

IESO BUSINESS UPDATE

To: Stakeholder Advisory Committee

From: Michael Lyle, VP Planning, Law and Aboriginal Relations
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Date: October 01, 2015

Subject: **Quebec and Newfoundland & Labrador Trade Discussions**

Information Item

The Government of Ontario has engaged in separate discussions with its counterparts in Quebec and Newfoundland & Labrador to explore opportunities to enhance electricity trade between the respective provinces. Its discussions with Quebec are part of a larger trade initiative while the discussions with Newfoundland & Labrador are focused on electricity trade. In both cases the IESO has been asked to provide input to these discussions in matters relating to the mandate of the organization.

Quebec – As articulated in the April 22nd Ministerial Directive on procurements, the IESO was directed to *“Investigate other opportunities to obtain Electricity Products from Hydro-Quebec, and other Market Participants, where the Electricity products could be obtained on terms that would benefit and align with Ontario electricity system needs.”* When considering opportunities with the Province of Quebec the focus has been on the medium term. In this timeframe the nuclear refurbishment plan will create the need for an increased reliance on gas production increasing the carbon emissions in Ontario. An agreement with Quebec’s non-carbon emitting resources could reduce Ontario’s carbon footprint during the refurbishment period.

Newfoundland and Labrador – On July 20th, 2015 Ontario Minister of Energy Bob Chiarelli and Newfoundland and Labrador Minister of Natural Resources Derrick Dalley announced their commitment to exploring opportunities for importing clean and reliable electricity from Newfoundland and Labrador into Ontario. That announcement stated that *“Ontario and Newfoundland & Labrador are working together in that spirit to examine options around clean electricity trading that would create mutual benefits for the two provinces.”* An inter-provincial working group with representatives from both governments and their agencies,

the IESO and Nalcor, was formed to “*undertake a thorough study of the potential for firm electricity trade between the two provinces.*” This study will consider the longer term needs for Ontario specifically relating to the future capacity and energy needs identified in the later years of the LTEP study period.

Throughout these discussions the IESO and Ministry are guided by 3 principles. If any arrangement is to be concluded it must: reduce Ontario’s greenhouse gas emissions; reduce costs for the ratepayers of Ontario, and; be consistent with policy objectives.

The Newfoundland & Labrador discussions have specific timelines with reports due to the respective Ministers by December 31st in both 2015 and 2016. The 2015 report being a higher level interim report followed in 2016 with a more comprehensive review of the opportunities between the two provinces. The Quebec timeline is less specific as it is tied to the definition of Ontario’s cap and trade rules which are anticipated sometime mid-2016. As it relates to Hydro-Quebec the IESO is required to make its recommendations within 120 days of the finalization of those rules.

Next Steps – IESO and Hydro Quebec Capacity Sharing

As reminder, the capacity sharing agreement between IESO and Hydro Quebec Energy Marketing (HQEM) comes into force December 1, 2015. For the winter months of December to March, Ontario will be supplying 500 MW of capacity to Quebec. Firm energy associated with this capacity will be scheduled through the IESO-administered markets as a last resort reliability product. In exchange, the IESO may elect to receive up to 500 MW of capacity from HQEM in future summer periods¹.

The IESO is currently working on updates to the applicable market manuals to reflect the processes and timelines required in the scheduling of firm energy associated with this capacity sharing agreement. The updated market manuals are expected to be posted for stakeholder review in early November.

In advance of posting the updated market manuals for review, the IESO solicits questions from stakeholders regarding the capacity sharing agreement as it pertains to the IESO administered-market and system operations. Responses to stakeholder questions will be posted on the IESO website in mid-October.

¹ For further details on the Ontario-Quebec Capacity Sharing Agreement, see the attached link:
<http://www.ieso.ca/Documents/corp/Summary-Capacity-Sharing-Agreement-Ontario-Quebec.pdf>