

Ministry of Energy

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February 8, 2018

Mr. Peter Gregg
President and Chief Executive Officer
Independent Electricity System Operator
1600-120 Adelaide Street West
Toronto ON M5H 1T1

Dear Mr. Gregg:

RE: Reallocation of Targets from the Industrial Accelerator Program to the 2015-2020 Conservation First Framework and Delivery of Programs Targeted to On-Reserve First Nations Communities

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"), in regard to conducting activities in relation to the Conservation First Framework (CFF) and the Industrial Accelerator Program (IAP).

Background

Reallocation of IAP Target to CFF Target

On March 31, 2014, the Ontario Power Authority (OPA) (now the IESO) was directed under a Ministerial direction (the "**CFF Direction**", as amended) to coordinate, support and fund the delivery of conservation and demand management (CDM) programs through licensed electricity distributors ("Distributors") to achieve a total of 7 terawatt hours (TWh) of reductions in electricity consumption between January 1, 2015 and December 31, 2020, in accordance with specified guiding principles and requirements. On July 25, 2014, the OPA was directed under a Ministerial direction (the "**IAP Direction**", as amended) to deliver the Industrial Accelerator Program (IAP) for transmission-connected customers to achieve a total of 1.7 TWh of reductions in electricity consumption between June 23, 2015 and December 31, 2020, in accordance with specified guiding principles and requirements. Together, the aggregate CFF and IAP target of 8.7 TWh of reductions in electricity consumption (the "Aggregate Target") was set in order to remain on track to achieve the provincial target of 30 TWh in 2032, as outlined in the 2013 Long Term Energy Plan (LTEP), *Achieving Balance: Ontario's Long-Term Energy Plan*, and as reaffirmed through the 2017 LTEP, *Delivering Fairness and Choice: Ontario's Long-Term Energy Plan 2017*.

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The 2016 Achievable Potential Study, undertaken by the IESO pursuant to section 6.2 of the CFF Direction, indicated that the Aggregate Target is achievable. As of February 2018, Distributors and the IESO have made progress towards achieving the Aggregate Target; overall, Distributors are on track to achieve their targets, and the availability of Province-Wide CDM Programs has been improved. Based on recent IESO forecasts, the IESO has requested that a portion of the IAP target and budget be transferred to the CFF. The transfer would allow the Aggregate Target to be achieved within the overall budgets as originally set out in the CFF Direction and the IAP Direction, while providing all customer segments with broad program choice.

Notwithstanding this direction, and for greater certainty, the IESO will continue to work to complete the Mid-Term Review of the CFF and IAP by June 1, 2018, as described in section 6 of the CFF Direction and section 5 of the IAP Direction, including a review of the targets and overall budgets for achieving the targets set out in each direction.

Delivery of Programs Targeted to On-Reserve First Nations Communities under the CFF

A guiding principle of the 2015-2020 CFF is that the role of Distributors in the delivery of programs to on-reserve First Nation customers will be enhanced.

Through the October 26, 2017 Long-Term Energy Plan, Implementation Directive, the IESO was instructed to prepare a report on options to improve conservation programs, and access to such programs, for First Nations and Métis, including those served by Independent Power Authorities. Through this process, the IESO has determined that on-reserve First Nations communities across the province do not have equitable access to CDM programs. Further, First Nations communities not connected to the IESO grid currently have no access to CDM programs under the CFF.

As a result, the IESO will, as a complement to the current Distributor programs, design a CDM program(s) targeted to on-reserve First Nations communities and fund and deliver such CDM program(s) where a First Nations specific CDM program is not made available by the Distributor, including for those First Nations communities not connected to the IESO-controlled grid.

Direction

Therefore, pursuant to my authority under section 25.32 of the *Electricity Act, 1998*, I hereby make the following amendments to the CFF Direction by adding the following sections in sequential order:

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Reallocation of IAP Target to CFF Target

- 3.10 The IESO shall allocate 0.4 TWh of its electricity savings target from the IAP towards the achievement of a reduction in electricity consumption through Centrally-Delivered Programs and Province-Wide Distributor CDM Programs delivered by the IESO.
- 3.11 i. The IESO shall, establish a new budget to achieve a 0.4 TWh reduction in electricity consumption by December 31, 2020, through Centrally-Delivered Programs and Province-Wide Distributor CDM Programs delivered by the IESO.
- ii. The IESO shall establish this new budget in a manner that does not increase the overall budgets established by the IESO pursuant to section 1.4 of the CFF Direction and section 1.1 of the IAP Direction, as those Directions read on the day before this Direction is issued.
- 3.12 Despite sections 3.10 and 3.11 of this Direction, the budget and the 0.4 TWh target referred to in sections 3.10 and 3.11 of this Direction may be reviewed and revised as needed as part of the outcomes of the mid-term review, as described in section 6 of the CFF Direction and section 5 of the IAP Direction, based on achievable cost-effective conservation and system planning projections at the time.

