

ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, Schedule B;

AND IN THE MATTER OF an application pursuant to section 74 of the *Ontario Energy Board Act, 1998* by Hydro One Networks Inc. seeking an exemption to sections of the Distribution System Code relating to the connection of micro-embedded generators to its distribution system (the "Application").

AFFIDAVIT

I, Michael Carten, of the City of Calgary, in the Province of Alberta, MAKE OATH AND SAY:

1. I am Chairman and CEO of Sustainable Energy Technologies Ltd. My relevant personal background and qualifications are set out in Exhibit A attached hereto.
2. SET is a Canadian company which has developed patented and commercialized a new approach to power conversion which increases the yields from solar PV systems by 5% to 15% by enabling each solar PV module to operate at its maximum power point independently of other modules in the system. PARALEX is the only product which achieves this outcome with the low cost, reliability and serviceability of conventional power inverters. According to Green Tech Media Research a US based research firm, this combination will deliver the lowest long term cost of energy for solar PV systems.
3. In the Spring of 2009, I met with officials of the Ministry of Economic Development and Trade and was asked by them to re-locate our manufacturing engineering and product development capacity to the Province of Ontario. At the time SET was considering a consolidation of these operations in California which is the principal US market for solar PV products. We were encouraged by them to invest on the promise that an announced Green Energy Program would create a base demand for our products and that Ontario was an ideal location from which to enter the US market.
4. It was explained to me by the Minister of Economic Development and her staff that a key driver of the Green Energy Program was the creation of a solar PV manufacturing capacity in Ontario and that there was a high level of interest in attracting leading edge technology companies such as Sustainable Energy. I, in turn, explained that the crucial factor in our decision to locate in Ontario was the prospect of a stable growing demand for our product. This was well understood and acknowledged and we were advised that this would be the case.
5. In making our decision to invest in Ontario, we carefully analyzed the many factors which would drive demand for our class of product including the potential for bureaucratic delays in processing applications and whether electrical distributors would be in a position to suspend

or delay connection of solar PV projects. We also considered which markets would develop most quickly based on economic returns and the availability of project owners to finance projects. In making our assessments we relied on our experience in European markets where we were an early market entrant.

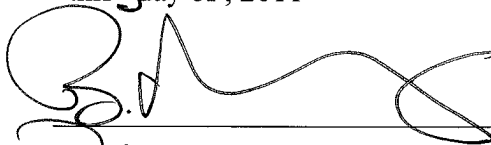
6. By the summer of 2010 it was clear to us that the fastest growing market for solar PV in Ontario would be for rural microFIT projects. This was based on the attractive economic returns, the relatively small size of each projects and the liquidity of landowners which made financing more practical. At that time there was an estimated 190MW of demand for projects and the Ontario Power Authority had committed to clear a backlog of applications by the end of September 2010.
7. In October 2010, we announced an agreement with Melitron Corporation to source certain components for our SUNERGY inverter product from them and to co-locate an assembly facility in a building adjacent to the Melitron building in Guelph. Once again, we were encouraged by the Government of Ontario, in particular the Premier of the Province, who was aware of our strategy and used the occasion of the Guelph opening to encourage us to ramp our production there. Our expectation was that we would create approximately 300 direct and indirect employment opportunities in the Province.
8. We built our business strategy around achieving a 20% - 30% share of the rural microFIT market with which to build our base case production volumes by adding small amounts of incremental production based on early demand in the United States and Europe.
9. A critical consideration in our decision to focus on the rural microFIT market was the requirement that the local distribution companies ("LDC's") hook up projects unless the LDC determined in good faith that the addition of the system in question system would materially adversely affect the safety reliability or efficiency of the distribution system. Based on our experience in the solar industry, especially in markets like Spain and Greece with comparatively weak grids, we were satisfied that the likelihood of small solar PV projects having such an effect was very remote.
10. In particular we assumed that there was little risk that Hydro One would not comply fully and enthusiastically with the Distribution System Code ("Code") since it is owned by the Province of Ontario and the Province had built part of its industrial strategy on the Green Energy Program. Against this background it was inconceivable to us that Hydro One would not comply in full good faith with the directives of the Distribution Code.
11. We communicated our strategy and the rationale behind it to capital markets under our continuous disclosure obligations of the Ontario Securities Commission and raised further equity capital based on our assessment of the strong demand for microFIT projects and the commitment of Ontario Power Authority to clear the 190 MW backlog. As earlier noted, we made a critical assumption that Hydro One and other utilities would generally follow industry best practices, especially in Europe in connecting small distributed power projects.
12. During this period there was no evidence whatsoever that Hydro One was not intending to meet the demand or was not planning to allocate sufficient resources to process connections. Although the microFIT program pricing had been adjusted during 2010, this was done in consultation with the industry and the rates finally adopted were remarkably close to the rates and structure recommended by SET.

