

July 10, 2006

Mr. Bruce Boland
Chair, Stakeholder Advisory Committee
c/o Ontario Power Generation
700 University Ave. H19-A19
Toronto, ON M5G 1X6

Mr. Mike Humphries
Vice Chair, Stakeholder Advisory Committee
c/o Zochem, Division of Hudson's Bay Mining and Smelting
1 Tilbury, PO Box 1120, Stn Main
Brampton, ON L6V 2L8

Dear Mr. Boland and Mr. Humphries,

Request to Establish a Task Group on IESO Performance Measures

During the 2006 IESO Rate Hearing, a number of intervenors expressed a desire to modify the day ahead and the day-at-hand demand forecast performance metrics and further requested that the processes and tools be reviewed to seek improvement in the accuracy of these forecasts.

The following agreement was reached during the settlement conference of the IESO 2006 fees hearing and accepted by the OEB.

- The IESO will publish on its public website on a monthly basis (1) the bias calculations for on peak and off peak hours for both day-ahead and one and three hour out day-at-hand measures, and to be shown separately for on and off peak periods, and (2) the number of days in which the absolute value of error in any hour exceeds 3%, for both day-ahead and one and three hour out day-at-hand measures, including the maximum absolute error in which any hour exceeds the 3% value.
- In an effort to improve the accuracy of the demand forecast, some intervenors will recommend to the SAC that a task force (1) be established to examine ways to narrow the range of forecasting deviations, (for day-ahead as well as day-at-hand) and (2) commence its work and report back to the SAC with its recommendations as soon as possible. The IESO will not oppose a recommendation to establish a task force, however, should the IESO believe that there is another more appropriate means to address this issue, the IESO reserves the right to



make such recommendation to the SAC and will work constructively under the approach adopted.

This is to formally request that the SAC recommend to the IESO Board and Management that they establish a task force to examine ways to narrow the range of demand forecasting deviations. It is recommended that the task force complete, at a minimum, the following:

- A review of the current methodology used to prepare the Ontario primary demand and market demand forecasts.
- Determine if the forecasting process is the same for the day ahead hourly forecast, the day at hand hourly forecast - 3 hours out, and the day at hand hourly forecast - 1 hour out.
- Examine ways to narrow the range of forecasting deviations, (for day-ahead as well as day-at-hand) including the appropriateness of using an average on-peak bias range and absolute error on a winter and summer season basis rather than on an annual basis as the appropriate performance metric.
- Develop an action plan to improve the IESO performance relating to demand forecasting in all time frames for implementation beginning in 2007.

If you have any questions or require additional information, please feel free to call me.

Yours truly,



Andrew Barrett
Vice President
Regulatory Affairs & Corporate Strategy