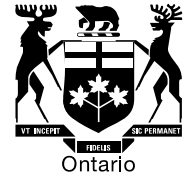


Ontario Energy Board
P.O. Box 2319
27th. Floor
2300 Yonge Street
Toronto ON M4P 1E4
Telephone: 416- 481-1967
Facsimile: 416- 440-7656
Toll free: 1-888-632-6273

Commission de l'Énergie de l'Ontario
C.P. 2319
27e étage
2300, rue Yonge
Toronto ON M4P 1E4
Téléphone; 416- 481-1967
Télécopieur: 416- 440-7656
Numéro sans frais: 1-888-632-6273



BY EMAIL

December 21, 2006

Ms. Susan Frank
Vice President and Chief Regulatory Officer
Regulatory Affairs
Hydro One Networks Inc.
8th Floor, South Tower
483 Bay Street
Toronto ON M5G 2P5

LETTER OF DIRECTION

Dear Ms. Frank:

**Re: Hydro One Networks Inc.
Application for Review of Market Rule Amendments MR-00284-R00-R02
Board File Number EB-2006-0323**

The Ontario Energy Board has now issued its Notice of Application and Procedural Order No. 1 with respect to your application for review of the above market rule amendments (the "Application"). The Notice, to which the Procedural Order is an appendix, is attached as Attachment "A" to this letter. The Board will attend to service of the Notice and the annexed Procedural Order on all electricity licensees, as well as on the following other parties:

Association of Major Power Consumers in Ontario	Energy Probe
Association of Power Producers of Ontario	Independent Electricity System Operator
Canadian Manufacturers & Exporters	Vulnerable Energy Consumers Coalition
Consumers Council of Canada	School Energy Coalition
Electricity Distributors Association	

You are directed:

1. To immediately post a copy of the Application and all other application materials on Hydro One Networks Inc.'s website, and make a copy of the Application and all other application materials available for public review at Hydro One Networks Inc.'s offices in Toronto, Markham, Barrie, Peterborough, Sudbury, Ottawa, Dundas, Beachville, and Thunder Bay; at the following addresses:

Head Office, 483 Bay Street, Toronto

Markham Office, 185 Clegg Road, Markham

Barrie Field Business Centre, 45 Sarjeant Drive, Barrie

Peterborough Field Business Centre, 913 Crawford Drive, Peterborough

Sudbury Field Business Centre, 957 Falconbridge Road, Sudbury

Merivale Service Centre, 31 Woodfield Drive, Ottawa

Dundas Field Business Centre, 40 Olympic Drive, Dundas

Beachville Field Business Centre, 56 Embro Street, Beachville

Thunder Bay Field Business Centre, 255 Burwood Road, Thunder Bay

2. To provide a copy of the Application and all other application materials to anyone requesting them.

Yours truly,

Original Signed By

Kirsten Walli
Board Secretary

Encl.

Attachment "A"

**Notice of Application
and
Procedural Order No. 1**

Board File No. EB-2006-0323

(see attached document)



**NOTICE OF APPLICATION AND ORAL HEARING
AND
PROCEDURAL ORDER NO. 1**

**REVIEW OF MARKET RULE AMENDMENTS
HYDRO ONE NETWORKS INC.**

On December 11, 2006, Hydro One Networks Inc. (Hydro One) filed with the Board an application under section 33(4) of the *Electricity Act, 1998* seeking the review of certain amendments to the market rules made by the Independent Electricity System Operator on November 17, 2006. The amendments are identified as MR-00284-R00-R02: “Reliability Compliance – Include Reliability Impact as Criterion for Determining Financial Penalties” and relate to financial penalties associated with breaches of the market rules that affect system reliability and the enforcement of market participant accountabilities under the Ontario Power System Restoration Plan. The Board has assigned the application Board file number EB-2006-0323.

The Board has also today issued its Procedural Order No. 1 establishing certain procedures in relation to the application, and a copy is attached as Appendix A to this Notice.

