



Power to Ontario.
On Demand.

**Independent Electricity
System Operator**
655 Bay Street
Suite 410, PO Box 1
Toronto, Ontario M5G 2K4
t 416 506 2800
www.ieso.ca

September 30, 2005

Mr. Adam S. White
President
Association of Major Power Consumers in Ontario
162 Cumberland Street, Suite 305
Toronto, Ontario M5R 3N5

Dear Mr. White,

Thank you for your letter of September 16, 2005, commenting on my recent memo to the IESO Board of Directors regarding our stakeholder consultation on the IESO's 2006-2008 Business Plan. Dave Goulding discussed the matters raised in that letter with our Board of Directors during their review of the Business Plan on September 23, 2005.

Your letter sets out AMPCO's perspective on the roles and responsibilities of the IESO going forward under Bill 100 in respect of forecasting, market oversight and market rule amendments. Taking into consideration the full range of IESO responsibilities (directing power system operations; administration of the IESO-administered markets; reliability; settlements; etc.), we continue to believe that the statement you referred to in our Board memo is a fair one – that the role of the IESO is largely unchanged. We do acknowledge that some adjustments to our roles and responsibilities have indeed been made in the specific areas to which you have referred, and I'd like to address each of these in turn.

As to forecasting and planning, the IESO's focus will be on the operational time frame, our responsibilities to provide reliability authorities with adequacy assessments, and ongoing co-ordination with the OPA. With respect to the OPA, it is important to recognize that there is no bright line in the continuum of integrated system planning, a new role in the electricity sector, with a longer-term focus, and operational planning, which focuses on the nearer-term.

We would be negligent if we did not work closely with the OPA to ensure that operational considerations are taken into account in the integrated system plan: and I can assure you that both organizations are dedicated to achieving efficient co-ordination of our respective roles and responsibilities so as to avoid unnecessary duplication or

Gary Sherkey
Vice President – Corporate Services
Chief Financial Officer & Treasurer
gary.sherkey@ieso.ca
d 416 506 2850
f 416 506 2843

overlap. A good example of this is the production of the ten-year forecast. While the forecasting for our own purposes will focus on the nearer-term, as contemplated in the statute, it may be more efficient overall for the OPA to draw on our experience and expertise in the production of their longer-term forecast – and we are working with the OPA to capture just these sorts of efficiencies. We are confident that this is an approach which all market participants, including AMPCO members, would support.

Your second item, the authority for market oversight, is being approached in much the same way as described above. To start, it is important to recognize that the compliance function remains with the IESO; while Bill 100 has, as you note, moved responsibility for the Market Surveillance Panel (MSP) to the OEB. Again, recognizing the efficiencies to be gained, arrangements have been worked out with the OEB whereby the expertise at the IESO is leveraged by the OEB to support the MSP's work. The result is lower overall costs through increased efficiencies and co-ordination. The specific arrangements with the OEB are set out in the Protocol Relating To The Market Surveillance Panel, dated April 25, 2005 which is posted on both the IESO and OEB websites. (http://www.oeb.gov.on.ca/documents/msp_protocol_250405.pdf)

Again, we believe this initiative has responded directly and positively to the expectations of our stakeholder communities.

On the matter of market rule amendments, the respective roles set out in Bill 100 for the IESO and OEB have not reduced our obligations, but have added to those of the OEB. The authority to make market rules remains with the IESO Board of Directors. The principal role of the OEB is review and regulatory approval – that regulatory approval does not relieve our Board of Directors of its responsibilities, or obviate the need for the processes at the IESO to support those responsibilities. In effect, the legislation could be viewed as having evolved the market to a more standard regulatory framework whereby the IESO's responsibilities are subject to regulatory oversight responsibilities at the OEB. But those responsibilities are quite different – the IESO's mandate has not been subsumed at the OEB. And again, the OEB and IESO have taken steps to ensure the overall process is as efficient as possible. For instance, an OEB representative sits in on Technical Panel discussions, and is therefore familiar with any issues as rules move through the IESO Board for approval and then on to the OEB. This mechanism, combined with our stakeholder engagement processes along the way, should provide an efficient process at the IESO, and an efficient review and decision-making process at the OEB. Accordingly, the legislative changes have not reduced the IESO's work load and responsibilities in the market rules area, and with the added OEB review provisions, our requirements have, arguably, increased. We are hopeful that our new stakeholder engagement processes will achieve substantive improvements over the whole market development and market rules process.

I trust you will excuse the length of my reply, but I thought it important to set out clearly our perspective on the matters raised in your letter, particularly as they have been raised previously by AMPCO in various venues. I appreciate the dialogue, and we also look forward to working constructively with you, your Board and individual AMPCO members as we move forward together.

Yours very truly,

A handwritten signature in black ink that reads "Gary Sherkey". The signature is written in a cursive, flowing style.

Gary Sherkey
Vice President - Corporate Services
Chief Financial Officer & Treasurer

GS/jm

cc: IESO Board of Directors