

**SENT BY ELECTRONIC MAIL AND REGULAR MAIL**

April 8, 2009

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

Dear Ms. Walli:

**Re: Independent Electricity System Operator  
Licence Compliance Report for the First Quarter of 2009**

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 first quarter of 2009 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 and, upon request by the Board, with such information produced by a panel established by the IESO, including reports produced by the Market Surveillance Panel.

**Status:**

- On January 16, 2009, the IESO filed with the Board its annual report on the amount collected from market participants with respect to the Rural or Remote Electricity Rate Protection (RRRP) charge, pursuant to sections 5(3) and 5(4) of *Ontario Regulation 383/04*.
- On March 16, 2009, the IESO filed with the Minister of Energy 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 April 2009 to September 2010.
- On February 12, 2009, the IESO provided the Board with the following proposed market rule amendments that the IESO Board of Directors approved at its meeting on February 12, 2009, as well as an impact assessment on the interests of consumers with respect to prices, reliability and quality of service.

**i. MR-00339-R00: Temporary No Load Energization of Facilities without Registered Metering Installation**

The amendment would:

- Authorize, but not require, the IESO to permit the temporary withdrawal of electricity for the energization of equipment associated with the connection point without a registered wholesale meter (RWM). The utilization of this authority is intended to be the 'exception', and this temporary withdrawal should not lessen the existing requirements of the participant having an RWM prior to energization.
- Authorize the IESO to specify conditions in a market manual under which the temporary withdrawal may occur and obligate the market participant to meet those conditions. It is expected that the IESO would impose these conditions which are specified in the applicable market manual. Due to the expected infrequent and dissimilar nature of these requests, the IESO should have the flexibility to specify the conditions it determines appropriate to the situation.

- Reduce market participant cost and delay in commissioning of equipment associated with the connection point without a registered revenue metering installation.
- Provide transparency regarding how similar situations, infrequent in nature, would be handled in future.

**ii. MR-00355-R00: Sale of Registered Facilities – Expiring Letters of Credit**

The amendment would:

- Mitigate financial risks facing IESO-administered markets from expiring letters of credit.
- Address the financial risk from the sales of registered facilities.

On February 12, 2009, the IESO filed with the Board the above-noted market rule amendments approved by the IESO Board of Directors at its February 12, 2009, meeting. On February 12, 2009, the IESO also filed a notification regarding the date the amendments are expected to come into force, and a summary of stakeholder and Technical Panel comments received during the consultation process regarding the impact of the amendments on consumers with respect to the prices, reliability and quality of electricity services.

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 2008 was submitted to the Minister of Energy and filed with the Board on March 31, 2009.

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

**Status:**

- The IESO 2008 annual report was posted on the IESO public website on March 31, 2009.
- The un-audited Financial Statement of Operations and Accumulated Surplus for the first quarter of 2009 will be posted on the IESO public website on or before April 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:**

- The IESO filed its 2008 reliability compliance report with the Board on Dec 22, 2008 and since then not undertaken any significant activities related to the development of reliability standards.

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

Yours truly,

/s/ Biju Gopi

Biju Gopi  
Senior Regulatory Analyst  
Regulatory Affairs  
Independent Electricity System Operator

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