

September 14, 2005

BY COURIER

Mr. John Zych
Board Secretary
Ontario Energy Board
2300 Yonge Street,
Toronto, ON M4P1E4

Dear Mr. Zych,

Board Review of IESO's Stakeholding Process- EB-2004-0477

OPG appreciates the opportunity to provide comments to the Ontario Energy Board (OEB) in the matter of the IESO's Proposed Stakeholding Process as per your letter to interveners dated September 6, 2005.

OPG actively participated in the IESO's internal process in this matter. We consider that the process advocated by the IESO has considerable merit and the potential to improve upon the IESO's previous approach. As noted by the IESO, this revised process, and in particular the establishment of a Stakeholder Advisory Committee (SAC) is intended to address governance changes arising from Bill 100, including the fact that there are no longer stakeholders on the IESO Board of Directors (IESO Board).

In this regard, there are two aspects of the IESO proposal that OPG would like to address. The first relates to the mechanisms by which the SAC will deal with the IESO Board including the range of issues that will be on their agenda. The second relates to the composition of the SAC.

With respect to the first issue, the IESO acknowledged as one of their principles that the stakeholders should have "direct and unfiltered" input to the IESO Board. As one method of achieving this, the proposal for this Stakeholder Committee included the provision that the Committee would be co-chaired by a member of the IESO Board and a stakeholder representative. OPG acknowledged its concurrence with this proposal in its comments to the IESO and additionally recommended that the full IESO Board be encouraged to attend meetings of the SAC. In the materials from the IESO, attached to the IESO Board's letter, there is no mention of any direct interaction between the IESO Board and the Stakeholders, a factor that OPG believes could significantly reduce the SAC's effectiveness.

In a closely related matter, we believe that the IESO's submitted process is incomplete in one very important respect. Since the establishment of the IESO, even while Stakeholders were directly represented on the Board of Directors, there have been a number of stakeholder processes operating. These have included a Technical Panel,

populated primarily by stakeholders, to vet market rule amendments and other items, as well as numerous committees and working groups, chaired by IESO staff but involving stakeholders in dealing with specific market issues. None of the documentation produced by the IESO with regard to this new stakeholding process has attempted to establish what, if any linkages are to exist between these stakeholder-populated groups and the newly created SAC. In OPG's opinion, all of these processes are inextricably linked. Most of the work of these groups ultimately results in input to the IESO Board or the IESO Executive and the SAC needs to have the opportunity to comment on these submissions.

The second issue is the inclusion of IESO staff as a member of the SAC. While the proposal is clear that this position is non-voting, the primary objective of the SAC, from OPG's perspective, is to be able to provide direct, unfiltered input to the IESO Board and Senior Executive. The presence of IESO staff as a member of the Committee, gives the appearance at least, of attempting to influence the Committee's deliberations, rather than seeking to receive its advice.

In its next steps, the IESO Board indicated that it intended to adopt a draft Terms of Reference and Meeting Protocol at its next meeting. In our opinion, the OEB should provide direction to the IESO Board in this regard, to insure that the SAC is in a position to establish its own agenda and priorities, and that it should have a sufficiently broad mandate that it is aware of all market developments and is able to provide comments to the IESO Board on any matter that it considers relevant. It should not be restricted, as the IESO Board has indicated to providing "policy level advice and recommendations".

We also respectfully suggest the OEB encourage the IESO Board members to actively involve themselves in the IESO's stakeholding activities by participating in the deliberations of the SAC and/or by inviting the Chair or other members of the SAC to make a monthly presentation to the IESO Board, for the purpose of receiving the best possible advice from stakeholders. OPG is concerned that absent such initiatives, more of the IESO's proposals will become contentious issues in front of the OEB, an outcome that is not in the best interests of developing the market.

If you require any additional information or clarification on the above, please feel free to call me at 416-592-7883.

Yours truly,

Barry Green
Director, Markets and Research