

Corporate Performance Measures

IESO Stakeholder Advisory Committee
June 6, 2007
Martin Hastings/Peter Sergejewich



Purpose

To provide an opportunity for early stakeholder advice and input into the development of the IESO's Corporate Performance Measures for 2008.

Outline

1. Reasons for Reviewing our Corporate Performance Measures
2. Identify Considerations for 2008 Corporate Performance Measures
3. Obtain Stakeholder Advisory Committee Advice and Input

Why is the IESO Reviewing its Corporate Performance Measures?



The review of corporate performance measures is an annual process and is a natural fit with the 2008-2010 business planning process.

The IESO Board of Directors uses the corporate performance structure to focus the IESO on achieving its Business Plan.

As part of its review, the IESO is able to obtain valuable stakeholder feedback.

Incorporating Stakeholder Feedback

Your feedback allows the IESO to improve its corporate performance measures. In 2008, the IESO intends to incorporate the following recent suggestions:

- More refined and stringent measures relating to demand forecast deviations (OPG).
- Add a staff-related perspective to the existing corporate measurement scorecard (Brookfield).

SEP – 36 Terms of Reference

The IESO's review of its corporate performance measures will focus on:

- The four “Balanced Scorecard” corporate perspectives:
 - Effective Use of Funds
 - Market Evolution
 - Customers and Stakeholders
 - Reliability and Operational Effectiveness
- Specific performance measures

This presentation focuses on the review of the IESO's four corporate “Balanced Scorecard” perspectives.

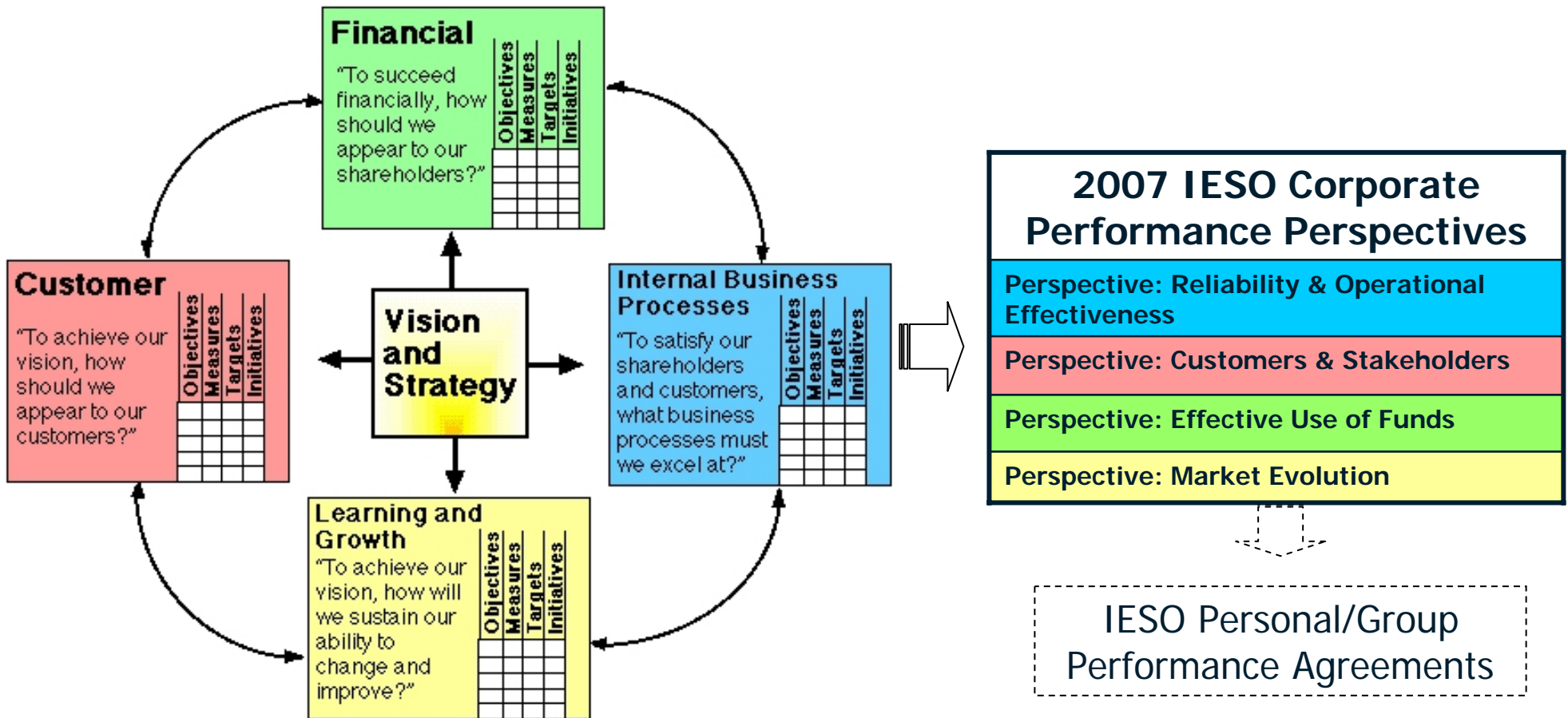
What is a “Balanced Scorecard”?

Harvard Professors Robert Kaplan and David Norton developed a performance measurement model that balanced assessment of historical financial measurements with drivers of future performance.

