



Power to Ontario.
On Demand.

Exemption Application

FOR IESO USE ONLY

Exemption ID #: _____

Date Received: _____

Submit this form by e-mail to: exemptions@ieso.ca

Subject: Exemption Application

All information submitted in this process will be used by the *IESO* solely in support of its obligations under the *Electricity Act, 1998*, the *Ontario Energy Board Act, 1998*, the *market rules* and associated policies, standards and procedures and its licence. All submitted information will be assigned the appropriate confidentiality level upon receipt.

Terms and acronyms used in this Form that are italicized have the meanings ascribed thereto in Chapter 11 of the *market rules*.

PART 1 – EXEMPTION APPLICANT - GENERAL INFORMATION

Organization Name: <u>Northland Power Inc.</u>	
<i>Market Participant/Metering Service Provider</i> No. <u>IESO Help Centre (IHC) Ticket No.</u> (if applicable): <u>Thorold Cogen L.P.</u> (if applicable): _____	
Date: <u>November 18, 2010</u>	
Address: <u>30 St. Clair Avenue West</u>	
City/Town: <u>Toronto</u>	Province/State: <u>ON</u>
Postal/Zip Code: <u>L3R 7X4</u>	Country: <u>Canada</u>
Fax No.: <u>416-962-6266</u>	
Email Address: <u>sushil@northlandpower.ca</u>	
Main Contact	
Name: <u>Sushil Samant</u>	
Telephone No.: <u>647-288-1205</u>	Fax No.: <u>416-962-6266</u>
E-mail Address: <u>sushil@northlandpower.ca</u>	
Web Site (URL): _____	

PART 1 – EXEMPTION APPLICANT - GENERAL INFORMATION

Alternative Contact	
Name: <u>Jim Cipolla</u>	
Telephone No.: <u>647-288-1204</u>	Fax No.: <u>416-962-6266</u>
E-mail Address: : <u>jimc@northlandpower.ca</u>	

PART 2 – INFORMATION ABOUT THE EXEMPTION APPLICATION

1. Is this <i>exemption application</i> being submitted for existing <i>facilities</i> or equipment prior to <i>market commencement date</i> pursuant to Section 1.5.1 of the <i>Exemption Application and Assessment Procedure</i> ?	
<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
2. Please specify the duration for which you would like the <i>exemption</i> granted in days, months or years:	
<u>For the lifetime of the generation facility.</u>	
Please cite the <i>Market Rules</i> section number(s) to which this <i>Exemption Application</i> relates:	Please cite policy, standard or procedure to which this <i>Exemption Application</i> relates (including section number(s)):
<u>Ch 9, sections 3.5.2, 4.7B.1, 4.7D.1</u>	

PART 3 – REQUEST FOR AN INTERLOCUTORY INTERIM EXEMPTION

The *exemption applicant* does not request an interim *exemption* pursuant to Section 1.6.2 of the *Exemption Application* and Assessment Procedure.

OR

The *exemption applicant* requests an interim *exemption* pursuant to Section 1.6.2 of the *Exemption Application* and Assessment Procedure staying the *exemption applicant's* obligation to comply with the following *Market Rules* Section Number(s) pending the Panel's final decision.

_____	_____
_____	_____
_____	_____
_____	_____

The *IESO* recommends that the exemption applicant contact the *IESO's* Market Assessment and Compliance Division regarding the compliance and enforcement measures the *IESO* intends to take pending the hearing of the *exemption* as in some cases it may not be necessary for the *exemption applicant* to seek an interim *exemption*.

PART 4 – SUBMISSIONS IN SUPPORT OF EXEMPTION APPLICATION

Attach an *exemption applicant's* plan detailing:

- The manner and time within which the *exemption applicant* will become compliant;
- The manner in which the *exemption applicant* proposes to modify its equipment or *facilities* or otherwise conduct its operations during the period of time for which the *exemption* would be in effect; and
- The *exemption applicant's* estimate of any costs that may be imposed on the *IESO* or on other *Market Participants*, if the *exemption* were granted.

PART 4 – SUBMISSIONS IN SUPPORT OF EXEMPTION APPLICATION

The following submissions must be included, either below or as attachments:

- a) For *exemption applications* submitted prior to market opening for *facilities/equipment* in operation before or on April 17, 2000 and relating to the technical requirements of *Market Rules* contained in Appendix 2.2 (other than those for participant workstations or *dispatch workstations*), Chapter 4 (other than Sections 6.1.5 to 6.1.21), or the technical requirements set forth in Section 12 of Chapter 5:
- The *exemption applicant's* assessment as to whether or not the *exemption*, if granted would materially:
 - Impact the ability of the *IESO* to direct the operations and maintain the *reliability* of the *IESO-controlled grid*;
 - Affect the ability of the *IESO* to operate the *IESO-administered markets* in an efficient, competitive and reliable manner.
 - The *exemption applicant's* assessment of whether the cost or delay to the *exemption applicant* of complying with the obligation or standard to which the *exemption application* relates is reasonable, having regard to the nature of the obligation or standard, the nature of the *exemption application* and the anticipated impact of non-compliance by the *exemption applicant* in terms of the elements referred to above.
- b) Additionally, for all other *exemption applications*:
- The *exemption applicant's* assessment as to whether or not the *exemption*, if granted would materially:
 - Impact the ability of the *IESO* to ensure non-discriminatory access to the *IESO-controlled grid*;
 - Increase costs of *market participants*; or
 - Increase costs of the *IESO*;
 - An assessment of whether the *exemption* would, if granted, give the *exemption applicant* an undue preference in the *IESO-administered markets*;
 - Where the *exemption applicant* is the *IESO*, identification of the benefit to *Market Participants* of compliance with the obligation or standard to which the *exemption application* relates relative to the financial and other resources required to achieve compliance within such deadlines as may be applicable;
 - Where the *exemption applicant* is the *IESO*, the manner in which it proposes to operate the *IESO-administered markets* or direct the operations and maintain the *reliability* of the *IESO-controlled grid* during the period in which the *exemption* would be in effect;
 - Identification as to whether the *facility* or equipment that is the subject-matter of the *exemption application*:
 - Was in service or was returned to service on the date on which the obligation or standard to which the *exemption application* relates came into force;
 - Was ordered by the *exemption applicant* on or prior to the date on which the obligation or standard to which the *exemption application* relates came into force; or

