

Ministry of Energy

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APR 22 2015

MC-2014-904

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

Dear Mr. Campbell:

RE: Moving forward with a new Energy-from-Waste (EFW) Procurement Process

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

Energy-from-Waste (EFW) facilities use thermal treatment processes to dispose of waste and recover energy, which can be used to generate electricity. A number of municipalities have expressed an interest in pursuing EFW projects as an alternative to landfilling while generating electricity as a by-product.

In December 2008, the Minister of Energy directed the former Ontario Power Authority (now the IESO) to enter into a contract for electricity generated at the municipally-owned York-Durham EFW project at a price of 8 cents per kilowatt-hour (kWh).

By developing a procurement initiative for municipal EFW projects, we have the opportunity to provide price certainty for the procurement of electricity from EFW facilities in Ontario, as proponents explore the merits of pursuing EFW facilities.

In considering a future procurement related to EFW, the Ministry of Energy was guided by the following principles:

- An electricity price offered to EFW projects should not result in a cross-subsidization of waste disposal through electricity rates;
- Costs beyond reasonable electricity revenue should be borne by those involved in municipal or commercial waste disposal, through the imposition of adequate tipping fees; and
- EFW projects should not qualify under renewable energy programs due to the level of non-renewable content in municipal solid waste.

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Direction

Therefore, pursuant to my authority under section 25.32 of the Act, I hereby direct the IESO as described below.

1. Details of the Initiative

1.1 The IESO shall, by the end of 2015, make available an EFW procurement process for municipal projects with the following features:

- i. An overall total net contracted capacity cap of 75 megawatts (MW) available for new-build, EFW projects;
- ii. Projects must be connected directly (transmission-connected) or indirectly (distribution-connected) to the IESO-controlled grid;
- iii. Program rules that establish eligibility for EFW projects including demonstration of municipal support, minimum levels of project maturity, and connection availability screening;
- iv. A standard nominal contract price of 8 cents per net kWh injected directly or indirectly into the IESO-controlled grid with reasonable price escalation, as determined by the IESO. The IESO may consider implementing pricing mechanisms as appropriate, to encourage flexibility in the operation of the EFW facilities; and
- v. A contract term of no more than twenty years.

1.2 In developing the program rules and contracts, the IESO shall ensure the facility obtains all required licenses, permits and approvals for operation as a waste handling and electricity generation facility in Ontario, including:

- i. All required provincial approvals, permits, licenses or exemptions as may be applicable under the *Environmental Assessment Act*, the *Environmental Protection Act*, or as may be available under the *Electricity Act, 1998* or any other legislation applicable to the Project, and
- ii. All required municipal approvals, permits and licenses related to the lands to which the Project pertain, or the Municipality where the proposed project will be located, as applicable.

2. General

2.1 The IESO is not required by this direction to enter into a new contract with an owner of a proposed EFW facility where the IESO is unable to reach agreement with the EFW owner on terms that satisfy the requirements outlined in this direction or other terms and conditions the IESO establishes as part of the EFW procurement process.

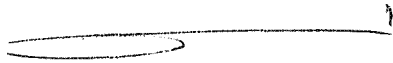
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2.2 This direction replaces all prior directions to the IESO related to EFW, namely, those dated: October 25, 2013; August 19, 2011; December 19, 2008; and February 25, 2008.

2.3 This direction has no effect on contracts that have been signed under the conditions of previous EFW directions to date.

This direction takes effect on the date it is issued.

Sincerely,

A handwritten signature in black ink, appearing to read 'Bob Chiarelli', with a horizontal line extending to the right.

Bob Chiarelli
Minister

c: James D. Hinds, Chair, Independent Electricity System Operator
Serge Imbrogno, Deputy Minister, Ministry of Energy
Carolyn Calwell, Director, Legal Services Branch, Ministry of Energy, MEDEI/MRI