March 4, 2011

Mr. Paul Murphy
President and Chief Executive Officer
Independent Electricity System Operator
655 Bay Street, Suite 410
Toronto, ON M5G 2K4

Dear Mr. Murphy:

RE: Market Surveillance Panel Monitoring Report


The MSP Report addresses two issues that are of particular concern to me.

First, the MSP Report notes the significant congestion management settlement credit (CMSC) payments that have been made to generators and intertie traders in the Northwest region, and that Ontario loads receive little or no benefit from these payments that they fund through uplift charges.

Second, the MSP Report concludes that the IESO’s generation cost guarantee (GCG) program has contributed to efficiency losses in the Ontario market and has created higher costs for Ontario loads. The MSP also found that approximately 98% of this efficiency loss was associated with two market participants.

The MSP Report sets out recommendations regarding how these two matters should be addressed by the IESO. Please see, in particular, Recommendations 3-3 and 3-4.

I would appreciate if you could advise me in writing within 30 days of: a) the steps that the IESO plans to take in response to the recommendations made in the MSP Report, and b) whether, in the view of the IESO, any actions or market rule amendments, in addition to those set out in the MSP’s recommendations, should be taken or initiated.
Please do not hesitate to contact me should you have any questions or wish to discuss the above.

Yours truly,

Cynthia Chaplin
Chair

cc Neil Campbell