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April 24, 2023

Mr. Robert Reinmuller
Senior Director, Transmission Planning
Hydro One Inc.
483 Bay Street, 13th Floor, North Tower
Toronto, Ontario M5G 2P5

Dear Robert,

This letter is to provide updated recommendations related to the scope and timing of the Northwest Bulk Transmission Line (the "NWBL"), which is now referred to as the Waasigan Transmission Line. In the IESO's most recent communication of May 3, 2022, the IESO recommended that Phase 1 be constructed with an in service date as close to the end of 2025 as possible. At the time, a more detailed examination of the demand forecast was required to determine the timing of the need for Phase 2. The IESO committed to continuing to monitor developments in the area west of Thunder Bay ("the Region") and providing an update on the targeted timing of the need for Phase 2 in Q2 of this year. This letter describes the updated supply needs for the Region and the IESO's recommendation on Phase 2 timing to meet those needs.

Background

The NWBL was identified in the Government's 2013 and 2017 Long Term Energy Plans (the "LTEPs") as a priority project in order to:

- increase electricity supply to the Region;
- provide a means for new customers and growing loads to be served with clean and renewable sources that comprise Ontario's supply mix; and,
- enhance the potential for development and connection of renewable energy facilities.

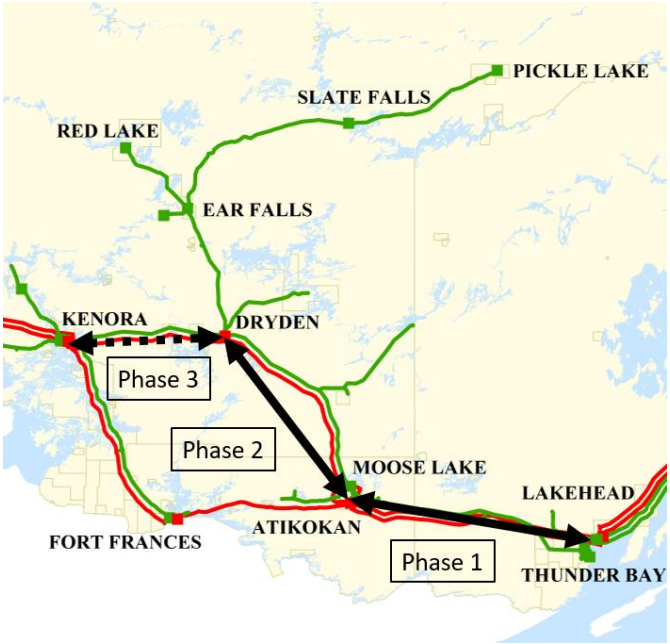

Figure 1 – West of Thunder Bay Area and NWBL Phases

The LTEPs divided the NWBL into three phases as shown conceptually in Figure 1:

- Phase 1 - a line from Thunder Bay to Atikokan;
- Phase 2 - a line from Atikokan to Dryden; and,
- Phase 3 - a line from Dryden to the Manitoba border through Kenora.

Following the 2013 LTEP, the Ontario Government issued an Order in Council ("OIC"), also in 2013, that amended Hydro One's license to develop and seek approval for the NWBL according to the scope and timing specified by the IESO.

In 2018, the IESO recommended that Hydro One commence development work, but not construction work, (i.e., complete the Environmental Assessment) for Phase 1 and Phase 2 of the NWBL, between Thunder Bay and Atikokan, and Atikokan and Dryden, based on the timing of projected supply capacity needs and the risk that they could materialize earlier than forecasted. Hydro One subsequently named Phase 1 and Phase 2 of the NWBL the Waasigan Transmission Line, hereafter called the "Project".

In 2022, construction of Phase 1 was recommended to proceed with an in-service date as close to the end of 2025 as possible. At that time, a more detailed examination of the demand forecast was required to determine the timing of need for Phase 2 of the Project.

Scope and Timing

The IESO has now completed its assessment of the need for Phase 2, based on a refreshed demand forecast supplemented by information provided by a third-party mining consultant, updated costs, and an analysis of non-wires alternatives.

Figure 2 below shows the updated peak electricity demand forecast for the area west of Atikokan (the area that would be supplied by Phase 2 of the Project) under four potential demand scenarios.

