

Ministry of Energy

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December 19, 2014

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

Dear Mr. Andersen:

Re: Non-Utility Generator Projects

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

Background

In a direction dated November 23, 2010 (the "2010 NUG Direction"), the then Minister of Energy directed the OPA to seek to negotiate new contracts (the "New Contracts") with the non-utility generators listed in Appendix A to that 2010 NUG Direction (the "NUGs").

On December 16, 2013, I directed the OPA (the "2013 Biomass Direction") to seek to negotiate New Contracts with the "Biomass NUGs" (as defined in that 2013 Biomass Direction).

The progress made on negotiating New Contracts under the terms of the 2010 NUG Direction and the 2013 Biomass Direction has been encouraging, resulting in a number of new contracts that provide value to Ontario's electricity system and ratepayers.

We now have an opportunity to assess the framework for NUG contracting as we continue our commitment to bending the cost curve, and in the context of changing supply conditions and projected demand levels in the system.

To that end, the Ministry of Energy (the "Ministry") has determined that it is advisable to pursue the initiative (the "Initiative") of assessing the framework for NUG contracting in Ontario for NUG facilities (the "Outstanding NUG Facilities") that are not already under a New Contract or the subject of an OPA board of directors approved New Contract offer.

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Direction

Therefore, pursuant to my authority under section 25.32 of the Act, I hereby direct the OPA to assume responsibility for the Initiative described below.

1. Details of the Initiative

1.1 Any negotiations for New Contracts for the Outstanding NUG Facilities are suspended pending an assessment of the framework for NUG contracting in the province.

1.2 The assessment of the framework for NUG contracting will consider the following:

- i. The current process for contracting NUGs under the terms of the 2010 NUG Direction.
- ii. The Independent Electricity System Operator's (IESO) work to develop a capacity auction in Ontario.
- iii. Changes to supply and demand forecasts since the 2013 Long-Term Energy Plan was published, including:
 - a. Changes to the anticipated timing of capacity requirements in light of procurements to date.
 - b. The impact of the anticipated capacity exchange agreement with Hydro Quebec.
- iv. Such other considerations as the OPA determines to be appropriate for inclusion in the assessment.

1.3 The assessment is to be completed in 6 months with a report back to the Minister of Energy by no later than July 1, 2015.

1.4 Following my review of the report back, it is my intention to provide the OPA with further direction concerning the framework for NUG contracting with Outstanding NUG Facilities.

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2. General

2.1 This direction supplements and amends previous directions to the extent that such previous directions are inconsistent with the provisions of this direction. All other terms of any previous direction remain in full force and effect.

This direction takes effect on the date it is issued.

Sincerely,



Bob Chiarelli
Minister

c: James D. Hinds, Chair, Ontario Power Authority
Serge Imbrogno, Deputy Minister, Ministry of Energy
Halyna Perun, Director, Legal Services Branch, Ministries of Energy; Economic
Development, Employment and Infrastructure; and Research and Innovation