13. To the contrary, government ministers, including the Premier, were actively promoting the Program as creating manufacturing jobs in the Province. Since it is axiomatic that manufacturing jobs are only created by demand for products, there was every reason to believe that the Crown owned utility was in a position to meet the demand.
14. During the last Quarter of 2010 and the first Quarter of 2011, indicated demand from our customers for rural microFIT programs was exceeding our capacity to deliver and we geared to ramp production in Guelph at a rate of 4MW per month in the April/May time frame. We communicated this to our shareholders as part of our continuous disclosure obligations, and it is my judgment, that many of our shareholders invested on this assumption.
15. By the market end of March and into April, our customers were beginning to revise forecasts and push deliveries to later months. To better understand the situation we conducted a regression analysis of data published by the Ontario Power Authority concerning conditional contract applications, approvals and executions and concluded that an external and irrational factor was causing a drop in connections. On further investigation we discovered the microFIT Technical Interconnection Requirement Document (TIR) which was circulated in advance of a webinar scheduled for January 26, 2011 which included a limit on connection of projects on a feeder where the total generation exceeded 7% of peak capacity.
16. To our knowledge no one outside Hydro One or the Ministry of Energy had any notice of the limitation. Certainly we were not made aware of the TIR, and to the best of my knowledge and belief, there was not previous public notice or consultation.
17. On April 9, 2011 I wrote the CEO of Hydro One pointing out that the TIR limiting connectivity of small solar power to the grid to a percentage of peak power unparalleled anywhere in the world and that it was clear to us that the TIR was throttling demand for solar PV products in the microFIT market. I pointed out that it was stunning that a government owned utility would act in such a fashion more than 2 years after the Program was announced without notice of any kind when in fact its shareholder had induced SET and other companies to invest in the Province. I also sent copies of my letter to the Premier and to the Ministers of Energy and Economic Development along with cover letters to each of them. The gist of these letters is that we built our business plans in good faith on the assumption that the Government and its agencies would act with integrity. These letter are attached as Exhibits B C D E and F hereto.
18. Unexpectedly the Hydro One CEO did respond to my letter on April 21, 2011 with copies to the parties copied in my letter, stating her Company's commitment to the Green Energy Program. I attach a copy of her letter to me is attached as Exhibit G hereto. It is notable that the CEO's letter is dated two days after Hydro One filed for the exemption and stay requested of the OEB and no reference was made to that filing.
19. I believed then and do believe now that the CEO attempted to portray Hydro One as following IEEE and FERC guidelines concerning connectivity of the smaller distribution systems when in fact it was far from doing so.
20. It is my belief that Hydro One attempted to use the 7% of peak load limitation as a means of slowing the applications that it was required to process. From my dealings with Hydro One and from reports of SET personnel who have attended technical working groups I believe that Hydro One has attempted to convey that the 7% limit is driven by a concern for the

safety of or efficiency of the distribution system due to the potential for undetected islands when it knows or should now that there is no such issue. It is my belief that Hydro One has attempted to lead the public and the Government to believe that the 7% limit based on limits imposed by IEEE and FERC when in fact there are no such limits recommended by these organizations. Based on reports of SET personnel which have attended working group meetings with Hydro One engineering staff it is my belief that Hydro One has other reasons for limiting interconnections which are unrelated to the safety or efficiency of the system and which would not support a refusal to interconnect under the Code.

