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## PART 1 - DEFINITIONS AND INTERPRETATIONS

### 1. Definitions

In this licence:

“Act” means the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, Schedule B;

“affiliate”, with respect to a corporation, has the same meaning as in the *Business Corporations Act*;

“ancillary services” means services necessary to maintain the reliability of the IMO-controlled grid including frequency control, voltage control, reactive power and operating reserve services;

“Board” means the Ontario Energy Board;

“consumer” means a person who uses, for the person’s own consumption, electricity that the person did not generate;

“Director” means the Director of Licensing appointed under section 5 of the Act;

“distribute”, with respect to electricity, means to convey electricity at voltages of 50 kilovolts or less;

“distribution system” means a system for distributing electricity and includes any structures, equipment or other things used for that purpose;

“distributor” means a person who owns or operates a distribution system;

“*Electricity Act*” means the *Electricity Act, 1998*, S.O. 1998, c. 15, Schedule A;

“generate” means to produce electricity or provide ancillary services, other than ancillary services provided by a transmitter or distributor through the operation of a transmission or distribution system;

“generation facility” means a facility for generating electricity or providing ancillary services, other than ancillary services provided by a transmitter or distributor through the operation of a transmission or distribution system and includes any structures, equipment or other things used for that purpose;

“generator” means a person who owns or operates a generation facility;

“IMO” means the Independent Electricity Market Operator established under the *Electricity Act*;

“IMO-administered markets” means the market established by the Market Rules under the *Electricity Act*;

“IMO-controlled grid” means the transmission systems with respect to which, pursuant to agreements, the IMO has authority to direct operations;

“Licensee” means the person named on the front of this Licence;

“market participant” means a person who is authorized by the Market Rules to participate in the IMO-administered markets or to cause or permit electricity to be conveyed into, through or out of the IMO-controlled grid;

“Market Rules” means the rules made under section 32 of the *Electricity Act*;

“regulations” means the regulations made under the *Act* or the *Electricity Act*;

“transmission system” means a system for transmitting electricity, and includes any structures, equipment or other things used for that purpose;

“transmit”, with respect to electricity, means to convey electricity at voltages of more than 50 kilovolts; and

“transmitter” means a person who owns or operates a transmission system.

## **2. Interpretations**

In this Licence words and phrases shall have the meaning ascribed to them in the *Act* or the *Electricity Act*. Words or phrases importing the singular shall include the plural and vice versa. Headings are for convenience only and shall not affect the interpretation of the licence. Any reference to a document or a provision of a document includes an amendment or supplement to, or a replacement of, that document or that provision of that document. In the computation of time under this licence where there is a reference to a number of days between two events, they shall be counted by excluding the day on which the first event happens and including the day on which the second event happens and where the time for doing an act expires on a holiday, the act may be done on the next day.

## **PART 2 - CONDITIONS**

### **3. Authorization**

- 3.1 The Licensee is authorized to generate electricity or provide ancillary services for sale through the IMO-administered markets or directly to another person subject to the conditions set out in this Licence. This Licence authorizes the Licensee only in respect of those facilities set out in Schedule 1.
- 3.2 The Licensee is authorized to purchase electricity or ancillary services in the IMO-administered markets or directly from a generator subject to the conditions set out in this Licence.
- 3.3 The Licensee is authorized to sell electricity or ancillary services through the IMO-administered markets or directly to another person, other than a consumer, subject to the conditions set out in this Licence.

### **4. Fees and Assessment**

The Licensee shall pay all fees charged and amounts assessed by the Board.

### **5. Term of Licence**

This Licence shall come into force on July 26, 2002 and shall remain in force until July 25, 2022. The term of this Licence may be extended by the Board.

**6. Transfer of Licence**

This Licence is not transferable or assignable without leave of the Board.

**7. Amendment of Licence**

The conditions of this Licence are subject to amendment in accordance with section 74 of the *Act*.

**8. Orders for Securing Compliance**

If the Board is satisfied that the Licensee is contravening this Licence or is likely to contravene this Licence, the Board may order the Licensee to comply with this Licence in accordance with section 75 of the *Act*.

