

IESO MARKET YEAR IN REVIEW – 2005

PRICE

\$58.26/MWh

2005 AVERAGE WEIGHTED PRICE
(with adjustments)

Lack of supply and increased demand throughout 2005 converged to create the highest wholesale electricity prices since market opening.

The average weighted price of \$72.14/MWh (before rebates) exceeded the previous year's average by \$20, reflecting sustained hot weather conditions – particularly throughout the summer – and lower than expected hydroelectric generation.

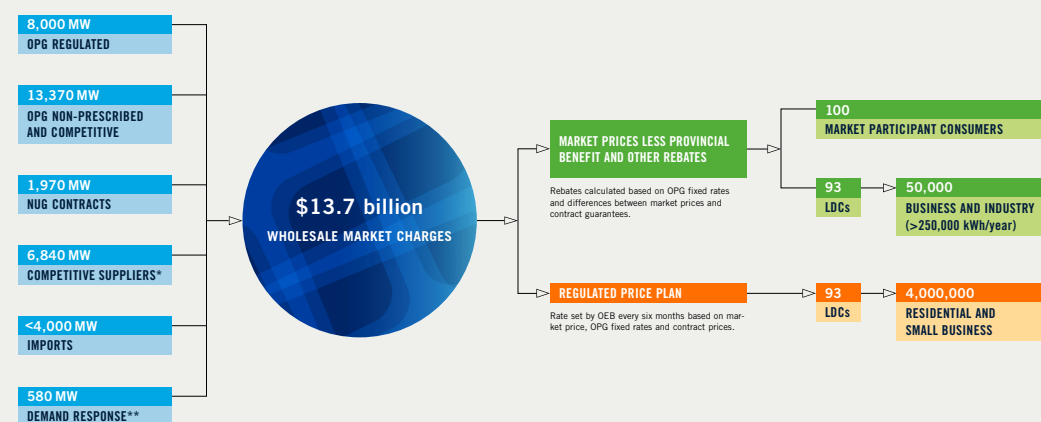
This low-supply, high-demand scenario continued into the fall, when a number of necessary generator maintenance outages coupled with the impact of Hurricanes Katrina and Rita on natural gas prices prompted higher than average electricity prices, including higher annual price-setting averages by fuel type. When natural gas set the price, it did so at an average of

\$95/MWh, an increase of \$27 over the previous year. Similarly, hydroelectric price-setting averages were up 74 per cent.

These higher prices were, however, mitigated by price adjustments introduced last year. The Global Adjustment and the OPG Rebate reduced the price so that every \$10 increase in the hourly price resulted in only a \$3 increase in the final price wholesale customers paid. As a result, the average annual wholesale price, factoring in adjustments, was \$58.26/MWh over the year.

Operating reserve prices were also greatly influenced by the supply situation at hydroelectric facilities. In April, reserve prices reached as high as \$10/MWh, as most of these stations were taking advantage of the spring run-off and offering into the energy market. By the summer, however, the near drought made the reserve market much more competitive, as their ability to run in the energy market was significantly reduced.

