

Ministry of Energy

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MC-994-2023-76

February 23, 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 with respect to the ongoing work the Independent Electricity System Operator (IESO) is doing to launch a Clean Energy Credit (CEC) registry in March 2023.

As you are aware, establishing a CEC registry for Ontario would give businesses a mechanism to support their corporate environmental and sustainability goals when choosing to operate in Ontario. This initiative would also add to the growing list of factors that make Ontario a top destination for manufacturing investment, such as the province's well-trained workforce, tax credits and a world-class research and development ecosystem all while enhancing our energy advantage. I appreciate the IESO's efforts to continue to undertake commercial activities required to support the launch of the CEC registry.

As we move forward, it is important that the IESO establish the CEC registry and implement rules, procedures and processes for the sale and transfer of Ontario CECs in a timely manner and in alignment with the legislation, as well as with government's vision and policy objectives. I expect the IESO to continue to engage with potential registry users in the development of the rules, procedures and processes.

The legislative amendments and regulations provide a framework for the establishment of the CEC registry. In addition, I would like to provide further guidance regarding my expectations related to implementation. I expect that the IESO will:

- Clearly document the program rules governing the CEC registry consistent with the regulatory framework, including any requirements for stakeholders seeking to participate on the registry, such as specifying what information must be submitted to the registry, fees that participants must pay, deadlines or procedures which must be adhered to and any other relevant operational information. The IESO should ensure these rules are available online and have contact information available for stakeholders at the time of registry launch.

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- Take the necessary steps to make at least 2.5 terawatt-hours (TWh) of IESO-held environmental attributes (EAs) available for transfer in 2023, as per the IESO's estimate of potential market demand.
- Analyze market demand for Ontario CECs and sales patterns at least every six months. If necessary, the IESO should consider adjusting the amount of IESO-held environmental attributes (EAs) offered for purchase in response to changes in demand and communicate that availability publicly, as needed, to ensure transparency for the market on the availability of IESO-held CECs.

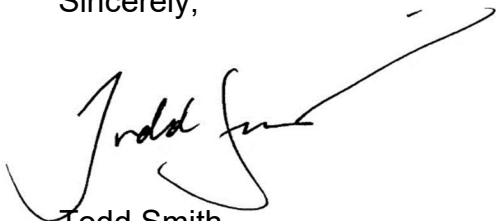
The IESO report-back outlined your plan to determine volume and price of IESO-held CECs by procuring a service provider with expertise in this market, offering EAs at a fair market rate to all consumers and potentially migrating to an auction-based approach over time. This is a sound approach to ensure that sales are concluded at market rates. I expect that the IESO will take steps to make CECs available for sale in sufficient quantity to ensure broad availability to interested buyers in Ontario with the aim to help existing businesses and companies looking to invest in the province meet their corporate sustainability goals.

In the lead up to the launch of the CEC registry, the Ministry is finalizing plans for how net revenues from sales of IESO and Ontario Power Generation-held CECs would directly benefit Ontario ratepayers and further support new clean energy generation. In the interim, I expect that IESO will take the appropriate measures to track and retain all revenue net of associated costs until further direction on the flow of proceeds. For clarity, IESO will not be the beneficiary of the funds in the account.

I also expect that the IESO will put processes in place to track and retain data on CEC transfers to support future annual reporting.

I thank you for your continued diligence and efforts to support this important initiative. I look forward to continuing to work with you towards the launch of the CEC registry.

Sincerely,

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

Todd Smith
Minister

- c: David Donovan, Chief of Staff to the Minister of Energy
Carla Nell, Vice President, Corporate Relations, Stakeholder Engagement and Innovation, IESO
Jason Fitzsimmons, Deputy Minister of Energy