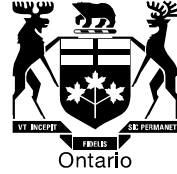


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By E-Mail and Web Posting

June 10, 2005

Re: Followup to the Natural Gas Forum – Natural Gas Electricity Interface Review (EB-2005-0306)

The purpose of this letter is to notify all participants in the Natural Gas Forum (NGF) of the Ontario Energy Board's process for reviewing the issues identified in the Natural Gas Forum report associated with gas-fired generation.

The NGF report issued by the Board on March 30, 2005 stated that ensuring the adequacy of Ontario's natural gas infrastructure to meet the demands of growth in natural gas demand driven by new gas-fired generators is an "important and immediate priority". This priority was reinforced by the government's announcement of six projects for 2225 MW of new gas-fired generation. Most of this generation aims to be available by late 2007 or early 2008.

In the NGF Report, the Board committed to a Review of issues respecting the gas electricity interface:

- identification of gas storage and transportation network expansion needs to accommodate additional gas-fired generators;
- allocation of costs of any additional infrastructure investments;
- rate design for storage and transportation services for gas-fired generators; and
- co-ordination mechanisms between gas and electricity system operations.

The first three of these points relate to the development of new infrastructure and services to meet the needs of new generators. The infrastructure issues all focus on the key questions: (i) what are the service and infrastructure needs of gas fired generation; (ii) what new assets and services are required to meet the need; and (iii) how will they be paid for.

In order to address these issues in a timely fashion, the Board has decided that the Natural Gas Electricity Interface Review will undertake research to provide background information and context on a number of matters. The research will help Board staff to:

- develop a set of scenarios out to the year 2012 that cover a range of requirements for natural gas power generation and the impact on peak demand for natural gas;
- assess the availability of existing assets and services in Ontario to meet these requirements and identify any additional needs in gas infrastructure and services;
- identify options to provide additional infrastructure and services; and

- identify issues associated with different options for recovering the costs of additional infrastructure and services.

The Board intends to engage consultants shortly to assist Board staff in the Review. In the first phase of the Review, Board staff and consultants will be expected to organize meetings with electricity and gas industry experts on the development of scenarios, the implications for infrastructure needs, and what new services might be required if any. Once these needs are better defined, a second phase of the review will examine the issue of cost recovery associated with the additional infrastructure and services. This second phase will necessarily involve a broader set of stakeholders, including consumer representatives. Funding will be available to facilitate the participation of some consumer representatives in this phase.

Following the completion of the second phase, Board staff will prepare a report to the Board. The NGF Report noted that the Review may be followed by Board proceedings so that the Board may issue any necessary orders on the basis of an evidentiary record. The key deliverable from the Review is therefore the report which sets out the scenarios, needs and options discussed above, identifies the key decisions that the Board should make, and proposes an issues list for a formal proceeding should the Board decide that such a proceeding is needed. The final report of the Review is expected to be completed and published by end of September.

With regard to the issues identified in the Natural Gas Forum report relating to the coordination mechanisms between gas and electricity system operations, it is the Board's understanding that Union Gas, Enbridge Gas Distribution, TransCanada PipeLines, and the Independent Electricity System Operator have recognized a need to work together closely to identify and resolve the market coordination issues. Their aim is to come up with an industry solution that would address better communication and coordination of electricity and gas operations. Board staff will be monitoring and facilitating progress on these matters.

Implementing the Natural Gas Forum report is important in meeting Ontario's future energy needs. The Board looks forward to working with all our stakeholders on this challenging initiative.

Updated information on this initiative will be posted at the OEB website (www.oeb.gov.on.ca) as it becomes available. For questions relating to this initiative please contact Peter Fraser (416-440-7616) Peter.Fraser@oeb.gov.on.ca or Laurie Klein (416-440-7661) Laurie.Klein@oeb.gov.on.ca.

Yours truly,

Original signed by

John Zych
Board Secretary