communication plan. We did not observe any communication issues that may have contributed project delays.
Escalation	G	OP.24 - We observed that the PM would raise risks with the business lead and/or sponsor, document them in the risk log and the sponsor would raise the risks with the Executive Team. We did not observe issues with the escalation process in this project.
Suppliers	A	OP.25 - We observed that the General Contractor's availability was the major driver for the difference between version 1 and version 2 of the schedule. However, the project was delivered within the schedule outlined in version 2 of the charter.
Progress Report	G	OP.26 - We observed that the progress reports did not summarize the current state and health of the project. While the project team included activities, risks, and next steps, we did not find an indication of project health or the status of the project in terms of budget and schedule. However, we found no evidence to suggest that the absence of these elements in the progress reports contributed directly to the re-baselining of the project.

R	Contributed to project delay or cost overrun	A	May have contributed to delay or cost overrun	G	Did not contribute to delay or cost overrun
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Supporting Analysis (Project Management and Governance): Office Pilot Project

Below are the details of our analysis by subcategory

Subcategory	Rating	Observations
Framework	G	OP.27 - The project team clearly laid out the project governance, which included representation from different levels and impacted business units within the organization. The project did not have a steering committee, but the team reported biweekly to the project sponsor (CFO). We did not observe any issues with the framework that could contribute to project delays.
Decision Making	G	OP.28 - We did not find evidence suggesting that the decision-making process was ineffective in this project.
Exception Reporting	G	OP.29 - The project team did not file an exception report, and instead developed a second project charter to extend the project timeline and budget. We observed that the second charter more adequately estimated timeline and budget, and the project concluded within both estimates even with an increased scope.
Lessons Learned	G	- OP.30 - We did not find evidence of lessons learned being used at the start of the project. However, we did not find that this contributed to the delays and project overruns, as IESO does not move offices often. - OP.31 - The project team has developed and shared lessons learned that should be used by the Space Needs program in the future.

R	Contributed to project delay or cost overrun	A	May have contributed to delay or cost overrun	G	Did not contribute to delay or cost overrun
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IMPROVING ACCESSIBILITY OF OPERATING RESERVE

Supporting Analysis: Improving Accessibility of Operating Reserve

Below is a summary of our observations as it relates to the IAOR project:

The 12-month project including 1 months of contingency and \$358K capital was used up. An additional 6 ½ months was requested (excluding 3 months of contingency) and \$10K (10%) of capital contingency to complete the project. Reasons for delay: 1) IAOR dependency on RSS to go live at the same time, 2) Concerns about proposed load exemptions led to a delay in new market rules being finalized.

Subcategory	Rating	Key Observations
Culture	G	▶ The organization exhibited a culture of strong support, characterized by a well-structured framework, fostering effective communication channels with vendors, PSC, and the business lead.
Scope	G	▶ We observed that the project scope, assumptions and risks were adequately defined. While an exception report was filed to request 10% additional capital funds, the total cost at completion was 7% less than the original budget.
Schedule	A	▶ We observed that there was a greater emphasis on the critical path at the execution phase. While we did not find evidence that this contributed directly to the project delay, clearly identifying a critical path throughout the entire project may have mitigated some of the project delay.
Integration	A	▶ We observed that a more formal process of ensuring the integration between IAOR and MRP/RSS may have been appropriate given the level of dependency between these projects and may have mitigated some of the delay.
Human Resources	A	▶ The project team developed a detailed resource management plan and allocated FTEs by resource type and month. However, we did not observe tracking of actuals versus planned which may have contributed to delays. For example, some project resources such as IT SMEs that are critical to the project were not always available as planned.
Reporting	A	▶ The RAIDC Log we received appeared to be a progress report. We were unable to confirm when risks or issues were identified and how far in advance it was before issuing an exception report.
Project Management & Governance	G	▶ We observed that lessons learned were identified through conversations with SMEs and that the PMO Lessons Learnt database was not used effectively at the start of this project. However, we did not find evidence that this contributed directly to the project delay.

R	Contributed to project delay or cost overrun	A	May have contributed to delay or cost overrun	G	Did not contribute to delay or cost overrun
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Supporting Analysis (Scope): Improving Accessibility of Operating Reserve

Below are the details of our analysis by subcategory

Subcategory	Rating	Observations
Definition	G	IAOR.1 - The project scope was clearly outlined in the project plan, and the project concluded without any apparent deviation from the original scope. We did not find evidence of issues with the definition of scope that contributed to the project delay.
Costs	G	IAOR.2 - The project team filed an exception report where they requested an additional \$10K (10%) in capital funds. However, the project team did not use all of their operational budget and concluded the project with \$24K (7%) left over from the original total budget including contingencies.
Assumptions and Dependencies	G	IAOR.3 - The project scope identified MRP/RSS deliverables and reconsideration of load exemptions as the two key dependencies for the project. The team referred to these two items again in the exception report as the key drivers for the delay in the project. While these dependencies are what reportedly contributed to the delay (per the project closure document), they were appropriately identified in the scope of the project.
Risks	G	IAOR.4 - The project scope identified three risks to the project. We observed that these risks were monitored and reported on throughout the project (they were updated in a PSC Agenda document more than halfway through the original schedule). We found no evidence that the risk identification process at the project start contributed to the delay.
Contingencies and Constraints	A	IAOR.5 - The project team allocated an additional \$8,813 (10% of project funds) and a 1-month (9%) contingency in the project. The project was delayed 6 ½ months beyond the contingency. While the original contingency could not have accounted for significant delays in RSS, it should have accounted for market rule exemptions. As such, we find that the contingency could have been bigger or allocated differently to mitigate some of the project delay.

R	Contributed to project delay or cost overrun	A	May have contributed to delay or cost overrun	G	Did not contribute to delay or cost overrun
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Supporting Analysis (Schedule): Improving Accessibility of Operating Reserve

Below are the details of our analysis by subcategory

Subcategory	Rating	Observations
Planning and Approach	A	▶ IAOR.6 - The project activities directly aligned with the PPMLC processes, as outlined in the integrated plan. This is positive as it ensures consistency with the standard set by IESO. ▶ IAOR.7 - We observed that there was a greater emphasis on the critical path at the execution phase. While we did not find evidence that this contributed directly to the project delay, clearly identifying a critical path throughout the entire project may have mitigated some of the project delay – specifically, to address internal concerns related to market rule exemptions.
Tracking	G	▶ IAOR.8 - The project team used planned and actual values to track adherence to the project schedule. We observed that MRP and RSS requirements were also identified in the progress report. We did not observe any issues with these tracking techniques that could have contributed to the project delay.
Approval	G	▶ IAOR.9 - The project team consulted several key individuals in developing the schedule, including the sponsor, business lead, and SMEs. We did not find evidence of any issues with the approval process that could have contributed to the delay.
Review Procedure	A	▶ IAOR.10 - The PM used their own experience in developing the schedule and validating the estimates provided from the SMEs. ▶ IAOR.11 - We observed that there was no formal independent peer review process with other PMs. This may not have contributed directly to the delay, but a peer review may have identified the need to mitigate internal concerns related to market rule exemptions earlier in the project.

R	Contributed to project delay or cost overrun	A	May have contributed to delay or cost overrun	G	Did not contribute to delay or cost overrun
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Supporting Analysis (Integration): Improving Accessibility of Operating Reserve

Below are the details of our analysis by subcategory

Subcategory	Rating	Observations
Responsibility	G	▶ IAOR.12 - There was no dedicated integration role on the project. The PM, Business Lead, and Project Sponsor fulfilled the role informally to ensure there was integration with other initiatives at IESO – most prominently RSS. We did not find evidence that this structure was ineffective.
Integration with the Business Community	A	▶ IAOR.13 - We observed regular PM meetings helped identify interactions, particularly with MRP/RSS. However, we find that a more formal process of ensuring the integration between IAOR and MRP/RSS may have been appropriate given the level of dependency between these projects.
Change Management	G	▶ IAOR.14 - We did not receive a formal change management plan, but we did not find evidence of issues in change management that would contribute to the project's delays.
QA Process	G	▶ IAOR.15 - We observed that all of the technology key deliverables were controlled by RSS and therefore did not require QA from this project. Market manuals and other key deliverables underwent walkthroughs and reviews. We did not find evidence of issues in QA that contributed to the project delay.

R	Contributed to project delay or cost overrun	A	May have contributed to delay or cost overrun	G	Did not contribute to delay or cost overrun
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Supporting Analysis (Human Resources): Improving Accessibility of Operating Reserve

Below are the details of our analysis by subcategory

Subcategory	Rating	Observations
Resource Competency	G	IAOR.16 - The PM worked with business unit SMEs to identify the appropriate resources for the project. We did not observe a formal process for assessing resource competencies, but we but did not find evidence that resource competencies contributed to the project delay.
Resource Estimating Techniques	G	IAOR.17 - The PM used their experience and consultations with business unit SMEs to identify appropriate resources for the project. While there were reportedly no past projects similar to IAOR that had taken place at IESO, some components such as the resources needed for QA and business analysts. We found no evidence that the resourcing techniques were inadequate or that they contributed to the project delay.
Resource Management Plan	A	IAOR.18 - The project team developed a detailed resource management plan and allocated FTEs by resource type and month. However, we did not observe tracking of actuals versus planned which may have contributed to delays. For example, some project resources such as IT SMEs that are critical to the project were not always available as planned.
Resource Transitioning	G	IAOR.19 - The business lead and project sponsor left near the beginning of the project, as well as a SME in operations. This added effort and time to educate their replacements on the project. However, this does not appear to have contributed to the delay.
Location	G	IAOR.20 - We found no evidence of issues with the location of staff that could have contributed to the delay.

R	Contributed to project delay or cost overrun	A	May have contributed to delay or cost overrun	G	Did not contribute to delay or cost overrun
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Supporting Analysis (Reporting): Improving Accessibility of Operating Reserve

Below are the details of our analysis by subcategory

Subcategory	Rating	Observations
Communication Plan	G	▶ IAOR.21 - The integrated project plan included a communication plan that seemed appropriate. We did not find evidence of communication issues that contributed to the scheduling delays.
Escalation	G	▶ IAOR.22 - We observed that the PM would raise risks with the business lead and/or sponsor, document them in the risk log (which we were unable to verify) and review them with the PSC in monthly meetings. We did not observe issues with the escalation process in this project.
Suppliers	G	▶ IAOR.23 - There were no issues raised in the exception report, project closure, or interviews around suppliers contributing to the delay.
Progress Report	A	▶ IAOR.24 - We observed that the progress reports summarize the current state and health of the project and outline the ongoing risks and mitigations. However, the RAIDC log we received appeared to be a progress report. We were unable to confirm when risks or issues were identified and how far in advance it was before issuing an exception report.

