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July 27, 2009

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

Dear Ms. Walli:

**Re: Independent Electricity System Operator
Licence Compliance Report for the Second 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 second 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:

The IESO was non-compliant with this requirement but is now compliant.

Rebate to market participants by the IESO was delayed while the IESO awaited guidance regarding the conclusion of OPG’s Market Power Mitigation Agreement (MPMA). The matter has since being resolved and the IESO is now fully compliant.

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 May 25, 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 June 2009 to November 2010.
 - On June 17, 2009, the IESO provided the Board with the following proposed market rule amendment that the IESO Board of Directors would be considering and potentially approving at its meeting on June 18, 2009, as well as an impact assessment on the interests of consumers with respect to prices, reliability and quality of service.
 - i. **MR-00357-R00: Minor Amendment Omnibus 2009**
 - This amendment proposes a number of minor amendments to the market rules. These amendments either correct errors in section numbering and cross-references or are of a non-material procedural nature.
 - The amendments relate to a number of different areas of the market rules, and have been submitted as single "omnibus" amendment as an efficient means of considering all the identified changes.
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 is posted on the IESO public website. The results for the second quarter of 2009 will be posted on the IESO public website on or before August 31, 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 December 22, 2008 and since then not undertaken any significant activities related to the development of reliability standards. The 2009 reliability compliance report will be filed with the Board before December 31, 2009.

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