

Ministry of Energy

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OCT 21 2015

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: Ontario Quebec Electricity Trade

I write in my capacity as the Minister of Energy in order to exercise the statutory power I have to amend or revoke continued directions issued to the Independent Electricity System Operator (IESO) under the *Electricity Act, 1998*, as amended (the "Act").

Background

Our Government has made significant progress in continuing to transform our electricity system since the release of the 2013 Long-Term Energy Plan ("2013 LTEP"). The 2013 LTEP contemplated the possibility of clean imports from jurisdictions such as Québec, where such imports would have system benefits for Ontario and be cost effective for Ontario ratepayers.

The IESO has been instrumental in supporting the Ontario and Québec governments' efforts to strengthen Ontario-Québec economic co-operation, including enhancing electricity trade.

These efforts led to IESO signing of a Memorandum of Understanding with Hydro Quebec Energy Marketing Inc. ("HQEM") on November 24, 2014, endorsed by Ontario and Quebec at a November 2014 joint Cabinet meeting, which set out the basis for a *Seasonal Electricity Capacity Sharing Agreement* to increase electricity system reliability in each Province.

Hence, on April 22, 2015, IESO was directed to negotiate and enter into a seasonal capacity sharing agreement with HQEM, based on the arrangement outlined in the November 24, 2014 MOU. On May 8, 2015, IESO and HQEM finalized the *Seasonal Capacity Sharing Agreement*.

On September 11, 2015, Québec and Ontario endorsed an MOU that laid the groundwork for discussions towards a longer term electricity trade agreement based on the following principles, requirements and considerations:

- Provides savings to Ontario ratepayers and provides value to Québec;
- Achieves greenhouse gas (GHG) emissions reductions by ensuring that Québec electricity imports are structured for delivery such that they displace some Ontario natural gas-fired electricity generation; and
- Considers other electricity wholesale market and policy initiatives in Ontario and Québec, including Ontario's proposed cap and trade program.

In the September 11, 2015 MOU, the parties charged their ministers responsible for energy with directing their respective energy agencies to make necessary efforts to conclude a medium-term electricity trade agreement. Such medium-term electricity trade agreement may be concluded and entered into through one or more contractual agreements based on the September 11, 2015 MOU.

Direction

Therefore, pursuant to my authority under section 25.32 of the Act, I hereby make the following amendments to the directions listed below:

1. Amendments to Directions

- 1.1 The direction issued April 22, 2015 titled "Procurements" is amended by adding a new paragraph 2.1 that reads "Negotiate and enter into one or more contractual agreements based on the September 11, 2015 MOU which contemplated a medium-term electricity trade agreement. The IESO will endeavour to have the contractual agreements finalized by December 1, 2016."

2. General

- 2.1 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,



Glenn Thibeault
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 Growth;
Infrastructure; Research, Innovation and Science; and Accessibility