THE IESO WHOLESALE MARKET – 2005

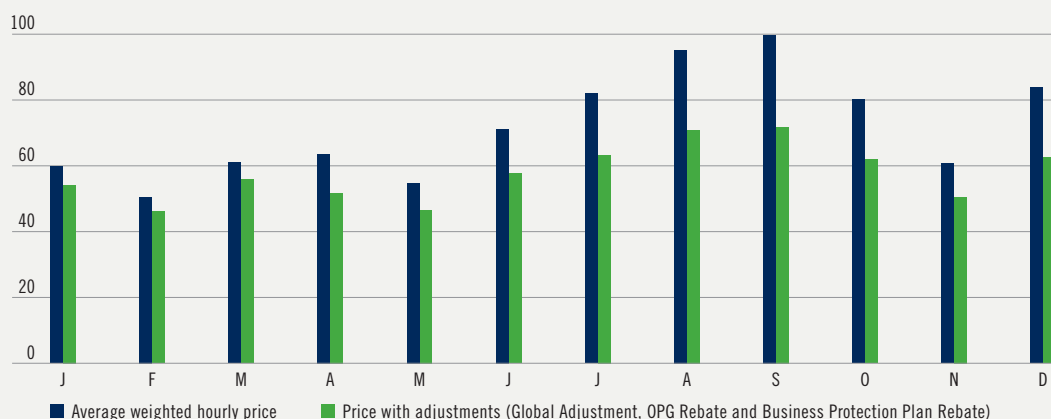


* As of November, 1,500 MW from Bruce Power was provided under contract rates.

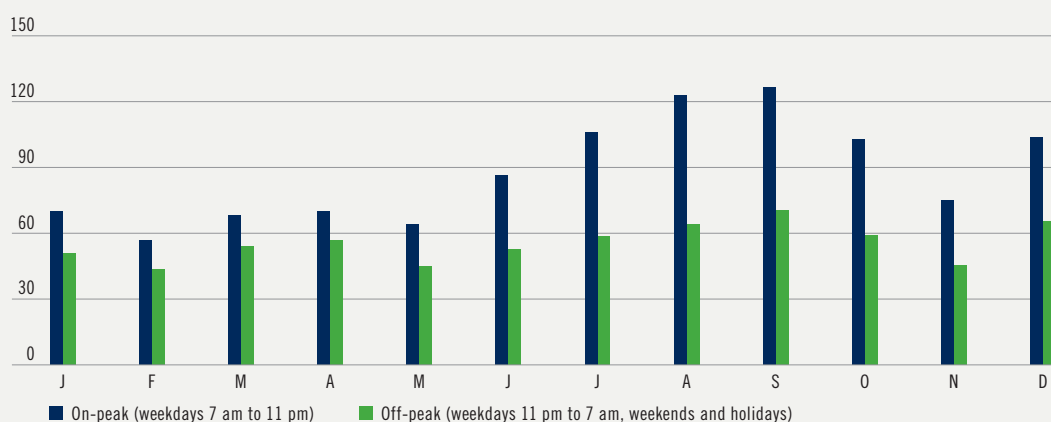
** Registered dispatchable load.

