

June 18, 2009

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

Terms of Reference for a Director

GOALS AND OBJECTIVE

Due Diligence

All Directors are expected to seek to use due diligence in fulfilling their duties and responsibilities as members of the Board and its Committees. In particular, all Directors should:

- act with honesty and integrity;
- actively participate in decision-making;
- seek to ensure that all Board records and documents, including Board minutes, are accurate and reflect the discussion and decisions held;
- be knowledgeable about the IESO's objects, the legislative framework under which it operates and the financial position of the IESO; and
- act within the objects and by-laws of the IESO.

Recognize the IESO's Accountability

The IESO's legislated responsibilities make the Board accountable for the IESO's mandates of reliable operation of the IESO-controlled grid and the effective and efficient operation of the IESO-administered markets. In particular, all Directors will be full participants in the activities of the Board and will actively support the IESO and its

interests and responsibilities and will endeavour to reach a consensus on any issues that may arise.

Comply with the Code of Conduct

All Directors are expected to be knowledgeable of and actively support the *Board Charter and Code of Conduct* in the fulfilment of their responsibilities.

Adding Strategic Value

Directors are expected to actively promote the achievement of the IESO's vision of a vibrant Ontario economy supported by a reliable and competitive electricity market. Directors are expected to seek to use their abilities and expertise to provide added value to the IESO in achieving this vision as more specifically expressed from time to time in the IESO's Strategic Plan.

COLLECTIVE BOARD SKILLS AND EXPERIENCE

Each Director brings unique skills and experience to the Board. When vacancies occur on the Board, attention will be given to the extent possible of ensuring that the collective mix of skills and experience supports the Board's ability to add strategic value to the IESO.

Collectively, Directors should:

- possess a positive orientation for competitive markets;
- provide credible provincial, national or international perspectives;
- actively participate in Board activities and strive for excellence and support consensus-building;
- be strategic thinkers who take a governance-focussed approach to Board responsibilities; and
- demonstrate a willingness to proactively support the IESO's vision.

The Board will seek to achieve diversity in its membership.

To foster its ability to provide strategic direction and fulfill its oversight responsibilities, the Board should include members with the following attributes:

- membership on Boards of Directors, both not-for-profit and for-profit boards, especially as a board or board committee chair;
- possession of diverse perspectives, including the energy sector, regulatory, environmental, competitive markets, interconnected operations and consumer interests;
- risk management and analysis experience;
- public policy and government relations experience;
- financial literacy;
- public relations and communications experience;
- executive management, human resources and compensation experience;
- experience in building partnerships and strategic alliances;
- experience in developing and operating new businesses; and
- experience in technology risk and management.

Having an understanding of or experience in electricity markets is an asset.

DUTIES AND RESPONSIBILITIES

Board Activity

As a member of the Board, each Director shall:

- exercise good judgement;
- use his/her abilities, experience and influence constructively;
- be an available resource to Management and the Board;
- where practicable, advise the Chief Executive Officer and/or Chair prior to introducing significant and/or previously unknown information or material at a Board or Committee meeting;

- understand the difference between governing and managing and, wherever possible, not encroach on Management's areas of responsibility;
- be willing and available for one on one consultation with the Chair and Chief Executive Officer; and
- participate in the periodic evaluation of the Board and its Committees.

Preparation and Participation

To enhance the effectiveness of Board and Committee meetings, each Director shall:

- prepare for Board and Committee meetings by reading reports and background materials prepared for each meeting;
- ensure he or she has adequate information for decision making;
- maintain an excellent record of attendance at Board and Committee meetings (the target is 100% attendance - anything less than 75% attendance at scheduled meetings, without extenuating circumstances, would create considerable concern for the Board); and
- actively participate in Board and Committee meetings.

Evaluation

Directors acknowledge that their performance as a Director on the Board will be evaluated from time to time based on the above *Terms of Reference for a Director*.

Limitation

In contributing to a Director's discharge of his or her duties under these Terms of Reference, each Director shall be obliged only to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Nothing in these *Terms of Reference for a Director* is intended or may be construed as imposing on any Director a standard of care or diligence that is in any way more onerous or extensive than the standard to which the Directors are subject at law.

The Human Resources and Governance Committee shall periodically review these *Terms of Reference for a Director* to ensure that it reflects the current needs of the Board and may recommend changes for approval by the Board.