

Ministry of Energy

Office of the Minister

77 Grenville Street, 10th Floor
Toronto ON M7A 2C1
Tel.: 416-327-6758

Ministère de l'Énergie

Bureau du ministre

77, rue Grenville, 10^e étage
Toronto ON M7A 2C1
Tél. : 416-327-6758



MC-994-2022-17

January 26, 2022

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

Dear Ms Gallinger:

I would first like to thank you and your team at the Independent Electricity System Operator (IESO) for your ongoing support in responding to the challenges of COVID-19. With your help we have been able to continue to provide a reliable energy supply, keep rates stable and make life more affordable for Ontario electricity customers during this period.

As you know, approximately 94 per cent of the electricity generated in Ontario in 2020 came from non-emitting sources that include nuclear generation, waterpower, wind and solar. Ontario families and businesses have built and paid for this system and have a lot to be proud of. That said, our government is committed to making life more affordable and I believe ratepayers can reap further value from the electricity system that they have built.

Additionally, from my time serving as Ontario's Minister of Economic Development, Job Creation and Trade, I recognize the clean energy advantage that Ontario has when competing for jobs and investment. As increasing numbers of corporations seek to meet their ever-growing environmental and sustainability goals by requiring clean electricity in their operations and among their suppliers, I believe Ontario is well-positioned to further leverage our clean energy advantage to attract jobs and investment. Our government wants to ensure that Ontario is a partner in helping businesses meet their environmental goals, especially when doing so can support our own efforts to further decarbonize Ontario's electricity system and reduce Ontario's greenhouse gas emissions.

With this in mind, I am asking the IESO to work to provide further value for ratepayers by supporting the creation of a voluntary clean energy credit market by providing me with a report-back that meets the following requirements within the time set out below:

.../cont'd

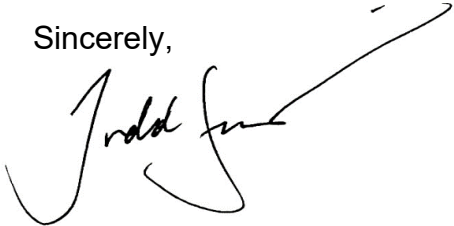
1. The IESO shall assess options for the establishment and ongoing operation and management of a registry to support the creation and/or recognition, trading, and the retirement of voluntary clean energy credits (CECs) within the province.
2. I ask the IESO to provide me with its report back on or before July 4, 2022 with detailed design options and recommendations, as well as potential benefits and projected costs of building and operating the registry, based on the following design principles:
 - **Scoped to Ontario:** The registry should include clean energy credits for electricity generated and consumed in Ontario. The initial design of the registry should be scoped to enable the trading of credits within Ontario, with the potential to support cross-border trading in a future phase.
 - **Voluntary:** The purchase of credits from the registry would be entirely voluntary.
 - **Customer choice:** Evaluate market demand via stakeholder engagement and design products to satisfy that demand.
 - **Monetization of investments made:** Credit offerings should include existing non-emitting generation, including nuclear, waterpower, wind, solar and bio-energy. The IESO should enable proceeds from CEC sales to flow to ratepayers, recognizing that ratepayers have borne the significant costs of previous efforts to decarbonize Ontario's electricity system, and
 - **Future Proof:** Build the registry to offer flexibility and the potential for future expansion to other products or markets, and to consider how the registry can incentivize future investment in new clean generation, when that power is needed.
3. The Report-back should also consider the following in relation to design options provided:
 - **Timing and availability:** The IESO should examine the availability of CECs from contracted and regulated resources to enable the launch of the registry in January 2023.
 - **Maximizing market opportunity:** Work with existing generators and brokers who currently offer voluntary clean energy credits to maximize potential for the registry, and report back on potential price ranges.
 - **Avoiding double counting:** Assess the impact of the registry on other environmental goals to avoid unintended consequence of double counting efforts to meet those goals, for example with Ontario's Emissions Performance Standards (EPS) program requirements.

.../cont'd

The IESO's market sounding should include engagement activities carried out with industry and associations, major power generators and consumers, Indigenous communities and other provincial ministries.

Thank you again for your continued support of the government's work and I look forward to receiving a report back on this analysis by July 2022.

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 Honourable Todd Smith
- Carla Nell, Vice President, Corporate Relations, Stakeholder Engagement and Innovation
- Stephen Rhodes, Deputy Minister of Energy