Consequential Amendments

1. The CFF Direction is further amended as follows:
 - 3.6 iii. is revoked and replaced with the following:

“3.6 *iii.* The IESO shall establish a budget to fund the approved Province-Wide Distributor CDM Programs that are to be delivered by the IESO that is within the budget established under sections 1.4 and 3.11 of the CFF Direction.”
 - Section 3.8 i. is revoked and replaced with the following:

“3.8 *i.* Despite section 1.3 of the CFF Direction, the IESO shall centrally design, fund and deliver across all Distributors’ licensed service areas a Provincewide CDM Program(s) targeted to the low-income customer segment (“Provincewide Low-Income CDM Program(s)”), beginning January 1, 2018, within the budget established under sections 1.4 and 3.11 of the CFF Direction.”
 - Section 6.1 is amended by adding the following subsection:

“6.1 *i.1* The 0.4 TWh target described in section 3.10 and the overall budget for achieving that target as described in section 3.11;”
2. The IAP Direction is amended as follows:
 - Section 1.1 is revoked and replaced with:

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"1.1 The IESO shall establish a budget to achieve a target of 1.3 TWh of savings through the IAP to be met through projects approved by the IESO on or before December 31, 2020. The budget and target will be reviewed as part of the mid-term review described in section 5 of this direction, and revised as needed, based on achievable cost-effective conservation and system planning projections made available at the time."

- Section 5.1 i. is revoked and replaced with:
"5.1 *i.* The 1.3 TWh target and the overall budget for achieving the target;"

Delivery of CDM Program(s) Targeted to On-Reserve First Nations Communities under the CFF

The CFF Direction is amended by adding the following section:

3.13 Despite sections 1.3 and 3.3 of the CFF Direction:

- i) The IESO will assume the responsibility for the design of a centrally-designed First Nations CDM program(s) ("Centrally-Designed First Nations CDM Program(s)").
- ii) The IESO will consult with Distributors who serve on-reserve First Nations communities, on the design and delivery of a Centrally-Designed First Nations CDM Program(s).
- iii) The IESO shall request Distributors who serve on-reserve First Nations communities that are not making available a Local Distributor CDM Program(s) specifically designed for on-reserve First Nations communities to resubmit revised CDM Plans outlining how they will make available either a Local Distributor CDM Program(s) specifically designed for on-reserve First Nation communities or a Centrally-Designed First Nations CDM Program(s) in their licensed service areas using their allocated CDM budget.
- iv) The IESO shall request from Distributors that are not currently offering a Local Distributor CDM Program(s) specifically designed for on-reserve First Nations communities to outline how they will make available either the Local Distributor CDM Program(s) or the Centrally-Designed First Nations CDM Program(s) to all on-reserve First Nations communities in their licensed service area.

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- v) During the period commencing no later than December 31, 2018 and ending on December 31, 2020, the IESO will fund and deliver, using the budget established under subsection 3.13(vi) of this Direction, the Centrally-Designed First Nations CDM Program(s) where neither that Program(s), nor the Local Distributor CDM Program(s) are being made available by the Local Distributor to the relevant on-reserve First Nations communities, including those not connected to the IESO-controlled grid.
- vi) The IESO will establish a budget to fund and deliver the Centrally-Designed First Nations CDM Program(s) within the budget established under sections 1.4 and 3.11 of the CFF Direction.
- vii) Reductions in electricity achieved through the IESO-delivered Centrally-Designed First Nations CDM Program(s) shall not count towards a Distributor's CDM Target.

General

This direction supplements and amends previous directions to the extent that such previous directions are 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
Maud Murray, Director, Legal Services Branch, Ministries of Energy; Economic Development and Growth; Infrastructure; Research, Innovation and Science; and Accessibility