R	Contributed to project delay or cost overrun	A	May have contributed to delay or cost overrun	G	Did not contribute to delay or cost overrun
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Supporting Analysis (Project Management and Governance): Improving Accessibility of Operating Reserve

Below are the details of our analysis by subcategory

Subcategory	Rating	Observations
Framework	G	▶ IAOR.25 - The project team clearly laid out the project governance which seems to be appropriate, clear and well understood. We did not find evidence of any issues with the framework that could contribute to project delays.
Decision Making	G	▶ IAOR.26 - Decisions were made jointly by the business lead and/or sponsor and then raised in PSC meetings. We did not find evidence of any issues with the decision-making process that contributed to project delays.
Exception Reporting	G	▶ IAOR.27 - The project team filed an exception report for additional schedule and budget to account for delays in RSS and market rule amendments. While these factors directly contributed to the project delay, we did not observe any issues with the process of requesting additional time and budget for this project.
Lessons Learned	A	▶ IAOR.28 - We observed that lessons learned were identified through conversations with SMEs and that the PMO's database on lessons learned was not used effectively at the start of this project. However, we did not find evidence that this contributed directly to the project delay. ▶ IAOR.29 - We did not find any evidence of lessons learned documented in the closure report that would mitigate similar delays for future projects.

R	Contributed to project delay or cost overrun	A	May have contributed to delay or cost overrun	G	Did not contribute to delay or cost overrun
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SCADA/EMS

Supporting Analysis: SCADA/EMS

Below is a summary of our observations as it relates to the SCADA/EMS project:

The project was estimated to cost \$12.6M and allocated \$2.4M (19%) contingency. The project was expected to take 34 months and allocated a 12-month (35%) contingency. The project was completed within this timeframe, but cost contingency was used due to additional vendor costs not accounted for and vendors could not deliver on the original timeframe.

Subcategory	Rating	Key Observations						
Culture	G	▶ The project exhibited a culture of positive structure and effective communication with SMEs, while acknowledging the potential for improvement in understanding external communication procedures with vendors.						
Scope	A	▶ There were three scope changes: vendor change request (VCR) 375 to enhance connection functionalities, VCR 433 to add error checking logic and VC3 377 to add Rapid Grid Assessment functionalities (removed from scope later). ▶ We observed that these delays contributed to WAVE resourcing delays and might have contributed to WAVE scheduling delays.						
Schedule	A	▶ There was no formal independent peer review process with other PMs. A peer review may have identified the need to mitigate vendor delays earlier in the project.						
Integration	A	▶ The change management plan appears to be a document to manage change requests rather than manage change.						
Human Resources	A	▶ We did not observe tracking of actuals versus planned use of resources which may have contributed to delays and the need to release contingencies.						
Reporting	R	▶ We observed that vendor delays were the most critical contributing factor to the delays in the project, as outlined in the project closure report and through our interviews.						
Project Management & Governance	G	▶ We observed that lessons learned were identified through conversations with SMEs and that the PMO database was used effectively at the start of this project. ▶ We did not find any evidence of lessons learned documented in the closure report that would mitigate similar delays for future projects.						
R	Contributed to project delay or cost overrun		A	May have contributed to delay or cost overrun		G	Did not contribute to delay or cost overrun	

Supporting Analysis (Scope): SCADA/EMS

Below are the details of our analysis by subcategory

Subcategory	Rating	Observations			
Definition	G	▶ SC.1 - There were three changes that impacted the original scope of the project: vendor change request (VCR) 375 to enhance connection functionalities, VCR 433 to add error checking logic and VC3 377 to add Rapid Grid Assessment functionalities. VCR 377 was deemed to be too complex and would impact the project schedule and was removed from scope in January 2021. The project was completed within the original schedule and budget (including contingencies).			
Costs	G	▶ SC.2 - The closure report identified the reasons for the use of the contingency capital fund as additional costs to deliver VCR 344 and 375, combined with additional IESO labor that, in turn, was due to vendor delays. However, the project was completed within the original budget (including contingency).			
Assumptions and Dependency	A	▶ SC.3 - The project team identified the MRP and WAVE projects as dependent on SCADA/EMS to go live. We observed that the delays surrounding SCADA/EMS further delayed MRP and WAVE completion dates, per the project closure report. ▶ SC.4 - We did not find evidence of dependencies that were not accounted for in the scope that contributed to the delay.			
Risks	G	▶ SC.5 - The team identified scheduling delays revolving around vendor deliveries and In-flight projects (e.g., WAVE, MRP) as the two key risks. While these risks did contribute to the use of contingency, we observed that the risk identification approach and reporting seemed appropriate.			
Constraints and Dependencies	G	▶ SC.6 - The project team allocated an additional \$2.4M (19%) and a 1-year (35%) contingency in the project. We find these contingencies to be larger than the other projects reviewed. The project was completed within these contingencies.			
R	Contributed to project delay or cost overrun	A	May have contributed to delay or cost overrun	G	Did not contribute to delay or cost overrun

Supporting Analysis (Schedule): SCADA/EMS

Below are the details of our analysis by subcategory

Subcategory	Rating	Observations
Planning and Approach	G	▶ SC.7 - The project activities directly aligned with the PPMLC processes, as outlined in the integrated plan. This is positive as it ensures consistency with the standard set by IESO. ▶ SC.8 - The project team used previous project timelines to scale project activities and develop the schedule. However, when vendor SOWs were available, the project team had concerns about vendors' ability to deliver and re-baselined the project schedule by issuing a second version of the project charter. This approach seems appropriate.
Tracking	G	▶ SC.9 - The project team used planned and actual values to track adherence to the project schedule. We did not observe any issues with tracking that contributed to re-baselining or delays.
Approval	G	▶ SC.10 - The project team consulted several key individuals in developing the schedule, including the sponsor, business lead, and SMEs. We did not find evidence of any issues with the approval process.
Review Procedure	A	▶ SC.11 - The PM used their own experience in developing the schedule and validated the estimates provided from the SMEs. ▶ SC.12 - We observed that there was no formal independent peer review process with other PMs. This may not have contributed to the re-baselining, but a peer review may have identified the need to mitigate vendor delays earlier in the project.

R	Contributed to project delay or cost overrun	A	May have contributed to delay or cost overrun	G	Did not contribute to delay or cost overrun
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Supporting Analysis (Integration): SCADA/EMS

Below are the details of our analysis by subcategory

Subcategory	Rating	Observations
Responsibility	G	SC.13 - The PM, Business Lead, and Project Sponsor fulfilled the role informally to ensure there was integration the business units. We did not find evidence that this structure was ineffective.
Integration with the Business Community	A	SC.14 - The integrated project plan identified a project inter-dependency management plan that identifies project interdependency data and is maintained through the project lifecycle. While this appears to be a valuable tool to manage integration with other projects and the business community, we did not receive this plan and cannot comment on its effectiveness. The absence of formal integration may have contributed to re-baselining of the project.
Change Management	A	SC.15 - The project team developed a detailed change management plan, which appears to be a document to manage change requests rather than a plan to implement changes resulting from the project with the rest of IESO. The absence of a change management process may have contributed to the use of schedule and budget contingencies.
QA Process	A	SC.16 - We observed that the project team utilized multiple levels of testing, including repeating factory test cases in an IESO environment. Exploratory testing revealed defects that led to additional work on the vendor's side to address them. While these defects directly contributed to the vendor delay and, therefore, the project delay, we found no issues with the QA process in this project.

R	Contributed to project delay or cost overrun	A	May have contributed to delay or cost overrun	G	Did not contribute to delay or cost overrun
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Supporting Analysis (Human Resources): SCADA/EMS

Below are the details of our analysis by subcategory

Subcategory	Rating	Observations
Resource Competency	G	SC.17 - The PM worked with business unit SMEs to identify the appropriate resources for the project. We did not observe a formal process for assessing resource competencies, but we but did not find evidence that resource competencies contributed to the project delay.
Resource Estimating Techniques	G	SC.18 - The PM used past experiences, similar past projects, consultations with business lead and SMEs to identify the appropriate resource project. While the project team used cost contingencies for additional IESO labor caused by vendor delays, we did not identify issues with the estimating techniques that contributed to any delays.
Resource Management Plan	A	SC.19 - The project team developed a detailed resource management plan and allocated FTEs by resource type and month. However, we did not observe tracking of actuals versus planned which may have contributed to delays and the need to release contingencies.
Resource Transitioning	G	SC.20 - We found no evidence of issues with transition of resources the that could have contributed to the project delay or cost overruns.
Location	G	SC.21 - We found no evidence of issues with the location of staff that could have contributed to the delay.

R	Contributed to project delay or cost overrun	A	May have contributed to delay or cost overrun	G	Did not contribute to delay or cost overrun
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Supporting Analysis (Reporting): SCADA/EMS

Below are the details of our analysis by subcategory

Subcategory	Rating	Observations
Communication Plan	G	SC.21 - We reviewed a formal communication plan and did not find evidence of issues in the plan that contributed to any delays.
Escalation	G	SC.22 - We observed that the project sponsor escalated delays with a higher level at the vendor's side. While vendor delays contributed directly to the re-baselining of the project and the release of contingencies, we found no evidence of issues with the approach the project team used to escalate risks and issues.
Suppliers	R	SC.23 - We observed that vendor delays were the most critical contributing factor to the delays in the project, as outlined in the project closure report and through our interviews.
Progress Report	A	SC.24 - We observed that the progress reports adequately summarize the current state and health of the project. The RAIDC log was adequately structured and filled in with respect to actions, change requests, risks or issues. However, escalation of risks to issues was not adequately documented. Formal tracking of risks and escalating them to issues is common practice to prevent delays and cost overruns.

R	Contributed to project delay or cost overrun	A	May have contributed to delay or cost overrun	G	Did not contribute to delay or cost overrun
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Supporting Analysis (Project Management and Governance): SCADA/EMS

Below are the details of our analysis by subcategory

Subcategory	Rating	Observations
Framework	G	SC.25 - We did not find evidence of issues with the framework that contributed to the project delay.
Decision Making	G	SC.26 - Decisions were made jointly by the business lead and/or sponsor and then raised in PSC meetings. We did not find evidence of any issues with the decision-making process that contributed to project delays.
Exception Reporting	G	SC.27 - We did not review an exception report for this project. However, we observed that two vendor change requests were issued that required the release of schedule and budget contingencies, and directly contributed to the project delay. The project was still completed within approved time-frame and contingency budget.
Lessons Learned	G	- SC.28 - We observed that lessons learned were identified through conversations with SMEs and that the PMO database was used effectively at the start of this project. - SC.29 - We did not find any evidence of lessons learned documented in the closure report that would mitigate similar delays for future projects.

