

DECISION OF THE INDEPENDENT PANEL - Exemption Application # 1333

Exemption Application: Application # 1333 made by Five Nations Energy Inc. (the "Applicant").

Panel Hearing the Application: Roberta Brown and Angela Ferrante.

Date Application Heard: January 19, 2009.

Market Rules from which Exemption is Requested: Chapter 4, Appendix 4.4, Items 3 and 8 and Chapter 5, Section 10.4 as they relate to automatic under-frequency load shedding requirements only; and Chapter 5, Section 10.3 as it relates to voltage reduction only.

Decision: The Applicant is granted an exemption on the terms and conditions specified herein.

Effective Date of the Exemption: September 4, 2008, the date the exemption application was received.

Conditions of the Exemption: As a condition of the exemption, the Applicant shall continue to provide the information required under Application No. 01-1155.

Expiry of the Exemption: The term of the exemption is for the lifetime of the 115 kV transformer to be installed at the Kashechewan Station.

Reconsideration of the Exemption: While we are prepared to grant the exemption, the exemption shall be reconsidered under the following circumstances:

1. The addition of any new transformer facilities to Five Nations existing or new connections;
2. The addition of any means to regulate distribution voltages under load at the Fort Albany, Kashechewan or Attawapuskat transformer stations; and
3. For the portion of this exemption concerning under-frequency load-shedding facilities, if the total expected and/or peak loading of all three transformer stations exceeds 15 MW.

Reasons of the Panel: In rendering our decision, we have considered the Applicant's Exemption Application, the IESO Staff Recommendation, the applicable

sections of the Market Rules, and the Exemption Application and Assessment procedure.

The Applicant seeks relief from voltage reduction capability and automatic under-frequency load-shedding capability requirements contained in Chapter 4, Appendix 4.4 Items 3 and 8 and Chapter 5, Sections 10.4 and 10.3. The Applicant has requested an exemption for the lifetime of the equipment. We are prepared to grant this exemption subject to conditions.

Applicant's Position

The Applicant seeks an exemption from the requirements of Chapter 4, Appendix 4.4 and Chapter 5, sections 10.3 and 10.4 of the market rules.

The Applicant is seeking an exemption from the obligation under the Market Rules to provide automatic voltage reduction capability due to lack of equipment installed in the communities serviced by it. The IESO supports the Application because of the small amount of load served by the Applicant. A 5% voltage reduction would provide negligible assistance to the IESO-controlled grid.

In addition, the Applicant seeks an exemption from the obligation to provide under-frequency load shedding capability primarily because of the high cost of installing the necessary equipment. There is already more than the required amount of load in the region that can be rejected in the circumstances of under frequency of the system and being able to shed additional load in the Applicant's service area would have negligible improvement in performance.

IESO Staff Recommendations

IESO Staff recommends granting the requested exemption subject to the conditions outlined in section (a) below. The IESO Staff rationale for granting the exemption is:

The estimated cost of establishing under-frequency load shedding and automatic voltage reduction capabilities in the Kashechewan area is at least \$1.5 million. Having those systems installed would provide negligible improvement in the capability of the Province to respond to contingency events.

The Transformer is primarily a stand-by unit which will not be in service most of the time.

Conclusion:

Five Nations is restricted from achieving voltage reduction because of the current design and installation of its facilities. We have been advised that the size of Five Nations

demand is quite small. Overall impact on voltage reduction would be minimal based on historical data.

We recognize the importance of under-frequency load shedding to address frequency decline and hold system frequency above the point at this which generating stations would be removed. While we recognize that the installation of an under-frequency load-shedding facility would make a positive contribution, it would only result in a negligible improvement in performance during a disturbance in the under-frequency load-shedding area in which Five Nations is located.

In making our decision on the exemption application, we have considered the criteria set out in section 1.4 of the "Exemption Assessment and Application Procedure. Based on our review of the criteria, the material provided in the exemption application and the IESO staff recommendation, we are of the opinion that there will be no material impact on the ability of the IESO to direct the operations and maintain the reliability of the IESO-controlled grid. We have considered the cost and delay to the Applicant of complying with the requirements and are satisfied that the exemption is warranted when the cost and potential impact of non-compliance are considered.


Transfer:

Approval to transfer the exemption may occur one all of the following criteria have been met:

1. The transfer meets the applicable terms set forth in this exemption;
2. The transfer would not affect the ability of the proposed transferee to comply with all the terms and conditions of the exemption; and
3. The proposed transferee is a market participant or undertakes in writing to the IESO to apply for authorization as a market participant.



Roberta Brown Dated: Feb. 12, 2009



Angela Ferrante Dated: Feb 12, 2009