



Power to Ontario.  
On Demand.

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September 30, 2008

The Honourable George Smitherman  
Minister of Energy and Infrastructure  
900 Bay Street  
4th Floor, Hearst Block  
Toronto, ON M7A 2E1

Dear Minister Smitherman:

Re: IESO 2009-2011 Business Plan

The IESO is pleased to provide you with our Business Plan for the 2009-2011 planning period. Under the *Electricity Act, 1998*, the IESO is required to submit its Business Plan to you for approval prior to making application to the Ontario Energy Board for approval of next year's proposed expenditures, fees and revenue requirements.

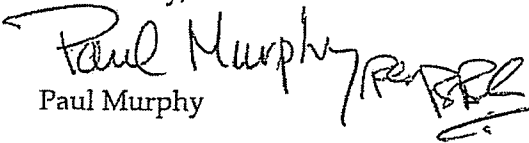
The IESO continues to play a critical role in managing the largest electricity infrastructure upgrade in Ontario's history. New generation is being built, conservation, demand response and renewable energy programs are producing results and progress is being made toward building and upgrading transmission facilities. Support for these initiatives will be a major focus of our activities over the business planning period.

In the midst of these developments, we will also maintain reliable operation of Ontario's power system and the capable administration of the wholesale electricity market.

At the same time, we are committed to managing and controlling our own costs and targeting efficiencies across the business. Our approach balances IESO deliverables against customer costs. In 2009 we anticipate slightly higher program costs, with total costs rising by only \$0.6 million compared to our projected costs for 2008. Our 2009 IESO usage fee calculates to 0.822 \$/MWh, slightly higher than the 0.799\$/MWh for 2008. This is a result of a lower demand forecast that reflects anticipated conservation efforts and current economic conditions. Expressed in terms of consumer charges, our fee remains under one tenth of one cent per kilowatt-hour.

I would be pleased to answer any questions you might have.

Yours truly,

  
Paul Murphy

Encl.

c: Saad Rafi, Deputy Minister

Paul Murphy  
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Minister of Energy  
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Ontario

OCT 22 2008

Mr. Paul Murphy  
President & CEO  
Independent Electricity System Operator (IESO)  
655 Bay Street, Suite 410  
P.O. Box 1  
Toronto, Ontario M5G 2K4

Dear Mr. Murphy:

Thank you for forwarding a copy of the Independent Electricity System Operator's (IESO) proposed 2009-11 Business Plan.

I have reviewed the business plan and am satisfied with your focus and alignment of capital expenditures to support your core business of providing reliable, competitively-priced and sustainable electricity service to Ontario consumers. I was also pleased to see your costs remaining relatively flat, at \$130 million, over last year but urge you to continue to pursue ongoing opportunities to reduce operating overhead.

My priorities for the electricity sector are very clear and I will look to the IESO to play a key role in advancing these over the coming years. This will include actions to streamline your assessment processes to expedite new renewable energy supply.

As you are aware, I have directed the Ontario Power Authority (OPA) to amend the Integrated Power Service Plan (IPSP) to accelerate its renewable and conservation goals. I ask the IESO to support the OPA as it looks for opportunities to do so. More information will be available as these amendments are developed and finalized.

I note that you will be applying to the Ontario Energy Board separately with respect to the costs you have incurred on the smart metering initiative. In advance of that filing, I would like to receive a detailed implementation plan, and schedule for the integration of the local distribution companies, to enable a broader transition to time-of-use pricing for electricity consumers.

.../cont'd

In relation to time-of-use pricing, I believe the "smart grid" has enormous potential to further enhance consumer engagement and awareness of consumption. I look forward to receiving the report and recommendations of the Smart Grid Forum not only on this front but also on how it can be used to encourage distributed energy opportunities at the local level. We will be having further discussions with you on this in the coming months.

This letter constitutes my approval to proceed to the Ontario Energy Board with your fees and revenue requirement related to the IESO's 2009-11 Business Plan.

Sincerely,

A handwritten signature in black ink that reads "George Smitherman". The signature is written in a cursive style with a large, stylized "G" and "S".

George Smitherman  
Deputy Premier and Minister