KPMG

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PRIVATE & CONFIDENTIAL

Mr. Ted Leonard
Independent Electricity System Operator
Station A, Box 4474
Toronto ON M5W 4E5

March 16, 2010

Dear Sir,

The purpose of this letter is to finalize our engagement to express an opinion on the year-end corporate financial statements (hereinafter referred to as "annual financial statements") and the year-end financial statements of the Pension Plan of Independent Electricity System Operator ("the Entity") as at and for the period ending December 31, 2010. These services, along with Taxation Services and Educational Services for this engagement are detailed in IESO's External Financial Audit Services RFP document (IESO_RFP_0085) and our proposal (the "Proposal") submitted December 18, 2009 (the "Services"). Taxation Services and Educational Services, which may be performed on an as requested basis, will be subject to a separate Statement of Work and associated Purchase Order.

The annual financial statements referred to above will be presented in accordance with Canadian generally accepted accounting principles (hereinafter referred to collectively as the "financial reporting framework").

KPMG's performance of the Services will be governed by the terms and conditions in Contract Standard A-29-09 as agreed in the Proposal.

OUR RESPONSIBILITIES REGARDING THE AUDIT

Our function as auditors of the Entity is to express an opinion on the Entity's annual financial statements.

We will conduct the audit on the Entity's annual financial statements in accordance with Canadian generally accepted auditing standards (hereinafter referred to as applicable "professional standards").

We will plan and perform the audit to obtain reasonable assurance about whether the annual financial statements present fairly, in all material respects, the financial position, results of operations and cash flows in accordance with the financial reporting framework referred to above.

Accordingly, we will:

- obtain an understanding of the Entity's internal control over financial reporting to identify types of potential misstatements, consider factors that affect the risks of material misstatement, and design the nature, timing and extent of further audit procedures. This understanding will not be sufficient to enable us to render an opinion on the effectiveness of internal control over financial reporting.

- examine, on a test basis, evidence supporting the amounts and disclosures in the annual financial statements. We will also assess the accounting principles used and their application and significant estimates made by management, as well as evaluate the overall financial statement presentation.

- maintain our independence with respect to the Entity within the meaning of the Rules of Professional Conduct/Code of Ethics under which we are governed.

- communicate matters required by professional standards to the appropriate level of management to the extent that such matters come to our attention during our engagement. Such matters include: any misstatements resulting from error, other than trivial errors; any evidence obtained that indicates an illegal act or possibly illegal act, other than one considered inconsequential, may have occurred; any material weaknesses in the Entity's internal control over financial reporting; and any fraud or any information obtained that indicates that a fraud may exist.

- communicate a summary of our audit approach as well as other matters required by professional standards to those with oversight responsibility for the financial reporting process (e.g., the Audit Committee) to the extent that such matters come to our attention during our engagement. Such matters include:

    - any misstatements resulting from error, other than trivial errors, as communicated to management.
    - any evidence obtained that indicates an illegal act or possibly illegal act, as communicated to management.
    - any material weaknesses in the Entity's internal control over financial reporting, as communicated to management.
    - any related party transaction which is not in the normal course of operations and involves significant judgments made by management concerning measurement or disclosure.
    - questions regarding the honesty and integrity of management.
    - matters that may cause future annual financial statements to be materially misstated.
    - our professional judgment on the qualitative aspects of the accounting principles used in the Entity's annual financial statements.

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- any disagreements with management about matters that individually or in the aggregate could be significant to the Entity's annual financial statements or our report/ reports thereon, whether or not subsequently resolved.
- our views about any matters that were the subject of management's consultation with other accountants about accounting matters and professional standards.
- any major issues discussed with management in connection with our audit including, among other matters, any discussions regarding the application of accounting principles and professional standards.
- any serious difficulties that we encountered in dealing with management.

The type and significance of the above matters to be communicated will determine the level of management or those with oversight responsibility for the financial reporting process to which the communication is directed. The matters communicated will be those that we identify during the course of our audit. Audits do not usually identify all matters that may be of interest to management or to those with oversight responsibility for the financial reporting process in discharging their responsibilities.

We will communicate any services we provided to the Entity (and related/affiliated entities) and other relationships between ourselves and the Entity (and related/affiliated entities) that may reasonably be thought to bear on our independence. We will also confirm annually, in a written letter, our independence with respect to the Entity, within the meaning of the Rules of Professional Conduct/Code of Ethics under which we are governed.

