



Association of Major Power Consumers in Ontario

24 October 2006

Mr. Brian Rivard
Independent Electricity System Operator
P. O. Box 4474, Station A
655 Bay Street
Toronto, Ontario M5G 2K4

Re: Calculating the net financial impact of proposed electricity price increases

Dear Brian:

I am writing to thank you and your team for taking the time to meet with Dr. Larry Murphy and myself over the past several weeks to provide information and to explain the process for calculating the net financial impact on customers of electricity price increases which would occur as a result of the IESO's proposal to change the parameters of the price-setting algorithm with respect to generation ramping limitations.

As a result of your efforts and our exchange of information, we have gained a deeper appreciation of the many inputs to the IESO's calculation of settlement amounts that underlie bills for electricity consumers.

We understand that, as a result of a combination of generator contracts, regulations and directives, more or less 80 percent of Ontario generation is now paid a fixed price for capacity and/or energy, with the result that as much as 80 percent of a typical customer's bill is derived from the calculation of these contractual, regulated and fixed payment amounts.

As a result of this new information and our deeper understanding of the issues, we are now satisfied that the IESO's methodology for calculating the net financial impacts of electricity price increases is sound.

As we discussed, however, that calculation does not affect our understanding of the economics of the IESO's proposal to change the treatment of generator ramp limitations in the pricing algorithm.

Thank you again for taking the time and making the effort to help us understand the complexities of the IESO's task in wholesale billing and settlements.

Sincerely,



Adam S. White
President