**9. Suspension or Revocation of Licence**

9.1 The Board may suspend or revoke this Licence in accordance with sections 76 and 77 of the *Act*.

9.2 The Board may cancel this Licence if the Licensee agrees, at any time, in writing that this Licence should be cancelled.

**10. Provision of Information to the Board**

10.1 The Licensee shall provide, in the manner and form determined by the Board, such information as the Board may require from time to time to monitor the Licensee's compliance with the conditions of this Licence and any other legislative or regulatory requirements.

10.2 Without limiting the generality of paragraph 10.1 the Licensee shall notify the Board of any material change in circumstances that adversely affects or is likely to adversely affect the Licensee's ability to comply with the conditions of this Licence, as soon as practicable, but in any event within fifteen days of the date upon which such change occurs.

**11. Restrictions on Certain Business Activities**

Neither the Licensee, nor an affiliate of the Licensee shall acquire an interest in a transmission or distribution system in Ontario, construct a transmission or distribution system in Ontario or purchase shares of a corporation that owns a transmission or distribution system in Ontario except in accordance with section 81 of the *Act*.

**12. Compliance with Market Rules**

The Licensee shall comply with all applicable Market Rules.

**13. System Integrity**

13.1 Where the IMO has identified, pursuant to the conditions of its licence and the Market Rules, that it is necessary for purposes of maintaining the reliability and security of the IMO-controlled grid, for the Licensee to provide energy or ancillary services, the IMO may require the Licensee to enter into an agreement for the supply of energy or such services.

13.2 Where an agreement is entered into in accordance with paragraph 13.1, it shall comply with the applicable provisions of the Market Rules or such other conditions as the Board may consider reasonable. The agreement shall be subject to approval by the Board prior to its implementation. Disputes relating to the terms of the Agreement, the

interpretation of the Agreement, or amendment of the Agreement shall, where unresolved by the parties, be determined by the Board.

**14. Communication**

14.1 All communication relating to this Licence shall be in writing.

14.2 All communication is to be regarded as having been given by the sender and received by the addressee:

- a) when delivered in person to the addressee either by hand, or by courier;
- b) 10 business days after the date of posting, if the communication is sent by registered mail; and,
- c) when received by facsimile transmission by the addressee as confirmed by the sender's transmission report.

**15. Pass-Through of Rebate**

The licensee shall comply with the pass-through of rebate conditions set out in Appendix A.

**SCHEDULE 1  
LIST OF LICENSED GENERATION FACILITIES**

The Licence authorizes the Licensee only in respect to the following:

1. Kinsmen Generator owned and operated by the Licensee at 780 Landslide Road, Sault Ste. Marie, Ontario.

**Appendix A - Pass Through of Rebate Conditions**

“OPGI” means Ontario Power Generation Inc.

“Prime Rate” means the variable annual rate of interest, calculated on the basis of a calendar year, announced from time to time by the IMO’s then principal Canadian banker as the reference rate of interest (commonly known as its prime rate) then in effect and used by such bank for determining interest rates on Canadian dollar denominated commercial loans made by it in Canada to customers of varying degrees of credit-worthiness.

Prompt pass throughs, with the normal bill delivered in respect of the month in which the rebate amount was received, of any rebate received from the IMO, together with interest at the Prime Rate, calculated and accrued daily, on such amount from the date of receipt, will be required by the licensee so that its ultimate customers in Ontario benefit *pro rata* on the basis of energy consumed.

If requested in writing by OPGI, such licensee shall ensure that all rebates are identified as coming from OPGI in the following form on or with each applicable bill:

“ONTARIO POWER GENERATION INC. rebate”

Any rebate amount which cannot be distributed as provided above shall be promptly returned to the IMO, together with interest at the Prime Rate, calculated and accrued daily, on such amount from the date of receipt, for use to offset the IMO uplift.

Nothing shall preclude agreements, that require the purchaser to return the rebate or any portion thereof to the seller or any other party.

Pending pass-through or return to the IMO of any rebate received, the licensee shall hold the funds in trust for the beneficiaries thereof in a segregated account.