

PART 1 – PANEL MEMBERS

Panel members hearing the Application: Bill Museler and Cynthia Chaplin.

PART 2 – GENERAL INFORMATION

1. Exemption Application ID: #1350
2. Market Participant Name: H2O Power LP (“**H2O Power**” or, the “**Applicant**”).
3. Location/Site: Kenora Generating Station.
4. Role of Applicant in the market as it relates to this Exemption Application: *Generator*.
5. Date Exemption Application Heard: December 20, 2016.
6. Did Applicant Agree to Terms and Conditions of the IESO Staff Recommendation: Yes.
7. Section of the *Exemption Application and Assessment Procedure* under which the Exemption Application is made: section 1.4. “Application for Exemption – General”.

Market Rule(s) or related Market Manual(s) from which exemption is requested: Chapter 4, Appendix 4.2, Categories 7: Excitation System and 8: Power System Stabilizers.

8. Material Reviewed & Exemption Process:
 - a) H2O Power’s Exemption Application (and summary)
 - b) IESO Staff Recommendation
 - c) Applicable *market rules*
 - d) Exemption Application & Assessment Procedure
 - e) Exemption Panel Hearing Decision
9. Applicant’s Position:

H2O takes the position that the proposed *generation units* were selected for reasons of project economics and maintainability and the additional cost of installing static excitation systems instead of the proposed AC rotating systems would add significant capital costs to the project and significantly impair the economic viability of the project. Configuration of the *generators*

with static exciters will also increase maintenance costs (regular brushgear maintenance, cleaning, substantially more complex static exciter system vs brushless/AVR combination) and reduce *reliability* and availability.

H2O Power indicates that it has examined the technical requirements related to excitation systems and finds these to be onerous on a small *generation facility*. They have also noted that the proposed excitation system would have met the *market rules* in place before March 2010, when there were lesser requirements for *generation units* smaller than 10 MW connecting to the transmission system. However, since the March 2010 baseline, all *generators* have to satisfy the same requirements, regardless of their size, if they connected to the *IESO-controlled grid*. Additionally, the cost associated with meeting the specification is significant relative to the cost of the project and will not materially improve *IESO* grid performance.

PART 3 – DECISION

Decision:

Exemption #1350 is granted to H2O Power subject to the terms and conditions set forth in the Reasons of the Panel below.

PART 4 – REASONS

Reasons of the Panel:

Compliance with the *market rules* for *generation facilities* is mandatory. However, when extenuating circumstances are present, it is possible for an *exemption* from the *market rules* to be granted. Exemption Orders are exceptional and are granted by an Exemption Panel on a discretionary and case-by-case basis.

In rendering our decision, we considered H2O Power's Exemption Application, the *IESO* Staff Recommendation, the Exemption Application and Assessment Procedure, the applicable *market rules* and the responses of *IESO* Staff to the issues and questions raised by us at the hearing of the Exemption Application concerning the need for an *exemption*.

H2O Power's Exemption Application and the *IESO* Staff Recommendation satisfied us that granting the *exemption* would not increase costs to *market participants* or the *IESO* nor will the *exemption* affect the ability of the *IESO* to ensure non-discriminatory access to the *IESO-controlled grid*, direct the *IESO-controlled grid* in a reliable manner or operate the *IESO-administered markets* in an efficient, competitive and reliable manner.

Factors considered in granting this *exemption* are as follows:

(a) No material adverse *reliability* consequences due to the proposed excitation system were found in *IESO* assessments for the anticipated range of system conditions. This is in part due to the relatively small size and particular location of these *generation units*.

(b) As *intermittent generators*, the Kenora Generating Station *generating units* are not dispatchable and are therefore not eligible for congestion management settlement credits which would otherwise increase the cost to the *IESO* and other *market participants*.

Therefore, the *exemption* is hereby granted for the lifetime of the *generation facility* without conditions other than as set forth in the *IESO* Staff Recommendation regarding Restrictions/Removal.

Exemption Period

Under the circumstances, we are satisfied that an *exemption* for the life of the *facility* is justified as recommended by *IESO* Staff.

PART 5 – TERMS AND CONDITIONS

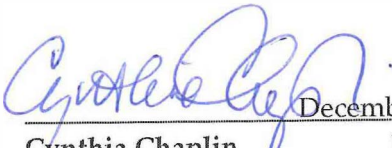
Effective Date of Exemption (or event causing exemption to become effective)	The date when and if the <i>exemption</i> is granted.
Date of Expiration of Exemption <ul style="list-style-type: none">• If greater than 5 years, the Panel must be satisfied that the circumstances justify a later date• Circumstances which will cause the exemption to immediately expire	This <i>exemption</i> will expire at the end of life of the equipment. This is likely to be more than five years. The circumstances that will cause this <i>exemption</i> to immediately expire are described in the Reconsideration/Removal section.
Market Rule(s) or related Market Manual(s) from which the Exemption is granted	Chapter 4, Appendix 4.2, Categories 7: Excitation System and 8: Power System Stabilizers.
Restrictions on the manner of operation and/or additional obligations to be met during the term of the Exemption, if any	The resource type of the subject <i>generation units</i> shall not be changed to dispatchable during the term of this <i>exemption</i> .
Monitoring Information Required Information required to be provided by the Exemption Applicant for monitoring by the <i>IESO</i>	Monitoring requirements specified by the <i>IESO</i> during Market Entry process will be sufficient. The usual scope of performance validation testing and reporting during commissioning for units directly connected to the <i>IESO-controlled grid</i> will be sufficient.
Payment of Costs <ul style="list-style-type: none">• Processing Costs (when introduced)	n/a

<ul style="list-style-type: none"> • Incremental Exemption Costs • Settlement amounts to be withheld 	
<p>Reconsideration/Removal</p> <ul style="list-style-type: none"> • Date on which the Exemption will be reconsidered (<i>if applicable</i>) • Circumstances under which the Exemption will be reconsidered (<i>if applicable</i>) other than unforeseen future change in circumstances 	<p>Circumstances under which this <i>exemption</i> shall be reconsidered or removed:</p> <ul style="list-style-type: none"> • If unforeseen changes to the power system near the <i>connection point</i> are deemed by the <i>IESO</i> to result in the subject matter of this <i>exemption</i> having material adverse effects on <i>reliability</i>. • If the <i>applicant</i> seeks to change the subject <i>generation units'</i> designation from <i>intermittent generator</i>. • If there are adverse deviations from technical specifications outlined in the <i>applicant's</i> SIA submissions, and the <i>IESO</i> does not approve an associated remedial action plan.
<p>Transferability</p> <ul style="list-style-type: none"> • List the terms and conditions that need to be met to allow for a transfer of this exemption to be approved by <i>IESO</i> staff • <i>Transferability</i> in respect of a corporation, refers to a change of control of the corporation within the meaning of the <i>Business Corporations Act</i> (Ontario) 	None.
Other:	None.

PART 6 – SIGNATURE OF PANEL MEMBERS

December 22, 2016

 Bill Museler Date



December 22, 2016

 Cynthia Chaplin Date

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Other:	None.

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