

March X, 2017

Deputy Minister Serge Imbrogno
Ontario Ministry of Energy
900 Bay Street
Hearst Block, 4th Floor
Toronto, ON M7A 2E1

Dear Deputy Imbrogno:

Re: Ontario-Quebec Interconnection Capability: A Technical Review

As requested earlier this year, I have attached a copy of our latest report on intertie capability with Quebec. As you will be aware, intertie transactions with neighbouring jurisdictions are beneficial when they measurably improve the reliable, cost-effective operation of Ontario's power system. Interconnected electricity markets provide a significant opportunity to efficiently utilize the energy generated from a diverse range of resources over a much greater geographic area, thereby lowering the cost of producing and managing electricity for all parties.

Interties expand the options available to meet system needs, and Ontario's tielines – including the ones with Quebec – have provided both reliability and economic benefits to the province for over a century.

Building on the 2014 intertie report prepared by the IESO and the OPA, but using updated modelling and analysis, this report presents several cases in which expanding the eastern Ontario transmission system could enable Ontario to maximize the firm import capability of the existing tielines with Quebec. The cases presented in this report reflect different options related to technology, complexity, timing and cost.

This report was prepared to address intertie and transmission expansion considerations. However, transmission capability is only one of several factors in determining whether further energy or capacity transactions would provide value for Ontario consumers.

Looking forward, the IESO is enhancing Ontario's electricity market through its Market Renewal project. A more dynamic market would include increased opportunities for trading energy, ancillary services and capacity over the interties. Meeting these needs through competitive market based mechanisms, as is currently provided for in the IESO's wholesale market, will ensure cost-effective solutions for Ontario consumers.

Please let me know if you have any comments or questions about the report. I look forward to a substantive discussion of the options for Ontario.

Yours sincerely,