

Ministry of Energy

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October 7, 2021

Lesley Gallinger
President and Chief Executive Officer
Independent Electricity System Operator
1600-120 Adelaide Street West
Toronto, ON M5H 1T1

Dear Ms. Gallinger:

I would first like to thank you and your team at the Independent Electricity System Operator (IESO) for your tireless efforts throughout the COVID-19 pandemic. As many Ontarians shifted to working from home and businesses responded to the public health emergency by closing their doors, the IESO ensured that Ontario had the electricity it needed to weather the storm.

That said, I am writing to you regarding the “Gas Phase-Out Impact Assessment” study released by the IESO on October 7, 2021. I appreciate the hard work that went into the detailed analysis and the information it provides decision makers at all levels of government, as well as all Ontarians who have an interest in our reliable and clean electricity grid.

As a next step, I would ask that IESO evaluate a moratorium on the procurement of new natural gas generating stations and develop an achievable pathway to zero emissions in the electricity sector.

As the study notes, while Ontario’s electricity system is 94% clean, natural gas generation plays a key role by providing flexibility to respond to changing system needs. As we continue to refurbish our nuclear fleet and retire Pickering Nuclear Generating Station, the study confirms natural gas generation is required to ensure reliability, turning on to

meet periods of high demand or back up wind and solar facilities when the wind is not blowing and sun is not shining.

The study also reminds us that greenhouse gas emissions from the electricity sector have declined by more than 90% since 2005 and that Ontario currently has one of the cleanest electricity systems in the world, significantly lower than not only the United States but also the U.K., France and Germany. Lastly, I appreciate the study's point that eliminating natural gas generation from Ontario's electricity system would not only result in rotating blackouts, but would also hamper efforts to further decarbonize the province by making electrification significantly more costly.

Pathway to Achieve Zero Emissions in Ontario's Electricity System

While the IESO's study concludes that it is not technically or economically feasible to phase out natural gas generation by 2030, it does recognize that Ontario's electricity system is evolving and must continue to move towards flexible and non-emitting sources of supply. So in keeping with the goals of the Made-in-Ontario Environment Plan, it is important that we continue to explore opportunities for emission reductions in the electricity sector.

Therefore, I am first asking IESO to evaluate a moratorium on the procurement of new natural gas generating stations in Ontario. As the IESO considers procuring new generation to fill capacity needs emerging in the later part of the decade, I want to ensure we are meeting the expectations Ontarians have regarding affordability, reliability, and environmental considerations.

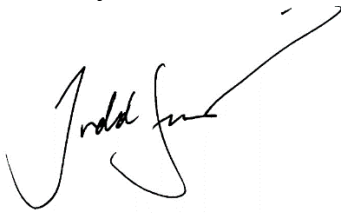
Secondly, I am asking IESO to develop an achievable pathway to phase-out natural gas generation and achieve zero emissions in the electricity system for consideration. With respect to this pathway, it should consider:

- First and foremost, the reliability of the electricity system;
- the cost to electricity ratepayers;
- the timeline on which this would be achievable;
- the positive or negative effect this would have on electrification of the broader Ontario economy (i.e. industry, transportation, etc) and reaching the province's overall climate goals;

- the possibility of maintaining the generating facilities but replacing natural gas with green fuels such as hydrogen and renewable natural gas, or the development of utility-scale carbon capture and storage; and,
- the role of technologies like pumped storage, battery storage combined with non-emitting resources, hydro, nuclear, and demand response to eliminate emissions in the electricity system.

Thank you again for your study and I look forward to receiving a report back on this additional analysis by November 2022.

Sincerely,

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

The Honourable Todd Smith
Minister of Energy

Cc: Honourable Joe Oliver, P.C., Board Chair, IESO
Stephen Rhodes, Deputy Minister of Energy