

CONSOLIDATED VERSION #8
Amendments approved by IESO Board August 31, 2016
And which came into force on November 11, 2016 pursuant to
Section 22 (6) of the Electricity Act, 1998, as amended.

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

(the "Corporation")

GOVERNANCE AND STRUCTURE BY-LAW

A by-law relating to the corporate governance and structure of the Corporation

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THE FOLLOWING IS ENACTED as a by-law of the Corporation:

ARTICLE 1

INTERPRETATION

1.1 DEFINITIONS. In this by-law of the Corporation, unless the context otherwise requires:

"Act" means the Electricity Act, 1998, S.O. 1998, c.15, Schedule A, and any statute that may be substituted for it, as amended from time to time.

"affiliate" shall have the meaning set out in the Ontario Business Corporation Act, R.S.O. 1990, c.B16 as amended.

"amend", in relation to the market rules, means any of amending an existing market rule, making a new market rule or repealing a market rule and "amendment" shall be interpreted accordingly.

"appoint" includes "elect" and vice versa.

"Board" means the board of directors of the Corporation.

"by-laws" means this by-law and all other by-laws of the Corporation from time to time in force and effect.

"Corporation" means the corporation continued under the Act and named the Independent Electricity System Operator.

"Regulation" means O. Reg. 610/98 and any regulation that may be substituted for it, as such regulation may be amended from time to time.

"Urgent Amendment" means an amendment to the market rules that is required urgently for one or more of the reasons set out in section 34(1) of the Act and is made pursuant to section 6.4.

Except as stated above, words and expressions that are defined in the Act have the same meanings when used in this by-law. Words indicating the singular number include the plural and vice versa. Words indicating gender include the masculine, feminine and neuter genders. Words indicating a person include an individual, sole proprietorship, partnership, limited partnership, unincorporated association, unincorporated syndicate, unincorporated organization, trust, body

corporate, and a natural person in his or her capacity as trustee, executor, administrator or other legal representative.

ARTICLE 2

DIRECTORS AND CHIEF EXECUTIVE OFFICER

2.1 NUMBER OF DIRECTORS AND QUORUM. The Board consists of that number of directors appointed in accordance with the Act and the Chief Executive Officer of the Corporation. The quorum for the transaction of business at any meeting of the Board shall consist of a simple majority of directors. Where there is a vacancy or vacancies in the Board, the remaining directors may exercise all the powers of the Board if they would constitute a quorum of the Board if there were no vacancies.

2.2 CHIEF EXECUTIVE OFFICER. The Board shall from time to time appoint a Chief Executive Officer who shall serve as a director of the Board and who shall have such powers and duties as the by-laws or the Board may specify. Subject to section 2.4, the Chief Executive Officer shall hold office and serve as a director until his or her successor is appointed by the Board. The Chief Executive Officer shall not be eligible to be appointed as Chair of the Board.

2.3 DIRECTOR DISQUALIFICATION. The following persons are disqualified from being a director of the Corporation:

- (i) a person who is less than eighteen (18) years of age;
- (ii) a person who is of unsound mind and has been so found by a court in Canada or elsewhere;
- (iii) a person who is not an individual;
- (iv) a person who has the status of bankrupt;
- (v) a person who is an employee of the Government of Ontario, which, for greater certainty, shall not include employees of the Corporation;
or
- (vi) a person who is a member of a class of persons prescribed by the Regulation.

2.4 WHEN DIRECTOR CEASES TO HOLD OFFICE. A director ceases to hold office when he or she:

- (i) dies or resigns;
- (ii) is removed by the Minister pursuant to subsection 10(5) of the Act; or

- (iii) becomes disqualified in accordance with section 2.3.

