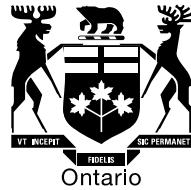




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October 11, 2005

Re: Development of the Standard Offer Program

Board File Number EB-2005-0463

This letter is to announce the approach to be taken by the Ontario Energy Board (“Board”) and the Ontario Power Authority (“OPA”) in developing the standard offer program for small, clean or renewable, embedded generators and to invite interested parties to give notice of their decision to be involved in this initiative.

Standard Offer Program

On August 19, 2005, the Minister of Energy sent a letter to the Board and the OPA requesting that the two agencies cooperate in developing the terms and conditions for a standard offer program for small generators embedded in the distribution system that use clean or renewable resources. The two agencies are to provide a joint report to the Minister by the end of 2005.

The Minister’s request acknowledges widespread stakeholder concerns that existing procurement processes for renewable energy sources present barriers that smaller generation proponents have been unable to overcome, such as:

- financial security requirements;
- complexity of the contracting process;
- the proportionately high cost of proposal development relative to larger project proponents;
- and the overall administrative burden of the competitive RFP process.

At the request of the Ministry of Energy, the Ontario Sustainable Energy Association prepared a report investigating ways to overcome the barriers to small renewable generators participating in Ontario’s electricity supply sector. The Minister’s letter asks the two agencies to consider this report in developing the program.

The Board and the OPA will work together to develop the standard offer program. The OPA, in accordance with its authority to procure electricity supply and capacity, will investigate the appropriate price and eligibility requirements for standard offer program projects. The OEB, in accordance with its authority over connection policies and delivery obligations of distributors, will focus on the necessary changes to codes and connection requirements, and on ensuring non-discriminatory access to the electricity system.

Approach

Ontario Power Authority

The OPA will be seeking stakeholder input on issues germane to standard offer pricing and eligibility requirements. Stakeholder input sessions will be scheduled for the first half of November. Prior to those sessions, a consultation paper will be circulated that outlines the issues and potential approaches on which input will be sought. A more definitive schedule for the OPA stakeholder sessions will be announced in the first half of October.

Ontario Energy Board

In December 2003, the Board approved amendments to the Distribution System Code to allow for standardization, consistency and clarity with regards to procedures and requirements for facilitating connection of new generation facilities to local distribution systems. The amendments:

- defined four generation categories by size;
- prescribed connection processes and the related time frames for connection to distribution systems for each size category;
- standardized technical requirements, including system operations, reliability, power quality and measurement issues as well as introducing broader standardization of similar technical requirements involving federal and other Ontario standards; and
- included a contract template for micro-embedded load displacement generation.

Much of the Board's work on the standard offer program will build on this foundation.

Board staff are preparing and will issue for public comment a consultation paper on code development and amendments to aid connection of distributed generation. The Board will then propose code amendments for comment in the first quarter of 2006.

Timeline

The Board and the OPA have developed the following target timeline that will enable them to report back to the Minister by the end of the year. The release of consultation papers has deliberately been staggered to help stakeholders better manage their involvement.

| Activity | Board Target date | OPA Target date |
|---|-----------------------------|------------------------|
| Minister's letter | | August 19, 2005 |
| Consultation paper on respective areas of responsibility released | November 9, 2005 | October 31, 2005 |
| Comments due | November 30, 2005 | November 25, 2005 |
| Report to the Minister | By December 30, 2005 | |
| Proposed code amendments | January to March, 2006 | |

Expressions of Interest

If you are interested in being involved in the OPA's stakeholder sessions or the OEB's consultations, or being informed of the progress of this initiative generally, mail or fax your name, title, organization, address, e-mail address and phone and fax numbers to the Secretary of the Ontario Energy Board at the address above or by e-mail to **BoardSec@oeb.gov.on.ca by 4:30 p.m. on October 14, 2005**. You must quote Board file number EB-2005-0463. All responses will be shared with the OPA.

Future communications will be e-mailed to stakeholders that have responded to this call for expressions of interest. Failure to express interest will not prevent you from making comments at a later stage, but you will not automatically receive direct notification of future developments.

Please direct any questions relating to this process to the individuals listed below.

Ontario Energy Board

Laurie Reid (416 440-7623, StandardOffer@oeb.gov.on.ca) or
call toll free 1-888-632-6273.

Ontario Power Authority

Barbara Ellard (416 969-6395)

Project Updates

Persons or groups that have expressed an interest in this initiative will be kept informed of each stage of the project. Progress on the project can also be tracked on the Board's website at

http://www.oeb.gov.on.ca/html/en/industryrelations/ongoingprojects_standardofferprogram.htm

Yours truly,

Original Signed By:

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Ontario Energy Board

Original Signed By:

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Vice President, Retail Services
Ontario Power Authority