

SENT BY ELECTRONIC AND REGULAR MAIL

January 11, 2010

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 Fourth 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 fourth 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 filing fulfills this report.

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 November 17, 2009, the IESO filed with 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 December 2009 to May 2011.
 - On December 21, 2009, the IESO filed with the Minister of Energy and Infrastructure and the Board, its December 2009 Ontario Reliability Outlook (“ORO”), entitled “The Ontario Reliability Outlook”. The ORO provides an assessment of the reliability of the IESO-controlled grid over the next few years.
 - Pursuant to Ontario Regulation 442/01 pertaining to the Rural or Remote Electricity Rate Protection plan, at least 60 days before the end of each calendar year, the IESO is required to provide the Board with a forecast and supporting documentation of the number of kilowatt-hours of electricity that will be withdrawn from the IESO-controlled grid during the next calendar year. The IESO is also required to provide a copy of the forecast and supporting documentation to Hydro One Networks Inc. On October 21, 2009, the IESO filed its forecast and supporting documentation with the Board and, at the same time, also served a copy on Hydro One Networks Inc.
 - On November 3, 2009, the IESO filed with the Board its proposed expenditures and revenue requirements and the fees that it proposes to charge market participants in 2010 for review and approval
 - On November 12, 2009, the IESO provided the Board with the following proposed market rule amendment that the IESO Board of Directors approved at its meeting on November 12 2009, as well as an impact assessment on the interests of consumers with respect to prices, reliability and quality of service.
 - 1) **MR-00360-R00: CMSC resulting from IESO Action and Binding Net Interchange Scheduling Limit (NISL)**
 - This amendment proposes to modify the market rules in section 3.5 of Chapter 9 so exporters would not be charged or paid Congestion Management Settlement Credits (CMSC).resulting from IESO action and a binding NISL under certain conditions. This amendment to the market rules will facilitate the recovery of CMSC under certain conditions without it being invoiced and then having to be reversed. .
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 Infrastructure 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 statements of operations and accumulated surplus for the first two quarters of 2009 are posted on the IESO public website. The full year statement will be posted on the IESO's public website before but no later than March 30, 2010.
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:

- On December 23, 2009, the IESO filed the 2009 reliability compliance report with the Board.

Please let me know if you have any questions regarding this report. I may be reached at 905-403-6906.

Regards,

/s/ Maia Chase

Maia Chase
Senior Analyst
Government & Regulatory Affairs
Independent Electricity System Operator

c: Peter Fraser, Sr. Manager, Infrastructure and Renewables