MANAGEMENT'S RESPONSIBILITIES

Management is responsible for:

(a) the preparation and fair presentation of the Entity's annual financial statements in accordance with the financial reporting framework referred to above.

(b) maintaining accounting records, selecting and applying appropriate accounting policies, and the safeguarding of assets.

(c) providing us with and making available complete and accurate financial records and related data, and copies of all minutes of meetings of shareholders, directors and committees of directors.

(d) the Entity's internal control, including the design, implementation and operation of internal control over financial reporting to prevent and detect fraud and error, including internal controls over the financial reporting process and the accuracy of period-end adjusting journal entries.

(e) disclosing to us any known control deficiencies in the design and implementation or operation of internal control over financial reporting.

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(f) disclosing to us information relating to any known or probable instances of non-compliance with legislative, regulatory, governmental or other requirements, including financial reporting requirements or deficiencies and any known illegal act or possibly illegal act and all significant facts relating thereto.

(g) disclosing to us information relating to any allegations of fraud or suspected fraud affecting the Entity's annual financial statements communicated by others such as employees, former employees, analysts, regulators, short sellers, or others.

(h) disclosing to us information relating to fraud or suspected fraud and all significant facts related thereto affecting the Entity involving management, employees who have significant roles in internal control over financial reporting, or others, where the fraud could have a material effect on the annual financial statements.

(i) disclosing to us any known action by any officer or director of the Entity, or any other person acting under the direction thereof, to fraudulently influence, coerce, manipulate or mislead us.

(j) disclosing to us the results of its assessment of the risk that the annual financial statements may be materially misstated as a result of fraud.

(k) disclosing to us information regarding all related parties and related party transactions

(l) approving any corrected misstatements identified by us during the engagement and correcting the annual financial statements for all material misstatements and communicating their belief that the effects of any uncorrected misstatements aggregated during the engagement are immaterial, both individually and in the aggregate, to the annual financial statements taken as a whole.

(m) providing us with written confirmation of significant representations made to us during the engagement on matters that are: directly related to items that are material, either individually or in the aggregate, to the annual financial statements; not directly related to items that are material to the annual financial statements but are significant, either individually or in the aggregate, to the engagement; or relevant to judgments or estimates that are material, either individually or in the aggregate, to the annual financial statements.

OTHER MATTERS

One of the underlying principles of our profession is a duty of confidentiality with respect to client affairs. Accordingly, except for information that is in or enters the public domain, we will not provide any third party with confidential information concerning the affairs of the Entity without the Entity's prior consent, unless required to do so by law or our Rules of Professional Conduct/Code of Ethics or orders from professional, securities or other regulatory or governmental authorities (both in Canada and abroad).

Auditors conducting an audit in accordance with professional standards obtain reasonable assurance that the annual financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. It is important to recognize that auditors cannot obtain absolute assurance

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that material misstatements in the annual financial statements will be detected, because of factors such as: the use of judgment; the use of testing of the data underlying the annual financial statements; the inherent limitations of internal control over financial reporting; and the fact that much of the audit evidence available to the auditor is persuasive rather than conclusive in nature. Furthermore, because of the nature of fraud, including attempts at concealment through collusion and forgery, an audit designed and executed in accordance with professional standards may not detect a material fraud.

While effective internal control over financial reporting reduces the likelihood that misstatements will occur and remain undetected, it does not eliminate that possibility. For these reasons, we cannot guarantee that fraud, error or illegal acts, if present, will be detected when conducting an audit in accordance with professional standards.

In addition, we cannot provide assurance that an unqualified opinion on the annual financial statements will be rendered. Circumstances may arise in which it is necessary for us to include a reservation in our report or to withdraw from the engagement. In such circumstances, our findings or reasons for withdrawal will be communicated to management and those with oversight responsibility for the financial reporting process.

When public documents contain or incorporate by reference either full or summarized annual financial statements that we have audited ("designated public documents"), professional standards require the performance of certain procedures, including determining whether the annual financial statements and our audit report(s) have been accurately reproduced, reading the designated public documents and assessing whether any of the information appears to be inconsistent. Management is responsible for providing us with copies of any designated public documents prior to their release and with adequate notice of the preparation of such documents as well as advising us of any electronic filings of designated public documents.

