EB-2013-0326

ONTARIO ENERGY BOARD

IN THE MATTER OF sections 25.20 and 25.21 of the *Electricity Act, 1998*;

AND IN THE MATTER OF a Submission by the Ontario Power Authority to the Ontario Energy Board for the review of its proposed expenditure and revenue requirement for the year 2014.

SUBMISSION FOR REVIEW

1. Pursuant to section 25.22 of the *Electricity Act, 1998* (the "Act"), the Ontario Power Authority ("OPA") has submitted its Business Plan to the Minister of Energy (the "Minister"). In the 2014-2016 Business Plan the OPA set its operating expense budget for 2014 at $60.3 million. The OPA's requested revenue requirement of $60.3 million is based on its operating budget. The 2014-2016 Business Plan for the fiscal year 2014 has been approved by the Minister pursuant to section 25.22 (3) of the Act.

2. The OPA hereby submits to the Ontario Energy Board ("Board") its proposed 2014 expenditure and revenue requirement for review and approval pursuant to subsection 25.21(1) of the Act.

3. The OPA proposes to charge a usage fee of $0.439/MWh, an increase of $0.001 from the 2014 interim approved fee of $0.438/MWh, and a reduction of $0.112/MWh from its 2013 approved usage fee of $0.551/MWh.

4. The OPA proposes to continue to charge registration fees of up to $10,000 per proposal for electricity supply and capacity procurements, including conservation and load management procurements. The OPA also proposes to continue to charge non-refundable application fees for the Feed-in-Tariff ("FIT") program of $0.50/kW of proposed Contract Capacity, having a minimum of $500 and to a maximum of $5,000.

5. The OPA also proposes to charge a Large Renewable Procurement ("LRP") qualification submission fee from request for qualification ("RFQ") applicants which is the sum of:

   i. The greater of: (a) $2,000 for the first (or only, if only one renewable fuel is proposed) proposed renewable fuel submitted; or (b) $1.00 per kW of estimated contract capacity for all large renewable project(s) to a maximum amount of $30,000; plus
   ii. $2,000 for each additional renewable fuel proposed; plus
   iii. GST on the total of (a) and (b) above.

6. Pursuant to subsection 25.21(2) of the Act, the OPA is seeking the following approvals from the Board:

   - approval of the usage fee and the registration fees described above, including the LRP RFQ submission fee, or such further or other fees as the Board may deem appropriate;
   - interim approval of the LRP RFQ submission fee described above;
   - if necessary interim orders as the Board may deem appropriate;
   - approval of a revenue requirement comprised of the proposed 2014 operating expense budget of $60.3 million;
   - approval of its proposal to refund the balance of the Forecast Variance Deferral Account of amounts in excess of $5.0 million;
   - approval of the establishment of the 2014 Forecast Variance Deferral Account ("FVDA"), of the 2014 Government Procurement Costs Deferral Account ("GPCDA"), and of the 2014 Registration Fees Deferral Account ("RFDA"), and approval or continuation of such further or other deferral accounts as the Board may deem appropriate; and
   - all necessary orders and directions, pursuant to the *Ontario Energy Board Act, 1998* and the Board's Rules of Practice and Procedure, as may be necessary in relation to this submission, and execution of the approvals requested in the Business Plan.

7. The OPA proposes the following title for this proceeding: Ontario Power Authority Fiscal 2014 Expenditure and Revenue Requirement Submission for Review ("2014 Revenue Requirement Submission" or "Submission").

8. The OPA proposes that the Board review of the Submission proceed by way of a written hearing.

9. The OPA may amend its pre-filed evidence from time to time, prior to and during the course of the Board proceeding. Furthermore, the OPA may seek to have additional meetings with Board Staff and intervenors in order to identify and address any further issues arising from this submission, with a view to an early settlement and disposition of this proceeding.

10. The OPA requests that a copy of all documents filed with the Board by each party to this proceeding, be served on the OPA and the OPA's counsel in this proceeding as follows:

a)	The Ontario Power Authority	Ms. Miriam Heinz Regulatory Coordinator
	Courier Address:	120 Adelaide Street West, Suite 1600 Toronto, ON, M5H 1T1
	Telephone: Fax: E-mail:	416 969-6045 416 969-6383 miriam.heinz@powerauthority.on.ca
b)	Aird & Berlis LLP	Mr. Fred D. Cass Counsel
	Courier Address:	Brookfield Place, Suite 1800 181 Bay Street Toronto, ON, M5J 2T9
	Telephone: Fax: E-mail:	416 865-7742 416-863-1515 fcass@airdberlis.com

DATED at Toronto, Ontario, this 16th day of May, 2014.

ONTARIO POWER AUTHORITY

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by its counsel in this proceeding
Fred D. Cass

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ONTARIO POWER AUTHORITY
2014 REVENUE REQUIREMENT SUBMISSION (EB-2013-0326)
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B	**4**	**1**	Goal 4 Develop and maintain organizational capacity and be recognized as a partner in achieving the 2014-2016 goals
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Innovating for a Sustainable Electricity System

ANNUAL REPORT 2013

ONTARIO POWER AUTHORITY

ONTARIO POWER AUTHORITY

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March 31, 2014

The Honourable Bob Chiarelli
Minister of Energy
900 Bay Street, 4th Floor
Toronto, ON
M7A 2E1

Dear Minister:

I am pleased to submit the Ontario Power Authority's 2013 annual report. The report provides an overview of the OPA's activities and accomplishments during the fiscal year that ended December 31, 2013, and includes the audited financial statements.

Respectfully submitted,

James D. Hinds
Chair
Encl.

Planning Our Energy Future Together

The Ontario Power Authority fulfills a unique and vital role in Ontario's electricity sector – coordinating province-wide conservation efforts, planning the electricity system for the long term and contracting for electricity resources. We work closely with our industry partners and a broad range of stakeholders across the province to carry out these activities.

Together, we are innovating to ensure a sustainable future for Ontario's electricity system through our work to reduce energy use, maintain reliability and establish a clean, modern and cost-effective power grid.

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Message from the Chair and CEO

James D. Hinds, Chair

Colin Andersen, CEO

The OPA's role in Ontario's electricity sector is both vital and unique. Our mandate is to ensure that Ontario residents, businesses, schools and hospitals have the electricity they need – when and where they need it – now, and in the future. We are responsible for ensuring that the province's electricity system remains reliable, sustainable and cost-effective.

Over the past few years, we have worked with our industry partners and stakeholders to transform Ontario's electricity system to make it more sustainable – cleaner, greener and smarter. This transformation is largely a result of our conservation, supply procurement and long-term planning initiatives, under the direction of the Ontario government.

Ontario has set ambitious conservation targets and has implemented comprehensive conservation activities to meet them. These include a mix of incentive programs to help residential, business, institutional, industrial, low-income and Aboriginal customers manage their energy use, and to build a culture of conservation across the province. Ontario's conservation programs are being delivered at a program cost of less than 4 cents per kilowatt-hour – cost-effective conservation is the resource of first choice. We are fostering cost-effective innovation through our Conservation Fund, pilot projects, market-transformation activities and the Advisory Council on Conservation to ensure the sustainability of our endeavours.

When coal-fired generation is eliminated at the end of 2014 – the largest climate-change initiative in North America – Ontario will have reduced its electricity sector's carbon footprint by 75 percent from 2005 levels. The OPA is bringing on cleaner energy resources to replace coal and modernize our generating fleet. By the end of 2013, about 5,500 megawatts of new natural gas and 4,300 megawatts of new renewable energy capacity from solar, wind, hydroelectricity and biogas had been brought online since 2005 through a variety of programs, including our Feed-in Tariff (FIT) and microFIT programs for commercial and residential-scale projects, as well as programs for hydroelectric power and large renewable energy projects. New resources will continue to come onto the grid in the next few years. At the end of 2013, the OPA had contracts for 1,200 megawatts of new natural gas and 5,300 megawatts of new renewable energy capacity. These projects are expected to be in commercial operation by 2018.

Through our long-term planning, we continue seeking innovative solutions to meet the changing needs of our province. We worked throughout the year with the Ministry of Energy to develop the updated Long-Term Energy Plan released in December 2013 and are now working to implement its components. The plan was based on extensive research and stakeholder engagement across the province. In early August, we completed a report on regional planning and large energy infrastructure siting in collaboration with the Independent Electricity System Operator (IESO), also based on our research and engagement initiatives. The report recommendations were accepted in their entirety and announced by the Premier and Minister of Energy. Our work in implementing the report's recommendations is well under way and is being coordinated with the IESO and the ministry.

