



DATE: March 2, 2004

FROM: The Board of Directors
of the Independent Electricity Market Operator

RE: Restoration Working Group Report

The Independent Electricity Market Operator (IMO) has been working with other organizations inside and outside Ontario to investigate the cause of the August 14 blackout, how Ontario responded and more importantly what can be done to prevent further such occurrences.

The IMO Board provided a preliminary report on September 8, 2003, which included a brief description of the conditions in Ontario prior to and immediately following the blackout and the actions taken to restore electricity service in the province.

Although most customers had power back within 30 hours, the power system was not operating normally until nine days later when enough generation was able to come back into service to meet the province's needs. All those involved demonstrated remarkable efforts in responding to the blackout – from the companies that worked with the IMO to restore power as quickly as possible to the electricity customers who curtailed consumption during the week that followed.

It is obviously essential to identify and give effect to the teachings to be derived from this blackout so as to minimize the possibility of a re-occurrence. The enclosed August 2003 Blackout-Restoration Evaluation Report serves that purpose. It also responds to the requirement in Chapter 7, Section 13.7.4, of the Market Rules that the IMO Board of Directors shall provide a final report to market participants and the public.

The Report reflects the conclusions of the stakeholder-represented Emergency Preparedness Task Force, chaired by the IMO, which conducted an extensive review of the facts surrounding the restoration of Ontario's power grid and related emergency response activities, assessed the effectiveness of restoration efforts, and identified recommendations for improvement.

As the investigations have clearly indicated, the blackout did not originate in Ontario nor did actions in Ontario contribute to the severity of the blackout. Rules and practices in Ontario's electricity sector are among the highest standards in the industry. While we await the final report of the Joint U.S.-Canada Task Force, the North American Electric Reliability Council (NERC) has released a set of recommendations aimed at preventing future such occurrences.

All of these recommendations are focused on what happened during the blackout. The most important teaching of this incident is, however, how essential electricity is to all of us, both in our daily lives and in our business activities. All involved in the public and the private sector must recognize this and work, not only to address the specific recommendations made in the enclosed Report, but also to ensure adequacy of overall electricity supplies. As to the specific recommendations, many of those made by the NERC are already in place in Ontario. The IMO is committed to implementation of the remaining NERC recommendations and of the recommendations in the enclosed Report: some are within the IMO's own authority, and others involve cooperation with market participants. The IMO is confident that it can rely on market participants for this cooperation.

The IMO appreciates the support of the organizations who participated in the development of this report.

The August 14 blackout was a major challenge for industry participants and for Ontario customers. All deserve credit for the way they responded.

Yours truly,

A handwritten signature in cursive script, appearing to read "J. Baillie".

James Baillie
Chair