21. Based on discussions that I have had with financial analysts in the United States and Europe and my own experience I believe that the actions of Hydro One and the concomitant failure of its shareholder to require the dedication of more resources to responding to applications for interconnection under the microFIT program cause the business community around the world to distrust the integrity of the Province and that this distrust will adversely impact the ability of the current and future Governments of the Province to formulate effective industrial strategies.

Aug.
SWORN BEFORE ME at the City of
Calgary, in the Province of Alberta
this 3 day of, 2011


B. NEMER
Barister + Sol. + Notary.




Exhibit "A"

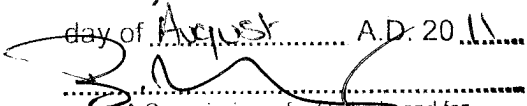
Michael Carten is Chairman and CEO of Sustainable Energy Technologies a Canadian public company committed to reducing the cost of solar electricity around the world with more intelligent system architectures. A co-founder of Sustainable Energy, Mr. Carten has guided the Company through development and commercialization of its technologies and products from proof of concept to high volume manufacturing.

Prior to founding Sustainable Energy, Mr. Carten had a successful career in law and finance as a senior partner of Bennett Jones LLP one of Canada's largest energy law firms and as a Director and Senior Vice President for Corporate and Government Finance for BMO Nesbitt Burns, based in Calgary, Alberta. Through his career he represented some of Canada's largest companies on mergers, acquisitions, reorganizations, structured financial transactions and public financing; and often served as an advisor to the Federal and several Provincial governments on energy and fiscal policy matters.

His experiences have left him with a commitment to the proposition that Canada can and should develop and export renewable energy technologies and products for the world. He maintains an active interest in the role of public policy in meeting the challenges of building the next generation of companies that Canada will need to compete in a changing energy environment.

Michael Carten is a graduate of Loyola College (BA) in Montreal, and the Faculty of Law at Dalhousie University (LLB) in Halifax Nova Scotia. He also studied and taught at the University of Illinois School of Law under a teaching fellowship.

His publications include: Federal Income Taxation of Oil and Gas Operations; (1975); Income Tax Considerations Affecting the Drilling Fund - A Practitioner's Viewpoint (1976); Canadian Income Tax Considerations in Planning Operations in the United States and the United Kingdom (1976); Corporate Reorganizations, Recent Takeover Techniques in the Oil and Gas Industry (1978); Income Tax Considerations in the Capitalization of a Corporation (1981); Canadian Oil and Gas Operations an Analysis of the Fiscal Environment (1982); Flow Through Share Financing (1986); Negotiating and Drafting International Commercial Contracts (1989).

THIS IS EXHIBIT " A " referred to in the (Affidavit Declaration) of Michael Carten Sworn Declared) before me this 4th day of August A.D. 2011  A Commissioner for Oaths and for the Province of Alberta
A Notary Public

BRADLEY G. NEMETZ

Michael A Carten
Chief Executive Officer
Suite 200
24 Duncan Street
Toronto, Ontario M5V 2B8
Michael.Carten@SustainableEnergy.com

April 9, 2011

Ms. Laura Formosa,
President & CEO
Hydro One
483 Bay Street
Toronto, Ontario

THIS IS EXHIBIT " B " referred to in the (Affidavit Declaration) of

Michael Carten

Sworn Declared before me this 4th

day of August A.D. 2011

[Signature]

A Commissioner for Oaths in and for the Province of Alberta

A Notary Public
BRADLEY G. NEMETZ

Dear Ms. Formosa,

A critical metric for the Green Energy Program will be the number of manufacturing jobs created by the combination of the FIT Program and the domestic content requirement. It is axiomatic that this implies demand for renewable energy products from the Province.