Copies of the application are available for inspection at the Board's offices at the address set out below. Copies of the market rule amendments and related materials are available from the website of the Independent Electricity System Operator at www.ieso.ca/imoweb/amendments/mr_Amendments.asp. Copies of the application are also available from Hydro One's website and at the following Hydro One offices:

Head Office, 483 Bay Street, Toronto
Markham Office, 185 Clegg Road, Markham
Barrie Field Business Centre, 45 Sarjeant Drive, Barrie
Peterborough Field Business Centre, 913 Crawford Drive, Peterborough

Sudbury Field Business Centre, 957 Falconbridge Road, Sudbury
Merivale Service Centre, 31 Woodfield Drive, Ottawa
Dundas Field Business Centre, 40 Olympic Drive, Dundas,
Beachville Field Business Centre, 56 Embro Street, Beachville,
Thunder Bay Field Business Centre, 255 Burwood Road, Thunder Bay

Participation

You may participate in this proceeding in one of three ways:

1. You may send the Board a letter of comment. Your letter should include any request to make an oral presentation to the Board, and must be received by the Board no later than January 15, 2007.
2. You may request observer status in order to receive documents issued by the Board in the proceeding. Your request must be made by letter received by the Board no later than 10 days from the date on which this Notice is served on you.
3. You may request intervenor status if you wish to actively participate in the proceeding. Your request must be made by letter of intervention received by the Board no later than 10 days from the date on which this Notice is served on you. Your letter of intervention must include a description of how you are, or may be, affected by the proceeding; and if you represent a group, a description of the group and its membership. The Board intends to proceed in this matter by way of an oral hearing, the details of which are set out in the attached Procedural Order. The Board intends to make cost awards available in this proceeding. You must indicate in your letter of intervention whether you expect to seek costs and the grounds for your eligibility for costs. You must provide a copy of your letter of intervention to Hydro One at the address set out below.

Need more information?

Further information on how to participate may be obtained by visiting the Board's Web site at www.oeb.gov.on.ca or by calling the Consumer Relations Centre at 1-877-632-2727.

How to contact us

In responding to this Notice, please make reference to Board file number EB-2006-0323. It is also important that you provide your name, telephone number and postal address and, if available, an e-mail address and fax number. All communications should be directed to the attention of the Board Secretary at the address below, and be received by 4:45 pm on the required date.

For your convenience, the Board accepts letters of comment by courier, regular mail, fax or e-mail. The Board accepts letters requesting observer status and letters requesting intervenor status by courier, regular mail or fax. The Board's e-mail address is Boardsec@oeb.gov.on.ca and the Board's fax number is 416-440-7656. Please include the Board file number (EB-2006-0323) in the subject line of your e-mail.

ADDRESSES

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto ON M4P 1E4

Ms. Susan Franks
Vice President and Chief Regulatory Officer
Hydro One Networks Inc.
8th Floor, South Tower
483 Bay Street
Toronto ON M5G 2P5

IF YOU DO NOT INFORM THE BOARD OF YOUR WISH TO PARTICIPATE IN THIS PROCEEDING, THE BOARD MAY PROCEED WITHOUT YOUR PARTICIPATION AND YOU WILL NOT BE ENTITLED TO FURTHER NOTICE OF THE PROCEEDING.

Dated at Toronto December 21, 2006

ONTARIO ENERGY BOARD

Original Signed by

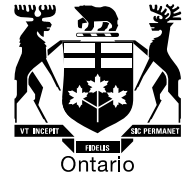
Kirsten Walli
Board Secretary

Appendix "A"

Procedural Order No. 1

Board File No. EB-2006-0323

(see attached document)



EB-2006-0323

IN THE MATTER OF the *Electricity Act, 1998*, S.O.1998, c.15 (Schedule B);

AND IN THE MATTER OF an Application by Hydro One Networks Inc. under section 33 of the *Electricity Act, 1998* for an Order or Orders revoking certain amendments to the market rules and referring the amendments back to the Independent Electricity System Operator for further consideration.

PROCEDURAL ORDER NO. 1

Hydro One Networks Inc. ("Hydro One") filed an Application, dated December 11, 2006, with the Ontario Energy Board under section 33 of the *Electricity Act, 1998*. The Application seeks the review of certain amendments to the market rules made by the Independent Electricity System Operator on November 17, 2006 (the "Amendments"). The Amendments are identified as MR-00284-R00-R02: "Reliability Compliance – Include Reliability Impact as Criterion for Determining Financial Penalties" and relate to financial penalties associated with breaches of the market rules that affect system reliability and the enforcement of market participant accountabilities under the Ontario Power System Restoration Plan. The Board has assigned file number EB-2006-0323 to the Application.

