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October 31, 2011

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
27th Floor 2300 Yonge Street
Toronto, ON M4P 1E4

Independent Electricity
System Operator
655 Bay Street
Suite 410, PO Box 1
Toronto, Ontario M5G 2K4
t 416 506 2800
www.ieso.ca

Dear Ms. Walli:

Re: Independent Electricity System Operator
Ontario Energy Board Licence Compliance Report for the Third Quarter of 2011

The conditions requiring the reporting of information to the Ontario Energy Board (the "Board") are set out in Sections 6 and 8 of the Independent Electricity System Operator's (the "IESO") Licence (EI-2008-0096). The reporting conditions enable the Board to monitor IESO compliance with its Licence.

Following is a compliance reporting on the provisions of the IESO's Licence for the third quarter of 2011.

1. Paragraph 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 IESO's Licence and any other legislative or regulatory requirements set out in the Licence.

Status:

This quarterly compliance report fulfils this requirement.

2. 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.

3. 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 decisions related to market rule amendments in accordance with the provisions set out in the *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 IESO Board 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 32(1)).

Status:

On September 9, 2011 the IESO provided the Board with the following proposed market rule amendments that the IESO Board of Directors approved at its meeting on September 9, 2011 including those comments received and an impact assessment on the interests of consumers with respect to prices, reliability and quality of service.

- (i) MR-00348: EDAC – 24 Hour Optimization and 3-part Offers (R00-R05, R06)
- (ii) MR-00349: EDAC – Settlement Guarantees
- (iii) MR-00375: EDAC – Market Rules True-Up Package
- (iv) MR-00382: EDAC – Market Rules True-Up Package #2

Details for each market rule amendment can be found on the IESO website at http://ieso.ca/imoweb/amendments/mr_Amendments.asp.

- (b) IESO MR: Chapter 3, Section 6.2A 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 effects on the IESO controlled-grid that resulted in IESO 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 and the Minister of Energy as well as post on the IESO website.

Status:

On August 24, 2011, the IESO submitted and posted a copy of its 18 Month Outlook entitled "An Assessment of the Reliability and Operability of the Ontario Electricity System from September 2011 to February 2013" as well the 18-Month Outlook - Update published on September 23, 2011 for the same period.

4. 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*.

Status:

As previously reported, the IESO Annual Report was submitted to the Minister of Energy on March 21, 2011.

5. 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 2010 Annual Report was posted on the IESO public website on March 31, 2011.
- The un-audited Financial Statement of Operations and Accumulated Surplus for the third quarter of 2011 will be posted on the IESO public website on or about December 1, 2011.

6. 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:

The 2011 reliability report will be filed with the Board on or before December 31, 2011.

7. 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.

Please let me know if you have any questions regarding this report. I can be reached at 905-403-6970.

Yours truly,

Susan Harrison
Regulatory and Government Relations

cc: Peter Fraser
Acting Managing Director Regulatory Policy and Compliance
Ontario Energy Board

Viive Sawler
Manager, Conservation and Reporting
Ontario Energy Board