

August 1, 2013



Power to Ontario.
On Demand.

Glenn McDonald
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Dear Glenn:

Delegation of Compliance Enforcement

Introduction

This is to confirm the understanding under which we have operated since the opening of the IESO-administered markets, May 1, 2002, regarding the delegation to you and your predecessors of certain powers and duties assigned to the IESO in the market rules.

Both the IESO and market participants are bound to comply with the market rules and the IESO is empowered to enforce compliance with the rules by market participants in various ways set out in the rules. These enforcement powers and procedures do not apply against the IESO and the *Electricity Act, 1998* does not authorize the imposition of sanctions against the IESO for failure to comply with the rules. However, the company has voluntarily accepted that it should be treated as if it were a market participant.

In order to ensure that compliance enforcement is carried out fairly and impartially, the IESO has organized its staff so as to segregate the management and responsibilities of those involved in market assessment and enforcement from other employees of the IESO. As head of the Market Assessment and Compliance Division, you report directly to me on a functional and administrative basis rather than one of the Vice Presidents in order to mitigate a potential conflict of interest when investigating compliance matters that may involve conduct by the IESO either acting alone or with market participants. In addition, you have been delegated to act on behalf of the IESO in the areas and in the manner specified below.

Instrument of Delegation

In your position as Director, Market Assessment and Compliance Division you are delegated the authority to act on behalf of the IESO (but subject to the overriding authority of the IESO Board to manage or supervise the management of the IESO's business and affairs) and to make all determinations and exercise all authorities accorded the IESO in the following provisions of the market rules:

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- Chapter 3, Section 6.1.2 – monitoring of compliance with the market rules
- Chapter 3, Section 6.2 – “Procedures Concerning Alleged Breaches of the Market Rules”
- Chapter 3, Section 6.6 – “Non-compliance Letters and Financial Penalties”.

In addition, the IESO Reliability Compliance Enforcement Policy establishes delegated accountability for the Director of the Market Assessment and Compliance Division in the area of reliability standards, as follows: “Accountabilities include all aspects of the development and execution of the Reliability Compliance Enforcement Policy, ranging from prevention and detection, through to investigation and enforcement.”

In discharging this responsibility we have agreed that you will exercise your judgement on when and how to keep me apprised of matters arising under these provisions. In particular we agreed that you would brief me on matters:

- of a broad, strategic importance;
- likely to establish an important precedent;
- likely to be contested by, or controversial among, market participants and stakeholders;
- requiring significant resources;
- likely to attract media or stakeholder attention;
- potentially having an impact on government policy; and
- involving conduct by, or relations with, other jurisdictions.

Glenn, we agree that adherence by the market participants and the IESO to the comprehensive set of obligations contained in the market rules is essential to the successful operation of Ontario’s electricity sector and the IESO-administered markets. I am confident that the arrangements that we have set in place will assure a fair and effective application of the rules to the benefit of all market participants and the public at large.

Yours truly,

A handwritten signature in black ink, appearing to read "B. Campbell", with a horizontal line underneath.

Bruce B. Campbell