This model, called the “Balanced Scorecard” consists of measurement in four distinct, yet related perspectives: financial, customer, internal processes, and employee learning and growth.

Today the Balanced Scorecard or models based on the Balanced Scorecard are widely adopted by profit, not-for-profit and government organizations, including the IESO and many of its peers.

The IESO's Existing Balanced Scorecard Approach to Performance Measurement



Ref: Balanced Scorecard Institute

Future Challenges: Over the Mid-term the IESO Faces an Increase of Employee Retirements

The IESO's workforce is aging. Many employees will become eligible for retirement in the mid-term.

To address this risk, the IESO must ensure that it retains the necessary competencies to provide essential services and other valuable products and services to both market participants and the people of Ontario generally.

The IESO Proposes Adding a “Workforce” Perspective to the Corporate Scorecard



The IESO currently has several succession planning programs in place.

Given the challenges expected over the mid-term, the IESO proposes formally adopting a “Workforce” perspective as part of its corporate scorecard.

A Workforce perspective is an essential component of the formal Balanced Scorecard model. The adoption of a Workforce perspective is also consistent with what other ISOs utilize.

Reliability to Remain the Top Priority

The IESO's top priority has been, and will continue to be, the reliable operation of the IESO-controlled grid.

To highlight this priority, the IESO proposes modifying its existing "Reliability and Operational Effectiveness" perspective to focus more specifically on "Reliability" alone.

Consistent with this change, measures not directly related to reliability will be allocated to the "Customers and Stakeholders" perspective.

The use of a stand-alone Reliability perspective is consistent with what other ISOs utilize.

The IESO Remains Committed to Operating its Business in a Financially Prudent Manner



Responsible financial management is essential to the continued health of the IESO.

As such, the IESO proposes to retain the “Effective Use of Funds” perspective.

The Use of an “Effective Use of Funds” perspective is considered an essential component of the formal Balanced Scorecard performance measurement model. It is also consistent with what other ISOs utilize.

The IESO Proposes Increasing its Focus on Customers and Stakeholders

The IESO exists in order to provide products and services that are valued by its customers and stakeholders.

The IESO proposes bringing greater focus to the “Customers and Stakeholders” perspective by more explicitly considering our service relationships:

- Our service relationship with the people of Ontario
- Our service relationship with Market Participants
- Our engagement relationships with stakeholders

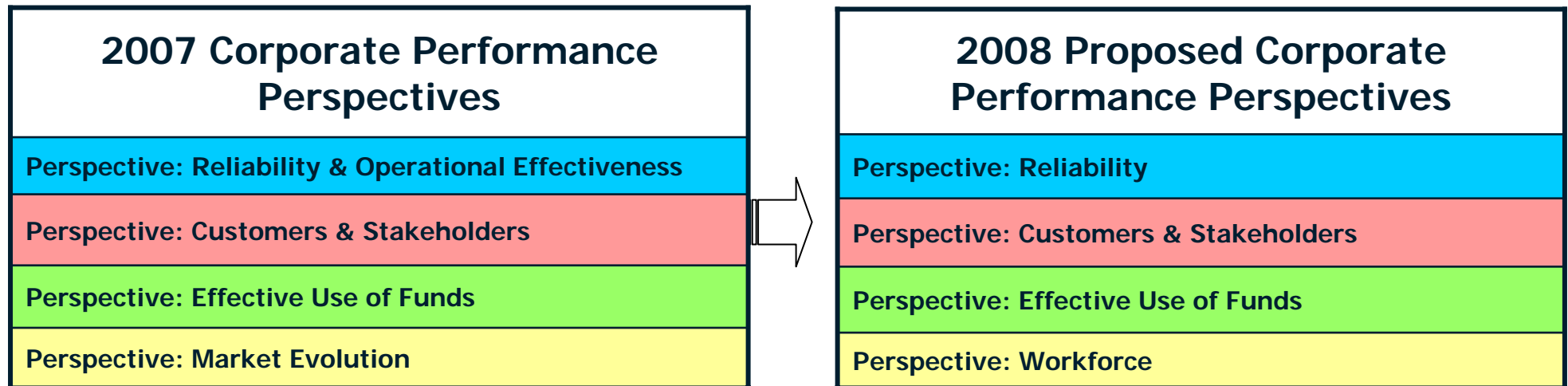
The IESO Proposes Increasing its Focus on Customers and Stakeholders (cont'd)

As part of this increased focus on customers and stakeholders, Management proposes reallocating certain customer-oriented measures from the existing “Reliability and Operational Effectiveness” perspective to the Customers and Stakeholders perspective.

For example existing measures relating to settlements and market support services would be incorporated under the “services to market participants” subcategory of the Customers and Stakeholder perspective.

To highlight the link between IESO initiatives and customer value, existing Market Evolution and other initiatives will be incorporated into the Customers and Stakeholders perspective.

Summary of Proposed Modifications



Next Steps

- June 20, 2007 Closing date for Stakeholder feedback on IESO corporate performance measures model.
- June 22, 2007 Posting to web of stakeholder feedback on IESO corporate performance measures model.
- Aug 22, 2007 Presentation to Stakeholder Advisory Committee of corporate performance measures model and of feedback from SAC. Presentation of corporate performance measures.

Your Advice and Input Is Requested

May submit written advice to stakeholder.engagement@ieso.ca