

Ministry of Energy

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MC-994-2023-537

July 10, 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 would like to thank your team at the Independent Electricity System Operator (IESO) for delivering the Pathways to Decarbonization (P2D) report. The P2D demonstrates that Ontario's growing electricity needs will require substantial investments to support a reliable, affordable, and clean electricity system.

In addition, the P2D report provides “no-regret” recommendations that would build on existing actions and ensure Ontario is positioned to build the electricity generation, storage and transmission necessary to maintain a reliable, affordable and clean electricity system for Ontarians and power the province's growth beyond 2030.

In response, the Ministry of Energy has released *Powering Ontario's Growth: Ontario's Plan for a Clean Energy Future*, which outlines early actions to meet the province's growing demand for electricity in the 2030s and beyond while transitioning to a clean electricity system. The actions to secure Ontario's energy future as outlined in the plan include:

- Undertaking pre-development work on new nuclear generators;
- Decision making and supporting initiatives that would lower costs to consumers;
- Designing future competitive procurements to acquire new clean electricity resources including wind, solar, hydroelectric, storage and bioenergy;
- Advancing assessment of the advanced long-duration pumped storage projects in Meaford and Marmora and preparing for a future procurement for additional long duration storage;
- Supporting the development of local markets for distributed energy resources (DERs); and
- Accelerating the development of new transmission infrastructure in Northern Ontario, the Ottawa Region and Eastern Ontario.

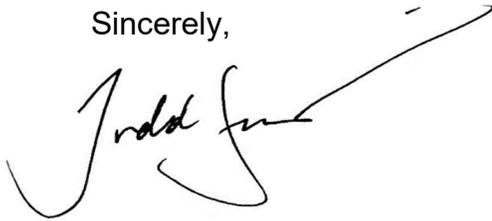
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In conjunction with the release of *Powering Ontario's Growth*, I am asking IESO to work with my ministry on several initiatives in support of our plan. These initiatives, some of which include report backs, are detailed in the Appendix to this letter along with associated timelines. In addition, a request for the pumped storage assessment and report back referenced in the list above will be shared via separate letter.

For initiatives that require report backs, upon receiving IESO's response on these initiatives, the government will determine the most appropriate next steps, including whether to issue Minister's Directives to direct IESO to implement the next steps.

I want to thank IESO in advance for all the work required on these initiatives and for its ongoing work to ensure that Ontario continues to have a reliable, affordable and clean electricity system. I ask that you continue to keep my office and the Ministry of Energy updated on your progress as well as identify any considerations and resources required to complete this critical work through the business planning process.

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: William (Bill) Sheffield, Board Chair, IESO
David Donovan, Chief of Staff to the Minister of Energy
Jason Fitzsimmons, Deputy Minister of Energy
Shannon Fuller, Deputy Minister of Policy and Delivery

APPENDIX

I ask that the Independent Electricity System Operator (IESO):

1) Bruce Nuclear New-Build Impact Assessment Cost Recovery Framework

- In collaboration with Bruce Power, develop a cost sharing and recovery framework for a nuclear new-build Impact Assessment at the Bruce nuclear site and report back to me by December 31, 2023.
 - The framework should include appropriate mechanisms to balance cost and risk sharing in order to minimize impacts on electricity ratepayers.

2) Feasibility Study and Business Case for Future Nuclear Generation in Ontario

- In collaboration with Ontario Power Generation and Bruce Power, develop a feasibility study and business case for potential future nuclear generation facilities in Ontario. The IESO should report back to the Ministry of Energy following completion of the report by Ontario Power Generation and Bruce Power, which I have asked the companies to complete by December 2024. The feasibility study and business case report-back should include supporting information and analysis relating to:
 - Optimal new nuclear deployment schedule to meet long-term needs;
 - Electricity system impact; and
 - Commercial options for new nuclear generation (e.g., power purchase contracts, rate regulation).

3) Second Long-Term Request for Proposals (LT2 RFP)

- Report back by February 28, 2024 on the proposed approach to potential subsequent procurements to be undertaken by IESO, including the LT2 RFP. The report back should include:
 - A review of the role of existing assets and new non-emitting electricity resources that can be in-service by 2029 including wind, solar, hydroelectric, storage and bioenergy, or when IESO identifies future needs arising.
 - Considerations for a potential separate procurement for resources with long lead times and long lifespans, such as long-duration storage, and hydroelectric generation.
 - An assessment of the implications of a requirement in such procurement initiatives that all new electricity generation and storage resources procured would be required to obtain supportive municipal council resolutions prior to construction as well as a restriction on prime agricultural land.

4) Future Clean Electricity Fund

- Report back by December 31, 2023 on options for a Future Clean Electricity Fund, that would support the development of new clean electricity projects and/or programs. The report back should include the following:
 - Advice and recommendations on the implementation options for the fund, including considerations for IESO to be the delivery agent of the fund;
 - Considerations for allocation of funds including potential priority areas and possible projects in the electricity sector;
 - Considerations for how the fund might best be used to offset costs in the electricity sector for ratepayers in a timely manner; and
 - Assessment of potential opportunities for participation of Indigenous communities.

5) Energy Efficiency and Conservation Framework

- Support the Ministry of Energy's consultation on a future energy efficiency framework to inform the Ministry's work on developing a proposed path forward for Conservation and Demand Management (CDM) programming post-2024.

6) Supporting Innovation Through Distributed Energy Resources (DER)

- Continue to work with the Ministry of Energy and Ontario Energy Board (OEB) to progress DER initiatives underway with a view to derive greater system value from local and market opportunities for DER.

7) Transmission

- Continue work on the development of a transmitter selection framework, including consideration for commercial options, and report back to me on progress in Summer 2024.
- Report back to me by the end of 2024 on the status of planning work on the transmission network required to support generation projects outlined in *Powering Ontario's Growth Report*, including new nuclear and hydroelectric opportunities. This should include the timing of completing any future transmission work needed to support the *Powering Ontario's Growth Report*, as well as recommendations on transmission projects that could proceed with early planning and development work, including:
 - The identification of new and existing corridors of land that should be protected for future transmission lines.

Addressing known bottlenecks in the transmission system, including between northern and southern Ontario and within the Greater Toronto Area to unlock opportunities for new nuclear, hydroelectric and renewable generation and support future growth.