In accordance with section 33(6) of the *Electricity Act, 1998*, the Board is required to issue an order that embodies its final decision in this proceeding within 60 days of the date of receipt of Hydro One's Application. In order to meet the statutory deadline of February 9, 2006, the Board will vary its customary intervention process and will grant intervenor status to all those who request it. The Board will issue a list of parties to this proceeding once the deadline for the filing of requests for intervention has lapsed.

The Board will make cost awards available in this proceeding to eligible intervenors. The costs to be awarded will be recovered from the Independent Electricity System Operator.

Materials relevant to this proceeding are maintained by the Independent Electricity System Operator. The Board considers it expedient to direct the Independent Electricity System Operator, under section 21 of the *Ontario Energy Board Act, 1998*, to file materials associated with the development and adoption of the Amendments.

The Board considers it necessary to make provision for the following procedural matters. Further procedural orders may be issued from time to time.

THE BOARD ORDERS THAT:

1. The issues to be considered in this proceeding shall be those set out in Attachment A to this Procedural Order.
2. Hydro One Networks Inc. shall file its evidence with the Board on or before Monday, January 8, 2007, and shall deliver a copy of its evidence to all intervenors.
3. The Independent Electricity System Operator is directed to file the following materials with the Board on or before Monday, January 8, 2007, and to deliver a copy of those materials to Hydro One Networks Inc. and to all intervenors:
 - i. the Market Rule Amendment Submission relating to the Amendments, including the covering memorandum;
 - ii. all versions of the Amendments considered by the Technical Panel of the Independent Electricity System Operator;
 - iii. all written submissions received by the Independent Electricity System Operator in relation to the Amendments;
 - iv. all materials tabled before the Technical Panel of the Independent Electricity System Operator in relation to the Amendments;

- v. minutes of all meetings of the Technical Panel of the Independent Electricity System Operator at which the Amendments were discussed or voted on;
 - vi. the recommendation of the Technical Panel of the Independent Electricity System Operator on the Amendments;
 - vii. a list of all materials tabled before the Board of Directors of the Independent Electricity System Operator in relation to the Amendments, and a copy of all such materials other than those already captured by items i to vi above;
 - viii. a copy of the decision of the Board of Directors of the Independent Electricity System Operator adopting the Amendments;
 - ix. any written material on the impact of the Amendments on the price, reliability and quality of electricity service; and
 - x. all materials prepared by the Independent Electricity System Operator in relation to the Amendments, other than materials already captured by items i to ix above.
4. Each intervenor shall file its evidence with the Board on or before Monday, January 15, 2007, and shall deliver a copy of its evidence to Hydro One Networks Inc. and to all other intervenors.
 5. A Technical Conference will be held to review the evidence filed by the parties. The Technical Conference will commence at 9:30 a.m. on Friday, January 19, 2007 in the Board's West hearing room on the 25th Floor at 2300 Yonge Street, Toronto. At the end of the Technical Conference, parties will have the opportunity to make submissions as to whether oral testimony before the panel is required, or whether the matter can proceed directly to oral argument.
 6. An oral hearing will commence at 9:30 a.m. on Thursday, January 25, 2007 in the Board's West hearing room on the 25th Floor at 2300 Yonge Street, Toronto. The hearing is currently scheduled for up to 2 days. If oral testimony is not required, these dates will be used to hear oral argument.

All parties shall file their submissions with the Board Secretary, 6 hard copies and one electronic copy in searchable PDF format at boardsec@gov.on.ca , by 4:00 pm on the date indicated, and copy all parties. Parties must also include the Case Manager, Harold Thiessen harold.thiessen@oeb.gov.on.ca and Board Counsel, Martine Band martine.band@oeb.gov.on.ca on all electronic correspondence related to this case.

DATED at Toronto, December 21, 2006

ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary

ATTACHMENT “A”

to

**Procedural Order No. 1
December 21, 2006**

**Hydro One Networks Inc.
Review of Market Rules Amendments
EB-2006-0323**

Issues List

- 1) Are the market rule amendments inconsistent with the purposes of the *Electricity Act, 1998*?**

- 2) Do the market rule amendments unjustly discriminate against or in favour of a market participant or class of market participants?**