R	Contributed to project delay or cost overrun	A	May have contributed to delay or cost overrun	G	Did not contribute to delay or cost overrun
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Supporting Analysis: RSS

Below is a summary of our observations as it relates to the RSS project:

The project has a 67-month schedule including a 9-month (13%) contingency, expected to be completed June 2024. An exception report was drafted requesting for additional months till April 2025 due to scheduling delays. Reasons for delay: 1) MRP-RSS go-live dependency, 2) Transfer of some scope and budget to MRP, 3) PSC structure.

Subcategory	Rating	Key Observations
Culture	A	▶ The project exhibited an adequate level of communication while acknowledging the potential for improvement in coordinating with the QA team.
Scope	R	▶ The project did not account for dependencies that can impact when ETL development can take place, including changes to business requirements. Delays in ETL contributed to the project delay. ▶ While there was discussion early on regarding RSS designation as a program, the project team did not log that as a risk in the RAIDC log.
Schedule	R	▶ The project was given a single cost and schedule to operate on, which is inappropriate for a program that encapsulates multiple projects. ▶ The project team did not allocate contingencies into phase 1 delivery and was unable to accommodate delays in phase 1 without triggering a delay for the entire schedule.
Integration	R	▶ Early testing did not provide indications of upcoming challenges, as the data loaded onto the database was larger than that of the testing environment. Data size and performance risk contributed to the project delay.
Human Resources	R	▶ We observed that the project team did not have an adequate understanding and planning of resource loads in business supporting projects to allow them to properly estimate resource availability.
Reporting	R	▶ The data size and performance risk associated with the new technology (Mongo DB) was not identified by the vendor. This was identified as a contributing factor to the delay.
Project Management & Governance	A	▶ The governance structure was not clear, as the RSS-MRP construct was not properly defined amongst the project team. A smaller, informal committee including the IT lead and project sponsor was established in response.

R	Contributed to project delay or cost overrun	A	May have contributed to delay or cost overrun	G	Did not contribute to delay or cost overrun
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Supporting Analysis (Scope): RSS

Below are the details of our analysis by subcategory

Subcategory	Rating	Observations
Definition	G	RS.1 - The project team filed an exception report and adjusted the scope to transfer some monitoring to MRP and add settlement requirements from the Ministry. However, as identified in the exception report, these changes did not require additional schedule or budget.
Costs	G	RS.2 - \$6.1M (15% of the original budget, including contingency) was transferred to MRP management along with the scope transfer per the exception report. We did not find evidence of any issues with cost estimates in this project.
Assumptions and Dependencies	R	RS.3 - The project team identified 12 assumptions that could impact RSS, which appeared to be adequate. However, they did not account for dependencies that can impact when ETL development can take place, including changes to business requirements. Delays in ETL contributed to the project delay.
Risks	R	- RS.4 - While there was discussion early on regarding RSS designation as a program, the project team did not log that as a risk in the RAIDC log. - RS.5 - The project team reported in the chronology of events that they did not incorporate stakeholder impacts into the projects risk assessment. While stakeholder impact assessments are not identified in the PPMLC, the mismatch between stakeholder expectations and what the project team was prepared for added to the complexity of system requirements, which contributed to the delay.
Contingencies	R	RS.6 - The project team allocated a 9-month contingency (13%) to the project, but these were scheduled closer to the end of the project. The team did not allocate contingencies into phase 1 delivery and was unable to accommodate delays in phase 1 without triggering a delay for the entire schedule.

R	Contributed to project delay or cost overrun	A	May have contributed to delay or cost overrun	G	Did not contribute to delay or cost overrun
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Supporting Analysis (Schedule): RSS

Below are the details of our analysis by subcategory

Subcategory	Rating	Observations
Planning	R	▶ RS.7 - The project team developed the schedule around core components of the project – specifically, technology upgrades – and incorporated vendor availability into the critical path. However, the project was given a single cost and schedule to operate on, which is inappropriate for a program that encapsulates multiple projects. ▶ RS.8 - As mentioned in the scope section, the team did not allocate contingencies into phase 1 delivery and was unable to accommodate delays in phase 1 without triggering a delay for the entire schedule.
Tracking	A	▶ RS.9 - The project team used appropriate tracking of the schedule (plan and actual). However, we observed that the project did not utilize common project management measures such as earned value to track progress to schedule, which are relevant in a project of this size/complexity. ▶ RS.10 - This lack of tracking may have contributed to project delays, specifically the inadequate project communication and risk logging.
Approval	A	▶ RS.11 - We observed that the PSC was too large and not tailored to providing direction and resolving issues related to RSS and, consequently, provide adequate feedback and approval to the schedule.
Review Procedure	A	▶ RS.12 - We did not find evidence of a formal peer review of the project schedule. While this in itself did not contribute to the delays it could have helped to mitigate it, especially given it the project uniqueness.

R	Contributed to project delay or cost overrun	A	May have contributed to delay or cost overrun	G	Did not contribute to delay or cost overrun
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Supporting Analysis (Integration): RSS

Below are the details of our analysis by subcategory

Subcategory	Rating	Observations
Responsibility	G	▶ RS.13 - The PM, Business Lead, and Project Sponsor worked together to ensure there was integration of functional and technical areas. While the PPMLC does not provide clear guidance on establishing a dedicated integration role, common practice would suggest that a project of this size and complexity should clearly define the role. However, we did not find evidence that the absence of a formal integration role contributed to the delay.
Integration with the Business Community	R	▶ RS.14 - The project team identified the need for improved understanding of and planning for resource loads in the line of business supporting projects. While this was in the context of allowing for better planning around risk logging, we observed that the lack of integration with other projects contributed to resource issues, which was a main contributing factor for delays.
Change Management	G	▶ RS.15 - We did not receive a change management plan for this project. However, we did not find evidence of issues in change management that directly contributed to the delay.
QA Process	R	▶ RS.16 - The project team reported in the chronology of events that early testing in IESO's environment did not provide indications of upcoming challenges, as the data loaded onto the database was larger than that of the testing environment. Data size and performance risk contributed to the project delay.

R	Contributed to project delay or cost overrun	A	May have contributed to delay or cost overrun	G	Did not contribute to delay or cost overrun
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Supporting Analysis (Human Resources): RSS

Below are the details of our analysis by subcategory

Subcategory	Rating	Observations
Resource Competency	G	▶ RS.17 - The PM worked with the sponsor and business unit leads to identify the appropriate resources and qualifications for the project. We did not observe a formal process for assessing resource competencies, but we did not find evidence that this contributed to the project delay.
Resource Estimating Techniques	A	▶ RS.18 - The PM used past project experience and worked with the sponsor and business unit leads to estimate the resources for the project. ▶ RS.17 - The project team identified the strain on resources from across the organization to focus on RSS. As such, the project team did not adequately identify the level of resources required for the project, and this may have contributed to the delay.
Resource Management Plan	R	▶ RS.18 - The project team developed a detailed resource management plan and allocated FTEs by resource type and month. ▶ RS.19 - We observed that the project team did not have an adequate understanding and planning of resource loads especially for a project of this size and complexity to allow them to properly estimate resource availability. ▶ RS.20 - The project team also identified challenges in key staffing availability as a contributing factor to the delay.
Resource Transitioning	G	▶ RS.21 - We found no evidence of issues with resource transitioning that could have contributed to the delay.
Location	G	▶ RS.22 - We found no evidence of issues with the location of staff that could have contributed to the delay.

R	Contributed to project delay or cost overrun	A	May have contributed to delay or cost overrun	G	Did not contribute to delay or cost overrun
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Supporting Analysis (Reporting): RSS

Below are the details of our analysis by subcategory

Subcategory	Rating	Observations
Communication Plan	G	RS.23 - We did not receive a formal communication plan but did not observe any communication issues that contributed to the scheduling delays based on our document review and interviews.
Escalation	G	RS.24 - While the PSC was oversized and governance was structured as a project rather than a program, we did not find evidence that the escalation procedures were not working effectively.
Suppliers	R	RS.25 - Although the risk of new technology was identified and mitigated through discussions with the vendor, the project team reported in the chronology of events that the data size and performance risk associated with the new technology (Mongo DB) was not identified by the vendor. This was identified as a contributing factor to the delay.
Progress Report	A	RS.26 - We observed that the progress reports adequately summarize the current state and health of the project. However, the project team did not utilize common PM metrics such as earned value, which may have identified some of the resourcing issues earlier and mitigate some of the delay.

R	Contributed to project delay or cost overrun	A	May have contributed to delay or cost overrun	G	Did not contribute to delay or cost overrun
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Supporting Analysis (Project Management and Governance): RSS

Below are the details of our analysis by subcategory

Subcategory	Rating	Observations
Framework	A	▶ RS.27 - We observed that the mis-designation of RSS as a project rather than a program may have contributed to delays. The governance structure was not clear, as the RSS-MRP construct was not properly defined amongst the project team. A smaller, informal committee including the IT lead and project sponsor was established in response.
Decision Making	A	▶ RS.28 - The project team relied on the IT lead and project sponsor for decision making. While RSS was governed by an oversized PSC and was run as a project rather than a program, we found no evidence that the decision-making process itself was ineffective however managing a larger PSC may have led to delays in decision making.
Exception Reporting	G	▶ RS.29 - The project team filed an exception report and added scope items related to new government directives while transferring governance of MRP settlement charge type development, resources and costs to MRP. ▶ RS.30 - We found no evidence of an exception report requesting additional schedule for the launch of RSS.
Lessons Learned	A	▶ RS.31 - We did not find evidence of lessons learned being used at the start or during the project. We observed that there are factors unique to the RSS-MRP construct that contributed to the delays, such as the use of new charge types, which may not have been mitigated by lessons learned from past projects. Ineffective use of lessons learned may have contributed to the delays.

