

Ministry of Energy

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**FEB 03 2011**

MC-2011-416

Mr. Colin Andersen
Chief Executive Officer
Ontario Power Authority
1600-120 Adelaide Street West
Toronto ON M5H 1T1

Dear Mr. Andersen:

Re: Environmental Attributes Pilot Program

I write in connection with my authority as the Minister of Energy in order to exercise the statutory power of ministerial direction that I have in respect of the Ontario Power Authority (the "OPA") under section 25.32 of the *Electricity Act, 1998* (the "Act").

Background

As part of its ongoing procurement activities relating to renewable energy generation, the OPA owns, by virtue of its contracts, the rights to positive environmental attributes ("EA"s) which arise as a result of these procurement activities. Certain of these positive environmental attributes may be capable of being commoditized and sold for value in a voluntary market.

It is desirable that the economic value associated with the EAs be captured for the benefit of Ontario ratepayers. Developing a pilot program will help to develop expertise in this area.

Direction

Therefore, pursuant to the statutory power of direction granted to me under section 25.32 of the *Electricity Act, 1998*, I am hereby directing the OPA to proceed with a time limited pilot program, of a duration not to exceed eighteen (18) months, to sell, track and audit a limited number of EAs.

The OPA is required to develop and implement a competitive, open and fair procurement process to select a Program Manager to sell some of the EAs and foster the voluntary market. The OPA will enter into a revenue-sharing arrangement with the Program Manager, based on commercially reasonable terms and benefit to ratepayers. A condition of any such sale is that the EAs must be fully-retired within Ontario.

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The OPA shall retain the Program Manager no later than March 15th, 2011.

The OPA shall not be required to execute a program if the program does not yield a net benefit to ratepayers.

This direction shall be effective and binding as of the date hereof.

Sincerely,

A handwritten signature in black ink, appearing to read "Brad Duguid", with a stylized flourish at the end.

Brad Duguid
Minister