

August 22, 2003

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Subject: Comments to the Posted Draft Revised NPCC Document A-08 - Draft-2 (Posted for Open Process Review)

1). The NPCC RCEP Document A-08 (Section 4) defines the sanctions and the criteria for issuance of Sanction Letters for violations to the RCEP Standards and Compliance Templates described in A-08. According to this criteria, a copy of Letter 4 (any letter beyond Level 3) would be sent to Provincial regulatory agencies. However, we respectfully submit that the established criteria may not be applicable to Ontario, in context of the codicil to the NPCC Membership Agreement that we signed with NPCC. In the case of Ontario, IMO Board is the last bastion in respect of sanction letters in matters of reliability.

- IMO is an independent corporation without share capital established under the Electricity Act, 1998 (Ontario) (the "Act"). The IMO Board of Directors is expressly charged under the Act with the mandate to manage or supervise the management of the IMO's business and affairs.
- The IMO has the capacity and the rights, powers and privileges of a natural person for the purpose of carrying out its objects.
- The Ontario Energy Board (the "OEB") was created under the Ontario Energy Board Act, 1998 (Ontario). Although the IMO operates pursuant to a license issued by the OEB, the license is in respect of directing the operation of the transmission systems in Ontario and operating the markets established by the Ontario market rules. The OEB has no regulatory oversight over the IMO in respect of reliability matters.

In respect of facts mentioned above, it is submitted that the scope of issuance of Sanction Letters (beyond Level 3) may please be limited to the IMO Board as the last bastion in this matter. The statement to this effect may be added in section 4.1, table item # 4 i.e., to the Board of Directors (incase of Ontario Control Area).

2). In Section 3.6, where there is a mention of Appeal to FERC or Applicable / appropriate Canadian Regulatory Authority, it may be changed to Canadian Regulatory Authority "**or its delegate**".

3). With reference to Section 4.2 of Document A-08, we are of the opinion that the target for level of non-compliance for lateness in case of Level 1 may be as follows:

Level 1: After 7 **business** days grace period

The insertion of "business" days rather than the newly inserted wording "calendar" days is proposed due to the fact that it would provide more flexible and reasonable grace period and takes into account many instances and certain circumstances such as the holidays combined with weekends.

4). We are supportive of inclusion new compliance levels for repeat occurrences of non-compliance with respect to Compliance Templates CPS1, CPS2 and DCS.

5). With reference to the revisions in Compliance Template A4-1, we are of the opinion that implementation of the new non-compliance level 2 should begin in year 2005 in order to give a sufficient lead time to the market participants.

Thank you for your attention to these concerns.

Respectfully yours

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