IESO Market Year in Review – Price

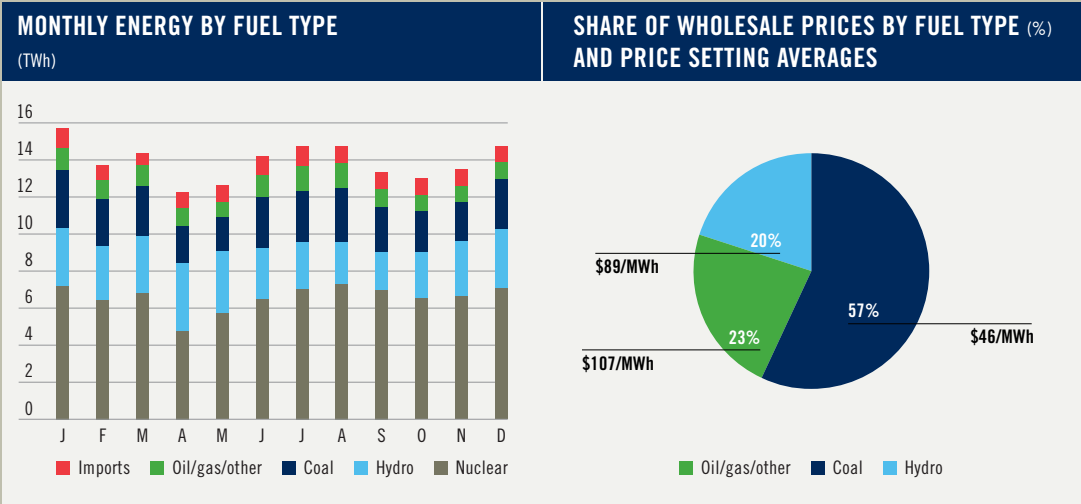
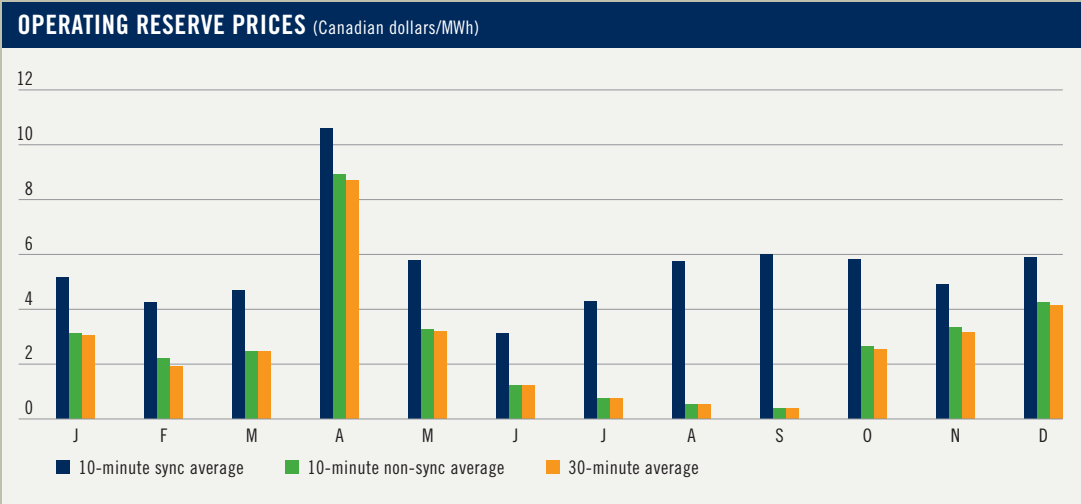
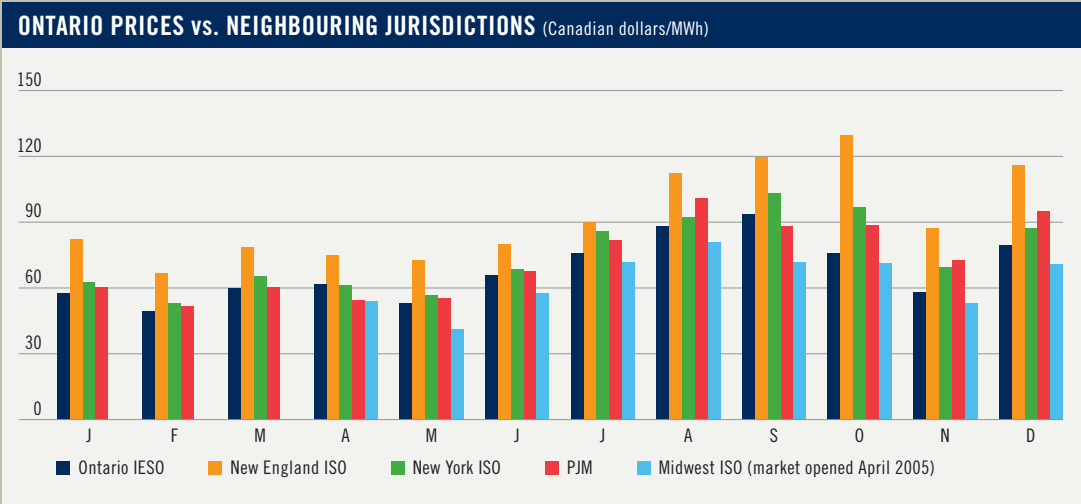
2005 AVERAGE WEIGHTED HOURLY PRICE AND ADJUSTMENTS (Canadian dollars/MWh)



ON- AND OFF-PEAK AVERAGE WEIGHTED PRICES (Canadian dollars/MWh)



IESO Market Year in Review – Price



IESO MARKET YEAR IN REVIEW – 2005

DEMAND AND SUPPLY

26,160 MW

**JULY 13, 2005
ONTARIO DEMAND PEAK**

Despite a high Canadian dollar weakening electricity use by industry, extreme temperatures triggered a surge in Ontario electricity demand.