2.5 ADDITIONAL RULES REGARDING CONFLICTS OF INTEREST.

(a) A Director who becomes aware of circumstances which are or are likely to be perceived to be incompatible with his or her independence as contemplated by the Act or otherwise believes that he or she is or could reasonably be perceived to be in a conflict of interest with the Corporation (the "Disclosing Director") shall forthwith report such circumstances to the Board. The Board shall promptly determine what, if any, safeguards are appropriate in the circumstances and shall so notify the Disclosing Director together with the date by which the Disclosing Director must comply with such safeguards. The Chair shall advise the Minister if a Disclosing Director fails to abide with such safeguards within such reasonable time as is prescribed in the notice, or within such longer period of time as may be agreed by the Disclosing Director and the Board.

(b) The safeguards referred to in section 2.5(a) may include, without limitation, abstention from voting by the Disclosing Director on specified matters, exclusion of the Disclosing Director from certain proceedings of the Board and resignation of the Disclosing Director.

2.6 REAPPOINTMENT OF DIRECTORS. A director, other than the Chief Executive Officer, whose term has expired shall be eligible for reappointment by the Minister for successive terms not to exceed two (2) years. The term of any director appointed to replace a predecessor director whose term had not yet expired shall be for the balance of the predecessor's term. This section shall not operate to prohibit the appointment as Chief Executive Officer of a person who previously served as a director of the Corporation.

2.7 VOTES TO GOVERN. At all meetings of the Board every question shall be decided by a resolution passed by a majority of the directors then in office excluding those who abstain voluntarily or who abstain or are excluded pursuant to section 2.5(a). In case of an equality of votes, the Chair of the meeting will be entitled to a second or casting vote.

2.8 REMUNERATION OF BOARD. The remuneration of the Board shall be fixed by a Board Compensation Committee who shall report to the Minister. The Directors shall be reimbursed for their out of pocket expenses in attending Board and Committee meetings or otherwise in respect of the performance by them of their duties and no confirmation by the Board of any such reimbursement shall be required.

ARTICLE 3

CHAIR

3.1 CHAIR. The Board shall from time to time by majority vote appoint a Chair, who shall have such powers and duties as the by-laws or the Board may specify.

3.2 VICE CHAIR. The Board may from time to time by majority vote appoint a Vice Chair, who shall have such powers and duties as the by-laws or the Board may specify.

ARTICLE 4

DELEGATION OF POWERS

4.1 DELEGATION BY BOARD.

(a) The Board may from time to time delegate in whole or in part any of the powers or duties of the Corporation or of the Board to Board committees, panels, officers or employees or to any other person on such conditions and with such restrictions as the by-laws or the Board may by resolution specify.

(b) The Board shall not delegate to any person any of the powers or duties that are expressly reserved to the Board in the market rules.

ARTICLE 5

PANELS

5.1 CREATION OF PANELS. The Board shall create a Technical Panel and Dispute Resolution Panel. The Board may from time to time by resolution create one (1) or more other panels as it may determine, which panels shall have such powers and duties as the Board may specify.

ARTICLE 6

MARKET RULES

6.1 TECHNICAL PANEL. The powers, duties and composition of the Technical Panel are specified in the Technical Panel Terms of Reference. The Technical Panel shall review and propose amendments to the market rules on an on-going basis and advise the Board on such specific technical issues as may be referred to the Technical Panel. In exercising its duties, the Technical Panel shall comply with all applicable provisions of the market rules.

6.2 RECOMMENDATIONS OF THE TECHNICAL PANEL. The recommendations of the Technical Panel relating to the amendment of the market rules together with the reasons therefor and the votes cast in favour of and against the recommendation shall be reported to the Board. Upon receipt of such report, the Board shall,

- (i) in the case of a recommendation of the Technical Panel which proposes an amendment to the market rules:
 - (a) amend the market rules as proposed by the Technical Panel and publish and make such amendment available for public inspection in accordance with the Act; or
 - (b) modify the amendment to the market rules proposed by the Technical Panel in such manner as the Board deems appropriate and publish and make available for public inspection such modified amendment in accordance with the Act; or
 - (c) determine that no amendment to the market rules is required and reject the amendment to the market rules proposed by the Technical Panel; or
 - (d) refer the decision back to the Technical Panel for additional review and vote; or
- (ii) in the case of a recommendation of the Technical Panel not to amend the market rules:
 - (a) confirm the recommendation of the Technical Panel; or
 - (b) refer the recommendation back to the Technical Panel for additional review and vote; or
 - (c) make such amendment to the market rules as the Board deems appropriate and publish and make available for public inspection such amendment in accordance with the Act.

