

Ministry of Energy

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August 23, 2022

Ms Lesley Gallinger
President and Chief Executive Officer
Independent Electricity System Operator
1600—120 Adelaide Street West
Toronto ON M5H 1P1
lesley.gallinger@ieso.ca

Dear Ms Gallinger:

I would first like to thank you for today's Resource Adequacy Update which confirms Ontario is on track to acquire the electricity generation we need to power our government's success in driving electrification and strong economic growth, including unprecedented investments that are creating new jobs in electric vehicle and battery manufacturing and green steel.

As your report outlines, we have made significant progress over the past year. We have announced Canada's first grid-scale Small Modular Reactor (SMR), begun work to secure clean energy generation at existing forest biomass and hydroelectric facilities and launched competitive procurements to procure new supply.

Today's update demonstrates the significant global interest in meeting those needs, which will support strong competition and deliver cost-effective results for ratepayers. I am pleased to see that through the first Medium-Term RFP (MT1 RFP) our government's approach of competitive procurements has secured supply at a cost about 30 per cent lower than previous contracts. MT1 RFP also addresses short term reliability requirements as the province continues to refurbish its nuclear fleet and manage intermittent renewables, supporting decarbonization through electrification.

As we look ahead, I am pleased to see that the Independent Electricity System Operator (IESO) has made significant progress in developing the designs of the new-build procurements including the first Long-Term Request for Proposals (LT1 RFP), the Expedited Procurement and the Same Technology Expansions procurement, including a proposed dedicated stream for standalone energy storage.

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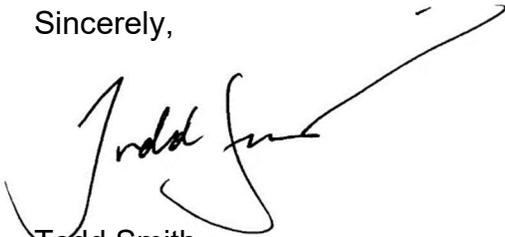
In anticipation of this work, last year, I asked IESO to evaluate a moratorium on the procurement of new natural gas-fired generating stations in Ontario and to develop an achievable pathway to phase out natural gas generation and achieve zero emissions in the electricity system. I asked IESO to report back to me with its analysis and results by November 2022.

I would like to thank you and your team at IESO for your ongoing work on the Pathways to Decarbonization (P2D) study. I am now asking IESO to submit to me an interim report to inform the eligibility of emitting resources in the upcoming procurements. This report back should consider IESO's analysis of a moratorium on procurement of new natural gas-fired generating stations in Ontario. The IESO's analysis should also consider the need to preserve a reliable, affordable and sustainable electricity system in Ontario as well as the electricity system's role in supporting the decarbonization of the broader economy.

The results of IESO's analysis will inform the government's policy on the eligibility of natural gas-fired resources and dual fuel (e.g., natural gas and hydrogen) resources for the LT1 RFP, the Expedited Procurement and Same Technology Expansions procurement.

I look forward to receiving IESO's report back by October 7th, 2022.

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: Hon. Joe Oliver, P.C., Board Chair, IESO
David Donovan, Chief of Staff to the Minister of Energy
Stephen Rhodes, Deputy Minister of Energy