These efforts complement our regional planning initiatives that involve working closely with stakeholders to develop customized solutions for Ontario's diverse regions. Activities are taking place in a number of areas across the province to meet each region's needs and characteristics through an integrated combination of conservation (demand management and energy efficiency), transmission, distribution and generation. Significant initiatives resulting from this collaborative work are moving forward – for example, in the regions of Kitchener-Waterloo-Cambridge-Guelph, Toronto, and Northwest Ontario – north of Dryden and in remote communities. The OPA's role in regional planning was recently formalized through the Ontario Energy Board's Renewed Regulatory Framework for Electricity initiative.

We've clearly come a long way, but we believe that we can – and need to – go further.

We will continue to consider sustainability through existing planning processes, engagement of local communities, transparency and clear, consistent evaluations and advice. We are also developing a framework that strengthens our commitment to sustainability and contemplates approaches for enhanced integration and reporting. We will continue our focused initiatives to ensure that conservation is the first resource considered in planning decisions at the provincial and regional levels, and is treated on a level playing field with other resources.

The increasing volume and complexity of our work and public expectations require us to build stakeholder activities and communications for all of our initiatives and programs. Our new Stakeholder Advisory Committee, revised program design and enhanced regional planning initiatives will help us to achieve this.

Based on feedback from our various engagement processes, we will be working with our industry partners to enhance electricity awareness and improve access to useable data and information. This is to address the strong desire of Ontarians (municipalities, First Nations, Métis communities, stakeholders and the general public) to better understand electricity planning and siting so they can become involved early on and effectively participate in decision-making.

Expenses in 2013 were five percent lower than in 2011 and were consistent with 2012 expenses. We continued to constrain operating expenses in 2013 while delivering on an expanded mandate and workload, including an increased number of contracts under management. We were managing over 21,000 contracts for 22,448 megawatts of electricity at the end of 2013. We will be managing nearly 28,000 contracts by the end of 2014 – an increase of 610 percent from 2010 and of 131 percent since 2011. These contracts represent about 24,000 megawatts of electricity, or two-thirds of Ontario's total electricity system.

The OPA is also committed to working within the context of the union certification process that is under way.

We also manage many procurement initiatives, such as our Hydroelectric Contract Initiative, a new unbuilt rooftop solar program, a new hydroelectric standard offer program for municipalities and expansion of existing facilities, and a new program for large renewable energy projects. We take every opportunity to streamline and achieve efficiencies in our existing programs, and to apply the lessons we've learned over the past few years to the new programs.

Our multi-faceted efforts are dedicated to making Ontario a world-leading clean energy jurisdiction to support our future economy. Steps taken now will help ensure that our electricity system meets the changing needs of Ontarians and enhances the province's economic prosperity.

James D. Hinds
Chair

Colin Andersen
Chief Executive Officer

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OPA Performance

The following table sets out key OPA performance metrics from 2011 to 2013.

	2011 Actual	2012 Actual	2013 Actual
OPA operating expenses ($M)	$62.2	$59.8	$60.2
Total program spending ($M)	$2,529	$2,909	$3,730
Number of directives in year	10	7	10
Number of directives to date	56	63	73
Annual energy reduction (GWh)	717	671	869*
Total generation contracted by the OPA (MW)	21,039	22,411	22,448
Total generation contracts held by the OPA	12,099	16,788	21,118

***Forecasted in 2013; the final amount will be determined in 2014 once actual savings are verified.**

Engaging with Ontarians to Conserve Electricity

Working with our partners, the OPA guides the province's electricity conservation efforts by supporting conservation programs and conservation innovation, building market capability and a culture of conservation, engaging with communities and building relationships with our customers. We work collaboratively with local distribution companies and other partners to ensure Ontario residents, businesses, hospitals and schools have the information and tools they need to manage their electricity use efficiently.

Achieving conservation savings in Ontario

Ontario has made good progress in achieving its ambitious conservation targets. Conservation programs to help the province reach its targets are available to residents and businesses across the province and are delivered by local distribution companies or directly by the OPA. This includes the suite of **save**ON**energy**OM programs (www.saveonenergy.ca) with their energy- and demand-saving initiatives to cost-effectively reduce the demand for electricity, while providing customers with real-time energy-saving data and educational tools to help them better manage their overall energy use.

In 2013, the OPA worked closely with local distribution companies to make sure consumers were aware of and had an opportunity to participate in these programs. The OPA also increased its collaboration with local distribution companies and developed new areas of flexibility and innovation with them. Uptake in these programs increased as a result of these efforts.

Verified results of 2012 conservation programs, which became available in September 2013, showed that Ontario achieved 671 million kilowatt-hours of verified annual energy savings and reduced demand by 643 megawatts across the province. This includes savings from energy-efficiency and demand-response initiatives offered through local distribution companies and directly by the OPA. By the end of 2013, Ontarians had conserved 8.6 terawatt-hours of electricity – enough to power a city the size of Mississauga. In his *2012 Annual Energy Conservation Progress Report* released in December 2013, the Environmental Commissioner of Ontario found that the suite of conservation programs provided good value for ratepayers.

All programs funded through the OPA in 2012 were evaluated using a rigorous evaluation, measurement and verification process. Based on the lessons learned from this process, conservation programs continue to be enhanced and more tools and training programs are being created to help customers improve their operations and save on energy costs. Conservation is delivered at a program cost to consumers of under four cents per kilowatt-hour. Cost-effective and feasible, conservation is the resource of first choice.

OPA-delivered programs in 2013 included the Aboriginal Conservation Program, which launched in August with 12 communities across Ontario (including two remote First Nations) participating to identify opportunities and complete energy-efficiency retrofits.

The OPA also delivers demand-response programs and the Industrial Accelerator Program, which is offered to transmission-connected customers. It is one of North America's largest industrial demand-reduction incentive programs.

Building market capability

The OPA continued to deliver technical training for local distribution company sales staff and customers to provide them with skills and tools to identify areas of potential conservation savings in businesses across Ontario. Thousands of people have attended these workshops. In addition, to support **save**ON**energy** program participation and effective energy management, incentives are provided for local distribution companies and businesses to hire energy managers. These individuals provide technical expertise for energy-efficiency projects and energy management plans.

The OPA is increasing capability initiatives and has expanded its channel engagement activities. This year we engaged a number of key sectors, including heating, ventilation and air conditioning; building and industrial controls; lighting; and retailers, to increase outreach to end-use customers and to augment local distribution company efforts to achieve their conservation targets.

Supporting conservation innovation

The OPA's Conservation Fund is helping to transform the conservation market by supporting the implementation of innovative energy-saving projects and technologies. In 2013, the fund committed over $8.4 million to 10 new projects. Since 2005, the fund has committed $45.7 million in support to 186 projects. These projects leveraged an additional $125.8 million in partner support. The new projects are contributing to overall energy savings, informing policies and programs and promoting awareness of innovative conservation activities.

The OPA continued to seek new opportunities to motivate and measure electricity savings based on behavioural changes. Supported through the Conservation Fund, a series of social benchmarking pilot programs are testing residential engagement strategies, savings potential, behavioural impact and the feasibility of their integration into the overall Ontario market. Pilot hosts include Hydro One, Milton Hydro and Horizon Utilities. The fund also supports the four-year CivicAction Race to Reduce initiative in which tenants and landlords collaborate to encourage smart energy use in commercial properties. By the end of December, participants had reduced their collective energy use by nine percent – nearly a year ahead of schedule for the 10 percent target by the end of 2014.

In 2013, the OPA introduced a "fast-track" process to bring innovative local distribution company program ideas to market as pilot programs. Two new pilots focused on multi-residential and small commercial buildings and many other ideas are in process.

Building a culture of conservation

The OPA continued to lead the province in building a culture of conservation by assisting the government in its work on long-term conservation planning through the Conservation First initiative and community energy planning. Our efforts also included supporting the development of building codes, new product standards and other conservation policy initiatives; and recognizing conservation successes. We also continued to conduct market research to monitor the development of a culture of conservation across the province, to identify the key influences driving energy-efficiency behaviour and to help establish goals for future progress.

Community energy planning is a powerful tool for engaging communities in electricity planning and in identifying conservation opportunities. The OPA continued to support Quality Urban Energy Systems of Tomorrow (QUEST) in its work in this area. This included the development of a primer that provides context for community energy planning in Ontario and an overview of opportunities for collaboration across municipal energy planning and provincial/regional electricity planning.

