

April 12, 2010

Mr. Bruce Campbell
Vice President, Resource Integration
IESO
655 Bay Street, Suite 410
Toronto, ON M5G 2K4

RE: Stakeholder Advisory Committee -- Sector Priorities

Dear Mr. Campbell:

I am writing in response to the request for Sector Priorities that was solicited at the March 31, 2010 Stakeholder Advisory Committee meeting. As a member of the Association of Power Producers of Ontario (APPrO) Bruce Power regularly conducts conference calls with the generation community to solicit their inputs prior to the SAC meetings. As such, the following priorities have been developed in consultation with the members of APPrO. The first two priorities listed below are near-term issues that require immediate attention as they have a significant impact on the operation of the market and to which a solution should be pursued expeditiously. The third priority relates to longer term concerns the generation community has with impending changes to supply mix in Ontario and the potential impacts these changes may have on the market. Finally, the fourth priority addresses the generation communities concerns with the way in which recent changes have been implemented in the IESO administered markets.

1. A priority for the energy agencies of Ontario is addressing intertie issues promptly; recognizing the profound impact these resources have on the balancing of supply and demand in Ontario. The experience of Spring 2009, when the New York tie-lines were out of service for an extended period of time, clearly illustrates the importance of these resources for the efficient use of Ontario's resources and the balancing of supply and demand in the Province.

Further, in the context of the impending supply mix, Ontario will increasingly rely upon the interties, and specifically the export market, to balance generation and consumption. This calls for a much greater focus from the industry as a whole to address intertie issues promptly.



2. Related to the first priority is the need to improve the transparency of transmission issues (PAR and BP76) and more generally increasing the transparency of planning and operation of the broader Ontario electricity system as a whole. Transparency is necessary for the industry to effectively plan the operation of their businesses for the long-term. There is no clear forum or method for participants to influence or advance these broader issues.

For example, the BP76 line has been out of service for a significant period of time, with no expected return date. This is the result of a regulatory disagreement between Hydro One and National Grid with little information disclosure to market participants. This is similar to the regulatory dispute between Hydro One and ITC concerning the Michigan phase shifters.

Both of these situations highlight the need for greater transparency of transmission issues and the need for a forum where market participants that are adversely affected by these developments can assist in the resolution of these issues.

3. A longer term issue that needs to be a priority for the broader electricity sector is addressing the impending market issues resulting from Ontario's changing supply mix. The changing supply mix will have as yet unknown repercussions on the operation of the market. It is easy to envision a time when the off-peak price for electricity is \$0 or less a substantial portion of the time.

Addressing these market issues isn't a call for continued market evolution similar to what Ontario has been pursuing for some time, in the sense of moving towards a New York style market. Rather, addressing the impending market issues is an evolution that considers the existing system, impending supply mix changes and respects the contract structures in place to arrive at a system that operates effectively.

The generation community is eager to continue to work with the IESO to address these longer-term concerns. Large generator members of APPrO have been meeting regularly to develop a list of potential market issues and look forward to the opportunity to work with the IESO to develop a plan to address these issues.

4. Another issue for the electricity sector is the pace and method of deployment of changes to IESO market rules. There have been a number of significant changes to the market rules impacting the dispatch of Ontario-based generators including the interim changes to the real time and day-ahead generator cost guarantee programs. These IESO market rule changes can have a significant impact on the OPA and OPA contracted generators who are required to invest significant time and effort to make the



amendments to the contracts to accommodate the rule changes. The situation is further complicated when rules are developed quickly and the impacts are not fully understood by either the IESO, generators or the OPA. The generator community strongly encourages the IESO to slow the pace of market rule changes and focus on ensuring proper testing and due diligence on programs such as EDAC before rules are drafted and approved.

As a generator representative on the Stakeholder Advisory Committee Bruce Power is actively engaged with APPrO and the IESO. Bruce Power appreciates the opportunity to provide the sector's priorities to the Stakeholder Advisory Committee and looks forward to addressing these issues in a timely manner with the Committee, the IESO and the generation community.

Please don't hesitate to contact me if you would like to discuss any of these items further.

Sincerely,

Richard Horrobin
Vice President, Power Marketing