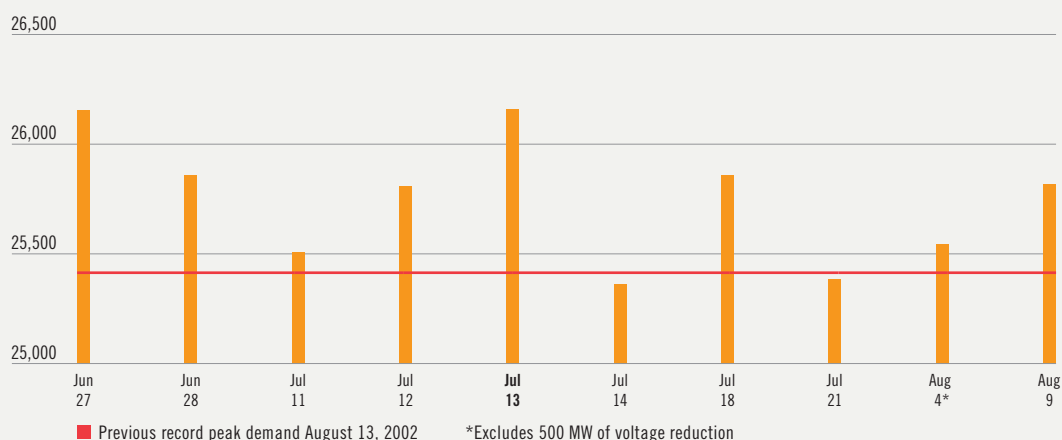
The summer of 2005 started early, and while peak temperatures didn't surpass 2002 records, the average temperature did.

This had two impacts on reliability. Without breaks in the weather, consumers were less likely to moderate their electricity use. Air conditioners were turned on and stayed on for much of the duration. The protracted heat also stressed the electricity system, placing restrictions on transmission equipment and limiting the output from some thermal generators.

