

Ministry of Energy

Office of the Minister

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MC-994-2022-78

January 26, 2022

Ms Lesley Gallinger
President and Chief Executive Officer
Independent Electricity System Operator
Lesley.Gallinger@ieso.ca

Dear Ms Gallinger:

I want to thank the Independent Electricity System Operator (IESO) for providing the ministry with their Gate 3 report on ITC's (the Proponent's) proposed Lake Erie Connector Project (the Project). I would also like to thank the IESO for their production of supplementary studies on the Project which included an assessment of potential alternative intertie enhancements, resulting impacts on Ontario and regional greenhouse gas (GHG) emissions, and a proposed approach for project cost recovery from electricity ratepayers.

I understand from the IESO's report that the Project has many potential benefits to Ontario including improved system reliability, the creation of new opportunities to sell Ontario's surplus electricity to the benefit of Ontario ratepayers by lowering electricity costs, and a significant reduction in GHG emissions both in Ontario and regionally. I also understand the importance of developing an acceptable Joint Operating Agreement (JOA) with the regional transmission organization PJM Interconnection (PJM). A properly constructed JOA is necessary for the Project to provide the expected benefits to ratepayers, but due to differences in market rules and tariffs in each jurisdiction, more work is needed to mitigate uncertainties.

The IESO's report also indicates that there may still be commercial terms that could be further refined with the Proponent. Continuing this work and entering into contract negotiations on the transmission agreement would position the IESO to move quickly if the government were to decide to take any further steps to advance the Project.

To these ends I am asking that the IESO continue its discussions with PJM and the Proponent and report back to me with an updated assessment of the Project. This should include:

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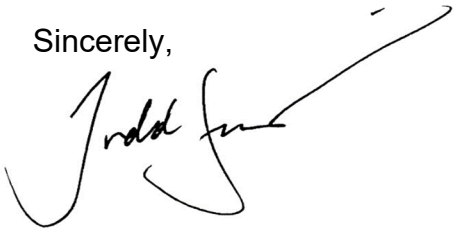
- The status of JOA discussions with PJM
- Based on the discussions with PJM, the IESO's degree of confidence that an eventual JOA is attainable that will preserve the project's expected benefits.
- A draft transmission agreement between the IESO and the Proponent, based on the term sheet. If a draft transmission agreement to the IESO's satisfaction has not yet been reached, the IESO shall instead provide an update on any changed or newly agreed upon terms from the term sheet submitted by the IESO to the Minister on December 17, 2021.
- If there are any significant changes, an updated assessment of the Project's value to ratepayers and the IESO's level of certainty in the value proposition.

I am asking the IESO to provide the above requested report back by March 22, 2022.

Upon receiving the IESO's report back, the government will determine the most appropriate next steps, including whether to issue a Minister's Directive to direct the IESO in relation to a procurement contract for this Project.

Thank you for your continued work on this Project and all projects in the Ministry's Project Assessment Framework.

Sincerely,

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

Todd Smith
Minister

- c: Leonard Kula, Vice President, Markets and Reliability and Chief Operating Officer, IESO
Chuck Farmer, Vice President, Planning, Conservation, and Resource Adequacy
David Donovan, Chief of Staff to the Honourable Todd Smith
Stephen Rhodes, Deputy Minister of Energy
Jon Jipping, Executive Vice President and Chief Operating Officer, ITC Investment Holdings Inc.