R	Contributed to project delay or cost overrun	A	May have contributed to delay or cost overrun	G	Did not contribute to delay or cost overrun
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APPENDICES

Appendix A

Reference Material – List of Interviews

Interviews – Management

- ▶ Ahmed Maria – Director of Transmission Planning
- ▶ Barb Anderson – Outgoing CFO
- ▶ Katherine Sparks – Director, Innovation, Research, Development
- ▶ Roy Marra – Director, Business Service & Solutions Delivery
- ▶ Anja Vukovic – Senior Manager, PMO, MRP
- ▶ Jeannete Briggs – Director, Corporate Finance
- ▶ David Short – Senior Director, Power Systems Assessment
- ▶ Alex Foord – CIO & VP
- ▶ Ahmed Maria – Director of Transmission Planning
- ▶ Liezl Chui – Director, IT Infrastructure & Operations
- ▶ Lia Kasic – Director, Settlements
- ▶ Jessica Savage – Program Delivery Executive

Interviews – ECD

- ▶ Rhea Jagdeo – Senior Project Analyst Operations Change Mgmt
- ▶ Rob Doyle – Senior Manager, Business architecture & analysis
- ▶ Nicholas Ingman – Director, Enterprise Change
- ▶ Phil Bosco – Senior Manager, Change Delivery
- ▶ Anil Agrawal – Supervisor, Project Management Office

Interviews – Project Managers

- ▶ Henry Alexanian – Fit MicroFit
- ▶ Sheryl Dourado – Office Pilot Project
- ▶ Anne Freer – IAOR
- ▶ Mahbod Panakhah – SCADA/EMS
- ▶ Akilesh Anand – RSS

Appendix A

Reference Material – List of Documents

List of Documents	Fit MicroFit	Office Pilot Project	IAOR	SCADA/EMS	RSS
Business Case	Y	N/A	N/A	N/A	N/A
Project Charter	Y	Y	Y	Y	Y
Project Schedule	Y	Y	Y	Y	Y
Project Intake	N/A	N	Y	N	N
PSC Meeting Minutes	Y	N	Y	Y	Y
Progress Report	Y	N	Y	Y	Y
Exception Report	Y	N	Y	N	Y
Project Resource Estimate	Y	Y	N	N	N
Closure Report	Y	Y	Y	Y	N/A
RAIDC log	Y	Y	N	Y	N
ETL Update Reports	N/A	Y	N/A	N/A	N/A
Burndown Report	Y	N	N	N	N
Communications Plan	N/A	Y	N	Y	N
Change Management Plan	N/A	N	N	Y	N
Chronology of Events	N/A	N/A	N/A	N/A	Y
Visions Outcome Checklist	Y	N/A	N/A	N/A	N/A
Roles & Responsibilities Document	Y	Y	Y	Y	Y
KPI Business Rules Document	Y	Y	Y	Y	Y

Appendix B

Reference Material – About the Survey

Context

Two surveys were conducted, with 8 responses from the Enterprise Change Division and 13 responses from the Business units.

Survey Response Rate

Business Unit Department	# of Respondents
Financial Planning and Analysis	1
IT Infrastructure & Operations	1
Settlements	3
Transmission Planning	1
I&TS	3
Performance Applications & Integration	1
Corporate Finance	1
Market Renewal Program	2

Feedback on where improvements could be made included:

- ▶ Accountability of resources
- ▶ Decision-making
- ▶ Lessons learned documentation and implementation

Survey Questions

Enter the department you work in.

Projects worked on in the last two years with Enterprise Change.

Have you received any training on the IESO's PPMLC?

Would you like to receive more training? Please provide a description of any particular areas or what type of training would be most beneficial?

From your perspective, on a given project, who is accountable for the following? PM or Sponsor for Budget, Schedule and Resource Management.

How would you categorize IESO's view on delivering projects? Optimistic or Realistic.

On a scale of 1-5 where 1 is very poor and 5 is very good, how would you rate IESO's execution of the following phases of a project? Initiation, Planning, Execution, Closure, Post-Closure.

On a recent project what were the major issues you experienced?

If you could change one thing to improve IESO's ability to deliver projects, what would it be?

Appendix B

Reference Material – Survey Results

IESO employees believe the project culture is strongest at inception

- ▶ Analysis suggest IESO's project management culture is strong at project inception. However, there is a perception that IESO is weakest at execution and post-project follow-up. The survey supports this statement.
- ▶ 50% of ECD respondents believe initiation of a project is positive. However, respondents say there are opportunities for improvement in the planning (75%), closure (75%) and post-closure (62%) phases.

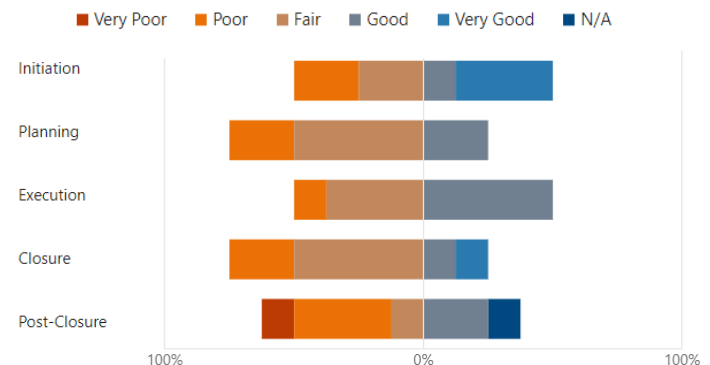
Majority of the respondents commented on the need for better accountability

- ▶ For both Business Units and the ECD the most common change they would make is accountability. Specific examples include: holding people accountable for delays, accountable for decision-making and implementing lessons learnt.

Documenting and applying lessons learnt is not consistently occurring

- ▶ There is a perception that documenting and applying lessons learnt is not formally and routinely occurring. Some believe this would help avoid common pitfalls from reoccurring.

Perception of IESO's Execution of the Project Phases



Responses when asked "If you could change one thing to improve IESO's ability to improve"



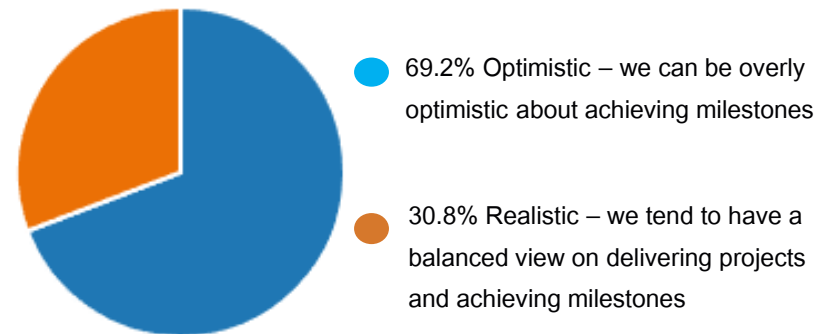
Appendix B

Reference Material – Survey Results

There is a perception that IESO is overly optimistic on scheduling and project delivery

- ▶ 69.2% of respondents from the Business Units survey agree that IESO's views on delivering projects are overly optimistic.
- ▶ Reducing some of the complexity with smaller-scale projects could help project delivery become more realistic.

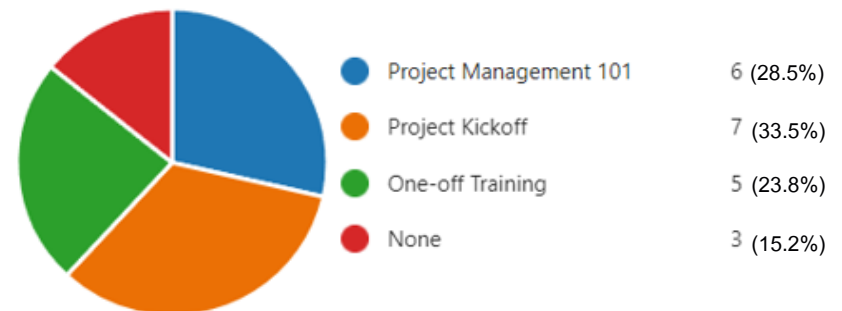
Perception on project scheduling and delivery



Training on IESO's PPMLC overall is perceived as inadequate by respondents

- ▶ Analysis suggests only 28.5% of respondents received project management training with the majority 57.3% of respondents receiving either only one-off training or training during project kick-off phase.
- ▶ 15.2% of respondents do not receive any training. Respondents say more consistent training measures should be taken to improve understanding of PPMLC guidelines.

Training received on the IESO's PPMLC



Appendix B

Reference Material – Survey Results

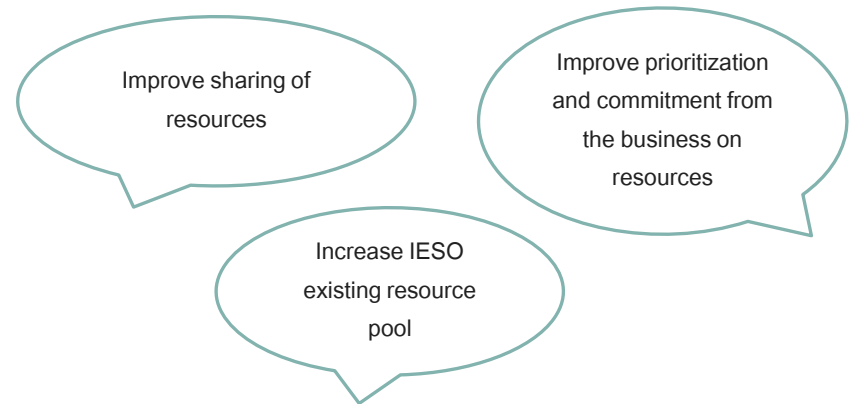
Availability of resources has become a constraint to project delivery

- ▶ Both the ECD and Business Units agree that one of the major issues on recent projects are resource limitations and accessibility. Review of the resource tracking indicates that it is currently managed via spreadsheets without a sophisticated tool for capturing time, forecasting and modelling impacts (e.g., re-prioritization or impact of delays).
- ▶ Additionally, there is a perception that IESO has key person dependencies in Business Units. Thus, project delays are occurring because key people have day-to-day responsibilities as well as project responsibilities.

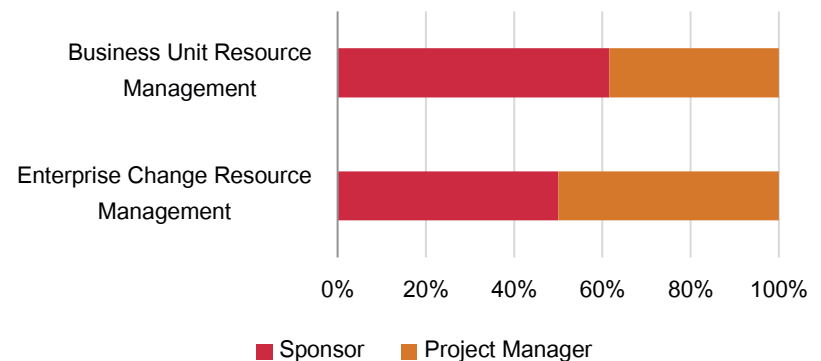
There may be some confusion within the IESO on which role is responsible for resource management

- ▶ 50% of ECD respondents believe the project sponsor is responsible for resource management while 50% believe the project manager is responsible.
- ▶ Similarly, 58% of Business Units respondents believe the project sponsor is responsible for resource management while 42% believe the project manager is responsible. This may highlight a need for greater training and awareness.