In 2013, we celebrated conservation successes through our support of the first Conservation Leadership Excellence Award from the Electricity Distributors Association. Another initiative was a collaborative effort led by the OPA with the Association of Municipalities of Ontario and the Electricity Distributors Association. The Community Conservation Awards, now in their second year, celebrate the work of Ontario municipalities to support province-wide conservation goals by recognizing the efforts of three municipalities each year. The 2013 winners were Burlington, Sault Ste. Marie and South-West Oxford. We also partnered with the Ontario Science Centre in late December and early January to engage with the public on energy conservation and our **save**ON**energy** programs.

South-West Oxford

Sault Ste. Marie

Burlington

COMMUNITY CONSERVATION IS A CALL FOR CELEBRATION.

Congratulations to **South-West Oxford, Sault Ste. Marie** and **Burlington** on their 2013 Community Conservation Awards.

For background on the winners and to learn how your municipality can participate visit **powerauthority.on.ca/conservationawards**

AMO Association of Municipalities Ontario saveONenergy ONTARIO POWER AUTHORITY

The Community Conservation Awards is a collaborative effort led by the Ontario Power Authority and supported by the Association of Municipalities (AMO) and the Electricity Distributors Association (EDA).

OM Official Marks of the Ontario Power Authority. Used under licence.

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Planning a Sustainable Future Together

The OPA engaged in a broad range of important planning activities for the electricity sector, including providing input into the government's Long-Term Energy Plan, developing regional plans across the province to meet local needs, and supporting sector initiatives, regulatory processes and the OPA's conservation and procurement programs.

Long-term energy planning

The OPA provided advice and technical analysis to the government in the update of the Long-Term Energy Plan. Released in December 2013, *Achieving Balance* provides policy direction for planning the electricity system. It recognizes low demand growth and uncertainties, builds flexibility and monitors developments frequently for course corrections. The plan sets direction for future generation, conservation and storage development and identifies priorities for transmission and distribution. It seeks to balance Ontario's demand and supply using five principles that will guide future decisions: cost-effectiveness, reliability, clean energy, community engagement and an emphasis on conservation and demand management before building new generation.

The OPA participated in all of the Long-Term Energy Plan consultation sessions across the province as a technical resource, developing and presenting information to provide context for discussions. In December, the Minister of Energy wrote to the OPA regarding a series of follow-up Long-Term Energy Plan activities.

Regional planning

The OPA, in partnership with the Independent Electricity System Operator (IESO), conducted a public review of regional planning and large infrastructure siting processes in 2013. As a result of the consultation, 18 recommendations for improving regional planning and resulting large infrastructure siting processes were submitted to the government. These recommendations were accepted by the government and announced by the Premier and the Minister of Energy in November. Work has commenced to implement them.

The three core recommendations deal with early and frequent community outreach during the integrated regional planning process, local voice and local responsibility, and inter-ministerial coordination. The recommendations are grouped into four areas: bringing communities to the table, linking local and provincial planning, reinforcing the planning/siting continuum, and enhancing electricity awareness and improving access to information.

The OPA already incorporates many of the recommendations in its planning processes. For example, we have been engaging with local communities, municipal governments, First Nation and Métis communities and others in finalizing existing regional plans and when developing new regional plans. Work has started to enhance these aspects to accomplish the objectives of the review. Eight of these plans are under way across Ontario in areas facing supply constraints: Central-Downtown Toronto, the Northwest Greater Toronto Area, Ottawa, Northwest Ontario, Kitchener-Waterloo-Cambridge-Guelph, Brant, Windsor-Essex and York Region. Draft plans for the North of Dryden area and remote communities in Northwest Ontario are currently in a public engagement process, consistent with the principles set out in the planning and infrastructure siting recommendations accepted by the government.

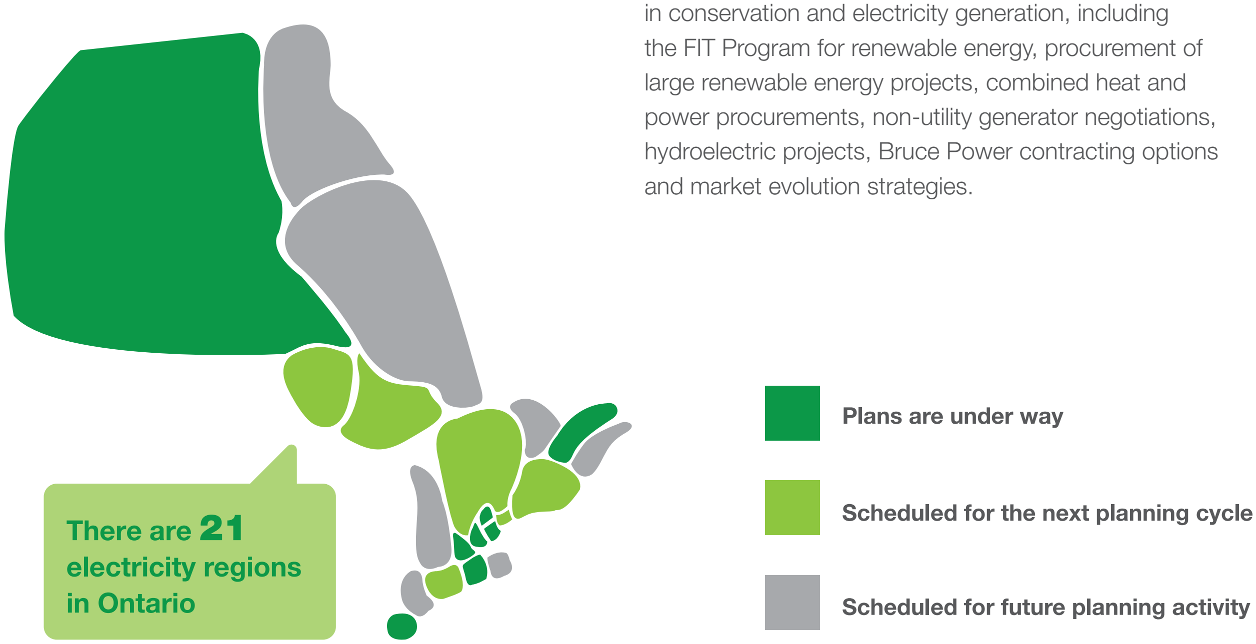
The OPA's role in regional planning has also been recently formalized through the Renewed Regulatory Framework for Electricity initiative of the Ontario Energy Board (OEB). This includes incorporating responsibilities for regional planning into the OPA's licence.

The OPA has launched interactive web pages for all regional planning initiatives. These pages provide up-to-date information on the initiatives taking place in Ontario's 21 electricity regions.

Supporting regulatory processes and procurements

The OPA participated in a number of regulatory processes before the OEB. These included: the OEB's initiative to develop new regional planning processes, the consultation and approvals processes for the East-West Tie transmission project, Toronto Hydro's rate application, Hydro One's Guelph Area Transmission Refurbishment project and the Clarington Transmission Station, Ontario Power Generation (OPG) nuclear refurbishments, as well as the OEB's review of stand-by rates, and principles for smart grid applications such as storage.

The OPA's planning group provided technical and planning support to procurement and program developments in conservation and electricity generation, including the FIT Program for renewable energy, procurement of large renewable energy projects, combined heat and power procurements, non-utility generator negotiations, hydroelectric projects, Bruce Power contracting options and market evolution strategies.



Procuring Generation for a Cleaner, More Reliable System

MANAGING ENERGY CONTRACTS

At the end of 2013, the OPA was managing about **22,448** megawatts of electricity supply under contract:

- **8,240** megawatts of renewable wind, solar and bioenergy
- **2,390** megawatts of renewable hydroelectric
- **8,818** megawatts of natural gas, combined heat and power, and energy from waste
- **3,000** megawatts of nuclear capacity.

We continued to handle higher volumes of contracts and were managing **21,118** contracts at the end of the year, compared to **16,788** at the end of 2012. This includes **18,265** microFIT and **2,608** FIT contracts and **245** non-FIT contracts.

We continued to make improvements to our contract management and settlement processes to handle these higher volumes more efficiently.

The OPA continued to procure electricity supply to help meet Ontario's needs for a clean and reliable electricity system. By the end of 2013, the OPA was managing contracts for two-thirds of the province's total electricity system.

Procuring cleaner energy for Ontarians

The FIT Program for renewable energy continued to account for a significant amount of the wind, solar and bioenergy under contract to the OPA. The OPA procured 143 megawatts of FIT projects and 29 megawatts of microFIT projects in 2013. Annual procurement targets are set by the government for these programs.

In June, the Minister of Energy directed the OPA to create a new competitive procurement process for large renewable projects (over 500 kilowatts) rather than include them in the FIT Program. The OPA engaged with stakeholders before submitting interim recommendations to the Minister at the end of August for this process. Further stakeholder engagement activities held in early 2014 will inform the final process.

