

Ministry of Energy

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APR - 5 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: Future Renewable Energy Procurements

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

In directions dated June 12, 2013, December 16, 2013, March 31, 2014, April 24, 2014 and November 7, 2014, the Ontario Power Authority (OPA, which has since merged with the IESO) was directed to develop a new competitive process for the procurement of renewable energy projects generally larger than 500 kilowatts (kW).

On March 10, 2016, the IESO released a list of 16 contracts that were offered under the first phase of this new competitive process, known as Large Renewable Procurement (LRP), representing 454.885 megawatts (MW) of clean renewable capacity. LRP I introduced strong competition between developers of large renewable projects, driving down price. The process also provided local communities with a stronger voice and additional opportunities to participate in the development of renewable energy projects.

As outlined in the 2013 Long-Term Energy Plan (LTEP), and the December 16, 2013 direction, IESO was directed to commence large renewable procurements in each of 2014, 2015 and 2016. However, owing to the complexity involved in developing a new competitive process, as well as the IESO's broad level of engagement on the development of LRP I, maintaining this schedule was not feasible.

In a direction dated April 22, 2015, IESO was directed to engage with stakeholders, municipalities and Aboriginal communities at the completion of LRP I to ensure that any learnings and opportunities for improvement are taken into account in future large renewable procurements. Additionally, IESO was directed not to issue the Request for Qualifications (RFQ) for the second LRP process (LRP II) before the conclusion of this engagement process.

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Pursuant to the April 22, 2015 direction, on March 1, 2016, the IESO released a draft LRP II Stakeholder and Community Engagement Plan (the "Engagement Plan"), inviting feedback from all stakeholders, municipalities and Aboriginal communities to prepare for the launch of the LRP II process.

The government recognizes that prudent long-term energy planning is essential to establishing a clean, reliable and affordable energy future. The Ministry intends to develop an updated LREP, which will provide an opportunity to review future renewable energy procurement strategies, including LRP and the Feed-In-Tariff (FIT) program; whether and how to procure any available capacity that may remain from the LRP and/or FIT targets; and consideration of future renewable energy procurement strategies as the IESO moves towards the use of market-based initiatives.

Direction

Pursuant to the authority I have, as Minister of Energy, under sections 25.32 and 25.35 of the Act, I hereby direct the IESO to undertake the following:

1. Large Renewable Procurement (LRP) II:

- 1.1 The IESO shall procure up to 600 MW of wind, up to 250 MW of solar photovoltaic, up to 50 MW of hydroelectricity and up to 30 MW of bioenergy under LRP II, in accordance with the process described herein.

Development of the LRP II Request for Qualifications (RFQ)

- 1.2 Taking into account feedback received through the Engagement Plan, the IESO shall develop the LRP II RFQ and post it for public review and comment. The IESO shall post the final RFQ and launch the RFQ process by August 1, 2016.
- 1.3 The IESO shall consider under what conditions an applicant that was previously designated a Qualified Applicant (QA) under the LRP I RFQ may automatically qualify as an eligible QA for the LRP II RFP.

Development of the LRP II Request for Proposals (RFP)

- 1.4 The IESO shall draft the LRP II RFP in consultation with the Ministry of Energy, following engagement and outreach with stakeholders, municipalities and Aboriginal communities in accordance with the Engagement Plan.
- 1.5 The IESO shall complete the evaluation and selection of LRP II proposals in order to issue contracts under LRP II no later than May 1, 2018.

Future Procurements

- 1.6 Language in previous directions requiring the IESO to undertake a third Large Renewable Procurement (LRP III) is hereby revoked.
- 1.7 The IESO shall not procure any available or unallocated capacity resulting from LRP I or LRP II.

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2. Feed-In Tariff (FIT) and microFIT Procurements:

- 2.1 As contemplated in the 2013 LTEP, the Ministry is currently working with local distribution companies, industry partners, the IESO and the Ontario Energy Board to develop a proposal, to be posted for public comment in 2016, to transition the microFIT program to a net metering initiative. Given this transition, the IESO shall cease accepting applications under the microFIT program by December 31, 2017. The 2017 microFIT procurement shall have a target of up to 50 MW.
- 2.2 The FIT 5 procurement shall include a base target of up to 150 MW. In addition to the 150 MW, the FIT 5 procurement target shall also only include contract capacity that has become available from any contract terminations under prior small FIT (greater than 10 kW and generally up to and including 500 kW) and microFIT procurements.
- 2.3 Determination of the total capacity to be assigned to the FIT 5 procurement shall be calculated and published by the IESO by December 31, 2016.
- 2.4 The IESO shall conduct a FIT price review in 2016, with a resulting price schedule posted publicly by September 1, 2016, effective immediately thereafter for the FIT 5 procurement, and on January 1, 2017 for the microFIT program.
- 2.5 The IESO shall open the FIT 5 application window prior to November 1, 2016.

3. General

- 3.1 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