Improving resource management within IESO could reduce project scheduling delays



Resource Management Accountability



Appendix C

Reference Material – PPMLC Analysis

Below we summarize observations regarding our comparison of common PM practices to the IESO's PPMLC.

Phase	Observations
Initiation	▶ While the PPMLC includes a communication plan in its planning phase, we did not see evidence of it being introduced in the initiation phase and updated in the execution phases in comparison to the PMBOK which does. This could potentially yield a weaker communication management plan and could delay transitions between phases.
Planning	▶ The PMBOK has a quantitative and qualitative risk analysis to help with analyzing combine effects of identified individual project risks and their probability of occurrence. While the PPMLC includes a RAID component, it doesn't specify this level of analysis during planning. The benefit of such analysis is to revise planning assumptions, prioritize risk management activities and refine other project documents to help reduce the likelihood or impact of these risks occurring.
Execution	▶ The PPMLC includes additional components (build, testing and training) which are not present in the PMBOK but provide additional value to implementing projects. ▶ The PMBOK contains quality report components such as root cause analysis and quality improvement methods (Six Sigma) which are not formally included in the PPMLC. Such tools help analyze and evaluate opportunities to improve project delivery.
Monitoring & Control	▶ The PPMLC includes an ARCI matrix that thoroughly outlines the roles and responsibilities across project phases. However, guidelines or levels of authority for decision-making only exists for deciding on whether to cancel/defer a project. The description of the Project Manager role speaks more to skills and expertise rather than level of authority for controlling projects.
Closure & Post Closure	▶ The PPMLC includes the following steps which are not in the PMBOK: formal approval to close project, release resources, effect on original scope of work and original schedule of work. Such components provide additional clarity in assessing fulfillment of business objectives.

SUP INTERROGATORY 1

Issue 1.0 – Revenue Requirement, Operating Costs and Capital Spending

1.4 Is the IESO's 2026 projected staffing levels and compensation (including salaries, benefits, pensions and other post-employment benefits) appropriate?

1.5 Is the IESO's 2027 projected staffing levels and compensation (including salaries, benefits, pensions and other post-employment benefits) appropriate?

1.6 Is the IESO's 2028 projected staffing levels and compensation (including salaries, benefits, pensions and other post-employment benefits) appropriate?

1-SUP-1

INTERROGATORY

Reference:

- Exhibit D-1-3, Attachment 1 Appendix 2-K

Preamble:

Question(s)

a) For each of the four categories in the reference (i.e FTE's, Total Salary and Wages, Total Benefits, Total Compensation), please break out Non-Management Regular and Non-Management Temporary into Society and PWU represented employees.

b) In the table provided to answer part a) above, please separate out each of pension contributions and OPEB from Total Benefits

c) Does the referenced table include compensation costs which are capitalized?

i. If not, please provide a version of the table created to answer parts a) and b) above for capitalized labour costs.

ii. If it does, please provide 2 versions of the table created to answer parts a) and b) above, one for labour costs which are charged to OM&A and a second for capitalized labour costs.

d) Please provide the above in an excel spreadsheet.

RESPONSE

a) The IESO is unable to undertake the requested additional analysis within the timeframe provided for interrogatories within this proceeding. The IESO's financial software does not capture the requested detailed compensation information by jurisdiction (e.g. Management, Society and PWU) and it would have be undertaken manually. In an effort to be responsive, the IESO is able to provide Table 1 below which includes FTE and total compensation and benefits by representation - Management, Society and PWU

Table 1: Total Average FTE and Operating Compensation & Benefits by Representation

Average Full Time Equivalents (FTE)	2023 Budget	2023 Actual	2024 Budget	2024 Actual	2025 Budget	2025 Actual	2026 Budget	2027 Budget	2028 Budget
Executive	9	9	9	9	9	9	9	9	9
Management	156	150	154	170	153	178	183	183	184
Society	682	638	719	689	700	738	743	787	811
PWU	67	64	66	64	68	76	64	64	64
Total	914	861	948	932	930	1,001	999	1,043	1,068
Total Compensation & Benefits (\$Millions)									
Executive	4.7	4.8	4.9	4.6	5.0	5.2	5.8	5.8	5.8
Management	30.5	35.4	32.0	36.8	33.1	42.0	46.7	47.2	49.2
Society	92.8	113.5	101.2	111.7	105.9	132.3	142.9	156.8	169.7
PWU	9.3	10.1	9.9	13.1	10.5	13.5	12.9	13.1	13.5
Total	137.3	163.8	147.9	166.2	154.5	193.0	208.3	222.9	238.2

b) See response to a) above.

c) While the table in a) includes capital FTE, the compensation costs are not included as the revenue requirement budget is based on operating expenses. To improve financial and resource planning processes, and to better reflect the dynamic nature of project work and

the challenges with accurately forecasting which employees will perform capital-related activities over a multi-year planning horizon, the IESO has updated its approach to planning for capital labour. Instead of budgeting capital FTE at an individual position level, we now use an allocation method to plan for the total number of FTEs expected to be allocated to capital projects based on expected project related workloads and resource requirements. As a result, we are not able to break down capital FTE by jurisdiction. In an effort to be responsive, the IESO is able to provide Table 2 and Table 3 below which separates operating and capital FTE and total compensation and benefits costs.

Table 2: Average Operating FTE and Total Operating Compensation & Benefits

	2023 Budget	2023 Actual	2024 Budget	2024 Actual	2025 Budget	2025 Actual	2026 Budget	2027 Budget	2028 Budget
Average Operating FTE	763	737	811	801	820	931	939	983	1,008
Total Operating Compensation & Benefits (\$millions)	\$137.3	\$163.8	\$147.9	\$166.2	\$154.5	\$193.0	\$208.3	\$222.9	\$238.2

Table 3: Average Capital FTE and Total Capital Compensation & Benefits

	2023 Budget	2023 Actual	2024 Budget	2024 Actual	2025 Budget	2025 Actual	2026 Budget	2027 Budget	2028 Budget
Average Capital FTE	151	124	137	131	110	70	60	60	60
Total Capital Compensation & Benefits (\$millions)	\$23.2	\$21.6	\$23.0	\$20.0	\$18.7	\$14.3	\$11.6	\$12.0	\$12.6

Please note that the decrease in capital FTEs in the 2026-2028 planning period compared to prior years primarily reflects the completion of the Market Renewal Program (MRP) in 2025, which required a significant number of capital resources. The reduction also reflects the IESO's increasing adoption of cloud-based solutions, where related costs are treated as operating expense rather than capital expense.

- 1 d) Given the condensed nature of the tables provided in a) and c) an excel version is not
- 2 provided.

SUP INTERROGATORY 2

Issue 1.0 – Revenue Requirement, Operating Costs and Capital Spending

1.4 Is the IESO's 2026 projected staffing levels and compensation (including salaries, benefits, pensions and other post-employment benefits) appropriate?

1.5 Is the IESO's 2027 projected staffing levels and compensation (including salaries, benefits, pensions and other post-employment benefits) appropriate?

1.6 Is the IESO's 2028 projected staffing levels and compensation (including salaries, benefits, pensions and other post-employment benefits) appropriate?

1-SUP - 2

INTERROGATORY

Reference:

D-1-3 Staffing and Compensation, p1 lines 9-12

In 2023, the *IESO's average FTE count was 861, 53 FTEs below the OEB-approved budget of 914 due to higher-than-planned attrition*. The average FTE count increased to 932 in 2024 but remained below the OEB-approved budget of 948 for the same reason. In 2025, average FTEs increased to 1,001, exceeding the OEB-approved budget of 930.

Preamble:

Question(s)

a) Further to the FTE breakout of Exhibit D-1-3, Attachment 1 Appendix 2-K as provided in reply to SUP #1, for 2023-2028 for each of Executive, Management, Society Regular, PWU Regular, Society Temporary and PWU Temporary, please provide voluntary attrition, non-voluntary attrition, retirements and new hires.

1 b) Please provide the table created in a) in an excel spreadsheet.

2 **RESPONSE**

a) Average Headcount includes all Active and Parental Leave Employees; Excludes Students, Long Term Disability and Unpaid Leave, and Terminated. The IESO understands that this question as phrased and based on the reference applies to historical information 2023-2025. See Tables 1-3 below.

Table 1 - Management		New Hire Counts		Voluntary Resignation Counts		Involuntary Termination Counts		Retirement Counts		Executive Band 2s (Note: included in Management jurisdiction counts)			
Year	Average Headcount in Jurisdiction	Reg	Temp	Reg	Temp	Reg	Temp	Reg	Temp	New Hire	Vol	Invol	Retire
2023	170	19	8	10	1	4	0	4	0	1	0	0	1
2024	198	17	3	6	1	2	0	5	0	0	0	0	1
2025	206	11	4	4	0	3	0	6	0	0	0	0	0

Table 2 - Society		New Hire Counts		Voluntary Resignation Counts		Involuntary Termination Counts		Retirement Counts	
Year	Average Headcount in Jurisdiction	Reg	Temp	Reg	Temp	Reg	Temp	Reg	Temp
2023	712	86	51	22	4	2	5	10	0
2024	776	62	45	16	5	6	1	8	0
2025	818	36	35	16	5	5	2	4	0

Table 3 - Power Workers Union		New Hire Counts		Voluntary Resignation Counts		Involuntary Termination Counts		Retirement Counts	
Year	Average Headcount in Jurisdiction	Reg	Temp	Reg	Temp	Reg	Temp	Reg	Temp
2023	65	9	4	1	1	3	0	1	0
2024	66	7	1	2	0	1	0	2	0
2025	69	2	6	0	1	0	1	0	0

- 1 b) Due to the condensed nature of the tables the IESO is not providing an excel version.

SUP INTERROGATORY 3

Issue 1.0 – Revenue Requirement, Operating Costs and Capital Spending

1.4 Is the IESO's 2026 projected staffing levels and compensation (including salaries, benefits, pensions and other post-employment benefits) appropriate?

1.5 Is the IESO's 2027 projected staffing levels and compensation (including salaries, benefits, pensions and other post-employment benefits) appropriate?

1.6 Is the IESO's 2028 projected staffing levels and compensation (including salaries, benefits, pensions and other post-employment benefits) appropriate?

1-SUP -3

INTERROGATORY

Reference:

i. D-1-3 Staffing and Compensation p 3-5 Year over year changes in 2023 to 2031 compensation costs are partially explained by changes in "pension and OPEB costs as provided by the third- party actuary".

ii. IESO reply to 1.4/1.5/1.6 Society - 1 part b)

Preamble:

Question(s)

a) Regarding reference ii, please explain the specific reasons, rather than use a generic explanation such as "as provided by a third party actuary", for the annual changes in pension and OPEB costs for 2023 to 2028.

b) Please provide an Excel table for 2023-2028 summarizing the explanations provided in a) above.

c) If the answer to a) includes an updated pension liability actuarial report please provide a copy of the updated report.

d) How often does IESO update its pension liability actuarial report?

