

DECISION OF THE INDEPENDENT PANEL – Exemption Application #1337

Exemption Application: Application #1337 made by Ontario Power Generation Inc. (“OPG” or, the “Applicant”).

Panel Hearing the Application: William Museler and John Wiersma.

Date Application Heard: July 22, 2011.

Market Rule(s) from which Exemption is Requested: Chapter 11 – definition of “*minimum loading point*”.

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

Effective Date of the Exemption: March 10, 2011.

Conditions of the Exemption: It is recommended that the *exemption* be granted so long as the Lennox *facility’s* ability to manoeuvre from the ignition support minimum continues or until such time the *market rules* in this regard are amended addressing the issue brought forward by the Applicant.

Expiry of the Exemption: The Panel is satisfied that under the circumstances the *exemption* should be for the lifetime of the *facility* subject only to the provisions of the Reconsideration below.

Reconsideration of the Exemption: The exemption will be reconsidered if the ability of the Lennox *generation facility* to manoeuvre from the ignition support minimum discontinues or if there is a future amendment to the *market rules* addressing this issue.

Reasons of the Panel: In rendering our decision, we considered the Applicant’s Exemption Application, the IESO Staff Recommendation, the Exemption Application and Assessment Procedure, the applicable *market rules* and the responses of IESO Staff to the issues and

questions we posed during the hearing of the Application concerning historical compliance and the need for an exemption. We were advised that, among other things, OPG self-reported the non-compliance to the IESO's Market Assessment and Compliance Division (MACD) and that OPG discussed the various available options with MACD, one of which was to apply for this exemption.

OPG seeks an *exemption* from the definition of "*minimum loading point*" (MLP) under Chapter 11 of the *market rules*, which requires that the MLP of a *generator* be based on the minimum output of *energy* specified by the *market participant* that can be produced by a *generation facility* under stable conditions **without** ignition support.

Applicant's Position

OPG takes the position that if OPG were required to discontinue its practice of offering the lowest MLPs possible (taking into consideration both technical and environmental limitations), the minimum loads for Lennox units would be increased to approximately 125MW.

IESO Staff Recommendation

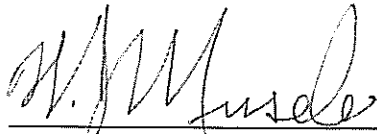
IESO Staff recommends granting the requested *exemption*. The *IESO Staff* rationale for granting the *exemption* is as follows. There will be no increased cost to *market participants* or the *IESO* nor will the *exemption* affect the ability of the *IESO* to direct the *IESO-controlled grid* in a reliable manner or to operate the *IESO-administered markets* in an efficient, competitive and reliable manner. OPG is capable of operating the *Lennox facility* consistent with the terms of the proposed *exemption*, and the *Lennox facility* is currently operating to the terms of the *exemption*.

Conclusion


We agree with the *IESO Staff Recommendation* and have decided to grant the *exemption* requested by the Applicant and are satisfied that under the circumstances the *exemption* should be for the lifetime of the *generation facility* subject to reconsideration of the *exemption* as set out in the *IESO Staff Recommendation*. Our decision to grant this *exemption* is based on the following factors:

- The *Lennox facility* has been operating in the present condition since OPG had to register its MLP for the *Lennox facility*;
- The Applicant asserts that with its low MLPs, the *Lennox generation facility* can continue to provide a large amount of capacity and ramping capability. Ramping capability is essential to reliable operations of the *IESO-controlled grid* with the uncertainty around renewable generation;

- We are advised that this *exemption* would be considered a positive change where a unit's maximum flexibilities are accommodated and reflected in guarantee programs that move to lower MLPs and run times; and
- We are advised that the definition of MLP in the *market rules* may be amended or altered in the future to allow *facilities* to operate under stable conditions with ignition support.



William Museler July 22, 2011
Date



John Wiersma July 22, 2011
Date