Changes were also made to pricing for both the FIT and microFIT programs in late August to align with the current costs of designing and building renewable energy projects. We launched a pilot project for unbuilt rooftop solar projects (URSP) and a standard offer program for new municipal hydroelectric projects (HESOP Municipal Stream) in October.

The OPA continued to collaborate in sector development work with the IESO and others to integrate these renewable resources into our electricity system. The renewable integration initiative (SE-91) was implemented in September. This is to make transmission-connected renewable generators fully dispatchable, saving Ontario's electricity ratepayers up to $200 million per year from system efficiencies, according to the IESO. The OPA also negotiated contract savings of up to $65 million in total over the next five years – the period of heaviest surplus baseload generation, with the possibility of more savings over the life of the contracts.

We continued to enter into new contracts with existing hydroelectric facilities under our Hydroelectric Contract Initiative (HCI) according to the government's 2009 directive. We are also developing the HESOP Expansion Stream to provide expansion opportunities for hydroelectric facilities currently contracted with the Ontario Electricity Financial Corporation, or with the OPA under the HCI.

The OPA continued to engage with the Korean Consortium on its Phase 3 renewable energy projects in accordance with the Green Energy Investment Agreement.

Following direction from the Minister in June, the OPA has entered into negotiations with OPG and its First Nation partner, the Taykwa Tagamou Nation, regarding a contract for a proposed 25-megawatt New Post Creek hydroelectric generating station. Negotiations are expected to continue throughout 2014.

We continued to manage procurements for other electricity projects, such as natural gas-fired generation. And we worked to procure energy supply from other sources, including energy-from-waste projects and coal-fired facilities converted to biomass. In November, the government announced its plans for the conversion of the Thunder Bay Generating Station to advanced biomass to ensure reliable electricity service for homeowners, businesses and industry in the region.

In 2013, the OPA continued its negotiations with non-utility generators and proceeded with completing the initial launch phase of our Clean Energy Standard Offer Program.

The Industrial Electricity Incentive Program is allowing new and expanding industrial companies to benefit from the province's strong energy supply. Seven contract offers were made in December and all are expected to be executed in early 2014. These will provide discounted electricity to industrial customers bringing new load to the province. Additional opportunities for industry to participate in the program may occur in 2014.

A new 10-year contract for the Lennox Generating Station began in 2013. Negotiated by the OPA and OPG in December 2012, the agreement builds on the terms of Lennox's former contracts. The facility, which generates oil/gas-fuelled electricity, will provide reliability during peak demand times and backup when other sources are not available.

The OPA commenced negotiations with Bruce Power with a view to extending the life of the Bruce B units and ultimately planning for their refurbishment, in accordance with the Long-Term Energy Plan.

Providing funding assistance for renewable energy projects

The OPA continued to provide funding assistance to communities to develop renewable energy projects through the Community Energy Partnerships Program and Aboriginal Renewable Energy Fund. The Interim Municipal and Public Sector Energy Partnerships Program was launched in September to provide increased opportunities to these sectors. A full program will be developed for municipalities and public sector entities in 2014.

In coordination with the launch of the Ministry of Energy's Municipal Energy Plan Program, the OPA launched the Aboriginal Community Energy Plan program in August. Under this program, successful First Nations and Métis communities can apply for funds to develop an energy plan for their community. Communities across Ontario submitted 35 proposals and funding selections will be made in April 2014.

The OPA launched the revised Education and Capacity Building Program in December. This program, formerly under the Community Energy Partnerships Program, is now available to First Nation and Métis communities and organizations, municipalities, public sector entities, registered charities, not-for-profit organizations and co-operatives. The program provides support to diverse education and capacity-building initiatives, as well as support to facilitate knowledge-sharing and the participation of various target audiences in Ontario's renewable energy sector. Projects are expected to be approved for funding in April 2014.

In March 2014, the OPA posted Aboriginal Transmission Fund (ATF) program rules in draft for a comment period that included engagement with Aboriginal communities on the program design. When launched later in 2014, the ATF will support First Nation and Métis communities exploring equity positions in the development of major new transmission lines where the OPA has identified a need for transmission capacity as set out in the Long-Term Energy Plan.

In coordination with the draft rules posting, the OPA launched the ATF Reimbursement Funding program. Through this program, eligible Aboriginal organizations with established partnership arrangements relating to the East-West Tie transmission line and the Line to Pickle Lake may be eligible for reimbursement funding of up to $50,000 per partnership.

The OPA conducted a program evaluation to identify opportunities to improve, streamline and better align its renewable energy support programs. The evaluation process also identified the needs of and barriers to Aboriginal communities, cooperatives, municipalities and public sector entities as they develop renewable energy projects. A recommendation report was delivered to the Ministry of Energy in January 2014.

Engaging with Stakeholders for our Future

Engaging with a broad range of stakeholders allows us to deliver programs that best meet the needs of First Nations, Métis and local communities all across the province.

Engaging with First Nations and Métis

A key priority for the OPA is integrating First Nation and Métis perspectives into energy planning, conservation and program delivery. Our focus is on assisting in building capacity in these communities to participate in energy conservation, planning, transmission initiatives and electricity supply procurement.

In 2013, we formed the Aboriginal Energy Working Group to assist the OPA in identifying emerging Aboriginal-related opportunities and challenges arising in the sector. The group consists of First Nation and Métis individuals with experience in Ontario's electricity sector.

We continued to engage and support First Nations and Métis participation in Ontario's electricity system, including in major initiatives such as the Long-Term Energy Plan, the joint OPA/IESO regional planning and siting engagement, large renewable energy procurement and our Aboriginal renewable energy support programs.

The OPA undertook discussions with the Chiefs of Ontario and the Métis Nation of Ontario for capacity funding agreements that would allow each organization to create and staff energy analyst positions. The analysts will assist their member communities to participate more effectively in government electricity sector engagements and in the electricity sector generally. An agreement with the Métis Nation of Ontario was concluded in late 2013. The OPA is continuing its discussions with the Chiefs of Ontario.

We continued our work on planning to extend Ontario's transmission system to remote First Nation communities in Northwest Ontario. Working with the Northwest Ontario First Nation Transmission Planning Committee, we completed a draft technical report for discussion to further this initiative with Aboriginal communities, industry and various levels of government. We also committed to working with the four remote communities where connection is not seen as economic to consider options to displace the diesel generation they currently use.

Engaging with our many stakeholders

Continuing stakeholder engagement and communications to strengthen community and stakeholder relations remains a core focus for the OPA. In 2013, our efforts centred on regional planning, planning and siting of large energy infrastructure projects, the FIT and microFIT programs, procurement of large renewable energy projects, our conservation portfolio with local distribution companies and energy literacy initiatives.

At the heart of the OPA/IESO siting recommendations is engagement with local communities early and often. Our regional planning work therefore involves engagement with municipal governments, First Nations and Métis communities, local communities and other stakeholders in our active regional planning areas. This is supported by an enhanced website for the 21 electricity planning regions in the province.

The OPA also has been working to enhance electricity awareness by improving access to information through its website, including providing detailed web-based materials explaining electricity pricing. We are also increasing access to data by making it available to consumers, industry, municipal planners and academic researchers. Information was provided as part of the Long-Term Energy Plan engagement process, with more to come in the annual energy reporting initiative included in the plan.

In November, we formed the Stakeholder Advisory Committee to provide advice on policy issues related to the OPA's mandate. The group consists of recognized leaders representing a broad range of interests in the electricity sector. The committee held its first meeting in January 2014 and plans to meet six times in its first year. The committee will build on existing OPA outreach activities, including the Advisory Council on Conservation and the Aboriginal Energy Working Group.

The OPA also continued to host regular management teleconferences to give stakeholders the opportunity to speak directly to senior management.

This year we expanded our use of social media to engage with our stakeholders. Look for us on Twitter, Facebook, LinkedIn, Google+ and YouTube.

Continuing our commitment to social and environmental responsibility

The OPA's employees continued to support a number of charities and to make dedicated efforts to reduce the environmental footprint of our operations. Through their efforts, we made progress toward our 2013 environmental targets for electricity, paper and waste reduction in a range of initiatives to raise staff awareness, support and engagements for these initiatives. As in past years, we received strong public recognition for our work, including winning Pollution Probe's Clean Air Commute for our size category for the third straight year and the HP Change the Equation sustainability reporting contest for our 2012-2013 internal environmental report. The contest is part of WWF-Canada's Living Planet @ Work program designed to empower and engage employees in sustainable practices at work. We also received a Greater Toronto Top Employer award for the fourth year in a row.

