

April 24, 2002

The Honourable Chris Stockwell
Minister of Environment and Energy
Office of the Minister
4th Floor, Hearst Block, 900 Bay Street, Queen's Park
Toronto, Ontario M7A 2E1

Dear Mr. Minister:

This letter constitutes advice to you from the Independent Electricity Market Operator concerning your decision on the opening of competitive markets for electricity in Ontario. Specifically, it addresses the IMO's responsibilities for reliability and for the operation of the wholesale marketplace.

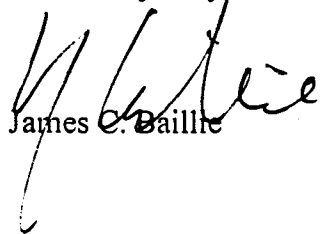
Insofar as the decision relates to the IMO's area of responsibility, we consider and we advise you that the Government of Ontario and you as the responsible Minister would be acting responsibly in opening the Ontario electricity marketplace on May 1, 2002. Our latest eighteen month assessment of system adequacy is acceptable. The extensive testing to date gives reason for a high degree of confidence that the wholesale market systems will be fully functional and reliable.

Up-to-date market rules are, of course, essential for a successful market opening. I wrote to you on Monday asking you to "make" certain rules on an urgent basis. A request for an additional rule amendment of a very technical nature is likely to emerge from a meeting of the Board of Directors to be held on Thursday, April 25th. The advice in the preceding paragraph about market opening assumes that these amendments will all be "made" on a timely basis.

As you know, market opening is being preceded by a final phase of intensive testing referred to as coupled operational dry run. This phase commenced April 1, 2002 and the success criteria established for CODR are being met. Actions of both a permanent and temporary nature have been taken to address those issues that have arisen. Although any nascent market is likely to demonstrate some unexpected behaviours, it is my considered opinion, concurred in by my colleagues at the IMO, that the state of readiness of the wholesale electricity market supports proceeding with market opening as scheduled on May 1, 2002.

Mr. Minister, I am convinced that the opening of the electricity market in Ontario will have significant benefits well beyond those immediately apparent to us. We at the IMO look forward to continuing the excellent working relationship we have enjoyed with your predecessor and Ministry staff as we move forward.

Yours very truly,


James C. Baillie

cc: Dave Goulding
President & CEO