

## **DECISION OF THE INDEPENDENT PANEL - Exemption Application No. 1335**

**Exemption Application:** Application No. 1335 made by Namewaminikan Hydro Inc. (“NHI”) (formerly 4444388 Canada Inc.).

**Panel Hearing the Application:** Mr. Rudy Riedl and Mr. John Wiersma.

**Date Application Heard:**

- June 30, 2009 – teleconference;
- August 18, 2009 – IESO Supplementary Memo circulated by e-mail from Roy Stewart; and
- August 23, 2009 – approval obtained by e-mail from Panel Members.

**Market Rules from which Exemption is Requested:** Market Rules, Chapter 4, Appendix 4.2, Reference 1, Requirement 2.

**Decision:** NHI is granted an exemption on the terms and conditions specified herein.

**Effective Date of the Exemption:** February 17, 2009.

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

- (a) NHI is required to meet the requirements listed in the IESO SIA; and
- (b) deviation from the technical specifications outlined in NHI’s Exemption Application and Exemption Plan will result in reconsideration of this exemption.

**Term of the Exemption:** The exemption shall expire at the end of the life of the equipment.

**Reconsideration of the Exemption:** This exemption will be reconsidered in the event that NHI deviates from the technical specifications outlined in NHI’s Exemption Application.

**Reasons of the Panel:** In rendering our decision, we considered NHI’s Exemption Application and Exemption Plan, the IESO Staff Recommendation, the Exemption Application & Assessment Procedure, the applicable Market Rules, and the IESO Supplementary Memo dated August 18, 2009 (which was circulated via e-mail on August 19, 2009 by Roy Stewart, IESO General Counsel & Secretary).

NHI seeks an exemption for the lifetime of its facility from the requirement to have reactive power capability as required by Market Rule Chapter 4, Appendix 4.2, Reference 1, Requirement 2. The exemption will exempt NHI from the requirement that a generator ensure that its synchronous generation unit have the capability to supply reactive power at its terminal within the range of 90% lagging and 95% leading power factor based on rated active power at rated voltage.

## NHI's Position

NHI seeks an exemption from the obligation under the Market Rules for a generator to ensure that its synchronous generation unit have the capability to supply reactive power at its terminal within the range of 90% lagging and 95% leading power factor based on rated active power at rated voltage. The IESO supports the Application because the System Impact Assessment ("SIA") determined that, since the Project is a dynamic reactive power source, it would improve voltage performance of the local area to which the Project would connect; the shortfall of 0.9 MVAR of reactive power (2.6 MVAR, -3.3 MVAR instead of the required 3.5 MVAR, -3.3 MVAR) would not materially impact the reliable operation of the IESO-controlled grid ("ICG"), i.e., allowing the Project to connect would not materially impact the ability of the IESO to direct the operations and maintain the reliability of the ICG or to ensure non-discriminatory access to the ICG. Granting an exemption would not increase costs of market participants or increase the IESO's costs.

## IESO Staff Recommendation

IESO Staff recommends granting this exemption for reactive power capability for the lifetime of the Project (i.e., the life of the equipment) subject to the conditions outlined above. The IESO Staff rationale for granting the exemption is that, while NHI and the IESO preferred option B of the three (3) options considered for the purposes of addressing the deficiency in meeting reactive power requirements, making the required alterations would cost approximately \$2 million with limited benefit to the ICG given the following:

- 1) the small margin the Project falls short of the requirements;
- 2) the fact that the Project will not inject substantial output into the ICG; and
- 3) what would likely be up to three (3) months of delay in the construction schedule to make the required changes.

## Conclusion

We agree with the IESO Staff Recommendation and have decided to grant the exemption requested by NHI on the conditions and for the term described herein. Our decision to grant this exemption is due to consideration of the factors set out in detail in the IESO Supplementary Memo dated August 18, 2009 and for the following reasons:

- as successful bidder, NHI followed the MNR procurement process (the bid requirements did not include a market rule compliance requirement);
- this part of Ontario is remote, and the project contributes to the overall reliability of the region;
- the region's reactive power capability will improve if this project proceeds;
- the project would not be financially viable if the exemption would not be granted; and

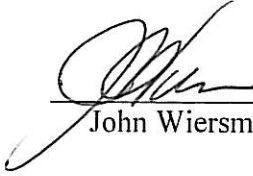
- it continues to be the interest of the IESO to improve the region's reliability and reactive capability on the IESO-administered grid.



Rudy Riedl

September 10, 2009

Date



John Wiersma

September 10, 2009

Date