RESPONSE

a) The IESO utilizes an independent external actuary, Aon, to prepare the pension and OPEB expense estimates that support both its annual audited financial reporting and budget development. The IESO allocates the overall Pension + OPEB cost provided by Aon to the respective areas, based on a methodology that takes into consideration incurred/projected compensation costs. For purposes of the budget, the expenses are based on the 2025 mid-year estimate. The forecasted pension and OPEB expenses for the 2026-2028 period are based on actuarial valuations that incorporate a range of economic and demographic assumptions, including discount rates, expected long-term returns on pension plan assets, salary escalation, inflation and indexing factors, retirement patterns, mortality assumptions, and health care and dental cost trend rates.

- 2023 actual versus 2023 budget – \$2.9 million higher operating expense mostly driven by the amortization of past service costs and higher interest costs, partially offset by higher amortization of net actuarial gains, expected return of plan assets and lower service costs.
- 2024 actual versus 2024 budget – \$1.0 million lower operating expense mostly driven by higher expected return on plan assets, amortization of net actuarial gains and lower service costs, partially offset by higher interest costs.
- 2025 actual versus 2025 budget – \$1.5 million lower operating expense mostly driven by higher expected return on plan assets, amortization of net actuarial gains and lower service costs, partially offset by higher interest costs.
- 2026 budget versus 2025 actual – \$7.8 million higher operating expense driven by the updated triennial actuarial valuation which reflected an increase in salary

escalation driven by collective bargaining and the increase in overall FTEs, as well as an update to valuation assumptions to current conditions (i.e. market conditions/outlook, mortality etc.)

- 2027 budget versus 2026 budget – actuarial projected \$1.7 million decrease of pension and OPEB operating expense primarily driven by higher expected return on plan assets and higher amortization of net actuarial gains partially offset by higher interest cost.
- 2028 budget versus 2027 budget – actuarial projected \$1.8 million increase of pension and OPEB operating expense, mostly driven by interest costs partially offset by higher expected return on plan assets.

b) Please see Table 1 below, this information is also available in

c) Exhibit H-1- SUP 3 Attachment 1 – IESO - 2025-2028 Expense and Funding

Projections_June 27 2025 and Attachment 2 – Actuarial Report Year End 2025

Table 1: Pension and OPEB Expense Summary, 2023-2028

In \$millions

	2023			2024			2025			2026	2027	2028
	Actual	Budget	Variance	Actual	Budget	Variance	Actual	Budget	Variance	Budget	Budget	Budget
Pension + OPEB Cost Components												
Current Service Cost	18.5	20.4	(1.9)	19.3	21.2	(1.9)	20.7	22.0	(1.3)	28.7	29.7	31.0
Interest Cost	45.4	43.6	1.8	49.2	45.5	3.7	52.2	47.4	4.8	57.4	60.8	64.3
Expected Return on Plan Assets	(42.0)	(39.2)	(2.8)	(43.2)	(40.5)	(2.7)	(45.8)	(41.1)	(4.7)	(50.5)	(55.0)	(58.3)
Amortization of past service cost	20.9	0.0	20.9	1.0	0.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortization of Net Actuarial Loss (Gain)	(7.5)	(5.6)	(1.9)	(6.6)	(4.7)	(1.9)	(4.3)	(3.1)	(1.2)	(3.9)	(5.6)	(5.4)
Total Pension + OPEB Cost	\$35.3	\$19.2	\$16.1	\$19.7	\$21.5	\$(1.8)	\$22.9	\$25.2	\$(2.3)	\$31.7	\$29.9	\$31.6
Pension + OPEB Allocation												
IESO Usage Fee - Bill 124	13.8	0.0	13.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IESO Usage Fee - OM&A	17.9	15.0	2.9	16.4	17.4	(1.0)	19.5	21.0	(1.5)	27.2	25.5	27.3
IESO Usage Fee - Capex	2.4	2.6	(0.2)	1.8	2.6	(0.8)	1.5	2.4	(0.9)	1.6	1.4	1.5
Included in IESO Fee	34.1	17.6	16.5	18.2	20.0	(1.8)	21.0	23.4	(2.4)	28.8	26.9	28.8
Non IESO Fee	1.2	1.6	(0.4)	1.5	1.5	0.0	1.8	1.8	0.0	3.0	3.0	2.8
Total Pension + OPEB Cost	\$35.3	\$19.2	\$16.1	\$19.7	\$21.5	\$(1.8)	\$22.9	\$25.2	\$(2.3)	\$31.7	\$29.9	\$31.6

Note numbers may not add due to rounding.

Note only the portion labeled as IESO Usage Fee – OM&A is included in the D-1-3, as that represents the applicable operating costs included in the IESO Usage Fee. Also, the above only includes expenses included within Aon’s actuarial reports.

d) Please see Table 2 below, this information is also available in Attachment 1 – IESO -
2025-2028 Expense and Funding Projections_June 27 2025 and Attachment 2 –
Actuarial Report Year End 2025

Table 2: Pension and OPEB Actuarial Assumptions and Expense Drivers, 2023-2028

	2023		2024		2025		2023		2024		2025	
	Budget		Budget		Budget		Actual		Actual		Actual	
	RPP	OPEB	RPP	OPEB	RPP	OPEB	RPP	OPEB	RPP	OPEB	RPP	OPEB
Discount Rate	5.5%	4.3%	5.5%	4.3%	5.5%	4.3%	6.0%	5.4%	6.0%	4.7%	6.0%	5.0%
Expected long-term rate of return	5.5%		5.5%		5.5%		6.0%		6.0%		6.0%	
Inflation	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Rate of compensation increase	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	4.0%	4.0%
Mortality	CPMPublic MI-2017		CPMPublic MI-2017		CPMPublic MI-2017		CPMPublic MI-2017		CPMPublic MI-2017		CPMPublic MI-2017	
	2026		2027		2028							
	Budget		Budget		Budget							
	RPP	OPEB	RPP	OPEB	RPP	OPEB						
Discount Rate	6.0%	4.7%	6.0%	4.7%	6.0%	4.7%						
Expected long-term rate of return	6.0%		6.0%		6.0%							
Inflation	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%						
Rate of compensation increase	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%						
Mortality	CPMPublic MI-2017		CPMPublic MI-2017		CPMPublic MI-2017							

e) Annually.

SUP INTERROGATORY 4

Issue 1.0 – Revenue Requirement, Operating Costs and Capital Spending

1-SUP-4

INTERROGATORY

Reference:

(ii) E-2-1 Attachment 1, "Space Needs Program Phase 3 – Future At Work" annual OEB approved and actuals for 2023 until 2025 and proposed capital budget for 2026-2028.

(ii) E-2-1 Attachment 11 p4-6 "Space Needs Program Phase 3 – Future At Work" project description.

Preamble:

Question(s)

a) Regarding reference (i), please provide in a separate table the "Space Needs Program Phase 3 – Future At Work" annual OEB approved costs and actuals for 2023 until 2025 as well as the proposed annual capital budgets for 2026-2028.

b) Per (i) the Future at Work project was implemented to support an enduring Hybrid Work Model, replacing individual workstations with more communal work spaces and non-permanent workstations. Regarding reference (i), please provide in table format the number of permanent workstations prior to the renovations at both the Clarkson System Control Centre ("Clarkson") in Mississauga and the downtown Toronto office ("Adelaide"). Please also provide the number of permanent and non dedicated workstations currently available and anticipated to be available once the renovations are complete. Please do not include seats available in communal collaborate spaces (i.e. meeting rooms and areas).

1 c) The Society understands that the IESO's return-to-office mandate will require it to
2 procure additional real estate. Please provide the anticipated annual and total costs of
3 procuring, renovating, furnishing, outfitting and maintaining these new locations.

4 d) Further to the table created in a), please provide in it separately the project's annual
5 costs spent on Clarkson and Adelaide.

6 e) Further to d) above, separate out for each of Clarkson and Adelaide the annual cost of
7 renovations, the cost of procuring any additional real estate and the cost to dispose of any
8 real estate as well any annual savings from reducing any real estate.

9 f) The Society understands that the IESO had allowed leases to expire at both its Adelaide
10 and Oakville Upper Middle Road (UMR) locations, but that both leases were renewed after
11 the IESO's decision to implement a full-return-to-office. Please provide the costs of
12 renewing these leases.

13 g) Please provide the table created in parts a), b), c), d), e) and f) above in an Excel
14 spreadsheet.

15 **RESPONSE**

16 a) See Attachment 1 _1.0 SUP-4 Space Needs Program Phase 3 _Supporting Document

17 b) Please refer to the attached spreadsheet.

18 c) To date we have committed to additional lease space at existing locations at an average
19 annual operating cost of \$1.3m/yr, with further negotiations underway. Overall, the costs
20 are not material to the overall business plan, and the IESO will address the costs within the
21 2026-2028 budget.

- 1 d) The Space Needs Program Phase 3 – Future@Work Project Charter V2.0 outlines the
2 budgets and associated contingencies for both Adelaide and Clarkson Office renovations.
3 The attached spreadsheet includes a breakdown of actuals to date for each location.
- 4 e) See Attachment 1 _ 1-SUP-4 Supporting Document. There are no disposal costs
5 associated with real estate. Although there are no direct real estate savings anticipated, the
6 renovated workspace and unassigned seating model will allow the IESO to accommodate an
7 increased staff complement at its office locations resulting in an effective lease cost saving
8 per employee.
- 9 f) See the response to c) above.
- 10 g) See the attached spreadsheet to this Exhibit.

VECC INTERROGATORY 1

Issue 1.0 – Revenue Requirement, Operating Costs and Capital Spending

1-VECC-1

INTERROGATORY

Reference:

- Exhibit B-1-2 (Business Plan 2026-2028), page 15 of 36

Preamble:

"The 2026 Revenue Requirement is driven primarily by baseline pressures, driving 32 points of the 40 per cent increase."

Question(s):

- a) Please articulate (describe) the "baseline pressures", the "32 points" and the calculation that provides the "40 per cent increase" as set out in this reference.

RESPONSE

- a) Of the 40% total increase, 29% is driven by baseline pressures, 3% is driven by the operating reserve, 9% is driven by incremental investments and 1% is driven by efficiencies. In Exhibit B-1-2, page 15 of 36 Business Plan 2026-2028, the "32 points" referenced is comprised of 29% from the baseline pressures and 3% for the operating reserve.