PART 4 – SUBMISSIONS IN SUPPORT OF EXEMPTION APPLICATION

- Was in the process of construction on or prior to the date on which the obligation or standard to which the *exemption application* relates came into force, and;
 - An assessment of the capability of the owner of the *facility* to operate the *facility* consistent with the terms of the proposed *exemption*.
- c) Additionally, for *exemption applications* requesting an interlocutory *interim exemption* pursuant to Section 1.6.2 of the *Exemption Application* and Assessment Procedure:
- The *exemption applicant's* reasons for requesting an *interim exemption*, including the *exemption applicant's* assessment regarding:
 - The type and degree of harm the *exemption applicant* will suffer if the *interim exemption* is not granted; and
 - how the *interim exemption* would impact the public interest.

Northland's Application Request

Northland is seeking an exemption from the market rules which require that the settlement of aggregated facilities be based on a single quantity that reflects net injections/withdrawals for the aggregated facility as a whole. Instead, Northland is requesting that its specific type of aggregated facility receive congestion management settlement credits (CMSC) and real-time and day ahead generation cost guarantees (GCG) based on quantities that represent injections from the generator component of the aggregated facility. Northland Power's exemption request is based on the fact that generators are to be provided cost guarantees to remove the risk of starting up and coming to market regardless of what load they serve as well as the fact that generators must be kept whole to their costs when constrained on, regardless of what load they serve.

Background:

Thorold Cogen is a 260MW nominal natural gas-fired cogeneration facility owned by Northland and located in Thorold, Ontario. Thorold Cogen provides process steam to a paper mill owned by Abitibi Bowater which has a relatively constant electrical load which is currently 26 MW.

Thorold Cogen was designed and expected to operate as an aggregated facility with the adjacent Abitibi mill; the contractual arrangements between Thorold Cogen and Abitibi were predicated on the facility operating in this aggregated mode with aggregation providing significant cost savings to Abitibi by allowing the mill to avoid various uplift charges associated with the mill's electricity consumption. The bid submitted to the Ontario Power Authority for the Thorold project incorporated the benefits to the Abitibi Mill and Thorold when aggregated.

As Thorold Cogen neared commercial operation, Northland became aware that under the existing market rules, CMSC and GCG payments for an aggregated facility are based on the net output of the aggregated facility meaning Thorold Cogen would not be able to recover costs associated with the entire output of the generator. As a result, the Thorold Cogen facility has not aggregated with the Abitibi Mill as originally designed. Consequently, Abitibi has not been able to achieve the expected benefits of aggregation which is having severe economic repercussions for the Abitibi Mill.

While Thorold Cogen and the Abitibi Mill are currently operating as disaggregated facilities, Northland has begun discussion with the IESO regarding the process for aggregation; it's expected that Thorold Cogen and the Abitibi Mill will be operating as an aggregated facility by December 1, 2010.

PART 4 – SUBMISSIONS IN SUPPORT OF EXEMPTION APPLICATION

It is Northland's assessment that the exemption, if granted, would not impact the ability of the IESO to ensure non-discriminatory access to the IESO-controlled grid because the exemption results in payments in the IESO-administered markets and will not affect the IESO-controlled grid. In fact, Northland believe that the exemption, if granted, would be consistent with promoting non-discriminatory access to the IESO-controlled grid by allowing this specific aggregated facility to receive CMSC and GCG payments to the full extent that the generation component is dispatched by the IESO.

Furthermore, it is Northland's assessment that the exemption, if granted

- would not materially increase costs to market participants.

- would not materially increase the costs of the IESO although settlement tool changes will be required; and

- would not give Thorold Cogen undue preference in the IESO-administered markets.

The subject of this exemption application, i.e. Thorold Cogen facility, came into service on April 9, 2010.

It is Northland's assessment that the facility owner is fully capable of operating the facility consistent with the terms of the proposed exemption. The facility is already in commercial operation and this exemption would have no impact on operations since the exemption applies only to the settlement of CMSC and GCG.


PART 5 – SUPPORTING DOCUMENTATION TO BE ATTACHED BY EXEMPTION APPLICANT

Please list below all supporting documents attached to this *exemption application*.

1. *Exemption Applicant's Plan* (must be attached)
2. Exemption Plan not applicable
- 3.
- 4.
- 5.

PART 6 – CERTIFICATION

The *exemption applicant* hereby declares that the information contained in and submitted in support of this document is, to the best of the *exemption applicant's* knowledge, complete and accurate.


Sushil Samant  Director – Gas & Electricity Marketing
Name Title

PART 7 – CONFIDENTIALITY

The *exemption applicant* agrees that information on this application may be posted in its entirety on the IESO Web site in accordance with the provisions of the *Exemption Application* and Assessment Procedure

OR

The *exemption applicant* claims confidentiality over parts of the *Exemption Application* in accordance with Section 1.6.4 of the *Exemption Application* and Assessment Procedure. Parts of this *Exemption Application* over which confidentiality is claimed are highlighted. The balance of the information on this *exemption application* may be posted on the *IESO* Web site.

Sushil Samant  Director – Gas & Electricity Marketing
Name Title