

Ministry of Energy

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MC-2015-1735

Mr. Bruce Campbell
President and Chief Executive Officer
Independent Electricity System Operator
1600-120 Adelaide Street West
Toronto ON M5H 1T1

Dear Mr. Campbell:

Re: Amending the April 2010 Direction Regarding Conservation and Demand Management Initiatives Under the GEA Conservation Framework to Make Performance Incentive Payments for IESO-Contracted Province-Wide Conservation and Demand Management (CDM) Programs Delivered Under the 2011-2014 CDM Framework

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 Independent Electricity System Operator (IESO) under the *Electricity Act, 1998*, as amended (the "Act").

Background

On March 31, 2010, a Directive was issued to the Ontario Energy Board (OEB) pursuant to sections 27.1 and 27.2 of the *Ontario Energy Board Act, 1998*, to establish electricity conservation and demand management (CDM) targets to be met by licensed electricity distributors over a four-year period beginning January 1, 2011. Among other things, the Directive required the OEB to issue a code that included rules relating to performance incentives associated with CDM programs, and to develop those rules having regard to the government's objective that a tiered performance incentive mechanism be available to distributors for verified electricity savings.

On April 23, 2010, a companion direction was issued to the former Ontario Power Authority (OPA) entitled, "Conservation and Demand Management Initiatives Under the GEA Conservation Framework" ("April 2010 OPA Direction") to support strategic co-ordination of CDM Programs, which includes programs approved by the Board ("Board-Approved CDM Programs") and those contracted by the Ontario Power Authority (OPA, now IESO – "IESO-Contracted Province-Wide CDM Programs") delivered over the 2011-2014 Framework period.

On September 16, 2010, the OEB issued the *Conservation and Demand Management Code for Electricity Distributors* (the "Code"). The Code sets out the obligations and requirements for distributors in relation to the CDM targets set out in their licences. Section 7 of the Code relates to performance incentives and states that:

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- A distributor may claim incentives in relation to its contribution to CDM Programs. Performance incentives are calculated across the distributor's entire portfolio of Board-Approved CDM Programs and IESO-Contracted Province-Wide CDM Programs and in the manner set out in the Code, including Appendix D.
- The Board will consider applications for performance incentives and make a determination on the appropriate incentive amount based on the methodology established by the Code.
- Performance incentives approved by the Board will include a determination regarding the amount and timing of payments to be made by the IESO under section 78.5 of the *Ontario Energy Board Act, 1998*.

The OEB will, in accordance with the Code, consider distributor applications for performance incentives in respect of CDM Programs and, where approved, determine appropriate amounts to be paid by the IESO in respect of such performance incentives. Section 78.5 of the *Ontario Energy Board Act, 1998* does not, however, authorize performance incentive payments by the IESO relating to IESO-Contracted Province-Wide CDM Programs, which are expected to represent the majority of savings for the distributors that are eligible for a performance incentive for the 2011-2014 framework period.

Pursuant to the IESO's role in supporting strategic co-ordination of CDM Programs, I wish to amend the April 2010 OPA Direction to fulfil the objective of making performance incentive payments available in respect of IESO-Contracted Province-Wide CDM Programs and Board-Approved CDM Programs.

Direction

Therefore, pursuant to my statutory authority under section 25.32 of the *Electricity Act, 1998*, I hereby direct the IESO to enter into agreements with distributors to make performance incentive payments relating to IESO-Contracted Province-Wide CDM Programs to those distributors whose application for such a performance incentive is approved by the OEB, and in the amount determined appropriate by the OEB in each case.

This direction takes effect on the date it is issued.

Sincerely,

Bob Chiarelli
Minister

c: Tim O'Neill, Chair, IESO
Bruce Campbell, President and Chief Executive Officer, IESO
Rosemarie T. Leclair, Chair and Chief Executive Officer, OEB
Serge Imbrogno, Deputy Minister, Ministry of Energy
Carolyn Calwell, Director, Legal Services Branch, Ministries of Energy; Economic Development, Employment and Infrastructure; and Research and Innovation