

Ministry of Energy

Office of the Minister

4th Floor, Hearst Block
900 Bay Street
Toronto ON M7A 2E1
Tel.: 416-327-6758
Fax: 416-327-6754

Ministère de l'Énergie

Bureau du ministre

4^e étage, édifice Hearst
900, rue Bay
Toronto ON M7A 2E1
Tél. : 416 327-6758
Télééc. : 416 327-6754



JAN 21 2013

MC-2013-89

Mr. Colin Andersen
Chief Executive Officer
Ontario Power Authority
1600-120 Adelaide Street West
Toronto ON M5H 1T1

Dear Mr. Andersen:

RE: Hydroelectric Projects

The Province's Long-Term Energy Plan and the February 17, 2011 Supply Mix Directive established Ontario's targets for clean and renewable energy, including 9,000 MW of hydroelectric projects by 2018. The government is committed to meeting the hydroelectric target.

Direction

Pursuant to the authority I have, as Minister of Energy, under sections 25.32 and 25.35 of the *Electricity Act, 1998*, I hereby direct the Ontario Power Authority to continue the Feed-in Tariff (FIT) program developed pursuant to the direction issued on September 24, 2009, and amended by subsequent directions, subject to such further amendments as may be required in order to implement the policies set out below.

I further direct the OPA that, in offering contracts for hydroelectricity, the OPA shall take into account that the 9,000 MW target for 2018 remains the total target for existing, new build and incremental hydroelectric projects regardless of the manner of procurement. The capacity target of 50 MW for hydroelectric projects set out in the April 5, 2012 Direction (the "April Direction") is no longer set aside within the FIT Program and is replaced by this Direction.

In recognition of the unique characteristics associated with developing hydroelectric projects, I hereby direct the OPA pursuant to my Authority under section 25.32 of the *Electricity Act, 1998*, to undertake the procurement of up to 10 MW for new build distribution-connected hydroelectric projects greater than 500 kW and less than 5 MW, under a new municipal program stream, for eligible municipal waterpower projects.

For this stream, connection availability will be based on impact assessments carried out by the distributor, transmitter or Independent Electricity System Operator as appropriate, prior to contract execution. Eligibility for this stream requires that a pre-existing FIT application was submitted to the OPA before June 5, 2010. Project size must be consistent with the size indicated in the project's pre-existing FIT application.

Following the award of Small FIT contracts under the initial Small FIT application window, the OPA shall plan for opening an application window for hydroelectric projects for this new municipal program stream. Applications submitted for this new stream shall be prioritized on the basis of the FIT priority points and FIT prices shall apply.

The OPA created the Hydroelectric Contract Initiative (HCI) to implement the May 7, 2009 Ministerial direction entitled "Negotiating New Contracts with Hydro-Electric Generation Facilities" (the "HCI Direction"). In implementing the HCI Direction, the OPA shall not, from the date of this Direction, commence new negotiations relating to refurbishment, upgrade or expansion of existing facilities currently holding HCI contracts.

The Ontario government remains committed to allocating the remaining 40MW of the original capacity target set out in the April Direction for future hydroelectric projects. A future direction will include the criteria for later hydroelectric procurement initiatives.

General

This Direction supplements previous directions related to the HCI, the FIT Program, the microFIT Program and FIT Support Programs and replaces provisions of these previous directions only to the extent that a particular provision of this Direction is inconsistent with a provision of a previous direction.

This Direction takes effect on the date issued.

Sincerely,

A handwritten signature in black ink, appearing to be 'Chris Bentley', with a long, sweeping flourish extending upwards and to the right.

Chris Bentley
Minister