The evidence is now clear that product demand is being throttled by Hydro One. Within our area of interest – the micro-FIT market – less than 20% of conditional offers have been executed. Most of this is rural and served by Hydro One.

At the core of the problem is Hydro One's distribution capacity limitation as articulated by your recent directive to limit small generation including solar PV to 7% of peak load.

No other utility in the developed world has a hard cap like this.

There is simply no technical or safety issue associated with interconnection of small solar in distributed grids. In fact industry consensus among utilities that are knowledgeable is that only when penetration levels exceed 30% to 40% need one examine the issue and then only on a case by case basis.

With your positions, you have made markets in Ontario served by Hydro One the most difficult place in the world to integrate distributed solar generation.

We invested considerable resources to create manufacturing capacity for our solar products in the Province based on the integrity of the government's commitment to installations. When we estimated demand and chose our market segment we assumed that the distribution utilities such as Hydro One would follow the best practices in other jurisdictions with respect to the integration of small solar PV systems. Hydro One's position calls the integrity into question.

That the position would be taken with no advance notice and no industry consultation as if Hydro One were the repository of all wisdom is stunning. In doing so, you completely changed the market conditions under which the private sector operates. This kind of pre-emptive action is unheard of in our mixed private public sector economy. That Hydro One would see fit to do so more than 2 years after the Program was announced is incomprehensible.

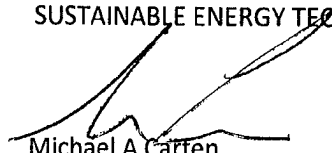
I regret that I must be so blunt but that is the circumstance. I urge you to reconsider your directive and to do so quickly. I urge you to announce that instead of a hard cap you will follow the best practices in Europe and North America; that below 30% of peak load Hydro One will assume that the interconnection is appropriate unless there are technical reasons to the contrary.

A good opportunity to do so is at the upcoming Ontario Feed-In Tariff Supply Chain Forum. I will be speaking there to our experience in building out our manufacturing capacity for domestic and export markets. A key issue will be the abrupt changes in policies, including those of Hydro One to demand side forecasting.

I would be more than pleased to discuss this matter with you prior to that time.

Yours sincerely,

SUSTAINABLE ENERGY TECHNOLOGIES LTD.



Michael A. Carten
Chief Executive Officer

CC:

The Honourable Dalton McGuinty
Premier
Legislative Building
Queen's Park
Toronto, ON M7A 1A1

The Honourable Brad Duguid,
Minister of Energy and Infrastructure
483 Bay Street
Toronto, ON M7A 2E1

The Honourable Sandra Pupatello
Minister of Economic Development and Trade
Hearst Block, Queen's Park
900 Bay St
Toronto, ON M7A 2E1

Michael A Carten
Chief Executive Officer
Suite 200
24 Duncan Street
Toronto, Ontario M5V 2B8
Michael.Carten@SustainableEnergy.com

April 9, 2011

Dalton McGuinty, Premier
Legislative Building
Queen's Park
Toronto, ON M7A 1A1

THIS IS EXHIBIT "C"
referred to in the (Affidavit Declaration) of

Michael Carten
I declare under oath that the above is true and correct to the best of my knowledge and belief.
A.D. 2011
A Commissioner for Oaths in and for
the Province of Alberta

A Notary Public BRADLEY G. NEMETZ

Dear Premier McGuinty,

When you celebrated our Company's commitment to manufacture inverters in Guelph for Ontario and export markets the focus of your remarks was on job creation driven by demand for solar PV products for the FIT and micro-FIT program.

In my estimation, this demand will not be there principally due to positions taken by Hydro One which are radically out of step with the rest of the world.

In particular Hydro One is the only utility in the developed world which has implemented a hard cap on distributed generation based on a percentage of peak load – 7%

In fact in the United States – which has far more distribution issues than Ontario - utilities will routinely accept solar PV up to 30% or 40% of peak load with no operational or safety concerns. Europeans of course are encouraging these levels to reduce dependence on imported natural gas and coal.

