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Compliance Office

February 24, 2006

Compliance Bulletin 200601

To: All Licensed Electricity Distributors

Re: Affiliate Relationships Code for Electricity Distributors and Transmitters – Requirement for Independent Directors

This Bulletin is intended to provide guidance to licensed electricity distributors in relation to compliance with the requirement for independent directors under section 2.1.3 of the Affiliate Relationships Code for Electricity Distributors and Transmitters. (the “ARC”)

Under section 2.1.3 of the ARC, a licensed electricity distributor must ensure that at least one-third of its Board of Directors is independent from any affiliate. For distributors that are “municipal utilities” as defined in the ARC, this requirement comes into effect on July 1, 2006.

The Compliance Office has received a number of inquiries regarding this requirement and, more specifically, around the meaning of the word “independent”.

In my view the following persons would not be considered independent within the meaning of section 2.1.3 of the ARC:

- a shareholder, director, officer or employee of an affiliate;
- where the affiliate is a municipality, the mayor, a member of the municipal council, a member of a “local board” as defined in the *Municipal Act, 2001* or an employee of the municipality; and

- an employee of the distributor.

Please direct any questions you may have on this matter to the Market Participant hotline at 416-440-7604 or by e-mail at market.operations@oeb.gov.on.ca.



Brian Hewson
Chief Compliance Officer
Compliance Office

No statutory power of decision has been delegated to the Chief Compliance Officer, and the views expressed in this Compliance Bulletin are not binding on the Board. The Chief Compliance Officer may seek enforcement action by the Board under Part VII.1 of the *Ontario Energy Board Act, 1998*, in relation to non-compliance.