For more information on initiatives referenced in this report, please visit our website at **www.powerauthority.on.ca**.

For information about our planning activities:
www.powerauthority.on.ca/power-planning

For information about our conservation activities:
www.powerauthority.on.ca/opa-conservation

For information about our generation activities:
www.powerauthority.on.ca/generation

Management Discussion and Analysis

The following is a discussion of the operating results of the Ontario Power Authority (OPA) for the year ended December 31, 2013. Further details can be found in the financial statements and notes.

- The OPA incurs expenses to achieve its mandate. These expenses include wages, professional expenses, leases and other general operating expenses that are needed to manage and support long-term system planning, electricity generation and provincial conservation programs.
- The OPA incurs charges related to conservation programs to meet Ontario's conservation targets for electricity savings, as well as charges related to generation contracts, to provide an adequate, reliable and sustainable electricity supply to the province. These charges are reflected in the global adjustment mechanism (GAM) and are discussed later in this report.

2013 HIGHLIGHTS

- With our partners, the OPA guided the province's electricity conservation efforts by supporting conservation programs, conservation innovation, building market capability and a culture of conservation, engaging with communities and building relationships with our customers.
- We supported the development of the government's Long-Term Energy Plan and executed directives related to Ontario's electricity supply.
- We strengthened community and public engagement through the establishment of the Stakeholder Advisory Committee and other initiatives.
- We collaborated with the IESO to recommend a new integrated regional energy planning process that focuses on improving the way large energy projects are sited in Ontario.
- We managed and settled an increasing volume of generation contracts accounting for two-thirds of Ontario's electricity system.
- We are committed to working within the context of the union certification process that is under way.

Financial performance

REVENUE

Feed-in Tariff (FIT) Program registration fees drive revenue increase.

The OPA has three different sources of revenue that are used to fund its expenses:

FEES: an Ontario Energy Board (OEB)-approved rate charged to Ontario electricity consumers on a consumption basis, with total fees revenue targeted to recover the OPA's operating budget. With the OEB's approval, the OPA continued to collect an interim usage rate of \$0.551/MWh, set in 2011. In 2013, total revenue increased to \$78.4 million from \$75.6 million in 2012.

REGISTRATION FEES: an administrative charge on OPA procurements. In 2013, registration fees were \$1.7 million, primarily due to collection of registration fees for FIT Program applications.

OTHER REVENUE: interest and miscellaneous income.

Table 1: 2013 and 2012 Revenue

OPA REVENUE (in millions)	2013	2012	CHANGE
Fee revenue	$75.9	$76.3	**-$0.4**
Registration fees	1.7	-1.5	**3.2**
Other	0.8	0.8	**0.0**
TOTAL REVENUE	**$78.4**	**$75.6**	**$2.8**

OPERATING EXPENSES

Operating expenses marginally increased compared to 2012 as we continued to pursue operational efficiencies while handling an expanded mandate, increasing volume and complexity of work.

Expense items are captured in the following categories: compensation and benefits, professional fees, Conservation Fund disbursements, general operating expenses, as well as amortization of capital assets. In 2013, total operating expenses of $60.2 million increased by $0.4 million or 0.7 percent from 2012. This is a reduction of $3 million or five percent from 2011 expenses.

$1.6 million

COMPENSATION AND BENEFITS: total expenses of **$33.6** million were **$1.6** million higher than in 2012. Higher compensation expenses were primarily due to additional temporary resources to support the FIT and microFIT programs.

$1.6 million

PROFESSIONAL FEES: total 2013 expenses of **$12.5** million increased by **$1.6** million or 14.8 percent from 2012. This increase was primarily due to increased legal consulting on electricity resource matters.

$0.8 million

GENERAL OPERATING EXPENSES: general operating expenses totalling **$10.9** million in 2013 were **$0.8** million lower than in 2012, primarily due to increased operational efficiencies.

$1.9 million

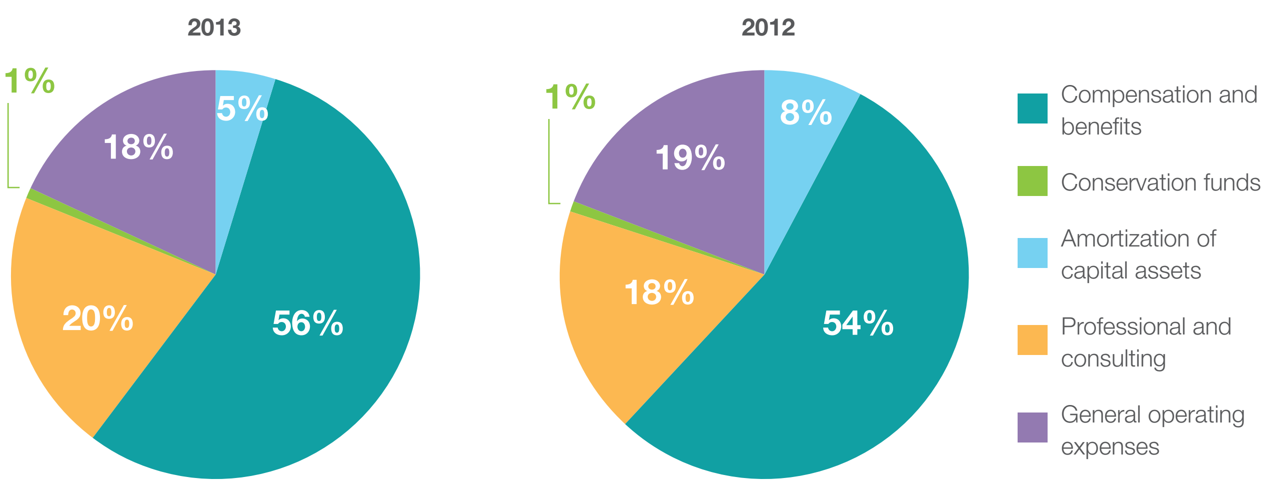
OTHER EXPENSES: other expenses totalling **$3.2** million in 2013 were **$2.0** million lower than in 2012, largely as a result of lower amortization and Conservation Fund expenses. As Conservation Fund expenses have been treated as charges for projects approved since 2011, there will be a continuous decline in fund expenses in future years.

As a result of an increase in usage fee revenues, the OPA had accumulated an operating surplus as of December 31, 2013. The OPA will apply to the OEB for approval to provide a refund to ratepayers in 2014.

Table 2: 2013 and 2012 Operating Expenses

OPA OPERATING EXPENSES (in millions)	2013	2012	CHANGE
Compensation and benefits	$33.6	$32.0	**$1.6**
Professional and consulting	12.5	10.9	**1.6**
Conservation funds	0.4	0.7	**-0.3**
General operating expenses	10.9	11.7	**-0.8**
Amortization of capital assets	2.8	4.5	**-1.7**
TOTAL OPERATING EXPENSES	**$60.2**	**$59.8**	**$0.4**

Figure 1: 2013 and 2012 Operating Expenses by Expense Category



PROGRAM SPENDING

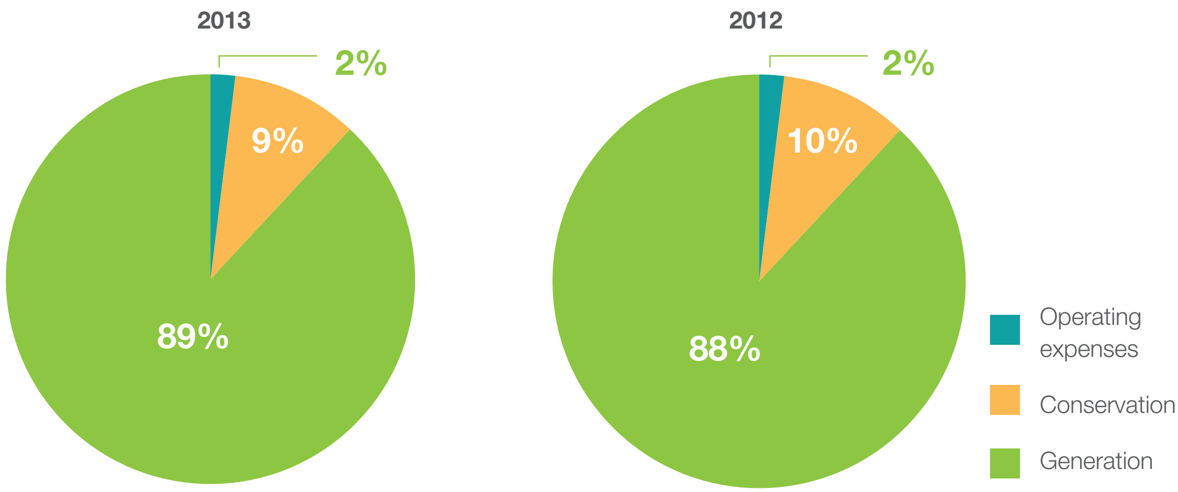
Program spending, also known as "charges," consists of payments to suppliers and participants in the OPA's conservation and generation initiatives and is reflected in GAM.

