

Ministry of Energy

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June 10, 2016

Mr. Bruce Campbell
President and Chief Executive Officer
Independent Electricity System Operator
1600–120 Adelaide Street West
Toronto ON M5H 1T1

Dear Mr. Campbell:

RE: Upgrades to Existing Renewable Projects, Conservation First Framework and Support Programs

I write in my capacity as the Minister of Energy in order to exercise the statutory power of ministerial direction I have in respect of the Independent Electricity System Operator (IESO) under the *Electricity Act, 1998*, as amended (the “Act”).

Background**Upgrades to Existing Renewable Projects**

Renewable energy continues to make a significant contribution to Ontario’s diverse electricity supply mix. Ontario is working to achieve its target of bringing 10,700 MW of wind, solar, and bioenergy online by 2021 and 9,300 MW of hydroelectric online by 2025. The government recognizes that maximizing existing utility scale assets may provide an opportunity to increase the value these assets provide to Ontario ratepayers while helping the government achieve its renewable energy targets in the most efficient and cost-effective manner.

Conservation First Framework

On March 31, 2014, the Ontario Power Authority (OPA) was directed to encourage licensed electricity distributors (“Distributors”) to maximize administrative and delivery efficiencies for Conservation and Demand Management (CDM) programs by utilizing appropriate delivery models (the “Conservation First Framework Direction”).

Specifically, the OPA and/or Distributors were to provide enhanced coordination efforts for program delivery, including by procuring and delivering CDM measures where they would afford significant administrative cost and/or delivery efficiencies, and by targeting consumers with multiple locations across several licensed service areas (“Multi-Distributor Consumers”). I now wish to provide further clarification to that direction.

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Support Programs

In a direction dated November 21, 2014, the OPA was directed to consolidate the Community Energy Partnerships Program (CEPP), the Municipal and Public Sector Energy Partnerships Program (MPSEPP) and the Aboriginal Renewable Energy Fund (AREF) and Aboriginal Transmission Fund (ATF) components of the Aboriginal Energy Partnerships Program (AEPP) into one new program, the Energy Partnerships Program (EPP), which consists of two funding streams: the Partnership Stream and the Project Development Stream.

In the same direction, the IESO was directed to allocate funds totalling not more than \$10 million annually to the Partnership Stream, the Project Development Stream, the Aboriginal Community Energy Plans (ACEP), the Aboriginal Renewable Energy Network (AREN) and the Education and Capacity Building (ECB) Program (collectively the “Support Programs”).

It is expected that there will be considerable Support Program funding needs in 2016 with the anticipated launch of both the second Large Renewable Procurement (LRP) process and Feed-in Tariff (FIT) 5. It is also expected that there will be continued interest and uptake by Indigenous communities in the ACEP program as well as considerable funding needs to support the participation of First Nations in remote transmission connection, the implementation of diesel-reduction solutions in remote First Nations that are uneconomic to connect to transmission, and education and capacity building initiatives.

Given that the Partnership Stream and Project Development Stream were not launched in 2015, and given the anticipated funding needs for 2016, I now wish to provide further direction to the IESO with respect to the \$10 million annual budget.

Direction

Therefore, pursuant to my authority under sections 25.32 and 25.35 of the Act, I hereby direct the IESO as follows:

1. Upgrades to Existing Renewable Projects

- 1.1 The IESO shall increase the LRP II overall procurement target to 980 MW by re-allocating 50 MW of capacity from prior procurement targets that have not been met.
- 1.2 As the IESO continues its engagement process for the development of LRP II, the IESO shall explore opportunities to procure, and if feasible the IESO will procure, additional generation resulting from technological upgrades to and optimization of existing renewable generation facilities.

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2. Conservation First Framework

- 2.1 The IESO shall, in consultation with Distributors, centrally design, fund and deliver two CDM programs ("Centrally-Delivered Programs"):
- a. A province-wide pay-for-performance CDM program for Multi-Distributor Consumers ("Multi-Distributor Program"); and
 - b. A province-wide whole home CDM pilot program for residential consumers ("Whole Home Pilot Program").
- 2.2 Reductions in electricity consumption achieved through the Centrally-Delivered Programs will count towards the Distributor CDM Targets, and towards the Distributors meeting their CDM Requirement (as those terms are defined in the Conservation First Framework Direction).
- 2.3 The IESO shall, where appropriate, deliver Centrally-Delivered Programs in coordination with natural gas distributors. The IESO may manage its relationship with the natural gas distributors on a non-competitive basis.
- 2.4 Implementation of the Multi-Distributor Program and Whole Home Pilot Program shall commence by the end of the Fall of 2016.

3. Support Programs

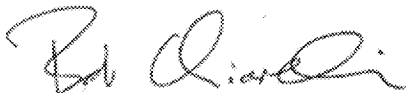
- 3.1 The IESO shall allocate the \$4 million in unspent Support Programs funds from the 2015 budget to the \$10 million annual Support Programs budget for 2016, increasing the 2016 budget from \$10 million to \$14 million.

4. General

- 4.1 This direction supplements and amends previous directions to the extent that a previous direction is inconsistent with the provisions of this direction. All other terms of any previous direction remain in full force and effect.

This direction takes effect on the date it is issued.

Sincerely,



Bob Chiarelli
Minister

- c. Tim O'Neill, Chair, Independent Electricity System Operator
Serge Imbrogno, Deputy Minister, Ministry of Energy
Carolyn Calwell, Director, Legal Services Branch, Ministries of Energy, Economic Development, Employment and Infrastructure, and Research and Innovation