

[QUEBEC ADDRESS: PLACEHOLDER FOR QUEBEC]

Hon Glenn Thibeault
Minister of Energy
Hearst Block, 4th Floor
900 Bay Street
Toronto, ON M7A 2E1

Dear Ministers:

Since 2014, Ontario and Quebec have made significant progress enhancing electricity trade between the two provinces. In May 2015, the 10-year Seasonal Capacity Sharing Agreement was finalized. In December 2016, Ontario and Quebec signed a historic agreement on electricity trade and storage to make the best use of our existing electricity systems and reducing costs for consumers. Following the finalization of this agreement, the provinces agreed to prepare technical reports on the intertie capabilities between Quebec and Ontario, ~~with the aim to conclude an additional electricity trade agreement by Fall 2017.~~

On March 6, 2017, an overview was provided on the technical reports that were prepared by Hydro Quebec Energy Marketing (HQEM) and the Independent Electricity System Operator (IESO). ~~Please find enclosed the reports from HQEM and IESO that supported that discussion:~~

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- The IESO's technical report builds on the *2014 Review of Ontario Interties Report*, using updated assumptions and analysis. The report focuses on the intertie capabilities between Quebec and Ontario and Ontario's current transmission system. It did not consider Quebec's physical transmission or generation capabilities.

The report presents five potential cases in which expanding the eastern Ontario transmission system could enable Ontario to maximize the firm import capability of the existing interties with Quebec. It also outlines market factors, such as future capacity auctions, that could influence decisions on new electricity agreement between Quebec and Ontario.

Please find enclosed the reports from HQEM and IESO.

~~HQEM and IESO can now begin discussions on a potential future electricity agreement between Quebec and Ontario. These discussions will continue to be guided by the following agreed-upon principles:~~

- ~~Reduce electricity sector greenhouse gas (GHG) emissions;~~

- Provide value to ratepayers; and

- Work with existing electricity market and government policies, such as cap and trade and market renewal initiatives.

Ontario and Quebec can discuss the progress of these negotiations in May and at the next Energy Mines and Ministers' Conference.

Sincerely,

Robert Keating, sous-ministre du ministère de l'Énergie et des Ressources naturelles

Serge Imbrogno, Deputy Minister, Ministry of Energy

c: Andrew Teliszewsky, Chief of Staff, Office of Hon. Glenn Thibeault Ministry of Energy
Bruce Campbell, Chief Executive Officer, Independent Electricity System Operator
Steen Hume, Assistant Deputy Minister, Energy Supply Policy Division, Ministry of Energy

[PLACEHOLDER FOR HQEM]