6.3 COMING INTO FORCE OF AMENDMENTS. Subject to section 6.4 in respect of Urgent Amendments and to the terms of any order issued by the Ontario Energy Board pursuant to the Act, an amendment to the market rules shall come into force on the date specified in the resolution of the Board referred to in section 6.1 confirming, modifying or making the amendment, as the case may be, which date shall not be less than twenty-two (22) days following the date of publication of the amendment by the Board in accordance with section 6.2.

6.4 URGENT AMENDMENTS.

(a) Nothing in this Article 6 shall prohibit the Board from either making or from delegating, in whole or in part and subject to such conditions and restrictions as the Board may specify, to a committee of the Board composed of the Chief Executive Officer

of the Corporation and three (3) other directors of the Corporation, the authority to make Urgent Amendments, which Urgent Amendments shall be made in accordance with this by-law, the Act and applicable provisions of the market rules.

(b) An Urgent Amendment made pursuant to section 6.4(a) shall come into force upon its making or as the Board or the committee, as the case may be, shall otherwise provide and shall be published and made available for public inspection in accordance with the Act.

(c) Where an Urgent Amendment has been made by the committee referred to in section 6.4(a), the Board shall meet at the earliest date at which the Chair considers it feasible to obtain a quorum but in any event within ten (10) business days of the date of making of the Urgent Amendment, and by resolution passed by at least two-thirds of the directors then in office, either:

- (i) ratify the Urgent Amendment, in the form proposed by the committee or in such form as the Board deems appropriate; or
- (ii) revoke the Urgent Amendment to the market rules and stay the implementation thereof in which case, notice of the revocation and stay shall be published and made available for public inspection.

(d) If the Board revokes an Urgent Amendment under section 6.4(c) (ii), then any decisions made or actions taken during the period of time that such rule Urgent Amendment was in force shall for all purposes stand and no party shall have any recourse against the Corporation or any market participant in respect thereof.

6.5 AUTHORITY OF BOARD TO INITIATE AMENDMENTS. Nothing in this Article 6 shall preclude the Board from making on its own initiative, further to an order of the Ontario Energy Board made pursuant to the Act or at the request of any person, amendments to the market rules from time to time as the Board deems appropriate, which amendments shall be made in accordance with this by-law, the Act and applicable provisions of the market rules. Amendments to the market rules made pursuant to an order of the Ontario Energy Board under the Act shall be made in the manner and within the time specified in the order.

(a)

ARTICLE 7

DISPUTE RESOLUTION PANEL

7.1 DUTIES. The duties of the Dispute Resolution Panel are to mediate and arbitrate disputes as described in the market rules between:

- (i) the Corporation and any market participant;
- (ii) the Corporation and any person who has been denied authorization by the Corporation to participate in the IESO-administered markets or to cause or

permit electricity to be conveyed into, through or out of the IESO-controlled grid; and

- (iii) market participants.

7.2 NUMBER OF MEMBERS AND TERM OF THE DISPUTE RESOLUTION PANEL. The Dispute Resolution Panel shall consist of at least three (3) qualified persons, each of whom being appointed by the Board from time to time in accordance with section 7.3 to serve, subject to sections 7.2(b), 7.6 and 7.7, for a term of five (5) years. A member of the Dispute Resolution Panel whose term has expired may be re-appointed by the Board for a further term of five (5) years, provided that:

(a) no person may serve on the Dispute Resolution Panel for more than two (2) consecutive terms; and

(b) where the term of a member of the Dispute Resolution Panel expires while the member is acting as a mediator or arbitrator of a dispute, the member's term shall be extended for such time as may be necessary to permit the member to complete the mediation or arbitration; including, for certainty, his or her award or decision.