Despite a continuing increase in program activities and corresponding program spending, the OPA was able to decrease its operating expenses for the year from two percent to 1.6 percent of total program spending. Generation program spending is higher in 2013 due to an increase in the number of contracts achieving commercial operation. Conservation-related program spending provided financial assistance toward meeting or exceeding the provincial conservation targets.

Table 3: 2013 and 2012 Operating Expenses and Program Charges

OPA EXPENSES (in millions)	2013 Actual	2012 Actual	CHANGE
Operating expenses	$60.2	$59.8	$0.4
Conservation programs	$335.2	$301.1	$34.1
Generation programs	$3,395.1	$2,608.3	$786.8

Figure 2: 2013 and 2012 Operating Expenses, Conservation Program Charges and Generation Charges (in millions)



Electricity supply contracts include nuclear, natural gas and renewable generation facilities. Generation charges account for changes in the mix of fuel sources and total installed capacity under contract in operation and for differences between the Hourly Ontario Electricity Price (HOEP) and the rates paid to contracted generators for electricity in Ontario. In 2013, total electricity generation charges increased 30 percent over 2012 (Figure 2). The increase of the contract payments can be attributed to increased capacity associated with the restart of two nuclear units, new renewable generation contracts and increased production from existing hydroelectric renewable generation.

The OPA will continue to develop, implement and manage a robust portfolio of conservation programs while integrating its evaluation, measurement and verification system to track overall progress in meeting Ontario's conservation targets.

Global Adjustment Mechanism (GAM)

GAM accounts for differences between HOEP and the rates paid to regulated and contracted generators for electricity in Ontario. As a result, elements of GAM may be positive or negative, depending on the fluctuation of prices in the wholesale electricity market. It also includes amounts paid for conservation and demand management programs, as well as green energy initiatives. GAM applies to all consumers in Ontario, including business customers who pay the dispatch market price (HOEP) and customers who have signed a contract with a licensed electricity retailer. For customers who subscribe to the Regulated Price Plan (RPP), it is factored into the rate set by the OEB.

The global adjustment reflects the difference between the dispatch market price and:

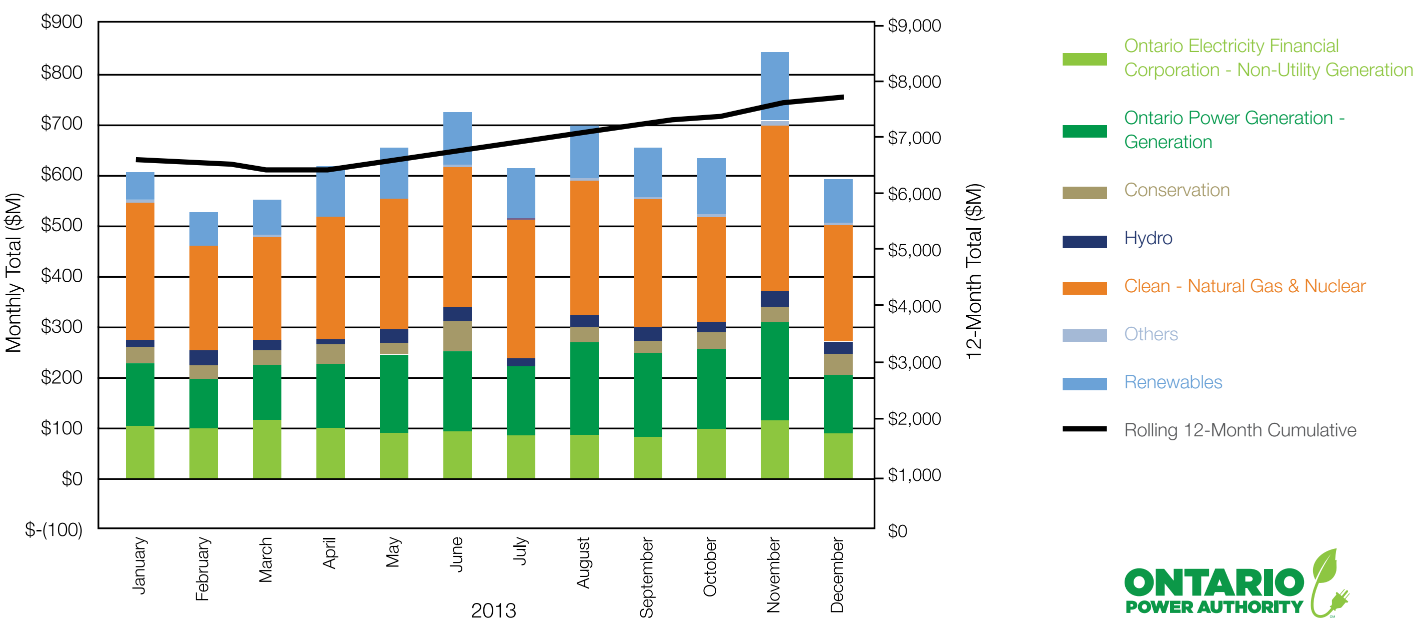
- regulated rates paid to Ontario Power Generation's (OPG's) nuclear and hydroelectric baseload generating stations
- payments made to suppliers that have been awarded contracts through the OPA, such as new gas-fired facilities, renewable facilities (e.g., FIT and microFIT program projects) and demand response programs
- contracted rates administered by the Ontario Electricity Financial Corporation (OEFC) paid to existing generators.

ACCOUNTING FOR GAM

The OPA has a legislated responsibility to record transactions that flow through GAM. To meet this requirement, the OPA records the cash flows related to procurement contracts held, managed, or under its responsibility. The account is settled monthly; however, the settlement process for OPA contracts requires an estimate of the balance owing to suppliers at each month end. This estimate is filed with the IESO at the end of each month and the amount is received by the OPA in the following month to settle electricity payments to contractors. Any variances between the actual amounts paid and estimated amounts payable are included in the following month's settlement. At December 31, 2013, a balance of $394 million existed in relation to amounts receivable from the market through the IESO to fund electricity payments.

Figure 3 highlights OPA cash flows from GAM for the 12-month period ending December 31, 2013. The rolling 12-month trend line reflects the average monthly global adjustment cash flows for the previous 12-month period. This is compared to the global adjustment cash flows for each month. The global adjustment increases and decreases in response to changes in HOEP. When HOEP is lower, the global adjustment is higher to cover the additional payments for energy contracts and other regulated generation. The global adjustment also increases as new projects come into service and contract payments take effect.

Figure 3: OPA Cash Flows from the Global Adjustment Mechanism



ONTARIO POWER AUTHORITY

Executive Compensation Plan

PROGRAM OBJECTIVES

The OPA executive compensation program is an integrated program for all executive staff. It is designed to attract, retain and motivate the calibre of executives required to support the achievement of the OPA's statutory mandate, corporate vision and business objectives. Accordingly, the compensation philosophy and program have the following objectives:

- to focus executives on meeting the OPA's business objectives
- to attract qualified and talented executive staff needed to carry out the OPA's mandate
- to retain valued executive staff
- to provide flexibility to differentiate total compensation for specific executives based on individual results and demonstrated competencies
- to establish compensation levels that are responsible and defensible to stakeholders.

The philosophy underlying these objectives is that the total compensation for executive management should be sufficient, but not more than required, to attract the skills and competencies needed to carry out the OPA's mandate.

For the seventh consecutive year, the OPA's Board of Directors approved a freeze on the subsequent year's salary structure for executives. In freezing the executives' salary structure for 2014, the OPA's Board took into consideration many social, economic and legal factors, such as prevailing financial and employment conditions, and government fiscal considerations, including compliance with the 2012 amendments to the *Broader Public Sector Accountability Act, 2010*.

Table 4 sets out the annual compensation for the year ended December 31, 2013 for the listed executive officers. The total cash compensation information provided below matches the information published under the *Public Sector Salary Disclosure Act (Ontario)* for the indicated period.

