

Ministry of Energy

Ministère de l'Énergie

Office of the Minister

Bureau du ministre

4th Floor, Hearst Block
900 Bay Street
Toronto ON M7A 2E1
Tel.: 416-327-6758
Fax: 416-327-6754

4^e étage, édifice Hearst
900, rue Bay
Toronto ON M7A 2E1
Tél. : 416 327-6758
Télec. : 416 327-6754



NOV 23 2010

MC-2010-2459

Mr. Colin Andersen
Chief Executive Officer
Ontario Power Authority
1600–120 Adelaide Street West
Toronto ON M5H 1T1

Dear Mr. Andersen:

Re: Negotiating New Contracts with Non-Utility Generators

I write pursuant to my authority as the Minister of Energy, in order to exercise the statutory power of ministerial direction which I have in respect of the Ontario Power Authority (the "OPA") under section 25.32 of the *Electricity Act, 1998*.

Background

To support the objective of clean and efficient electricity generation and to help ensure electricity system adequacy, the Ministry of Energy (the "**Ministry**") has determined that it is advisable to pursue the initiative of seeking new contracts (the "**New Contracts**") for the non-utility generators that are listed in the attached Appendix A (the "**NUG Facilities**") where these would have cost and reliability benefits to Ontario electricity customers.

Details of the Initiative

The details of this initiative (the "**Initiative**") are as follows:

1. Negotiations for the New Contracts will be carried out with the owners or operators of the NUGs (the "**NUG Parties**").
2. The OPA will work closely with the Independent Electricity System Operator to determine the need for, and value of, each NUG facility as a preliminary step in any negotiation. Status updates on the analysis results should be provided to the Ministry of Energy.
3. Such updates should include identification of any local businesses or institutions dependent on any particular NUG for power supply or ancillary energy services such as steam supply, as identified by any particular NUG.

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4. NUG Parties would be eligible to enter into a New Contract with the OPA upon the expiry of the existing contract between the applicable NUG Party and the Ontario Electricity Financial Corporation or where ending the existing contract was mutually agreed to between the NUG Party and the Ontario Electricity Financial Corporation. Negotiations may commence within a reasonable time prior to the expiry of the existing contract, taking into account the amount of time required to complete negotiations. The length of the New Contracts will not exceed twenty years.
5. Each New Contract will be on terms that reflect a reasonable cost to Ontario electricity customers and the value of the NUG facility output to Ontario electricity customers. Consideration should be given to refurbishment, upgrading, or expansion opportunities and costs of the NUG Facilities as well as the risks and costs to the Ontario electricity system as a result of such investments.
6. The New Contracts should be structured to provide clear signals to NUG Facilities to operate in a manner that optimizes operation when power is valued highly and does not provide an incentive to operate when the output is not required, or the value of the power is low.
7. The New Contracts will require the NUG Facilities to be curtailed when requested to do so by the IESO when capacity needs to be constrained off for system or local reasons.
8. The payments under the existing NUG contracts constitute a significant share of the payments covered by Ontario electricity consumers through the Global Adjustment. The outcome of the negotiations set out in this initiative should be to significantly reduce the payments made by Ontario electricity consumers under the Global Adjustment related to NUG facilities.
9. The New Contracts should endeavor to ensure that a greater share of the payments to NUG Facilities is recovered through the Hourly Ontario Electricity Price, and to minimize the portion of revenues to be recovered through the Global Adjustment.

Direction

Therefore, pursuant to my statutory authority under subsection 25.32(4) of the *Electricity Act, 1998*, I hereby direct the OPA to assume responsibility for the Crown's Initiative as described above.

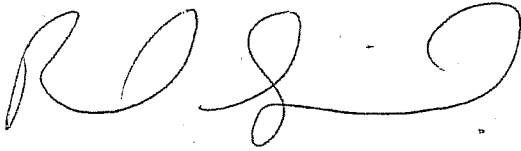
In pursuing the Initiative, the OPA may seek to negotiate other matters with the NUG Parties that would provide benefits to Ontario electricity customers or the Ontario electricity system. The OPA may take into account the local economic impact of NUG facilities.

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For greater clarity, the OPA is not required by this direction to enter into a New Contract with a NUG Party where the OPA is unable to reach agreement with the NUG Party on terms that satisfy the requirements outlined in this direction, including the requirements relating to reasonable cost and a reasonable balancing of risk and reward.

This direction shall be effective and binding as of the date hereof.

Sincerely,

A handwritten signature in black ink, appearing to read "Brad Duguid". The signature is fluid and cursive, with a large initial "B" and a long, sweeping underline.

Brad Duguid
Minister

**APPENDIX A
NUG FACILITIES**

Facility	Location
Beare Road LFG Power Plant	Beare Road Landfill Site, 1749A Meadowvale Road, Scarborough
Brock University Central Utility Building Power Plant	500 Glenridge Avenue, St. Catharines
Brock West LFG Power Plant	Brock West Landfill Site, 1380 3rd Concession Road, Pickering
Calstock Power Plant	Highway 11 Calstock, Geographic Township of Stoddard, District of Cochrane
Cardinal Power Plant	170 Henry Street, Cardinal, Township of Edwardsburgh/Cardinal
Chapleau Co-Generation Plant	Planer Road, Chapleau
Cochrane Generating Station	506 4th Street East, Cochrane
H.J. Heinz Power Plant	Erie Street South, Leamington
Fort Frances Cogeneration Plant	145 Third Street West, Fort Frances
Invista (Canada) Power Plant	1400 County Road #2 East, Maitland, Township of Augusta
Iroquois Falls Generating Station	No. 1 Northwest Industrial Road, Iroquois Falls
Kapuskasing Power Plant	47 Gough Road, Kapuskasing
Keele Valley LFG Power Plant	Keele Valley Landfill Site, near McNaughton Road, north of Major Mackenzie Drive, Vaughan
Kingston Cogeneration Plant	5146 Taylor - Kidd Boulevard, Millhaven, Township of Loyalist
Kirkland Lake Generating Station	505 Archer Drive, Kirkland Lake
KMS Peel Energy-From-Waste Facility	7656 Bramalea Road, Brampton
Labatt London Brewery Power Plant	150 Simcoe Street, London
Lake Superior Power Plant	102 West Street, Sault Ste. Marie
Mississauga Cogeneration Plant	2740 Derry Road East, Mississauga
Nipigon Power Plant	Highway 11, approximately 45 km north of Nipigon
North Bay Power Plant	4001 Highway 11, near North Bay
Ottawa Health Sciences Centre Cogeneration Plant	405 Smyth Road, Ottawa
Rosa Flora Power Plant	756 Diltz Road, Dunnville, Haldimand County
Tembec Industries Power Plant	Mill Road, Smooth Rock Falls
Tunis Power Plant	Highway 11, Tunis, Geographic Township of Newmarket, District of Cochrane
University of Toronto Central Power Plant	17 Russell Street, Toronto
West Windsor Power Plant	4375 Sandwich Street, Windsor
Westbrook Greenhouses Ltd. Plant	4743 Lincoln Avenue, Beamsville, Town of Lincoln
Whitby Cogeneration Plant	1550 Wentworth Street West, Whitby
White River BioMeg Plant	Highway 17, White River
Windsor-Essex Cogeneration Plant	2600 Temple Drive, Windsor