

VIA FASCIMILIE & ELECTRONIC MAIL

Thursday, January 20, 2005

John Zych
Secretary
Ontario Energy Board
26th Floor
2300 Yonge Street
Toronto, ON M4P 1E4

Dear Mr. Zych:

**Re: Independent Electricity System Operator
License Compliance Status Report for Fourth Quarter 2004**

Section 6 of the Independent Electricity System Operator (the "IESO") License (EI-2003-0088), issued on July 31, 2003, sets out conditions for the provision of information to the Ontario Energy Board (the "Board") pertaining to the administration of the IESO-administered market and operation of the IESO-controlled grid and to monitor compliance with the License and other regulatory requirements. In this regard, the IESO's license compliance status report for the fourth quarter of fiscal year 2004 is as follows:

1. Section 6.2(a) requires that the IESO provide such information as the Board may require from time to time to enable the Board to monitor compliance with the conditions of the License and any other legislative or regulatory requirements set out in the License.

Status:

- This compliance status report fulfils this requirement.
2. Section 6.2(b) requires that the IESO notify the Board of any material change in circumstances that adversely affects or is likely to adversely affect the IESO's ability to comply with the License, its financial integrity, or its ability to carry out its responsibilities under the Electricity Act, 1998, as soon as practicable after the occurrence of any such change, but in any event within fifteen days of the date upon which such change becomes known to the IESO.

Status:

- There was no adverse change in the IESO's circumstances that affected its ability to comply with this provision.
3. Section 6.2(c) requires that the IESO provide the Board with any information that is required by the Market Rules to be provided to the Board by the IESO and, upon request by the Board, with such information produced by a panel established by the IESO, including reports produced by the Market Surveillance Panel.

Status:

- On December 22, 2004, the IESO filed its 18-Month Outlook entitled "An Assessment of the Reliability of the Ontario Electricity System from January 2005 to June 2006" with the Minister of Energy and the Board.
 - On December 22, 2004, the IESO also provided Board staff with a forecast of the number of kilowatt-hours of electricity that will be withdrawn from the IESO-controlled grid up to and including 2007.
4. Section 6.2(d) requires that the IESO provide the Board with a copy of the IESO's annual report as submitted to the Minister of Energy pursuant to subsection 21(1) of the Electricity Act, 1998.

Status:

- The IESO's annual report for fiscal year 2003 was submitted to the Minister of Energy and the Board in May of 2004.
 - The IESO's 2004 financial statements will be submitted to the Minister of Energy by the end of the first quarter of 2005. The full annual report will be issued after it has been reviewed by the Audit Committee of the IESO's Board of Directors.
5. Section 6.2(e) requires the IESO post the annual report as submitted to the Minister of Energy pursuant to subsection 21(1) of the Electricity Act and the IESO's quarterly financial statements on its public Website.

Status:

- The full annual report, including the IESO's financial statements for the year ended December 31, 2003, has been posted on the IESO's public Website.
- The unaudited 2004 quarterly financial statements for the period ending September 30, 2004, are also posted on the public Website.

6. Section 6.2(f) requires that the IESO provide the Board, on or before the end of each calendar year, with a summary of any significant activities related to the development of reliability standards undertaken by the IESO pursuant to subsections 5(1)(f) or 5(1)(g) of the Electricity Act.

Status:

- The IESO's comprehensive reliability report outlining the reliability standards and activities undertaken by the IESO in 2004 was filed with the Board on December 28, 2004.
7. Section 8.1 authorizes the IESO to enter into an agreement ("Agreement") with any transmitter providing for the direction by the IESO of the operation of the transmitter's transmission system. Following a request by the IESO to enter into an Agreement, the IESO and the transmitter shall enter in an Agreement within a period of 90 days, unless extended with leave by the Board. The Agreement shall be filed with the Board within 20 days of its completion.
 - No new Agreement was entered into with transmitters.

Should you have any question about any of these matters, please feel free to call me at (416) 506-2858.

Yours truly,

Original signed by

Carl Burrell
Senior Analyst
Corporate and Legal Affairs
Independent Electricity Market Operator

Friday, January 21, 2005