

# Memorandum

**To:** Strategic Advisory Committee

**From:** Barbara Ellard, Director, Resource and System Adequacy

**Date:** October 2, 2024

**Re:** IESO Business Update – Transmitter Selection Framework (TSF)

The following provides an update to members of the Strategic Advisory Committee (SAC) on the IESO’s development of a Transmitter Selection Framework (TSF) as it prepares to report back to the Minister of Energy and Electrification.

## **Summary**

In July 2023, the Government of Ontario released the Powering Ontario's Growth (POG) report, which describes the actions within the electricity sector needed to support economic development, decarbonization, and population growth while supporting affordability and reliability. Following the release of the POG, the Minister of Energy issued a letter that asked the IESO to continue work on the development of a TSF, and to report back on progress in Summer 2024.

The IESO has spent the past year designing and engaging on the TSF, in preparation for the report back to the Minister, hosting five public-focused engagement sessions on technical design considerations, Indigenous participation considerations and the proposed commercial approach to transmitter selection. Throughout, the IESO has also conducted separate engagement sessions for Indigenous communities and municipalities, accompanied by individual discussions with Indigenous communities and extensive outreach to other independent system operators to inform the IESO’s design. The IESO will continue with the TSF design and engagement to be prepared for implementation if directed by the Minister.

## **Report Back Highlights**

The TSF aims to fill a gap in the transmission development process, as currently there is no transparent or well-understood process for selecting transmitters to build new transmission projects in Ontario. Previous attempts at transmitter selection processes lacked direct linkages between proposals and the eventual outcomes for the projects (i.e., no mechanism to hold transmitters to their proposals). To fill this gap, the TSF will target projects that fit the following criteria, with eligibility requirements expected to evolve with the framework.

- New facilities
- Benefit all electricity ratepayers
- Estimated cost of \$100M or greater
- Nominal voltage of 200 kV or greater
- Sufficient lead-time (at least 6 years)

Projects that do not meet these criteria will continue to be designated to incumbent transmitters.

The IESO will create a qualified transmitter registry that will contain eligible transmitters who will be able to bid on future competitive selections.

The overall objective of the TSF commercial framework will be to leverage competition to achieve better outcomes for ratepayers, by holding proponents to their proposal costs and schedule, as well as their commitments to Indigenous economic participation. The IESO has determined that the best approach to achieve the TSF's goals and objectives is through a partial contracting approach. This approach involves an IESO contract for a set period (commercial operation date + a number of years), as the path for containing costs, while leveraging the existing rate regulation mechanism afterwards, providing investors with certainty through a well-established process.

The IESO will continue to engage on the TSF and refine design considerations, including Indigenous participation requirements, which will continue to be informed by communities.