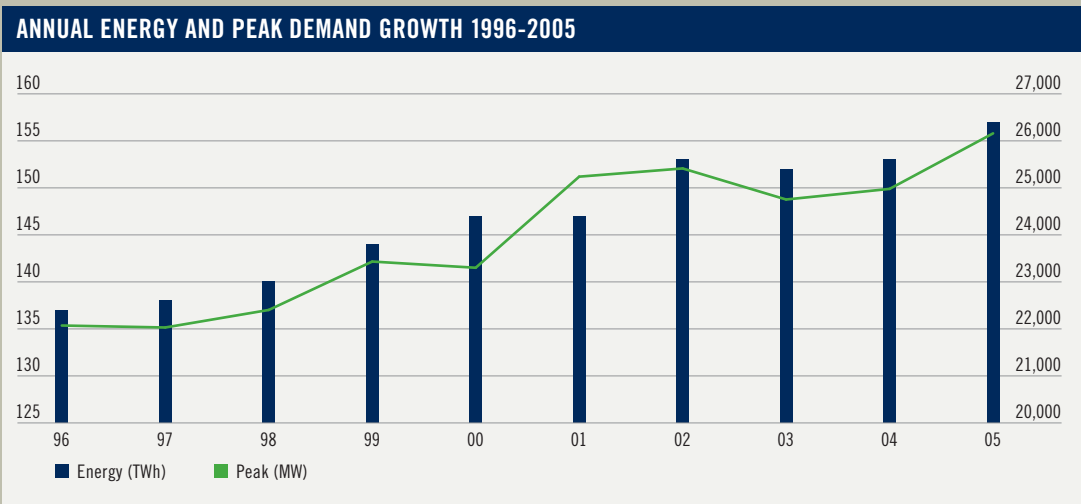
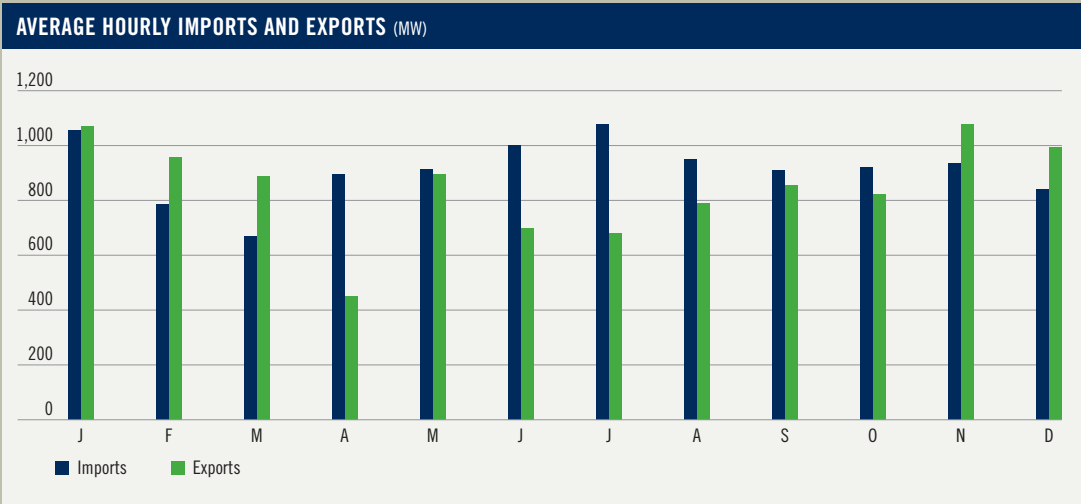
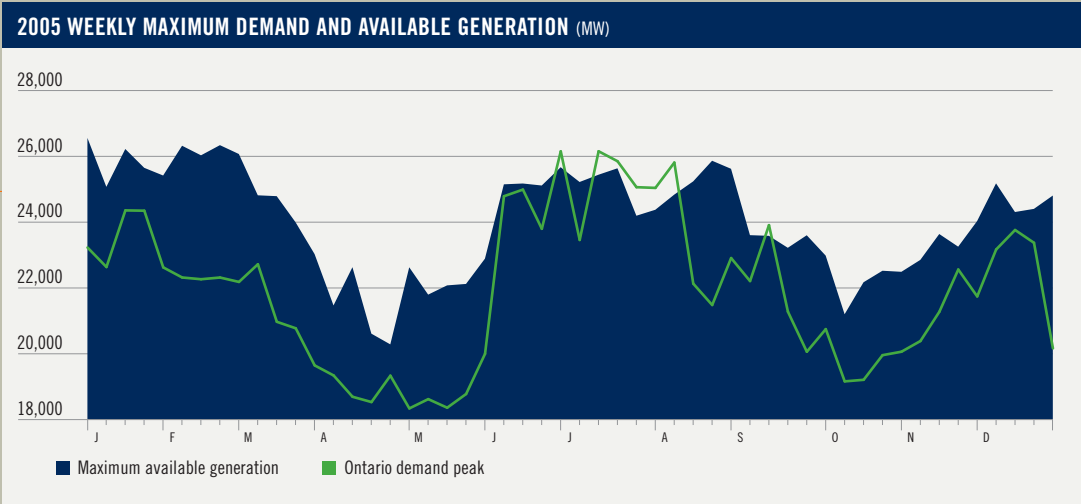
During the summer, a number of new demand records were set, with a new all-time record of 26,160 MW set on July 13. Despite good overall performance, generator availability to meet these new records was of most concern in the height of the summer. Thermal limits and low water reserves reduced output. As a result, domestic supplies were insufficient to meet provincial needs for a total of 283 hours throughout the summer, compared to only 18 hours the summer before.

Looking at longer-term trends, the extreme weather demand peak is forecast to grow by 3,000 MW or an average of 1.2 per cent a year over the next 10 years.

2005 TOP 10 DEMAND DAYS IN ONTARIO (MW)



IESO Market Year in Review – Demand and Supply





Power to Ontario. On Demand.

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