

DECISION OF THE INDEPENDENT PANEL - Exemption Application No. 01-1160(b)

Exemption Application: Application No. 01-1160(b) made by Ontario Power Generation Inc. ("OPGI")

Panel Hearing the Application: Carol Perry and John Grant

Date Application Heard: December 16, 2004

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

Decision: OPGI is granted an exemption from Chapter 4, Appendix 4.2 of the Market Rules on the terms and conditions specified herein.

Effective Date of the Exemption: July 9, 2001, the date the exemption application was received.

Conditions of the Exemption: The exemption is granted on the following conditions:

1. OPGI will continue to notify the IMO through existing procedures and channels of their plans to operate any of the standby generators.
2. Notwithstanding the granting of this exemption, OPGI shall continue to be liable for the breach of any reliability standards.
3. Where the above conditions are not or cannot be met, the IMO will take appropriate action to ensure the reliability of the IMO-controlled grid and appropriate actions for non-compliance will be taken pursuant to Chapter 3 of the Market Rules.

Term of the Exemption: The exemption is granted for the life of the equipment.

Reconsideration of the Exemption:

This exemption may be reconsidered or removed if:

- Any changes are made to the existing data monitoring facilities associated with the standby generators; or
- there is any change that would result in connecting more than one standby generator to the IMO-controlled grid other than at the specific request of the IMO.

Transfer: Approval to transfer the exemption 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 OPGI's Exemption Application, the IMO Staff Recommendation, OPGI's comments on the IMO Staff Recommendation, the applicable sections of the Market Rules and the *Exemption Application and Assessment Procedure*.

OPGI seeks an exemption from Chapter 4, Appendix 4.2 of the Market Rules.

Applicant's Position

- The Appendix requires generators rated above 10MVA to meet the same standards as large generators.
- Standby generators have been installed at Darlington to provide Class 3 power when it is not available from the grid.
- Occasionally one of the four generators is dispatched for peaking purposes.
- The unit characteristics are appropriate for their primary role, but do not meet all of the requirements for large generators.
- The Market Rules require the provision of the megawatt and megavar output of each standby generator to be telemetered.
- At present, only the aggregate of the output of the four standby generators is telemetered, along with the synchronizing breaker status of each standby generator.

IMO Staff Recommendation

IMO Staff recommends granting this exemption with the conditions and for the rationale outlined below.

If this exemption were to be granted, the IMO's ability to direct the operations and maintain the reliability of the IMO-controlled grid and to operate the IMO-administered markets in an efficient, competitive, and reliable manner would not be impacted, for the following reasons:

- The spare standby generator that is connected to the IMO-controlled grid for peaking power or for testing is only connected to the IMO-controlled grid for short periods of time. This limits any impacts to an acceptable time period.

- The IMO is currently receiving data monitoring that shows the status of each standby generator synchronizing breaker as well as the total of the four standby generator outputs. If only one standby generator is synchronized at any time, then it is possible to determine which individual unit is running and what its output is. Darlington also provides planned resource information ahead of time to the IMO for the standby generator they plan on operating. This information effectively provides the same result that would be derived from telemetry for the individual units as required by the Market Rules.

If OPGI is granted the exemption, Darlington will be able to provide peaking power when the system is short of resources, which will contribute to the reliability of the IMO-controlled grid.

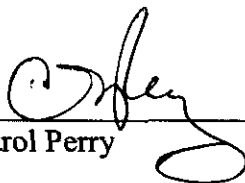
The cost of strict compliance with the Market Rules would be extremely high.

Conclusion

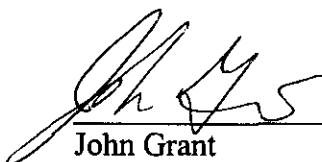
We agree with the IMO Staff Recommendation and have decided to grant the exemption requested by OPGI on the conditions and for the term described herein.

Through granting this exemption, the market will have the benefit of the additional peaking power provided by the spare standby generator, with minimal impact on the IMO's ability to direct the operations and maintain the reliability of the IMO-controlled grid.

We believe that it is appropriate to grant this exemption for a term which may amount to greater than five years given the lack of impact on the IMO's ability to direct the operations and maintain the reliability of the IMO-controlled grid and to operate the IMO-administered markets in an efficient, competitive, and reliable manner.



Carol Perry Feb 4/05
Date



John Grant February 4, 2005
Date