Were Hydro One to follow the interconnection practices of utilities in the US and Europe, you would achieve your goals this summer.

The <100kW segment (residential, agricultural and small commercial and institutional applications) is the largest in the world and the one most capable of being served by Ontario based companies. It is also the most labor intensive segment of the market which is reflected by the policies of Germany, France Italy and other successful markets. This segment is the one most affected by Hydro One.

At this juncture more than 80% of OPA approved contracts –more than 150MW – for micro-FIT projects are awaiting interconnection approval. Were Hydro One simply to align its practices with the rest of the world, we estimate that the vast majority of these projects will be installed this summer and would create a huge boost to the credibility of your policies.

If it does not do this quickly and with bona fides this segment of the market will be a wasteland. I can tell you frankly that the market is already slowing dramatically due to Hydro One's positions.

There is a solution that is simple and effective and will have immediate results.

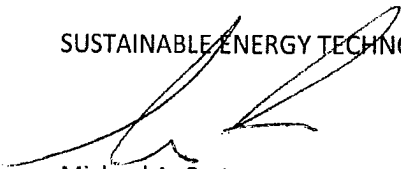
I have sent a copy of this letter to Minister Duguid along with an outline of my suggestions. They are that:

- i. The Province should call upon Hydro One to bring its interconnection standards into line with best practices in the industry around the world and shift the bias in favor of interconnection.
- ii. Recognizing the potential for foot dragging Ontario should negotiate a penetration level for smaller distributed solar generation that is closer to the 30% level accepted by utilities around the world effective immediately.

There may be other approaches to this issue and if you believe that we can contribute to a successful resolution I am always at your disposal.

Yours sincerely,

SUSTAINABLE ENERGY TECHNOLOGIES LTD.



Michael A. Carten
Chief Executive Officer

Michael A Carten
Chief Executive Officer
Suite 200
24 Duncan Street
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Michael.Carten@SustainableEnergy.com

April 9, 2011

The Honourable Sandra Pupatello,
Minister of Economic Development and Trade
Hearst Block, Queen's Park
900 Bay St
Toronto, ON M7A 2E1

THIS IS EXHIBIT " ^D (Affidavit Declaration) " referred to in the

Michael Carten

Sworn
Declared) before me this 4th

day of August A.D. 2011

[Signature]

A Commissioner for Oaths in and for
the Province of Alberta

BRADLEY C
A Notary Public

Dear Minister Pupatello,

I write to you, as you and your Ministry have been the most supportive of our efforts to build a manufacturing base in Ontario.

It is now clear that that Hydro One is throttling demand for solar PV products including ours in the Province. It will not be lost on you that this will in turn result in plant closures or deferrals perhaps indefinitely.

The Hydro One issues relative to transmission capacity are valid. The issues relative to distribution are not and it is this issue that is throttling demand for smaller projects. It is not surprising that the dialogue relative to transmission capacity is intelligent and constructive; but the dialogue with respect to the interconnection issues is not. Many do not understand these issues. We are by our experience and personnel in a slightly different position

I have enclosed letters to the Premier and your colleague Minister Duguid. I hope that the enclosed letters speak for themselves. I would only ask that you support an immediate dialogue on the suggestions. It is critical to us and our employees in the Province.

We built our business plan on the integrity of the Green Energy Program. That Hydro One should threaten that integrity more than 2 years after the Program was announced; and after companies like ourselves had invested based on the domestic content rules is simply irresponsible. That is should do so without consultation or advance notice is unheard of.

The most important metric of success of the policy is the creation of a stable and export oriented manufacturing base and the creation of a robust service sector. The market below 100kW is the segment to deliver this result. Our assessment is that this will not happen unless Hydro One changes the position.

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I will be speaking to these points later this month. It is my guess that the situation is not well known or understood. That Hydro One is so far out of line with the rest of the world has been a surprise to everyone. That conditional approvals have dropped so far while applications have remained remained stable was a surprise even to CANSIA.

