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July 31, 2013

Ms. Kirsten Walli  
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Ontario Energy Board  
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Independent Electricity  
System Operator  
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t 416 506 2800  
[www.ieso.ca](http://www.ieso.ca)

Dear Ms. Walli:

**Re: Independent Electricity System Operator L  
Ontario Energy Board Licence EI-2008-0096 Compliance Report, Second Quarter 2013**

The conditions requiring the reporting of information to the Ontario Energy Board (the "Board") are set out in Sections 6, 8 and 13 of the Independent Electricity System Operator's (the "IESO") Licence. Paragraph 6.2 a) also 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 IESO's Licence and any other legislative or regulatory requirements set out in the Licence. This report fulfills these requirements for the second quarter of 2013.

1. Paragraph 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 Licence, its financial integrity, or its ability to carry out its responsibilities under the *Electricity Act*, 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 were no material changes in the IESO's circumstances that adversely affected its ability to comply with this provision.

2. Paragraph 6.2 c) requires that the IESO provide the Board with any information that is required by the Market Rules (“MR”) to the Board by the IESO. These reporting requirements are set out as follows:
- (a) IESO MR: Chapter 3, Section 4.7.5A requires the IESO to notify Market Participants and the Board of any IESO Board of Directors’ decisions related to market rule amendments in accordance with the provisions set out in the *Governance and Structure By-law* and *Electricity Act, 1998* – namely:
- a. Provide the Board with a Consumer Impact Assessment of market rule amendments prior to submission to IESO Board for decision (Section 32 (6)).
  - b. Provide the Board with the IESO Board of Directors’ decision on or before the date the IESO publishes the amendment (Section 33(2)) along with any verbal or written comments received on the proposed amendment in accordance with O.Reg 610/98, Section 7.
  - c. Publish the rule amendment 22 days before the amendment comes into effect (Section 33(1)).

**Status:**

The IESO provided the Board with the following proposed market rule amendment, which was approved by the IESO Board at its meeting on June 13, 2013 including those comments received and an impact assessment on the interests of consumers with respect to prices, reliability and quality of service.

- MR-00402 - Renewable Integration Initiative Market Rules True-Up: Market Schedule, CMSC, Communications for Variable Generation Dispatch

Details for each market rule amendment can be found on the IESO website at:  
[http://ieso.ca/imoweb/amendments/mr\\_Amendments.asp](http://ieso.ca/imoweb/amendments/mr_Amendments.asp)

- (b) IESO MR: Chapter 3, Section 6.2A.3 requires the IESO to provide the OEB with a copy of any notice of suspension, deregistration of facilities or termination issued to a market participant who is in breach of the market rules as well as any follow up action or order issued as a result.

**Status:** No instances to report during this quarter.

- (c) IESO MR: Chapter 5, Section 7.10.2 and 3 requires the IESO to send to the Board the details of any adverse conditions on the IESO controlled-grid that resulted in IESO giving direction to a transmitter for proposed grid enhancement.

**Status:** No instances to report during this quarter.

- (d) IESO MR: Chapter 7, Section 13.2.2 requires the IESO to notify the Board and relevant government authorities of any suspension of market operations. Chapter 7, Section 13.7.3 also requires the IESO to provide a preliminary report to Market Participants, the Board and government of the circumstances within 10 business days following the event.

**Status:** No instances to report during this quarter.

- (e) IESO Market Manual 2.11: Section 1.3 requires the IESO to submit a copy of the 18-Month Outlook to the OEB, to the Minister of Energy and to subsequently post it on the IESO website.

**Status:**

The IESO submitted copies of the 18-Month Outlook entitled “An Assessment of the Reliability and Operability of the Ontario Electricity System from June 2013 to November 2014” to the OEB and the Minister, and posted it on the IESO website, on May 24, 2013.

3. IESO Annual Report

- Paragraph 6.2 d) requires that the IESO provide the Board with a copy of the IESO annual report as submitted to the Minister pursuant to subsection 21 (1) of the *Electricity Act*.
- Paragraph 6.2 e) requires that the IESO post the annual report as submitted to the Minister of Energy and the IESO quarterly financial statements on its public website.

**Status:**

As previously reported, the IESO’s 2012 Annual Report:

- Was submitted to the Minister of Energy and was posted on the IESO public website on April 2, 2013
- The IESO unaudited Quarterly Financial Statements are posted here:  
<http://www.ieso.ca/imoweb/corp/corpInfo.asp>

4. Paragraph 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) or 5(1)(g) of the *Electricity Act*.

**Status:**

As previously reported, the 2012 reliability standards compliance report was filed with the Board on December 21, 2012.

5. Paragraph 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.

**Status:** No new agreement has been entered into with Ontario transmitters.

6. Paragraph 13.1 requires that the IESO notify the Board of any material change to its accounting procedures.

**Status:** There were no material changes to accounting procedures during this quarter.

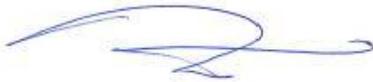
7. Paragraph 13.2 requires that the IESO shall, no less than 60 days before the beginning of the fiscal year, submit its proposed expenditure and revenue requirements for the following fiscal year and the fees it proposes to charge during that year to the Board for review and approval.

**Status:**

As previously reported, the IESO is not in a position to file its Fiscal 2013 Fees Submission to the OEB; the IESO will file once the 2013 Business Plan has been approved. The Board’s interim fee order, dated December 22, 2012, remains in effect until replaced by a final order of the Board.

If you have any questions about this report, I can be reached at 905-855-6481.

Yours truly,



David Barrett, CPA, CA  
Regulatory Affairs, IESO

cc: Peter Fraser, Managing Director Regulatory Policy, Ontario Energy Board  
Viive Sawler, Manager, Conservation and Reporting, Ontario Energy Board  
Jessica Savage, Supervisor, Regulatory Affairs, IESO