KPMG LLP is a registered Limited Liability Partnership ("LLP") formed under the laws of the Province of Ontario and, where applicable, has been registered extra-provincially under provincial legislation. KPMG is a partnership, but its partners have a degree of limited liability. A partner is not personally liable for any debts, obligations or liabilities of the LLP or of any other professional arising from the fault or negligence of another partner or of any other person under that other partner's direct supervision or control. The legislation does not, however, reduce or limit the liability of KPMG. KPMG's insurance exceeds the mandatory professional indemnity insurance requirements established by the various Institutes/Ordre of Chartered Accountants. All partners of an LLP remain personally liable for their own actions and of those they directly supervise or control.

The Entity agrees that any claims that may arise out of this engagement will be brought solely against KPMG, the contracting party and not against any other KPMG International member firms participating in this engagement.

In respect of Taxation Services and Educational Services:

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1. On a periodic basis, we will provide Taxation Services and Educational Services of a general nature relating to various matters as they arise. This type of service generally arises on a periodic basis as a result of preliminary inquiries made by you. In rendering these services, it is important to recognize that the advice provided is dependent on the detail of the information provided to us. When professional judgment suggests written confirmation of the facts and advice is necessary, we will draft the appropriate correspondence to ensure the appropriate standard of care is met by all parties.

2. Periodically, you will seek detailed advice from us in connection with a specific transaction or undertaking you are contemplating. In such a situation, our advice will be based on the information provided to us. It is the responsibility of IESO to ensure we are provided with all the information necessary in order for us to render the advice sought. Our advice will most likely be communicated to you, or your designate, in writing.

Our Taxation and Educational Services, both written and oral, will be based on the facts and assumptions submitted to us. We will not independently verify this information, unless specifically requested by you. Inaccuracy or incompleteness of the information could have a material effect on our conclusions.

FEES

The fees applicable to this engagement are detailed in the Pricing Proposal submitted on December 18, 2009. Both the audit of IESO's Financial Statements and IESO's Pension Plan Financial Statements are on a Fixed Rate basis. Any Taxation Services and Educational Services required on an on-going or ad-hoc basis will be billed on an hourly rate basis as detailed in the same Pricing Proposal.

Our fees will be billed as the work progresses.

In subsequent periods, we will agree our estimated fees with the Entity before we commence the delivery of any service.

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We are available to assist the Entity, upon request, with a wide range of services beyond those outlined above. Additional services are subject to separate terms and arrangements.

We are proud to serve the Entity and we appreciate your confidence in our work. We shall be pleased to discuss this letter with you at any time. If the arrangements outlined are in accordance

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with the Entity's requirements and if the above terms are acceptable to the Entity, please sign the duplicate of this letter in the space provided and return it to us.

Yours very truly,

KPMG LLP

Matthew Betik, CA
Associate Partner
519-747-8245

/bp
Enclosure
cc: Audit Committee Chair

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The terms of the engagement set out are as agreed:

Name and Title Susan Nicholson, Corporate Controller for Ted Leonard VP Finance

Date (dd/mm/yy) 27/04/10

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Power to Ontario.
On Demand.

DELEGATION OF SIGNING AUTHORITY

DELEGATOR: Ted Leonard, VP Finance, CFO & Treasurer

DATE: April 12, 2010

AUTHORITY LEVEL OF DELEGATOR, AS PER OAR: VP

AUTHORITY LEVEL OF DELEGATEE, AS PER OAR: Corporate Controller

This notice hereby delegates signing authority to **Susan Nicholson, Corporate Controller** of **Finance** in the capacity of **VP Finance, CFO & Treasurer**

within the provisions of the IESO Organizational Authority Register for the period

April 19, 2010 to May 7, 2010 inclusive.

Ted Leonard
VP Finance, CFO & Treasurer

Susan Nicholson
Corporate Controller

COPIES OF THIS NOTICE SHALL BE SCANNED AND EMAILED PRIOR TO THE ACTIVATION DATE TO THE FOLLOWING:

ACCOUNTS PAYABLE	accounts.payable@ieso.ca
PROCUREMENT	requisitionsinbox@ieso.ca
ITOPS	itopscustomersupport@ieso.ca

ORIGINAL SIGNED NOTICES TO BE MAINTAINED BY DEPARTMENT ADMINISTRATIVE ASSISTANTS