The term of any member extended pursuant to section 7.2(b) shall not be counted for purposes of determining the member's eligibility for reappointment under section 7.2(a).

7.3 APPOINTMENT OF MEMBERS OF DISPUTE RESOLUTION PANEL AND FILLING OF VACANCIES.

(a) The Board shall by resolution fix the number of members, being three (3) or more, which will comprise the Dispute Resolution Panel.

(b) The Board shall employ the services of one (1) or more expert arbitrator(s) to provide to the Board a list of a number of qualified nominees equal to the number of members fixed by the Board pursuant to section 7.3(a).

(c) The Board shall work with such expert arbitrator(s) to develop criteria and processes for the selection of members of the Dispute Resolution Panel and may consult with such expert arbitrator(s) from time to time in that regard.

(d) The Board shall appoint the persons named in the list referred to in section 7.3(b) as the members of the Dispute Resolution Panel unless, in the case of any such person, the Board determines that the person does not meet the criteria established pursuant to section 7.3(c) or the qualifications set forth in section 7.4, or is disqualified pursuant to section 7.5.

(e) For each person included on the list referred to in section 7.3(b) which the Board determines does not meet the criteria referred to in section 7.3(c) or the qualifications set forth in section 7.4 or is disqualified pursuant to section 7.5, the Board shall request that the expert arbitrator(s) referred to in section 7.3(b) provide the Board with the name of an alternative person. The Board shall appoint the alternative person as a member of the Dispute Resolution Panel unless the Board determines that the person does not meet

the criteria established pursuant to section 7.3(c) or the qualifications set forth in section 7.4 or is disqualified pursuant to section 7.5.

(f) The procedure set forth in section 7.3(e) shall be repeated until such time as the Board has appointed to the Dispute Resolution Panel the number of members fixed pursuant to section 7.3(a).

(g) The procedure set forth in this section 7.3 shall be followed by the Board in respect of the filling of vacancies in the Dispute Resolution Panel, including vacancies created by a resolution of the Board increasing the number of members comprising the Dispute Resolution Panel.

7.4 QUALIFICATION. Members of the Dispute Resolution Panel shall:

- (i) be independent of the Corporation;
- (ii) have no material interest in, or be a director, officer or employee of, any market participant; and
- (iii) have both experience in the arbitration or mediation of disputes and a level of knowledge of the technical and commercial aspects of electricity markets acceptable to the Board.

7.5 DISQUALIFICATION. The following persons are disqualified from being a member of the Dispute Resolution Panel:

- (i) a person who is less than eighteen (18) years of age;
- (ii) a person who is of unsound mind and has been so found by a court in Canada or elsewhere;
- (iii) a person who is not an individual;
- (iv) a person who has the status of bankrupt; or
- (v) a person who is an employee of the Government of Ontario.

7.6 REMOVAL OF MEMBERS OF DISPUTE RESOLUTION PANEL. The Board may remove any member of the Dispute Resolution Panel from office for cause or if the member is convicted of a serious criminal offence or of a serious fraud-based civil or administrative offence.

7.7 WHEN MEMBER OF DISPUTE RESOLUTION PANEL CEASES TO HOLD OFFICE. A member of the Dispute Resolution Panel ceases to hold office when he or she:

- (i) dies or resigns;
- (ii) is removed by the Board pursuant to section 7.6;

- (iii) no longer meets the qualification requirements contained in sections 7.4(i) or 7.4(ii), as the case may be, or the criteria established pursuant to section 7.3(c); or
- (iv) becomes disqualified in accordance with section 7.5.