Table 4: Summary of Executive Compensation[1]

Name, Position Title	Year	Salary Paid	Taxable Benefits	Amounts Reportable Under *Public Sector Salary Disclosure Act*[2]
Colin Andersen, Chief Executive Officer	2013 2012 2011	$573,027 $573,027 $573,027	$1,064 $900 $871	$574,091 $573,927 $573,898
Kimberly Marshall, Vice-President, Business Strategies and Solutions (CFO)	2013 2012 2011	$255,172 $255,172 $254,952	$969 $820 $799	$256,141 $255,992 $255,751
Amir Shalaby, Vice-President, Power System Planning	2013 2012 2011	$449,329 $449,541 $449,939	$1,064 $900 $878	$450,394 $450,441 $450,817
Andrew Pride, Vice-President, Conservation	2013 2012 2011	$316,970 $316,970 $316,970	$1,064 $900 $886	$318,035 $317,870 $317,856
JoAnne Butler, Vice-President, Electricity Resources	2013 2012 2011	$371,925 $371,925 $371,924	$1,064 $900 $878	$372,989 $372,825 $372,802

[1]**Executives are listed in the following order:**
Chief Executive Officer, Chief Financial Officer, then in alphabetical order by first name.
[2]Total T4 income, including taxable benefits.

Management Report

Management's Responsibility for Financial Reporting

The accompanying financial statements of the Ontario Power Authority are the responsibility of management and have been prepared in accordance with Canadian Public Sector Accounting Standards. The significant accounting policies followed by the Ontario Power Authority are described in Note 2 of the financial statements. The preparation of financial statements involves transactions affecting the current period which cannot be finalized with certainty until future periods. Estimates and assumptions are based on historical experience and current conditions believed to be reasonable.

Management is responsible for establishing and maintaining a system of internal controls over financial reporting. The system of internal controls we have established is designed to provide reasonable assurance over safeguarding of assets and the reliability of financial reporting and preparation of financial statements. The system includes formal policies and procedures and an organizational structure that provides for the appropriate delegation of authority and segregation of responsibilities.

These financial statements have been examined by KPMG LLP, a firm of independent external auditors appointed by the Board of Directors. The external auditors' responsibility is to express their opinion on whether the financial statements are fairly presented in accordance with the accounting standards used by management. The Auditors' Report, which follows, outlines the scope of their examination and their opinion.

ONTARIO POWER AUTHORITY

On behalf of management,

Colin Andersen

Colin Andersen
Chief Executive Officer

K. Marshall

Kimberly Marshall
Vice-President, Business Strategies & Solutions

KPMG LLP
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Ontario Power Authority

We have audited the accompanying financial statements of Ontario Power Authority, which comprise the statement of financial position as at December 31, 2013, the statements of operations, changes in net assets and cash flows for the year ended December 31, 2013, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

KPMG

Page 2

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Ontario Power Authority as at December 31, 2013, and its results of operations, its changes in net assets and its cash flows for the year ended December 31, 2013 in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

February 25, 2014
Toronto, Canada

Financial Statements

Statement of Financial Position (in thousands of dollars)

As at December 31, 2013, with comparative figures for 2012

Assets	2013	2012
Current assets:		
Cash and cash equivalents	$76,140	$315,631
Accounts receivable (note 3)	438,183	546,963
Prepaid expenses	359	564
	514,682	**863,158**
Capital assets (note 4)	4,463	6,628
Total assets	**$519,145**	**$869,786**

Liabilities and Net Assets	2013	2012
Current liabilities:		
Accounts payable and accrued liabilities (note 5)	$362,031	$474,839
Operating loan (note 13)	-	60,000
Contract deposits (note 6)	23,239	28,996
Other liabilities	593	105
	385,863	**563,940**
Deferred rent inducement, net (note 7)	258	403
Other financial liabilities (note 8)	99,237	289,918
Net assets:		
Internally restricted Conservation funds (note 9)	9,534	9,939
Invested in capital assets	4,463	6,628
Accumulated operating surplus (deficit)	19,790	(1,042)
	33,787	**15,525**
Commitments (note 7)	-	-
Contingencies and guarantees (note 14)	-	-
Total liabilities and net assets	**$519,145**	**$869,786**

See accompanying notes to financial statements.

Statement of Operations (in thousands of dollars)

Year ended December 31, 2013, with comparative figures for 2012

		2013	2012
Revenue:			
	Fees (note 13)	$75,934	$76,298
	Registration fees (note 6)	1,720	(1,456)
	Interest income	-	666
	Other income	794	102
		78,448	**75,610**
Expenses:			
	Compensation and benefits	33,544	32,034
	Professional fees	12,453	10,852
	General operating costs (note 10)	10,943	11,742
	Conservation funds expenses (note 9)	405	728
	Amortization of capital assets	2,841	4,427
		60,186	**59,783**
Excess of revenue over expenses		**$18,262**	**$15,827**

See accompanying notes to financial statements.

Statement of Changes in Net Assets (in thousands of dollars)

Year ended December 31, 2013, with comparative figures for 2012

	Invested in Capital Assets	Internally Restricted (see note 9)	Accumulated Operat-ing Surplus (Deficit)	2013 Total Net Assets	2012 Total Net Assets
Balance, beginning of the year	$6,628	$9,939	$(1,042)	$15,525	$(302)
Excess of revenue over expenses	(2,841)	-	21,103	18,262	15,827
Conservation funds expenses	-	(405)	405	-	-
Purchase of capital assets	676	-	(676)	-	-
Balance, end of the year	**$4,463**	**$9,534**	**$19,790**	**$33,787**	**$15,525**

See accompanying notes to financial statements.

Statement of Cash Flows (in thousands of dollars)

Year ended December 31, 2013, with comparative figures for 2012

	2013	2012
Cash flows from operating activities:		
Excess of revenue over expenses	$18,262	$15,827
Items not involving cash:		
Amortization of capital assets	2,841	4,427
Amortization of deferred rent inducement	(145)	(144)
Change in non-cash operating items (note 12)	(9,580)	(1,413)
	11,378	18,697
Cash flows from financing activities:		
Increase in other liabilities	488	22
Decrease in operating loan	(60,000)	(196,368)
Increase/(decrease) in other financial liabilities	(190,681)	264,130
	(250,193)	67,784
Cash flows from capital activities:		
Purchase of capital assets	(676)	(677)
	(676)	(677)
Increase/(decrease) in cash and cash equivalents	(239,491)	85,804
Cash and cash equivalents, beginning of year	315,631	229,827
Cash and cash equivalents, end of year	**$76,140**	**$315,631**

See accompanying notes to financial statements.

Notes to the financial statements (in thousands of dollars)

As at December 31, 2013, with comparative figures for 2012

1) NATURE OF OPERATIONS:

The *Electricity Restructuring Act, 2004* established the Ontario Power Authority (OPA) as a non-share corporation on December 20, 2004. The OPA is an independent non-profit, non-taxable corporation. The OPA is not a Crown agent and recovers its costs through fees approved by the Ontario Energy Board (OEB) and through charges to the electricity market through the global adjustment mechanism. In accordance with this act, the OPA's main objectives are:

- to forecast electricity demand and the adequacy and reliability of electricity resources for Ontario for the medium and long term
- to conduct independent planning for electricity generation, demand management, conservation and transmission, and to develop integrated power system plans for Ontario
- to engage in activities in support of the goal of ensuring adequate, reliable and secure electricity supply and resources in Ontario
- to engage in activities to facilitate the diversification of sources of electricity supply by promoting the use of cleaner energy sources and technologies, including alternative energy sources and renewable energy sources
- to establish system-wide goals for electricity to be produced from alternative energy sources and renewable energy sources
- to assist the OEB by facilitating stability in rates for certain types of customers
- to collect and provide to the public and the OEB information relating to medium- and long-term electricity needs of Ontario and to the adequacy and reliability of the integrated power system to meet those needs.

The OPA's ability to continue as a going concern is dependent on its ability to obtain financing to support operations. The OPA's creditworthiness is attested to by the following:

- the ability of the OPA to meet its obligations is provided for in legislation
- the OPA's minimal counterparty risk, given that its principal counterparty is the Independent Electricity System Operator (IESO), a creation of the province and a strong counterparty.

Due to the OPA's primary objectives, the OPA plans for revenues to fund expenses. Any variances that occur are addressed in the following year's revenue requirement submission. As of December 31, 2013, the Minister of Energy had not provided formal approval of the OPA's business plan or the OPA's proposed usage fee for 2014. However, on December 19, 2013, the OEB approved an interim fee until such time as the OPA's revenue requirement submission is filed and decided upon. This rate is effective January 1, 2014.

During 2012, the Province of Ontario announced a plan to merge the OPA and the IESO. In December 2012, the Premier prorogued parliament thereby terminating the legislation to enact the merger. Since the merger would require the introduction and passing of a new bill, the likelihood and timing of a merger is indeterminable at this time.

