

November 26, 2004

Harry Chandler
Director, Market Assessment & Compliance
Independent Electricity Market Operator
Station A, Box 4474
Toronto, ON
M5W 4E5

Dear Harry:

Delegation of Compliance Enforcement

Introduction

This is to confirm the understanding under which we have operated since the opening of the IMO-administered markets, May 1, 2002, regarding my delegation to you of certain powers and duties assigned to the IMO in the market rules.

Both the IMO and market participants are bound to comply with the market rules and the IMO is empowered to enforce compliance with the rules by market participants in various ways set out in the rules. These investigative powers and procedures do not apply against the IMO and the *Electricity Act, 1998* does not authorize the imposition of sanctions against the IMO for failure to comply with the rules. However, the company has voluntarily accepted that it should be treated as if it were a market participant.

In order to ensure that compliance enforcement is carried out fairly and impartially, the IMO has organized its staff so as to segregate those involved in market assessment and enforcement from other employees of the IMO. As head of the Market Assessment and Compliance Division, you report directly to me rather than one of the Vice Presidents in order to avoid a potential conflict of interest when investigating compliance matters that may involve conduct by the IMO either acting alone or with market participants. In addition to this ring fencing of enforcement matters within the company, you have been delegated to act on behalf of the IMO in the areas and in the manner specified below.

Instrument of Delegation

In your position as Director, Market Assessment and Compliance Division you are delegated the authority to act on behalf of the IMO (but subject to the overriding authority of the IMO Board to manage or supervise the management of the IMO's business and affairs) and to make all determinations and exercise all authorities accorded the IMO in the following provisions of the market rules:

- Chapter 3, Section 6.2 – “Procedures Concerning Alleged Breaches of the Market Rules”
- Chapter 3, Section 6.6 – “Non-compliance Letters and Financial Penalties”.

In discharging this responsibility we have agreed that you will exercise your judgement on when and how to keep me apprised of matters arising under these provisions. In particular we agreed that you would brief me on matters:

- of a broad, strategic importance;
- likely to establish an important precedent;
- likely to be contested by, or controversial among, market participants and stakeholders;
- requiring significant resources;
- likely to attract media or stakeholder attention;
- potentially having an impact on government policy; and
- involving conduct by, or relations with, other jurisdictions.

Harry, we agree that adherence by the market participants and the IMO to the comprehensive set of obligations contained in the market rules is essential to the successful operation of Ontario's electricity sector and the IMO-administered markets. I am confident that the arrangements that we have set in place will assure a fair and effective application of the rules to the benefit of all market participants and the public at large.

Yours truly,

*“Original signed by Dave Goulding
President & CEO
Independent Electricity System Operator”*

Dave Goulding