2005-2006 COMPLIANCE PLAN

The Ontario Energy Board is the regulator of the natural gas and electricity sectors in Ontario. An effective compliance program is an important means of protecting consumers and of building confidence in the energy sector. The OEB has recognized this in its 2005-2008 Business Plan, which includes the following as one of the OEB's strategic objectives:

> *To enhance confidence in the Board's regulation through expanded audit and compliance programs.*

The Compliance Office reviews and investigates complaints and allegations of non-compliance that are brought to the attention of the Compliance Office, principally by members of the public and by regulated entities. These reviews and investigations are reactive. The Compliance Office also undertakes activities, such as issuing compliance bulletins, that are designed to ensure that regulated entities better understand their legal and regulatory obligations and how to comply with them. These activities will remain a central component of the work of the Compliance Office throughout the year. In addition, the Compliance Office will take a more proactive approach to compliance by initiating monitoring, review and communication activities in relation to selected compliance issues that have been identified by the Compliance Office as a priority.

To that end, in each year the Compliance Office will develop and publish an Annual Compliance Plan that identifies the priorities established for the year with respect to compliance activities. This is the first such Annual Compliance Plan, and it identifies those legal or regulatory requirements that will be the subject of proactive compliance monitoring, review or communications during the 2005-2006 fiscal year.

The priority areas for 2005-2006 are the following:

Compliance Communications and Implementation

1. Assisting regulated entities in better understanding the OEB's compliance process as well as the OEB's expectations in relation to compliance.

2. Facilitating implementation of the Gas Distribution Access Rule to promote a clearer understanding of the obligations of gas distributors and to enhance protection for gas consumers.

Compliance Reviews

3. Ensuring that regulated distributors and transmitters in the natural gas and electricity sectors are complying with their regulatory requirements in terms of their affiliate relationships. This will include the following activities:

   i) testing compliance by electricity distributors and transmitters with the outsourcing rules contained in the Affiliate Relationships Code for Electricity

Distributors and Transmitters (the "ARC");

ii) testing compliance by electricity distributors and transmitters with the requirements of the ARC in relation to purchases from or sales to their affiliates; and

iii) reviewing implementation by natural gas distributors of the Affiliate Relationships Code for Gas Utilities.

4. Ensuring that electricity retailers are complying with the Electricity Retailer Code of Conduct and other applicable consumer protection obligations, which is particularly important in the context of recent changes in the electricity sector.

These compliance reviews will be undertaken in a manner similar to that used by the Compliance Office in reviewing or investigating complaints or allegations of non-compliance. Regulated distributors and transmitters will be asked to provide information that will allow the Compliance Office to assess their compliance. All reviews will be conducted in a manner that is transparent and fair and that respects the rights of all respondents.

Compliance Monitoring

5. Closely monitoring issues that arise in relation to compliance by electricity transmitters with their obligations under the Transmission System Code in order to ensure in particular that concerns by generators regarding connection are addressed in a timely manner and that the connection of new supply is not unduly delayed.

From time to time during the year, the Compliance Office will report on its progress in relation to the priority activities identified in this Annual Compliance Plan. Following the end of the fiscal year, the Compliance Office will report in a more comprehensive way on the overall results of its 2005-2006 Annual Compliance Plan activities.

It is the goal of the Compliance Office to work cooperatively with regulated entities to create a culture of compliance and to monitor and enforce compliance with applicable legal and regulatory requirements in a timely, transparent and efficient manner. This Annual Compliance Plan is an important part of that process. The OEB appreciates the cooperation of all regulated entities in working with the Compliance Office in implementing and advancing the objectives of the Plan for the benefit of all industry stakeholders and consumers.