

Ministry of Energy

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December 7, 2023

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

Dear Ms. Gallinger:

On July 10, 2023, the Ministry of Energy (ENERGY) released *Powering Ontario's Growth: Ontario's Plan for a Clean Energy Future*. The plan outlines the actions the government is taking to meet the province's growing demand for electricity in the 2030s and beyond while maintaining and building our clean electricity advantage.

Powering Ontario's Growth initiated early planning efforts to ensure the province is in a strong energy planning position and has the enviable opportunity to select resources that are best able to not only benefit the province in the short-term but also help the province achieve its long-term goals. Among other critical initiatives *Powering Ontario's Growth* outlined is the need for additional competitive electricity resource procurements for non-emitting resources.

In anticipation of this work, I asked the Independent Electricity System Operator (IESO) to report back on a proposed approach for subsequent procurements, including the second Long-Term Request for Proposals (LT2 RFP) by: February 28, 2024. I would like to thank you and your team in advance for the ongoing work to prepare this report.

As that work continues, it is critical that the IESO provide regular guidance to energy project proponents, municipalities, Indigenous communities and other interested parties to support ongoing work that is creating a strong queue of potential projects that could compete to deliver cost-effective power to support our province's growth. That's why I am now asking the IESO to provide an interim Resource Adequacy Update (RAU) to provide guidance on upcoming procurements including a forecasted minimum procurement target for new-build non-emitting resources in LT2 RFP and direction for future procurements the IESO expects would have to be undertaken.

This certainty on future procurement targets will provide all energy project proponents the confidence to begin to work with local and Indigenous communities, as well as other interested parties to advance new projects.

To that end, ENERGY has been working with the Ministry of Natural Resources and Forestry (MNR) to provide energy project proponents with clear process and timing requirements to expeditiously conduct testing and other activities necessary to prepare project proposals on Crown Land.

In addition, ENERGY is working with the Ministry of Environment, Conservation and Parks (MECP) to ensure clarity around environmental approval requirements and permitting processes for new and existing energy projects.

Recognizing transmission constraints that restricted much of northern Ontario from participating in the first Long-Term RFP's (LT1 RFP) capacity procurement, these constraints generally do not apply to the LT2 as the reliability need is different. I expect that prospective projects in Northern Ontario will be able to participate in the LT2 RFP and future procurements, subject to deliverability considerations. I ask that the IESO work with my ministry and MNR to explore the possibility of the LT2 RFP awarding additional consideration to energy projects located in northern Ontario.

I also expect the IESO to reiterate the government's commitment to involving municipalities in energy planning by requiring all projects to obtain municipal consent and maintaining the government's interest in ensuring Indigenous participation in our competitive procurements. This would help ensure the continued success we saw in the IESO's Expedited Long-Term RFP (E-LT1) which resulted in 880 megawatts (MW) of energy storage, with nine of the fifteen storage projects selected having at least 50 per cent Indigenous ownership.

Finally, ensuring affordability and cost-effectiveness will remain a core driver for future procurements. In 2018, our government took action to wind down 751 above market-price renewable energy contracts, resulting in \$790 million of estimated cost savings for ratepayers at a time when the IESO's forecasts indicated that Ontario already had enough resources to meet electricity demands for the following decade. Without this action, these projects would have provided costly electricity and added to electricity rates at a time when Ontario did not require additional electricity.

As we move into a period of increasing demand later this decade as a result of strong economic growth, electrification and population growth, I ask the IESO to also report back on the following in its RAU:

- The role that intermittent non-emitting generation technologies (i.e., both centralized generation and aggregated distributed energy resources (DER)) can play in Ontario's future clean electricity system, particularly their potential contribution to meeting Ontario's electricity needs emerging later in the decade, their value to ratepayers, minimum procurement targets and any other considerations around the procurement and development of these resources.
- Estimate the difference in costs resulting from contract rates that were offered as part of the Feed-in Tariff (FIT) programs of the past against costs that are expected through the IESO's competitive approach contemplated under the proposed LT2 RFP, and the associated expected cost savings for ratepayers of a competitive approach.

I look forward to receiving the IESO's RAU by: **December 2023**.

In addition to providing increased certainty to project proponents and communities, the IESO's RAU, along with the report back on future procurements including the LT2 RFP and your assessment of restrictions in prime agricultural areas, will inform ENERGY's decisions on key design features of LT2 RFP and subsequent competitive procurements.

Recognizing the importance of stakeholder and community feedback following the release of the RAU Update and to ensure there is adequate time to incorporate feedback, I have decided to extend the timeline for the submission of your report back on the LT 2 RFP to: **March 15, 2024**.

Thank you again and please accept my best wishes.

Sincerely,

A handwritten signature in black ink, appearing to read "Todd Smith". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Todd Smith
Minister

- c: William Sheffield., Board Chair, IESO
David Donovan, Chief of Staff to the Minister of Energy
Jason Fitzsimmons, Deputy Minister of Energy
Hon. Graydon Smith, Ontario Minister of Natural Resources and Forestry
Adam Bloskie, Chief of Staff to the Minister of Natural Resources and Forestry
Drew Vanderduim, Deputy Minister of Natural Resources and Forestry
Hon. Andrea Khanjin, Minister of the Environment, Conservation and Parks
Philip Welford, Chief of Staff to the Minister of the Environment, Conservation and Parks
Serge Imbrogno, Deputy Minister of the Environment, Conservation and Parks
Hon. Lisa Thompson, Minister of Agriculture, Food and Rural Affairs
Tara Barry, Chief of Staff to the Minister of Agriculture, Food and Rural Affairs
John Kelly, Deputy Minister of Agriculture, Food and Rural Affairs