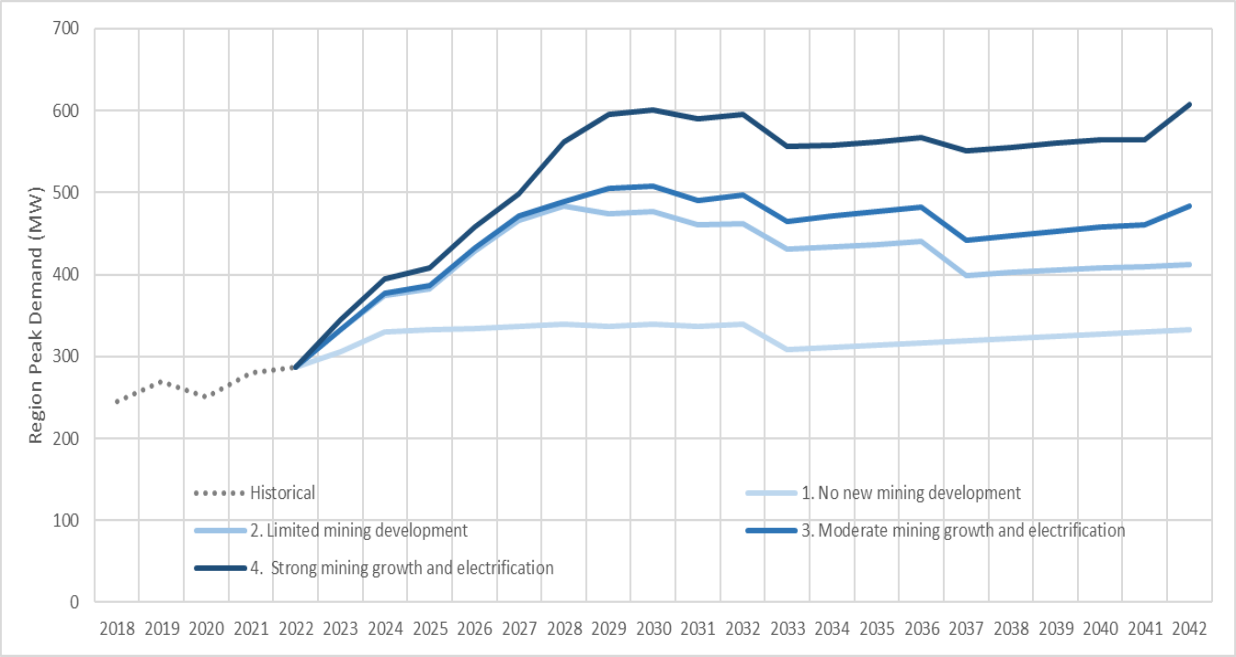

Figure 2 – Peak Electricity Demand Forecast for the Area West of Atikokan

Based on the updated demand forecast, there is a need for additional capacity under a range of growth scenarios beginning in 2025. Since, Phase 2 is needed in the same year as Phase 1, the IESO recommends that construction be staged to prioritize Phase 1 coming in service as close to the end of 2025 as possible (as previously recommended), with Phase 2 coming in service as soon as practical after Phase 1.

The scope of Phase 2, as described in previous communications, is a single-circuit 230 kV line from Mackenzie TS to Dryden TS. In order to ensure that transmission reinforcements planned today can be leveraged to meet a range of future needs and outcomes, the IESO also recommends that:

- Phase 2 be routed in proximity to Dinorwic Junction to facilitate potential future system reinforcements north of Dryden; and
- In designing the station layout for Dryden TS, space should be allocated for dynamic reactive support (i.e., a STATCOM or SVC) that may be required to support growth under higher demand scenarios.

The IESO will provide support to Hydro One as required in obtaining Environmental Assessment and Ontario Energy Board approvals for the Project.

Sincerely,

Ahmed Maria
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Date: 2023.04.24 17:03:34 -04'00'

Ahmed Maria
Director, Transmission Planning
Independent Electricity System Operator

cc: Ms. Alessia Dawes, Hydro One Inc.
Mr. Spencer Gill, Hydro One Inc.
Mr. Chuck Farmer, IESO
Ms. Nicole Hopper, IESO
Mr. Devon Huber, IESO