See Table 1 below for the key drivers of the total increase.

Table 1: Key Drivers of Total 40% Increase

Key Drivers	Increase/Decrease
<i>Bill 124</i>	<i>9%</i>
<i>Benefits (Note 1)</i>	<i>3%</i>
<i>Core Expenses (Note 2)</i>	<i>3%</i>

<i>Demand Side Management (Note 3)</i>	2%
Total Legacy & Cost Deferral Impacts	17%
<i>Cloud Computing & Projects</i>	4%
<i>Amortization</i>	3%
<i>Pension Actuary Valuation</i>	3%
<i>Net Interest</i>	1%
<i>Core Expenses (Note 2)</i>	1%
Total Go Forward Impacts	12%
Baseline Pressures (Legacy, Cost Deferral & Go Forward Impacts)	29%
Operating Reserve Increase	3%
Total Baseline and Operating Reserve Impact	32%
Incremental Investment	9%
1% Efficiency Target	(1%)
Total 2026 Increase	40%

VECC INTERROGATORY 2

Issue 1.0: Revenue Requirement, Operating Costs and Capital Spending

1-VECC-2

INTERROGATORY

Reference:

- Exhibit B-1-2, page 24 Business Plan 2026-2028

Preamble:

"Inverter-Based Resources (IBRs) disconnecting from the grid unnecessarily and unexpectedly."

Question(s):

- a) The above was identified in the Enterprise Risk Management Appendix 2 of the Business Plan. Please provide a table describing the operating and capital costs for each year 2025 through 2028 on the risk mitigation of this identified risk.

RESPONSE

- a) See Table 1 below.

Table 1: Operating and Capital Costs of Risk Mitigations for Identified IBRs Risk

Mitigations	2025		2026		2027		2028	
	Capital	Operating	Capital	Operating	Capital	Operating	Capital	Operating
M1: Phasor Measurement Unit (PMU) Project	\$174,000	\$220,000	\$509,000	\$391,000	\$206,000	\$1,226,000	0	0
M2: Large Load Integration Framework	0	\$180,000	0	\$360,000	0	\$180,000	0	0
M3 Situational Awareness Tool for IBRs	0	0	0	\$18,000	\$200,000	\$92,000	0	0

Connected in Weak Grid Locations								
Developing Electromagnetic Transient Simulation Tool	\$40,000	0	\$38,000	0	0	0	0	0
Creating a dedicated EMT team	0	\$527,000	0	\$550,000	0	\$550,000	0	\$550,000
Explore and Assess New IBR Technology	0	0	0	\$18,000	0	0	0	0

VECC INTERROGATORY 3

Issue 1.0 – Revenue Requirement, Operating Costs and Capital Spending

1-VECC-3

INTERROGATORY

Reference:

- Exhibit B-2-1 Attachment 3

Preamble:

Question(s):

- a) Please provide the 2025 Annual Report and Audited Financial Statements

RESPONSE

- a) The IESO's 2025 Annual Report and Audited Financial Statements were filed May 8, 2026 and can be found on the record for EB-2026-0142 on the OEB website¹.

¹ EB-2026-0142, IESO's 2025 Annual Report and Audited Financial Statements (May 8, 2026):
<https://www.rds.oeb.ca/CMWebDrawer/Record/941070/File/document>

VECC INTERROGATORY 7

Issue 1.0 – Revenue Requirement, Operating Costs and Capital Spending

1-VECC-7

INTERROGATORY

Reference:

- Exhibit D-1-1, page 2

Preamble:

“In addition, employee benefits were \$15.7 million higher than budget, primarily driven by higher benefit utilization post-COVID and FTE trends.”

Question(s):

- a) Of the \$15.7 million identified how much of this is attributable the “higher benefit utilization post-COVID.
- b) What are these benefits and what accounts for their higher utilization?

RESPONSE

- a) The requested analysis to break out the individual drivers for benefit utilization would need to be completed manually therefore the IESO is unable to undertake the requested additional analysis within the timeframe provided for interrogatories within this proceeding. In addition to variances driven by changes in employee volume, benefit variances may be attributable to a number of factors including employee elections and changes in type, cost and usage of benefits. See response to b) for more information on the main cost drivers.
- b) Benefit claims experience indicates that benefit utilization increased following the COVID-19 pandemic, particularly in the areas of mental health services, paramedical services, major restorative dental services, orthodontics, and vision care. Higher

1 utilization is attributable to a combination of factors. During the COVID-19 pandemic,
2 access to certain healthcare providers and services was reduced due to clinic closures,
3 capacity restrictions, and delayed treatments. In addition to stay-at-home orders.
4 Following the removal of these restrictions, employees resumed routine and deferred
5 care, resulting in increased utilization of benefit services. In addition, over the 2020 to
6 2025 period, the IESO enhanced several benefit plan provisions to improve access to
7 care, increase reimbursement levels, expand eligible providers and services, and reduce
8 out-of-pocket costs for employees. These enhancements increased plan utilization and
9 contributed to higher claims costs, particularly in mental health, paramedical, dental,
10 orthodontic, and vision care services. Many of these benefits enhancements were
11 negotiated through the collective bargaining process.

VECC INTERROGATORY 8

Issue 1.0 – Revenue Requirement, Operating Costs and Capital Spending

1-VECC-8

INTERROGATORY

Reference:

- Exhibit D-1-2, page 1, Table 13, OM&A by Business Unit

Preamble:

Question(s):

- a) Please modify Table 13, to show for each business unit the labour and non-related OM&A costs

RESPONSE

- a) See response to 1-OEB Staff-8 b), Table 2.

VECC INTERROGATORY 9

Issue 1.0 – Revenue Requirement, Operating Costs and Capital Spending

1-VECC- 9

INTERROGATORY

Reference:

- Exhibit D-1-3

Preamble:

Question(s):

- a) Please provide a table showing the annual 2023 to 2028 FTES by IESO Business Unit and broken down into the classifications of "Executive, Management, Non-Management Regular and Non-Management Temporary.

RESPONSE

- a) See Table 1 below.

Table 1: Average FTE by Business Unit by Representation

Average FTE by Business Units by Jurisdiction	2023 Budget	2023 Actual	2024 Budget	2024 Actual	2025 Budget	2025 Actual	2026 Budget	2027 Budget	2028 Budget
Markets & Reliability	213	202	229	224	235	304	296	304	311
Executive	1	1	1	1	1	1	2	2	2
Management	28	28	28	33	32	45	47	46	46
Non-Management Regular	169	163	185	173	187	235	232	241	248
Non-Management Temporary	15	10	15	17	15	23	15	15	15
Power System Development	133	129	152	146	138	181	172	179	184

Average FTE by Business Units by Jurisdiction	2023 Budget	2023 Actual	2024 Budget	2024 Actual	2025 Budget	2025 Actual	2026 Budget	2027 Budget	2028 Budget
Management	-	-	1	-	-	-	-	-	-
Non-Management Regular	6	5	4	6	12	7	13	13	13
Non-Management Temporary	1	1	2	1	2	1	1	1	1
CEO Office	3	3	3	4	3	3	3	3	3
Executive	1	1	1	1	1	1	1	1	1
Management	2	2	2	3	2	2	2	2	2
Non-Management Regular	-	-	-	-	-	-	-	-	-
Non-Management Temporary	-	-	-	-	-	-	-	-	-
Corporate Services	130	125	132	125	137	94	103	104	105
Executive	1	1	1	1	1	1	1	1	1
Management	19	15	19	16	16	14	16	16	16
Non-Management Regular	99	104	101	105	114	74	81	82	83
Non-Management Temporary	11	5	11	3	6	5	5	5	5
Human Resources	26	30	26	34	26	34	34	35	36
Executive	1	1	1	1	1	1	1	1	1
Management	25	29	25	33	25	33	33	34	35
Non-Management Regular	-	-	-	-	-	-	-	-	-
Non-Management Temporary	-	-	-	-	-	-	-	-	-
Market Renewal	109	83	88	99	44	39	-	-	-
Executive	1	1	1	1	1	1			
Management	6	6	6	8	8	3	-	-	-

Average FTE by Business Units by Jurisdiction	2023 Budget	2023 Actual	2024 Budget	2024 Actual	2025 Budget	2025 Actual	2026 Budget	2027 Budget	2028 Budget
Non-Management Regular	72	57	63	80	29	29	-	-	-
Non-Management Temporary	30	19	18	10	6	6	-	-	-
Total	914	861	948	932	930	1,001	999	1,043	1,068

VECC INTERROGATORY 10

Issue 1.0 – Revenue Requirement, Operating Costs and Capital Spending

1-VECC- 10

INTERROGATORY

Reference:

- Exhibit D-1-3, Attachment 3, page 2

Preamble:

"As a result, a total of 197 jobs (excluding executives) out of 514 unique job codes at the IESO were compared to jobs in the Mercer Benchmark Database and Mercer Total Compensation Survey"

Question(s):

- Please explain what defines a "job code" at the IESO and explain and contrast this with the definition of a "Grade Band" (as shown in Appendix B of the Mercer Study).
- Please list all the IESO Grade Bands and their salary ranges for each year 2023 through 2026.
- Please explain how a new position's grade band is determined.
- Does the IESO do any analysis/study of entering and exiting employees to where it draws its recruits from (e.g. internal, public or private sector) or the reasons for their termination (e.g. retirements, offers of positions in public or private sector companies). If so please provide the most recent study.
- What percentage of the total FTEs hired in 2025 were drawn from the Ontario Public Service or an agency of the Ontario Government?

RESPONSE

- A job code is the IESO's unique identifier for a specific position. Each job code represents a distinct position with defined duties, responsibilities, qualifications, and

1 accountabilities. Multiple employees may be assigned to the same job code when they
2 perform the same position.

3 A Grade/Band is the IESO's job classification level. Positions with similar levels of
4 responsibility, complexity, skills, and organizational impact are grouped into the same
5 Grade/Band. Grade/Bands are used to establish salary structures and compensation
6 ranges.

7 A job code identifies a specific position, while a Grade/Band identifies the compensation
8 level assigned to that role.