7.8 APPOINTMENT OF SECRETARY OF DISPUTE RESOLUTION PANEL. The Board shall appoint a Secretary of the Panel who may be a member of the panel and shall be responsible for assigning, in accordance with the procedures set forth in the market rules, members to mediate or arbitrate any disputes referred to the Dispute Resolution Panel. If a member of the Panel, the Secretary may assign himself or herself to mediate or arbitrate any dispute referred to the Dispute Resolution Panel. Subject to availability of the members in any given case, the Secretary shall, in assigning members of the Dispute Resolution Panel to mediate or arbitrate disputes, ensure that all members of the Dispute Resolution Panel are provided with an equal opportunity to be appointed to mediate or arbitrate disputes. Where the Secretary will not be readily available to carry out his or her duties, he or she may temporarily delegate such duties to another member of the Dispute Resolution Panel for up to one month at a time.

7.9 PROCEDURES OF THE DISPUTE RESOLUTION PANEL. The procedures applicable to the resolution of disputes by one (1) or more members of the Dispute Resolution Panel and the powers of the members of the Dispute Resolution Panel in mediating and arbitrating disputes shall be those set forth in the market rules.

7.10 DELEGATION OF POWER TO MAKE ORDERS. Each member of the Dispute Resolution Panel has, in relation to the arbitration of a dispute, the delegated authority to impose such penalties or make such other orders or directions as specified in the market rules.

7.11 USE OF CORPORATION PERSONNEL. Notwithstanding any provision of any by-law of the Corporation, no member of the Dispute Resolution Panel may, during the course of the mediation or arbitration of a dispute:

- (i) seek the assistance or use the services of any employee, director or officer of the Corporation without the express consent of the parties to the dispute; or
- (ii) request that an employee, director or officer of the Corporation provide to him or her any documentation or information except on notice to all parties.

7.12 REMUNERATION OF MEMBERS OF DISPUTE RESOLUTION PANEL.

(a) The remuneration payable to members of the Dispute Resolution Panel shall be fixed from time to time by the Board in accordance with the recommendations made in this regard by the expert arbitrator(s) referred to in section 7.3(b) or by such other independent person or body which the Board selects for such purpose.

(b) The Board shall work with such expert arbitrator(s) or other person or body to develop criteria and processes for the fixing of the remuneration payable to members of the Dispute Resolution Panel and may from time to time consult with such expert arbitrator(s), person or other body in that regard.

(c) All members of the Dispute Resolution Panel shall receive the same remuneration, provided that the Secretary may receive such higher remuneration as is appropriate having regard to the additional duties imposed on the Secretary pursuant to this by-law and the market rules.

ARTICLE 8

CODE OF CONDUCT/CONFLICT OF INTEREST

8.1 The Board shall adopt a code of conduct, including without limitation, conflict of interest guidelines, applicable to the directors.

8.2 The Board may, in addition to the code of conduct referred to in section 8.1, adopt one (1) or more codes of conduct applicable to the employees, including the officers of the Corporation, and agents of the Corporation and to the members of any of the panels of the Board. Such code(s) of conduct may contain, among others, provisions relating to conflict of interest applicable to such persons.

ARTICLE 9

PUBLIC NOTICE OF BY-LAW AND PROPOSED AMENDMENTS

9.1 PUBLIC NOTICE. The Board shall, promptly upon the coming into force of this by-law in accordance with section 10.1, make this by-law available for public inspection during normal business hours at the offices of the Corporation.

9.2 PUBLIC NOTICE OF AMENDMENT. Notice of any amendment proposed to be made to this by-law shall be published by the Board in the same manner as amendments or proposed amendments to the market rules no less than thirty (30) days prior to the date on which the Board intends to vote thereon in accordance with this by-law and shall be made available for public inspection during normal business hours at the offices of the Corporation. Notice of the proposed amendment shall include the full text of the amendment, an invitation to submit written comments with respect thereto and the deadline for submission of such comments, which deadline shall not be less than twenty (20) days from the date of publication of the notice.

ARTICLE 10

EFFECTIVE DATE

10.1 EFFECTIVE DATE. This by-law comes into force on the date of its approval by the Minister given pursuant to subsection 16(7) of the Act.

ADOPTED by the Board of Directors in accordance with the Act as of the 31st day of August, 2016.

Tim O'Neill

Chair

John M. Rattray

Secretary