

Ministry of Energy

Ministère de l'Énergie

Office of the Minister

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Mr. Bruce Campbell  
President and Chief Executive Officer  
Independent Electricity System Operator  
Station A, Box 4474  
Toronto ON M5W 4E5

Dear Mr. Campbell:

### Re: Encouraging Development of DR

In *Achieving Balance: Ontario's Long-Term Energy Plan* (LTEP 2013), Ontario committed to using demand response (DR) to meet 10% of peak demand by 2025. To encourage development of DR in Ontario, LTEP 2013 also signalled that responsibility for existing DR initiatives and introduction of new DR initiatives will be transferred from the Ontario Power Authority (OPA) to the Independent Electricity System Operator (IESO).

Consistent with this approach, IESO has proposed a plan to transition the OPA's existing DR3 contracts to an IESO DR transitional market. Under this plan, the IESO indicates it will be in a position to transition all DR3 contracts between the OPA and any aggregator or DR load to the IESO administered market and transitional market rules beginning in the first quarter of 2015.


To this end, I have issued a direction to the OPA instructing it to not execute any new DR3 or DR2 procurement program contracts. However, in order to facilitate an orderly transition of DR to an IESO administered market, I have instructed the OPA that, where it renews a DR3 contract set to mature before March 31, 2015, the term of the renewed contract shall be no later than March 31, 2015.

With respect to the capacity associated with the OPA DR2 contracts that are anticipated to expire at the end of 2014, I would encourage the IESO to allocate a portion of this capacity to implement DR pilot initiatives to test its capability to meet system needs and to allocate the remaining capacity through the first IESO DR auction expected to occur in 2015.

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I am aware that the IESO has established a DR stakeholder working group which will help guide the transition and development of the market rules. I look forward to hearing of your progress in this regard.

Sincerely,



Bob Chiarelli  
Minister of Energy

- c: Tim O'Neill, Chair, Independent Electricity System Operator
- James D. Hinds, Chair, Ontario Power Authority
- Colin Andersen, Chief Executive Officer, Ontario Power Authority
- Serge Imbrogno, Deputy Minister, Ministry of Energy
- Halyna Perun, Director, Legal Services Branch, Ministries of Energy and Infrastructure