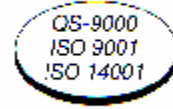




HAMILTON SPECIALTY BAR CORPORATION

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Part 4 – Submissions in Support of Exemption Application

Company Description

Hamilton Specialty Bar Corporation (HSB) is an Electric Arc Furnace Specialty Steel maker located in Hamilton Ontario, The current Electric Arc Furnace in production is “D Furnace” and was started in 1997 under the company name of Slater Steels – Hamilton Specialty Bar Division.

Benefits

Reliability is enhanced by giving the system operators additional loads to maintain system balance. Efficiency is enhanced by adding new competitors to the system, as well as allowing lower cost dispatch solutions.

Under the current rules, HSB’s Electric Arc Furnace would not qualify as a dispatchable load. The proposed exemption will accomplish the following:

1. Enhance system reliability
2. Enhance system efficiency and lower costs for all
3. Allow variable loads to participate as dispatchable loads without creating an unreasonable burden on the IESO control room personnel
4. Allow operation similar to that recognized for many years by Ontario Hydro as interruptible or DDS type loads

Qualification for Exemption

In order to accomplish the above, certain criteria need to be met by loads wishing to receive the exemption. D Furnace's load profile is typically available for 75% of a dispatch hour, and no one zero MW cycle typically lasts longer than 4 dispatch intervals.

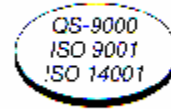
Bidding Strategy

HSB will make its energy and operating reserve (OR) bids based on the average consumption of the process while running (average of the non-zero time periods).



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Operating Strategy

The following comments apply only to periods when HSB has submitted bids for the Operating Reserve market:

1. If D Furnace is at zero load when dispatched to zero, it will accept the dispatch instruction and will remain at zero until dispatched above zero.
2. If D Furnace is either at full or zero consumption and is dispatched to a level other than full or zero consumption, there are two possibilities
 - a. If the dispatch instruction is to 50% of its bid or more, HSB will accept the dispatch instruction and will dispatch to or remain at full consumption.
 - b. If the dispatch instruction is to less than 50% of its bid, HSB will accept the dispatch instruction and will dispatch to or remain at zero consumption.
3. If the D Furnace is at zero load and is dispatched to full consumption and cannot comply within the five-minute interval because of operating characteristics, it will respond that it cannot comply. The facility will remain at zero consumption until the next dispatch interval and then the next dispatch instruction can be considered.

Outages

Normal operations lead to occasional equipment outages of up to four dispatch intervals. These will not be reported. Longer outages will be reported by phone.

Compliance

Provided that HSB complies with the above conditions, it will not be subject to action for non-compliance.

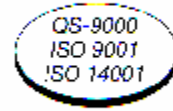
Exemption

HSB will qualify for the 10 minute non sync operating reserve market.



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Other Issues

Costs

HSB believes that the granting of this exemption will impose no costs on the IESO or other Market Participants.

Impact on IESO-Controlled Grid and IESO-Administered Markets

1. The granting of this exemption would enhance the ability of the IESO to maintain the reliability of the IESO-controlled grid.
2. This exemption will have no impact on grid access.
3. This exemption will enhance the ability of the IESO to operate the IESO administered markets in an efficient, competitive, and reliable manner.
4. This exemption will not create undue preference to any Market Participant.

Impact on HSB

If this exemption is denied, it will deprive HSB of Operating Reserve income. It will, therefore, deprive HSB of any financial incentive to control its load in a manner such as to support the system.

Facilities

As indicated above, HSB's Electric Arc Furnace covered by this application was put into service in 1997. At that time, a portion of the load was contracted as surplus power with Ontario Hydro. This gave the Ontario Hydro system operators the flexibility to dispatch this load to zero when required to maintain system reliability. The waiver application, including the requirement to dispatch only "on" or "off", merely tries to replicate the earlier regime in the new market.