

Ministry of Energy

Office of the Minister

4th Floor, Hearst Block
900 Bay Street
Toronto ON M7A 2E1
Tel.: 416-327-6758
Fax: 416-327-6754

Ministère de l'Énergie

Bureau du ministre

4^e étage, édifice Hearst
900, rue Bay
Toronto ON M7A 2E1
Tél. : 416 327-6758
Téléc. : 416 327-6754



MC-2016-XXX

November xx, 2016

Mr. Bruce Campbell
President and CEO
Independent Electricity System Operator
1600-120 Adelaide Street West
Toronto, Ontario
M5H 1T1

Dear Mr. Campbell:

Thank you for submitting the Independent Electricity System Operator's (IESO) proposed 2017-19 Business Plan (the Plan) on September 2, 2016 for my review.

It has been just under 2 years since the IESO merger with the Ontario Power Authority took place. Over this period, I see that IESO has achieved the expected merger synergy of \$5.3M in 2015 and is progressing well towards the same savings target in 2016. I trust that this sets a solid baseline for IESO to sustain the synergy savings in 2017 and well into the future years. To demonstrate IESO's commitment in achieving efficiencies, I would like to see that your staff members continue to have regular consultations and updates with Ministry staff on IESO's progress in its 2017 budget until the synergy savings are fully realised in 2017.

The Plan is proposing a budget of \$183.3M for 2017, 0.6% above the 2016 IESO budget. I understand that the IESO has clearly committed to managing its costs with neutral cost impact from collective agreements and no increases in staffing level for 2017.

As you are aware, the government is embarking on the development of the next Long-term Energy Plan (LTEP) 2017 that is expected to set a renewed direction for the energy sector. The passage of the *Energy Statute Law Amendment Act, 2016* solidifies the important role of the IESO in the Province's long-term energy planning. As the Ministry of Energy moves forward with LTEP development, the Ministry will assess and consider the valuable analysis in the IESO's Ontario Planning Outlook prepared by the IESO. I will continue to look to the IESO to play an important role in the LTEP development and implementation.

During this time of change, the province is also undertaking major climate change initiatives through the Climate Change Action Plan and cap and trade program for reducing green-house gas emissions. While more details are unfolding, it is expected that there will be an impact on the energy sector and the IESO. For these reasons, in addition to the IESO's vital stewardship in the use of public resources to advance its mandate, I would ask the IESO to be vigilant and flexible in preparing to respond to the on-going evolution in the energy sector.

I trust the IESO's proposed 2017 budget provides the IESO with the appropriate scope and resources to meet its responsibilities while managing changes with increasing efficiencies.

This letter constitutes my approval of the IESO's 2017 budget of the Plan in accordance with my authority under subsection 24(2) of the *Electricity Act, 1998*.

I look forward to working with IESO in the opportunities that lie ahead.

Sincerely,

Glenn Thibeault
Minister

Cc: Tim O'Neill, Chair, IESO
Cc: Serge Imbrogno, Deputy Minister of Energy
Cc: Michael Reid, ADM, Strategic Network & Agency Policy, Ministry of Energy