

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

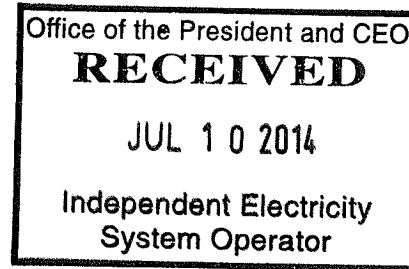
Bureau du ministre

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



JUL - 7 2014

Mr. Bruce Campbell
President and Chief Executive Officer
Independent Electricity System Operator
410-655 Bay Street
Toronto ON M5G 2K4



MC-2014-1589

Dear Mr. Campbell:

Re: Demand Response Pilot Initiatives

In *Achieving Balance: Ontario's Long-Term Energy Plan (LTEP 2013)*, Ontario committed to using demand response (DR) to meet 10 per cent 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). This approach was confirmed in a direction issued to the OPA and a letter to the IESO, both dated March 31, 2014.

On April 3, 2014, the IESO began consultations on the draft plan to transition the OPA's existing DR3 contracts to an IESO transitional market. The plan proposes to maintain the existing 500 megawatts (MW) of DR held by the OPA as a target and proposes to develop market rules in 2014, which are expected to be in service by the first quarter of 2015. As stated in the IESO transition plan, the market rules will enable the IESO to hold the first DR auction in 2015 with delivery beginning in 2016. The IESO has also committed to establishing a process to pilot new DR approaches with the new market rules.

To ensure Ontarians continue to realize the benefits of DR during the transition period and to assist the province in achieving its goal of using DR to meet 10 per cent of peak demand by 2025, I concur with the IESO's proposal to hold competitive DR pilot procurements to encourage objectives such as more efficient unit commitment and load following. I also encourage the IESO to hold these expanded DR pilot procurements in the first quarter of 2015 for capacity of at least 80 MW with delivery beginning in 2015.

Sincerely,


Bob Chiarelli
Minister

c: Tim O'Neill, Chair, IESO
James D. Hinds, Chair, OPA
Colin Andersen, Chief Executive Officer, OPA
Serge Imbrogno, Deputy Minister, Ministry of Energy