

DECISION OF THE INDEPENDENT PANEL – Exemption Applications for Specified Facilities and Equipment Prior to Market Opening

Exemption Applications: Application Nos. 01-1051; 01-1080; 01-1149; 01-1160(a); and 01-1240

Panel Hearing the Application: James C. Baillie and Peter Jones

Date Application Heard: April 13, 2004

Market Rules from which Exemption is Requested: Chapter 4, Appendix 4.2 of the Market Rules

Decision: Ontario Power Generation Inc. (“OPGI”) is granted exemptions from Chapter 4, Appendix 4.2 for Pickering A GS, Decew Falls II GS (Exemption Application Nos. 1080 and 1240), Lakeview GS and Darlington GS (collectively, the “Facilities”), on the terms and conditions specified herein.

Effective Date of the Exemption: The date the exemption applications were received.

Conditions of the Exemption: The exemptions for the Facilities are granted subject to the conditions set forth below.

A. Pickering A GS No. 01-1051 (“Pickering”)

Granted with the following conditions:

1. Pickering A governors are expected to be maintained to preserve the original design performance specifications.
2. Pickering A governors are to be made compliant if they are replaced or their components are replaced to the extent that the capability becomes available.
3. OPGI shall maintain and calibrate their shaft acceleration detection, as designed, so as to contribute to frequency control in an island.
4. In coordination with the IMO, the governors on Pickering B generation units shall continue to be set at 4% droop which will contribute to frequency control in an island.

B Decew Falls II GS No. 01-1080 (“Decew 1080”); and

C. Decew Falls II GS No. 01-1240 (“Decew 1240”)

Granted with the following conditions:

1. Governors on all units shall be compliant by October 2005 as submitted by OPGI in their 5-year Plan (2003), or when the unit is replaced, whichever is earlier.

2. The deadband is to be verified during any testing or maintenance that takes place before the above time.
3. In coordination with the IMO, the governors on Beck 1 generation units should be set to compensate for the non-compliant generation units.

D. Lakeview GS No. 01-1149 (“Lakeview”)

Granted with the following condition:

1. OPGI shall operate Lakeview GS within 98 to 105% of rated terminal voltage.

E. Darlington GS No. 01-1160(a) (“Darlington”)

Granted with the following condition:

1. When directed by the IMO, the standby generators will reduce their MW output to allow for leading reactive operation, and shall not be eligible for a congestion management settlement credit.

Term of the Exemption:

A. Pickering

Granted for the life of the Pickering A equipment or until the governors are replaced or their components are replaced to the extent that the capability becomes available.

B Decew Falls 1080; and

C. Decew Falls 1240

Granted until October 2005, or until the unit is replaced, whichever is earlier.

D. Lakeview

Granted until facility de-registration on April 30, 2005.

E. Darlington

Granted for the life of the equipment.

Reconsideration of the Exemption:

N/A

Transfer: Approval to transfer these exemptions may be granted once the following criteria have been met:

1. the transfer meets applicable terms and conditions set forth in the exemption itself and whether the transfer would affect the ability of the proposed transferee to comply with all of the terms and conditions of the exemption;
2. the proposed transferee is a market participant or undertakes in writing to the IMO to apply for authorization as a market participant; and
3. the extent to which the transfer of the exemption will impact the timely implementation of the plan to become compliant with the exempted obligation (such plan may be the exemption plan, modified as required by the Panel as part of the terms and conditions of the exemption).

Reasons of the Panel: In rendering our decision, we have considered the Applicant's Exemption Applications, the IMO Staff Recommendation, the Exemption Applicant's comments on the IMO Staff Recommendation, the applicable sections of the Market Rules and the *Exemption Application and Assessment Procedure*.

OPGI is seeking an exemption from Chapter 4, Appendix 4.2 of the Market Rules, which requires generation facilities to comply with certain generator design capabilities.

Applicant's Position

OPGI seeks the Pickering, Decew 1080 and Decew 1240 exemptions to allow these facilities to operate without the required:

- speed governor;
- speed droop setting between 3% and 7%; or
- intentional deadband not wider than plus or minus 36 mHz.

For Lakeview, OPGI is requesting an exemption from the requirement to operate at certain terminal voltage levels, and for Darlington, from the requirement to provide leading power factor capabilities.

OPGI has requested these exemptions in order to continue to operate older equipment that, although not compliant in certain respects, can nevertheless be operated with little risk to the system.

IMO Staff Recommendation

IMO Staff recommended granting these exemptions with the conditions described above.

Conclusion

We agree with the IMO Staff Recommendation and have decided to grant the exemptions requested by OPGI on the conditions and for the terms described herein.


We recognize that granting these exemptions may have an impact on the ability of the IMO to direct the operations and maintain the reliability of the IMO-controlled grid.

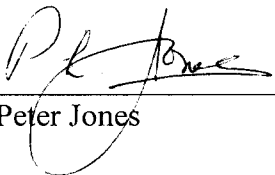
Despite this consideration, we believe that the costs associated with compliance with the Market Rules under consideration in this exemption application would be prohibitive, and would far outweigh the benefits that might result with respect to the operation of the IMO-controlled grid. Further, we understand that the impact on the IMO's ability to direct the operations and maintain the reliability of the IMO-controlled grid will be both minimal, and manageable.

In addition, with respect to Lakeview and Darlington, there is a low probability of circumstances occurring that would require low terminal voltage and the production of leading reactive power, respectively, given the current load and generation conditions on the IMO-controlled grid.

With respect to Pickering and Darlington, we believe that it is appropriate to grant exemptions for what may amount to a terms of more than five years, given the conditions attached to these exemptions.

After careful analysis, we are of the opinion that the risk of any impact on the IMO-controlled grid is sufficiently low as to merit granting these five exemptions for the term and on the conditions recommended by IMO Staff.


James E. Baillie June 10/04
Date


Peter Jones May 20, 2004
Date

June 16, 2004

MEMORANDUM

TO: Business Information and Records Management

FROM: Heather Landymore
Legal Affairs (Lawyer on Secondment)

RE: Exemption Application Nos. 01-1051; 01-1080; 01-1149; 01-1160(a);
01-1240 and 01-1297

I attach original Decisions and Decision Templates for the above exemption applications for filing. Please also scan the Decisions and file the scanned copies.

Please forward scanned copies of the Decisions to Web Publishing, for posting on the Exemption Application Status page of the IMO's public website. The date that the Decisions are posted should be inserted in the "Date Panel Decision Posted" column and there should be a hyperlink to the Decisions in the "Panel Decision" column.

If you could request Web Publishing to notify me when the Decisions are posted so I can download copies for the Legal Affairs files, I would appreciate it.

Heather Landymore
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Attachment

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JUN 22 2004