9 b) See the attachments to this Exhibit:

- 10 • Exhibit H-1-VECC-10 Attachment 1 – Society Pay Schedules 2023-2026
- 11 • Exhibit H-1-VECC-10 Attachment 2 – PWU Rates 2023-2025
- 12 • Exhibit H-1-VECC-10 Attachment 3 – IESO Band Ranges 2023 - 2026

13 c) A new position's Grade/Band is determined through the IESO's job evaluation process.
14 The hiring leader prepares a job document describing the position's purpose, key
15 responsibilities, qualifications, accountabilities, and scope of work. The job document is
16 then submitted for evaluation to the IESO's third-party compensation consultant,
17 currently Mercer. As part of the evaluation, Mercer assesses the position against
18 established factors, including knowledge and skills requirements, problem-solving,
19 accountability, and organizational impact. The consultant assigns points to each factor,
20 calculates an overall job evaluation score, and reviews the position relative to
21 comparable roles within the IESO to ensure consistency and internal alignment. Based
22 on the overall score, the position is assigned to the appropriate Grade/Band within the
23 IESO's compensation structure.

24 d) The IESO conducts internal analysis annually to identify organizations that new hires
25 come from as well organizations IESO employees leave to. A recent analysis identified
26 these organizations, categorized them as public, private or within the energy sector.

The counts of candidates coming to the IESO from organizations in the three categories of public, private, and energy between 2020 and the first half of 2026 are below in Table 1.

Table 1: Talent Acquisition by Sector, 2020 to 2026

IESO Labour Market Competitors: <u>Talent Acquisition</u> (2020 - 2026 H1)		
Energy / Electricity / Utilities Sector	Public Sector	Private Sector
Candidate Count: 110	Candidate Count: 70	Candidate Count: 50

The IESO also conducts internal analysis on attrition and reasons for exits (see Table 2 for more information). In 2025, out of 47 exits, 21% were retirements, 55% were voluntary resignations and 24% were for other reasons.

Table 2: Talent Acquisition by Sector, 2020 to 2026

IESO Labour Market Competitors: <u>Talent Attrition</u> (2020 - 2026 H1)		
Energy / Electricity / Utilities Sector	Public Sector	Private Sector
Exit Count: 34	Exit Count: 13	Exit Count: 10

e) The percent of new hires/rehires in 2025 that came from agencies of the Ontario Government: 8.5%. There were no new hires/rehires from the OPS in 2025.

VECC INTERROGATORY 11

Issue 1.0 – Revenue Requirement, Operating Costs and Capital Spending

1-VECC-11

INTERROGATORY

Reference:

- Exhibit E-2-1, Attachment 11

Preamble:

Question(s):

- Please provide the original capital plan for the Future@Work Project and the most recent iteration of that plan which shows key construction milestones to completion. Please provide the original budget and the current budget for entire Future@Work program.
- Please provide the most recent stage-gate reviews, schedule & progress reports and financial status reports for the Future@Work Project.
- Does IESO employ Cost Performance Index (CPI) or Schedule Performance index (SPI) for this project? If so, please provide the most recent results.

RESPONSE

- The Tables 1 and 2 below outline the originally approved budget and timelines against current budgets and timelines.

Table 1: Original and Current Approved Budget for the Future@Work Project

	Original Approved (Project Charter V2.0)	Current Approved
Capital Budget	\$58.6 M	\$58.6 M
Capital Contingency	\$17.7 M	\$17.7 M

Operating Expense Budget	\$0.6 M	\$0.6 M
Operating Expense Contingency	\$0.2 M	\$0.2 M
Total Approved Project Budget	\$77.1 M	\$77.1 M

Table 2: Original Schedule, Current Approved Schedule and Status for the Future@Work Project

Key Construction Milestones	Original Schedule	Current Approved Schedule	Status
Adelaide – 16 th Floor	July 30, 2025	September 9, 2025	Complete
Adelaide – 17 th Floor	October 27, 2025	December 8, 2025	Complete
Adelaide -18 th Floor (incl. Suite 1802)	June 30, 2026	August 24, 2026	Partially complete
Clarkson Phase 1	October 31, 2026	January 31, 2027	Underway
Clarkson Phase 2	July 31, 2026	September 30, 2027	Not started
Clarkson Phase 3	March 31, 2028	March 31, 2028	Not started

- b) See ¹[\[2\]](#) , it represents the last stage gate approval, moving the project from the Planning Phase to Execution Phase. The Status Report as of June 12, 2026 is included for information. See Exhibit H-1-VECC 11 – Attachment 1.
- c) The IESO does not employ CPI and SPI for this project.

¹ Project Charter: Space Needs Program Phase 3 – Future@Work: <https://www.ieso.ca/-/media/Files/IESO/Document-Library/corporate/applications/project-charter-space-needs-program-phase-3.pdf>



Progress Report - Execution/Overall

Project: 507 (Space Needs Program Phase 3 - Future @ Work)

2026 May (5)

Project Key Performance Indicators

Overall Project KPIs				
Overall Project Health	Budget Health	Schedule Health	Business Objectives	Process Adherence
!	✓	!	✓	✓

Project Summary

Highlighting Project variances, risks, issues, and obstacles to delivery

Adelaide Following the final city inspection and occupancy approval, staff moved back into the renovated space on the 18th floor on Tuesday, June 2. An updated brochure for the newly renovated space was shared with all employees on June 8 sharing the features of the fully renovated spaces.	
Clarkson The proposal to move to a GMP contract was presented to the Project Steering Committee this week and received their support. The formal approval will include the delegation of approval to the Project Director to authorize change orders and increase the GMP as necessary to ensure the successful delivery of the project.	

Decisions Required

+	
1	None at this time

Major Accomplishments Since Last Reporting Period

+	
1	Issued Substantial performance for original scope of the Adelaide renovations (excluding Suite 1802).
2	Suite 1802 renovations are progressing well with Drywall framing and boarding complete. Sprinkler branch lines, HVAC, electrical and ceiling grid work are underway.
3	Released AV equipment and furniture orders for Suite 1802.
4	Ground Floor - New partition wall framing and one side boarding with insulation material installation is complete. Installation of electrical, audio visual and other rough-ins in progress. Wall penetrations and hanger installation for HVAC ductwork and other services is in progress. Compaction of sanitary trenches, re-bar inspection and pouring of concrete U-Fill is complete.
5	Mechanical Room A - Demolition and removal of Air Handling Units (AHUs) 1,2 and 3 is complete. Site-Specific Safe Work Plan and Third-Party inspection for removal with Asbestos Abatement is in place. Work plan and pre-work inspection results have been shared with IESO Health and Safety and our external consultants. Awaiting results of post-work inspections.
6	Exterior Work - Concrete encasement of existing conduit under the future patio area is complete. The duct bank for future services is installed.
7	Roof Level – Fluid Cooler 1 and 2 commissioning is in progress; manufacturer start-up of the units was carried out on June 8th, and Third-Party testing is scheduled for 15th and 16th June. IESO training is scheduled on June 23rd with handover to IESO planned following the completion of training.
8	Balcony – Craning works to install I-beams and steel posts on Level 3 balcony was completed on May 9th and the concrete infill work on the deck was completed on June 5th.

Key Activities Planned for Next Reporting Period

+	
1	Complete decommissioning of the 15th floor swing space (Suite 1501) and hand over space to Oxford.
2	Develop pricing for the supplemental cooling design and contract for the large conference rooms 1624 and 1626.
3	Continue renovation work in Suite 1802 and commence with mechanical and electrical finishes.
4	Finalize the design of the digital signage for Adelaide.
5	Ground Floor – Continued hanger installation for conduits related to power distribution and HVAC ductwork. Mechanical, electrical and communication conduits and rough-ins. This will continue progressively as other services are introduced and all work is completed.
6	Fluid coolers (FC) – Commissioning of FC 1 and 2 with Third-Party inspection and sign off. This will be followed by training the Facilities team on the operation of the fluid coolers prior to handover to the IESO.
7	Mechanical Room A – Demolition of concrete house-keeping pads and Third-Party inspection post completion of demolition and disposal work.
8	External patio – Installation of new lintels, door footings and related masonry works for the new openings to the future patio area.
9	Parking Lot – Review and approval of the parking lot expansion design to progress lease agreement with Hydro-One.
10	On-going activities with IESO Vendors - Coordination meetings for Audio Visual to clarify deliverables and responsibilities. Digital signage design is in progress with IT and Internal Communications.



Progress Report - Execution/Overall

Project: 507 (Space Needs Program Phase 3 - Future @ Work)

2026 May (5)

Overall Financial Status

KPI	Type	PC Approved	PC Approved	Contingency	Contingency	Current	Spend to Date	Forecast to Complete	Estimated Cost at Completion	Variance to
		with Contingency	without Contingency	Available	Released	Approved Budget with PSC & PER				Approved Budget without contingency
✔	CapEx	76,146,560	58,612,234	17,534,326	-	58,612,234	21,659,718	40,336,114	61,995,832	3,383,598
✔	OpEx	850,865	645,395	205,470	-	645,395	313,166	332,229	645,395	0
✔	Total	76,997,425	59,257,629	17,739,796	-	59,257,629	21,972,884	40,668,343	62,641,227	3,383,598

Overall Schedule Status

KPI	% Project Completion	Project Start Date	End Date without contingency	Contingency Available in days	Contingency Used in days	Current Approved Project End Date	End Date with contingency	Forecast Completion date	Variance to Schedule in days
⚠	67.7%	2/Aug/23	31/Jul/27	366	-	31/Jul/27	31/Jul/28	31/Mar/28	▲ 244

Key Milestones

ID	Description	Status	Approved Completion	Revised Completion Date	Actual Completion Date
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1	Adelaide 16th floor Occpancy	Complete	30-Jul-25	09-Sep-25	09-Sep-25
2	Adelaide 17th floor Occpancy	Complete	27-Oct-25	08-Dec-25	08-Dec-25
3	Adelaide 18th floor Occpancy	Complete	02-Mar-26	02-Jun-26	02-Jun-26
4	Adelaide Suite 1802 Occpancy	At Risk	30-Jun-26	24-Aug-26	
5	Adelaide Project and Permit Closure	At Risk	30-Jun-26	31-Aug-26	
6	Clarkson Construction Documents Issued for Tender	Complete	27-Jun-25	25-Jul-25	25-Jul-25
7	Clarkson Construction - Site Mobilization	Complete	02-Sep-25		02-Sep-25
8	Clarkson Building Permit Issuance	Complete	31/Oct/25	10-Nov-25	10-Nov-25
9	Clarkson Construction - Tender Award and Procurement Complete	Complete	14/Nov/26	06-Mar-26	06-Mar-26
10	Clarkson Phase 1 Occupancy	At Risk	31/Oct/26	31/Jan/27	
11	Clarkson Phase 2 Occupancy	At Risk	31/Jul/27	30/Sep/27	
12	Clarkson Phase 3 Occupancy	On Track	31/Mar/28		
13	Clarkson Overflow Parking Expansion	On Track	30/Nov/27		
14	Clarkson Mechanical Equipment Upgrades	On Track	30/Apr/28		
15	Clarkson Project and Permit Closure	On Track	31/Jul/28		