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May 25, 2011

BY RESS & E-MAIL

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, Suite 2701
Toronto, Ontario
M4P 1E4

Dear Ms. Walli:

**Re: Board File No. EB-2011-0011 -
GAM Settlement Process for THESL's Board-Approved CDM Program**

Toronto Hydro-Electric System Limited ("THESL") has requested that the Ontario Energy Board ("the Board") include direction for the establishment of a Global Adjustment Mechanism ("GAM") settlement process, separate from other GAM related financial settlement processes currently in place, as part of its current application in which THESL is seeking the Board's approval of funding for conservation and demand management ("CDM") programs (EB-2011-0011).

The Independent Electricity System Operator (the "IESO") had discussion with Board staff on a proposed process to administer and enable timely payments to THESL's request in respect of its CDM programs cost recovery approved by the Board. To assist the Board in rendering its Decision and Order, the following process is proposed in this regard:

Board-Approved Payments for THESL's CDM Program – Fixed Costs:

For payments that are associated with or attributed to THESL's fixed CMD program costs, THESL will provide a schedule to the IESO of the fixed cost payments approved by the Board as soon as possible, following issuance of the Board's Final Decision and Order. The applicable payment(s) to THESL will be processed for THESL's settlement statement for the last trading day of the month and included in its invoice, which is issued by the IESO ten (10) business days after the end of the applicable month.

Board-Approved Payments for THESL's CDM Program - Variable Costs:

With respect to payments that are associated with or attributed to THESL's variable CMD program costs, THESL shall provide to the IESO the monthly payment amount within four (4) business days following the end of each applicable month, in a manner to be determined by the IESO. The applicable payment(s) to THESL will be processed for THESL's settlement statement for the last trading day of the month and included in its invoice, which is issued by the IESO ten (10) business days after the end of the applicable month.

The total amount, associated with THESL's fixed and variable CDM program costs, to be recovered from applicable market participants will be included in the monthly global adjustment charge. The IESO assumes no responsibility for the accuracy or completeness of any payment information provided to the IESO, and should be held harmless accordingly.

Should you have any questions or require additional information, please do not hesitate to contact me.

Yours truly,

Original signed by

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