This is important to our company and its employees. It will also be important to our suppliers and their employees in the Province although we have not advised them yet.

I am as always at your disposal if you believe we can contribute.

Yours sincerely,

SUSTAINABLE ENERGY TECHNOLOGIES LTD.

A handwritten signature in black ink, appearing to read 'Michael A. Carten', is written over the company name.

Michael A. Carten
Chief Executive Officer

CC:

The Honourable Sandra Pupatello
Minister of Economic Development and Trade
Hearst Block, Queen's Park
900 Bay St
Toronto, ON M7A 2E1

The Honourable Brad Duguid,
Minister of Energy and Infrastructure
483 Bay Street
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Michael A Carten
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Michael.Carten@SustainableEnergy.com

April 9, 2011

The Honourable Brad Duguid,
Minister of Energy and Infrastructure
483 Bay Street M7A 2E1
Toronto, Ontario

THIS IS EXHIBIT " ^E " of
referred to in the (Affidavit Declaration)
Michael Carten
Sworn Declared before me this 4th
day of August A.D. 2011
[Signature]
A Commissioner for Oaths in and for
the Province of Alberta
A Notary Public BRADLEY G. NEMETZ

Dear Minister:

I am enclosing a copy of my letters to Premier McGuinty and to Ms Formosa of Hydro One. I hope it speaks for itself concerning the recently announced directive limiting distributed generation to 7% of peak load.

There are a few key points that I would like to get across.

Hydro One is the only utility in the world with a hard cap on the interconnection of distributed solar PV generation.

- With the directive, Hydro One has made the market served by it the most difficult in the world to interconnect distributed solar PV generation.
- The arguments that higher thresholds raise operational and safety concerns are a smokescreen.
- Utilities around the world will routinely accept solar PV up to 30% or 40% of peak load with no operational or safety concerns.
- This is not an issue of transmission capacity. The issues there are clear and well understood and the dialogue is intelligent and constructive. That is not the case with distribution capacity. The Hydro One engineers are unable to coherently explain their position to other engineers who are knowledgeable in this space.

The evidence is now clear that Hydro One is throttling the installation of micro-FIT projects by resisting connection requests.

- Less than 20% of conditional offers issued since inception have been executed.

- Since conditional offers were made subject to evidence of interconnection agreement the percentage of conditional offers relative to new applications has dropped to about 10%. This is notwithstanding that applications remain at the same level.
- Levels of installation are dropping and there is a clear slowing of demand in the market. This is notwithstanding embedded demand (conditional offers relative to installations) of more than 150 MW.

Smaller distributed systems are the backbone of the solar industry in Europe and even the US notwithstanding the photo-op value of MW scale projects (*IMS Research*).

- Systems below 100kW represent the largest segment of the market by a considerable order of magnitude. Systems below 10kW will represent 30% of the US market and about 25% of the European market over the next four years.
- This is not surprising since systems below 100kW are the most labor intensive – create the most jobs. Multi megawatt systems create little in the way of installation and system service jobs.
- Systems below 100kW will support a manufacturing industry serving domestic and export markets. Multi megawatt systems are brutally price competitive and will generally be served by very large incumbents such as First Solar or Chinese suppliers. Canadian scale plants will not be competitive in this market.

We are on the cusp of success or failure of the Program this summer. As I wrote to the Premier the micro-FIT market has the greatest potential to quickly generate activity this summer and to restore confidence in the underlying policies. On the other hand confidence in the government is already eroding and if the market fails this summer it will signal the failure of the Program.

To achieve that success Hydro One must bring its connection standards in line with the rest of the world.

Unless I have misread the market intelligence the micro-FIT program may be the only potential for success this summer. There are no transmission or grid capacity issues – the amount of generation is small and widely distributed. The only issue is the 7% threshold.

As I have urged Ms Formosa, I urge you to address this issue directly simply and quickly.

