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February 21, 2013

Ms. Rosemarie T. Leclair
Chair & CEO
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Leclair:

Re: Market Surveillance Panel Monitoring Report

Further to my letter of February 12, 2013, at its recent meeting, the IESO Board of Directors discussed recommendation 3-3 (A) of the Market Surveillance Panel (MSP) *Monitoring Report on the IESO-Administered Electricity Markets* for the period from November 2011 – April 2012, which recommended that:

“The IESO Board of Directors should authorize the disbursement of the portion of the Transmission Rights Clearing Account balance that currently exceeds the Reserve Threshold to reduce the transmission charges payable by loads.”

The IESO Board of Directors has exercised its discretion under the market rules¹ and authorized the disbursement to transmission customers of \$42M from the Transmission Rights Clearing Account (TRCA).

The TRCA balance was approximately \$72M as of December 31, 2012, which represents a surplus of \$52M over the IESO Board approved threshold of \$20M. With this disbursement the TRCA remaining balance would be approximately \$30M. This additional margin will avoid the potential for disruption of the stabilization program and provide flexibility when considering potential changes stemming from the comprehensive review of the transmission rights market.

The disbursement will be at a rate of \$3.5M per month over 12 months. This monthly disbursement will help to ensure an equitable distribution, as transmission customers' consumption varies from month to month and a single monthly pay-out of \$42M might advantage some customers over others.

¹ The relevant market rule giving authority to the Board is Market Rule Chapter 8, Section 4.18.2, which reads as follows:

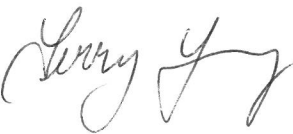
4.18.2 Subject to section 4.18.3, the *IESO Board* may, at such times as it determines appropriate, authorize the debit of funds from the *TR clearing account* for the purpose of using those funds to offset the *transmission services charges* referred to in section 3.6.3 of Chapter 9.

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At the same meeting the IESO Board endorsed a two-stage review of the TR market. The first stage will address the stabilization design as per recommendation 3-2 of the MSP report, and will get underway immediately. The findings of this review and any resultant changes to the stabilization design will go through our normal stakeholder process with the intent to return to the IESO Board of Directors with a recommendation by this summer. Meanwhile the second stage will get underway, being the more comprehensive review of the design of the TR market to consider whether it is providing the intended benefits and potential improvements. The second stage will take longer – its timing will depend in part on the overall demand on stakeholder time for this and other market-related consultations now underway.

Please do not hesitate to contact me should you have any additional questions on this matter.

Yours truly,


for Paul Murphy
President and CEO

c: Bill Rupert, Acting Chair, Market Surveillance Panel