



Power to Ontario.
On Demand.

8 May 2006

Howard I. Wetston, Q.C.
Chair
Ontario Energy Board
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Independent Electricity
System Operator
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Dear Howard:

Re: NERC Application for Recognition as the Electricity Reliability Organization

I am writing to affirm the support of the Independent Electricity System Operator ("IESO") for the North American Reliability Council ("NERC Council") and its affiliate the North American Reliability Corporation ("NERC Corporation") (together "NERC") as the Electricity Reliability Organization ("ERO") for North America. Furthermore, the IESO wishes to extend its backing of NERC's proposed reliability standards. As you are aware, under the authority of the Electricity Act, 1998 and the Ontario Market Rules, the IESO enforces in Ontario all of the NERC standards currently in effect. This letter is in response to an informal request by NERC to all of their stakeholders to demonstrate support for NERC as the ERO.

Bylaws and Rules of Procedure

NERC has developed a comprehensive set of new corporate Bylaws and Rules of Procedure. NERC has solicited industry and stakeholder input in developing these documents. The IESO has been involved in providing comments through our individual or joint submissions with the Canadian Electricity Association, NPCC, and the ISO/RTO Council.

The proposed Bylaws have been developed with an international focus to ensure proportional representation based on the Bilateral Group's principles of Net-Energy-for-Load ("NEL"). The NEL methodology is also used in the proposed funding approach for costs that are not directly assignable to a specific area or region. In consideration of these significant matters, together with the definitions of member rights and NERC's Board of Trustee authority, the IESO is satisfied with the final version of the Bylaws.

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Specifically dealing with the Rules of Procedure ("Rules"), NERC has accepted input from the IESO and other Canadian stakeholders by providing the required degree of flexibility to permit adoption of the Rules by the applicable governmental authorities. In our opinion, however, while the content of the Rules effectively address the requirements of the applicable governmental authorities and NERC, the Rules do not provide adequate stakeholdering processes for NERC's work plans, associated expenditures and annual Business Plans and Budgets. To that end, the IESO will continue to pursue efforts with NERC to develop a strong stakeholder process to build confidence in and support for key decisions affecting the users, owners and operators of the integrated power system.

Reliability Standards

NERC has 102 reliability standards that are currently or shortly will be in effect. The development of these standards has taken place in an open and inclusive process with opportunity for industry input at every stage.

The IESO has been and will continue to be keenly involved with standards development at NERC consistent with our objectives under the Electricity Act, 1998 which requires the IESO "to participate in the development by any standards authority of standards and criteria relating to the reliability of transmission systems;" as well as "to work with the responsible authorities outside Ontario to co-ordinate the IESO's activities with their activities." To that end, the IESO has participated in the balloting, commenting, drafting, and defining the standards development processes. We support the practice implemented by NERC in developing these standards and we continue to encourage other Ontario entities to become involved in the development of NERC and regional standards.

The IESO and its predecessors have a long history of involvement in NERC Council and we look forward to working with NERC Corporation as the North American ERO. We believe this new organization will increase the reliability of the power system in Canada and the United States through the introduction of mandatory and enforceable standards where such provisions do not presently exist.

Yours truly,

A handwritten signature in black ink, appearing to read "D. Goulding". The signature is fluid and cursive, with a large initial "D" and a long, sweeping tail.

Dave Goulding

c: Rick Jennings, Ministry of Energy
Joseph T. Kelliher, FERC
Richard P. Sergel, NERC
Ed Schwerdt, NPCC