

**SENT BY ELECTRONIC MAIL AND REGULAR MAIL**

January 21, 2009

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

Dear Ms. Walli:

**Re: Independent Electricity System Operator  
Licence Compliance Report for the Fourth Quarter of 2008**

The conditions requiring the reporting of information to the Ontario Energy Board (the "Board") are set out in section 6 of the Independent Electricity System Operator (the "IESO") Licence (EI-2003-0088). The reporting conditions enable the Board to monitor IESO compliance with Licence and other regulatory requirements. The IESO Licence Compliance Report for the fourth quarter of 2008 is as follows:

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

**Status:**

- This quarterly compliance 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 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. 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

**Status:**

- On December 22, 2008, the IESO filed with the Minister of Energy and Infrastructure and the Board, its 18 Month Outlook, entitled "An Assessment of the Reliability of the Ontario Electricity System" and its quarterly electricity demand forecast, representing the period from January 2009 to June 2010.
- On December 22, 2008 the IESO filed with the Minister of Energy and Infrastructure and the Board, its December 2008 Ontario Reliability Outlook ("ORO"), entitled "The Ontario Reliability Outlook". The ORO provides an assessment of the reliability of the IESO-controlled grid over the next few years.
- Pursuant to Ontario Regulation 442/01 pertaining to the Rural or Remote Electricity Rate Protection plan, at least 60 days before the end of each calendar year, the IESO is required to provide the Board with a forecast and supporting documentation of the number of kilowatt-hours of electricity that will be withdrawn from the IESO-controlled grid during the next calendar year. The IESO is also required to provide a copy of the forecast and supporting documentation to Hydro One Networks Inc. On October 21, 2008, the IESO filed its forecast and supporting documentation with the Board and, at the same time, also served a copy on Hydro One Networks Inc.
- On October 27, 2008, the IESO filed with the Board and its proposed expenditures and revenue requirements and the fees that it proposes to charge market participants in 2009 for review and approval.
- The IESO concluded another one-year RMR Contract with OPG in relation to the Lennox generation station to replace the present agreement which expired on September 30, 2008. At the end of the proceeding the OEB issued an oral decision approving the agreement for the period October, 1st 2008 to September 30th, 2009, without conditions or modifications to agreement.

4. Section 6.2(d) requires that the IESO provide the Board with a copy of the IESO annual report as submitted to the Minister of Energy pursuant to subsection 21(1) of the *Electricity Act*.

**Status:**

- The IESO annual report for fiscal year 2007 was submitted to the Minister of Energy and Infrastructure and filed with the Board on March 28, 2008.

5. Section 6.2(e) requires that the IESO post the annual report as submitted to the Minister of Energy and Infrastructure pursuant to subsection 21(1) of the *Electricity Act* and the IESO quarterly financial statements on its public website.

**Status:**

- The IESO 2007 annual report was posted on the IESO public website on March 31, 2008.
- The un-audited Financial Statement of Operations and Accumulated Surplus for the first, second, and third quarter of 2008 are posted on the IESO public website. The full year statement will be posted on the IESO's public website before but no later than March 30, 2009.

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:**

- On December 22, 2008, the IESO filed the 2008 reliability compliance report with the Board.

Please let me know if you have any questions regarding this report. I can be reached at 905-855-6496.

Yours truly,

/s/ Biju Gopi

Biju Gopi

Senior Regulatory Analyst

Regulatory Affairs

Independent Electricity System Operator

c: Brian Hewson, Chief Compliance Officer, Ontario Energy Board