

VIA COURIER & ELECTRONIC MAIL

May 1, 2006

Mr. John Zych
Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street
27th Floor
Toronto, ON M4P 1E4

Dear Mr. Zych:

Re: Board File No.: EB-2005-0551
Natural Gas Electricity Interface Review Issues and Storage Regulation
Evidence of Ontario's Independent Electricity System Operator (IESO)

Pursuant to the Board's Procedural Order No. 2 dated February 28, 2006, please find attached 10 copies of the evidence of the IESO. Soft copies in searchable Adobe PDF format are also being filed with the OEB.

The IESO considers the evidence filed by Union Gas and Enbridge Gas Distribution to be fair and reasonable. The IESO agrees with Union Gas that predictability of gas-fired generation load will become even more predictable under Day-Ahead Commitment Process (DACP) or the proposed evolution towards a full Day-Ahead Market (DAM). Although DACP/DAM will increase scheduling predictability, the IESO believes that the increased flexibility offered by the enhanced gas services is likely to continue to be of value.

There are two simple reasons for this:

1. The timelines for the gas and electricity markets are expected to have some separation and, hence, risks - even with DACP in place and regardless of whether there will be a DAM in the future.
2. Irrespective of DACP/DAM, as we move closer to real-time there remains uncertainty in generation requirements due to a number of uncertain factors, including load forecast, imports/exports, loop flows, congestion, ramping, as well as unexpected deratings and outages to both transmission and generation. Neighbouring areas are also subject to these same uncertainties which often impact our system.

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Based on these two points, the enhanced services proposed by Union Gas and Enbridge Gas Distribution should provide complementary processes that afford more flexibility and, therefore, improved system performance. In particular, we expect that they will:

- provide access to additional resources in a timely manner
- afford additional time to coordinate/communicate; and
- facilitate a more orderly transition from pre-dispatch to “real time”

These benefits should accrue to gas generators and consumers as a whole, regardless of how the electricity market unfolds in the future.

Yours truly,

Original signed by

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Attachment

cc: EB-2005-0551 Interested Parties (via email)

IESO's May 1st Evidence: Issue 1 Generator Rates

The IESO's evidence outlines the current scheduling process and how that process will change starting June 1, 2006 under the Day-Ahead Commitment Process (DACP). Included in the evidence are:

1. Section 1.3.3 of Market Manual 4.2.: Submission of Dispatch Data in the Real-Time Energy and Operating Reserve Markets. This section provides an overview of the timing of the current Real-Time IESO-administered markets. <http://www.ieso.ca/imoweb/manuals/marketdocs.asp>
2. Figure 3-2 of Market Manual 4.0.: Market Operations Overview. This diagram provide a graphic depiction of the timing of the current Real-Time IESO-administered markets. <http://www.ieso.ca/imoweb/manuals/marketdocs.asp>
3. Guide to the Day-Ahead Commitment Process (Revised: March, 2006). This document outlines the changes to the scheduling process starting June 1, 2006. <http://www.ieso.ca/imoweb/marketplaceTraining/showCourses.asp?id=9>