

Ministry of Energy

Office of the Minister

77 Grenville Street, 10th Floor
Toronto ON M7A 2C1
Tel.: 416-327-6758

Ministère de l'Énergie

Bureau du ministre

77, rue Grenville, 10^e étage
Toronto ON M7A 2C1
Tél. : 416-327-6758



MC-994-2023-124

February 15, 2023

Ms Lesley Gallinger
President and Chief Executive Officer
Independent Electricity System Operator
1600—120 Adelaide Street West
Toronto ON M5H 1P1

Dear Ms Gallinger:

I am writing to provide my concurrent approval of the Independent Electricity System Operator's (IESO) Business Plan for the years 2023, 2024 and 2025 ("Business Plan 2023-2025"), submitted on September 1, 2022, and to outline my expectations for the IESO's next business plan.

I want to thank you and the team at the IESO for effectively managing Ontario's electricity system and planning for future supply conditions in a context of technological transformation, high economic growth, and increased electricity demand. I would also like to congratulate you on your work on the IESO's updated Corporate Strategy, which will help guide the organization in delivering its mandate.

The government continues to focus on reliability and affordability for energy consumers, including Ontario families and businesses. These priorities overlap with the IESO's critical role in ensuring the province has a reliable and affordable supply of electricity. This is why I want to congratulate you on the progress that the IESO has made on key initiatives such as Resource Adequacy, the Market Renewal Program, and the Enabling Resources Initiative. In particular, the IESO should be very proud of the progress it has made this year towards charting a long-term path forward and achieving value for ratepayers through the application of competitive procurements and cooperation with the Canada Infrastructure Bank.

Furthermore, I note the plan identifies reasonable revenue requirements for 2023-2025. These financials will allow the IESO to fund the organization's core operations and to deliver on critical initiatives outlined in the business plan and government priorities, and also balances affordability for consumers.

Government Expectations for the IESO's Business Outlook

In April 2022, the IESO and the Ministry signed a refreshed Memorandum of Understanding, which established a new three-year approval cycle for the IESO's Business Plan. In September 2023, in lieu of a new business plan, I expect the IESO will submit a Business Outlook covering the next three fiscal years.

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As established in section 8.2.4 of the MOU, the Business Outlook should identify any changes to the 2023-2025 business plan without altering the total revenue requirement and capital budget.

Additionally, the IESO must always act in the best interests of Ontarians by being efficient, effective, and providing value for money to electricity customers. I expect the IESO to continue to adhere to the following government-wide priorities:

- a. Competitiveness, Sustainability and Expenditure Management
- b. Transparency and Accountability
- c. Risk Management
- d. Workforce Management
- e. Diversity and Inclusion
- f. Data Collection
- g. Digital Delivery and Customer Service

Ministry staff will provide details of the expectations in this regard.

In addition to these government-wide priorities, I expect the IESO to continue to advance the below priorities throughout the 3-year business planning period:

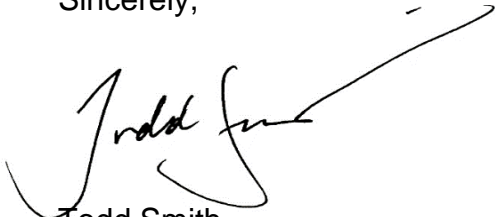
1. Progress with market renewal, enabling resources, electricity planning, the development of competitive procurements for electricity resources (i.e., meeting resource adequacy), and the development of a competitive transmission procurement process.
2. Progress on ensuring that electricity sector planning, procurement, and grid operations are ready for electrification and the energy transition and informed by leading approaches in other jurisdictions.
3. Support implementing key electricity-related actions in Ontario's Low-Carbon Hydrogen Strategy.
4. For the 2021-2024 electricity conservation and demand management (CDM) framework, progress with implementation of new CDM programs and CDM program enhancements, based on the IESO's Mid-Term Review Report and Recommendations, as well as work on the next Achievable Potential Study and the next CDM framework.
5. Cybersecurity, climate resilience, and the integrity of the grid.
6. Collective bargaining and alignment with broader government priorities on broader public sector compensation.
7. Progress with execution of government priority initiatives discussed in the Business Plan.

This letter constitutes my concurrent approval of the Business Plan and the budgets for 2023, 2024 and 2025 in accordance with my authority under subsection 24(2) of the *Electricity Act, 1998*, and as provided under the MOU between the IESO and the Ministry dated April 27, 2022.

.../cont'd

Thank you for the Business Plan and the good work of the IESO and its staff. Please accept my best wishes.

Sincerely,

A handwritten signature in black ink, appearing to read "Todd Smith", with a long, sweeping horizontal stroke extending to the right.

Todd Smith
Minister

- c: Hon. Joe Oliver, PC, Board Chair, IESO
- David Donovan, Chief of Staff to the Minister of Energy
- Jason Fitzsimmons, Deputy Minister of Energy
- Karen Moore, Assistant Deputy Minister, Strategic Network and Agency Policy Division, Ministry of Energy
- Steen Hume, Assistant Deputy Minister, Energy Supply Policy Division
- Assistant Deputy Minister (Acting), Conservation and Renewable Energy Division, Ministry of Energy