- i. I urge you to publicly call on Hydro One to immediately bring its interconnection standards into line with best practices in the industry around the world and shift the bias in favour of interconnection and to follow best practices in the utility industry.
- ii. Recognizing the potential for foot dragging on the part of Hydro One, I urge you to negotiate a penetration level for smaller distributed solar generation that is closer to the 30% level accepted by utilities around the world effective immediately.

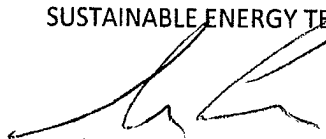
I hope that you have found my observations helpful. This issue is important to our company and our employees. It will also be important to our supplier and their employees in the Province although we have not yet advised them of our analysis and conclusions.

There may be other solutions and I am sure there are other complicating issues of which I am unaware. But because we are an inverter company, we bring a slightly different set of experience and expertise to the grid interconnection issue than the module manufacturers. Because we are a Canadian company facing export markets, we also bring a slightly different perspective than our European and American competitors.

If you believe that we can contribute to resolution of this issue I am always at your disposal. I look forward to hearing from you.

Yours sincerely,

SUSTAINABLE ENERGY TECHNOLOGIES LTD.

A handwritten signature in black ink, appearing to read 'Michael A. Carten', is written over the company name.

Michael A Carten
Chief Executive Officer

CC:

The Honourable Sandra Pupatello
Minister of Economic Development and Trade
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Laura Formosa
President & CEO

hydroOne

April 21, 2011

Mr. Michael A. Carten
Chief Executive Officer
Sustainable Energy Technologies Ltd.
Suite 200
24 Duncan Street
Toronto, Ontario M5V 2B8

THIS IS EXHIBIT " F " referred to in the (Affidavit Declaration) of Michael Carten
Signed and sworn to before me this 17th day of August A.D. 2011
A Commissioner for Oaths in and for the Province of Alberta
A Notary Public BRADLEY G. NEMETZ

Dear Mr. Carten:

Thank you for your letter dated April 9, 2011. Hydro One is fully supportive of the Green Energy and Green Economy Act and the transformation that is being brought about in the sector. Hydro One has invested significant resources to respond to the Ontario Power Authority's FIT and microFIT programs and has successfully connected many thousands of generators. I welcome this opportunity to clarify Hydro One's position with respect to the screening process we use in assessing microFIT applications.

Hydro One has taken what it believes to be a prudent approach to setting the limits for distributed generation on its distribution system. We have estimated the amount of generation that can be operated safely during times of minimum load (33%) and applied that to feeder peak load. This translates to the 7% ceiling for our lower voltage and 10% for medium voltage primary lines.

Our approach is based on the consensus from IEEE (Institute of Electrical and Electronics Engineers) to not exceed 1/3 of minimum load and is also in the same realm as FERC's discussion that generation not exceed 15% of peak load on any given feeder section.

I note in your letter to Minister Duguid that you have suggested there are no transmission capacity issues. This is simply not the case as we face capacity issues in terms of thermal and short circuit limits at several of our Transmission Stations. These limits are made available through our corporate website so that developers can avoid locations where we have capacity limits.

I recognize the need for FIT and microFit proponents to understand our approach to setting limits for our distribution system. For this reason, we have committed to a follow-up technical round table discussion with CanSIA. It is my understanding that this session is set for May 10th, where we will provide further clarity into the setting of limits and the responsibilities that Hydro One has to maintain reliability and safety for all of our customers.

- 2 -

Hydro One recognizes the concerns of generators and we appreciate the opportunity to provide some clarification on this issue. We are committed to connecting projects in a reasonable and timely fashion, but must always put safety and reliability at the forefront of everything we do.

Thank you for the opportunity to clarify our process. If you wish to discuss this issue further, please contact Bill Meeker, our Director accountable for Generation Connections, at 416-345-6351.

A handwritten signature in black ink, appearing to read 'L. Formosa', with a stylized, cursive script.

Laura Formosa
President and CEO
Hydro One Inc.

c: The Honourable Dalton McGuinty, Premier
The Honourable Brad Duguid, Minister of Energy
The Honourable Sandra Pupatello, Minister of Economic Development