Notes to the financial statements (in thousands of dollars)

As at December 31, 2013, with comparative figures for 2012

2) SIGNIFICANT ACCOUNTING POLICIES:

(a) Basis of presentation:
The financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards (Standards) including the 4200 standards for government not-for-profit organizations.

(b) Revenue recognition:
Fees earned by the OPA are based on OEB-approved rates for electricity withdrawn from the IESO-controlled grid by electricity consumers of Ontario. Such revenue is recognized in the year in which it is earned.

Amounts received in the current year that relate to services and programs to be approved and/or provided in future periods are deferred until they are approved and/or provided.

(c) Cash and cash equivalents:
Cash and cash equivalents comprise bank deposit balances, term deposits and other short-term investments with original maturity dates of up to 90 days.

(d) Capital assets:
Capital assets are recorded at cost and are amortized on a straight-line basis over their estimated service lives, as follows:

Assets	Estimated Average Service life
Furniture and equipment	10 years
Computer hardware	4 years
Computer software	3 to 5 years
Audio-visual equipment	10 years
Telephone system	5 years
Leasehold improvements	Term of lease

Notes to the financial statements (in thousands of dollars)

As at December 31, 2013, with comparative figures for 2012

2) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(e) Employee pension benefits:

The OPA provides pension benefits to its full-time employees through participation in the Public Service Pension Plan, which is a multi-employer defined benefit pension plan. This plan is accounted for as a defined contribution plan, as the OPA does not have sufficient information to apply defined benefit plan accounting to this pension plan.

The OPA is not responsible for the cost of employee post-retirement, non-pension benefits. These costs are the responsibility of the Ontario Pension Board.

(f) Financial Instruments:

Financial instruments are recorded at fair value on initial recognition. Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and any unrealized gain is adjusted through the statement of remeasurement gains and losses.

When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations.

Long-term debt is recorded at cost.

The Standards require an organization to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

- **Level 1 –** unadjusted quoted market prices in active markets for identical assets or liabilities
- **Level 2 –** observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities
- **Level 3 –** unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

(g) Measurement uncertainty:

Uncertainty in determining the amount at which an item is recognized in the financial statements is known as measurement uncertainty. Such uncertainty exists when it is reasonably possible that there could be a material variance between the recognized amount and another reasonably possible amount, as there is whenever estimates are used. Measurements of uncertainty in these financial statements exist in the valuation of the power purchase contracts and the estimated defeasance date for the OPA's obligations. Estimates are based on the best information available at the time of preparation of the financial statements and are updated annually to reflect new information as it becomes available.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

Notes to the financial statements (in thousands of dollars)

As at December 31, 2013, with comparative figures for 2012

3) ACCOUNTS RECEIVABLE:

	2013	2012
Market contracts:		
Generation contracts	$393,848	$474,424
Conservation contracts	43,947	54,382
Renewable energy contracts	179	12,555
	437,974	541,361
Other	209	262
HST/GST receivable	-	5,340
	$438,183	**$546,963**

4) CAPITAL ASSETS:

	Cost	Accumulated amortization	2013 Net book value	2012 Net book value
Furniture and equipment	$3,384	$2,191	$1,193	$1,502
Computer hardware	4,807	4,480	327	224
Computer software	7,892	6,567	1,325	2,458
Audio-visual equipment	237	173	64	79
Telephone system	382	338	44	32
Leasehold improvements	5,190	3,680	1,510	2,333
	$21,892	**$17,429**	**$4,463**	**$6,628**

5) ACCOUNTS PAYABLE AND ACCRUED LIABILITIES:

	2013	2012
Accrued contract settlements	$310,590	$211,522
Other accrued liabilities	49,774	263,317
HST/GST payable	1,667	-
	$362,031	**$474,839**

Notes to the financial statements (in thousands of dollars)

As at December 31, 2013, with comparative figures for 2012

6) CONTRACT DEPOSITS:

Program deposits:
The OPA receives performance security in the form of deposit amounts received from renewable energy supply, Feed-In Tariff (FIT) Program and demand response suppliers. For suppliers engaged in a contract that involves the construction of a new supply facility, the deposits are larger during the construction phase and are reduced once a project commences commercial operations. Deposits related to the FIT Program are submitted to the OPA with the supplier application and can be returned if one of the following occurs: (a) the supplier withdraws its application from the program, (b) the supplier obtains a contract with the OPA, or (c) the supplier's application is rejected by the OPA.

The deposits are classified as current liabilities as they can be replaced by a letter of credit by the supplier on request.

The new FIT Program that was initiated in October 2013 (FIT 3.0) does not require the collection of program deposits.

Program registration fees:
The OPA also requires a registration fee from applicants to some renewable energy programs. Changes to FIT Program Rules in 2012 affected the existing applicants to this program. As a result, registration fees were made available for refund. Refunds were recorded as debits to the registration fee income account resulting in a negative balance.

The FIT 3.0 program requires a registration fee from applicants as well; however, this fee is not intended to be refundable to applicants in accordance with the rules of this program.

7) DEFERRED RENT INDUCEMENT AND OPERATING LEASE COMMITMENTS:

The OPA has entered into various long-term lease commitments for office space, which include lease inducements. Deferred rent inducement represents the benefit of operating lease inducements amortized on a straight-line basis over the term of the lease. The OPA obtained an allowance for leasehold improvements of $1,430. As at December 31, 2013, the deferred rent inducement, net of amortization, was $258 (December 31, 2012 - $403).

The OPA reports an average rental cost for premises over the term of the lease agreement and amortizes the benefit of the lease inducements over the same period. As at December 31, 2013, the accrued liability was $125 (December 31, 2012 - $189).

Lease commitments are set to terminate by October 2015. Lease commitments include amounts for leased computer hardware. Computer hardware commitments terminated in 2013. The minimum annual payments remaining under the operating lease are approximated as follows:

Lease Commitments	
2014	$1,650
2015	1,294
	$2,944

Notes to the financial statements (in thousands of dollars)

As at December 31, 2013, with comparative figures for 2012

8) OTHER FINANCIAL LIABILITIES:

Other financial liabilities and deferrals arise as a result of the *Electricity Act, 1998* and the regulations under the act and are reflected by the balances in the Regulated Price Plan (RPP), retailer contract settlement deferral accounts, government procurement deferral account and the global adjustment account. In the absence of rate-regulated accounting, these amounts would have flowed through the statement of operations when incurred.

	2013	2012
Other financial liabilities	$(99,237)	$(289,918)

RPP variance accounts:

While prices for RPP consumers are set every six months by the OEB based on a forecast of the cost of power over the next year, it is likely that there will be a difference between the actual and forecasted cost of supplying electricity to all RPP consumers. When HOEP is greater than the RPP, the OPA pays the excess amount and records a financial asset as the electricity market funds paid are receivable from the market. When the HOEP is less than the RPP, the OPA receives the difference and records a financial liability as the funds received will be returned to the market. The OPA tracks this variance in the RPP variance account. The Ontario Power Generation (OPG) rebate is equivalent to the difference between the revenue limit for specific OPG generating facilities and the revenue OPG actually received in the IESO wholesale spot market for that generation.

	2013	2012
OPG rebate contribution	$(603,351)	$(602,736)
Total RPP variance before interest	493,581	299,896
Interest earned	10,533	12,922
	$(99,237)	**$(289,918)**

Notes to the financial statements (in thousands of dollars)

As at December 31, 2013, with comparative figures for 2012

8) OTHER FINANCIAL LIABILITIES (CONTINUED):

Global adjustment account:

The OPA has a legislated responsibility to record the transactions flowing through the global adjustment mechanism. The global adjustment and settlement accounts have been created for this purpose. The nature of the global adjustment transactions results in a zero balance in the account on a monthly basis. The information and explanation below provide transparency for the transactions flowing through the global adjustment mechanism.

The global adjustment and settlement accounts record charges that flow between the OPA and the IESO. The account flows include the amounts paid and received for: the Demand Response 2 and Demand Response 3 programs, non-utility generation, the regulated nuclear generation balancing amount and the regulated hydroelectric generation balancing amount. These accounts are settled simultaneously by the IESO. The account also records the amounts paid and received for OPA contracts (standard offer, generation and conservation/demand management, FIT Program and hydroelectric contract initiatives) that the OPA settles on a monthly basis with the IESO.

This account also includes charges related to OEB-approved non-OPA conservation programs. These programs are administered by local electricity distribution companies and charges related to them flow directly between the IESO and these companies.

The net impact of global adjustment transactions creates a zero balance in the account at every month end.

	2013	2012
Demand Response 2	$14,928	$17,782
Demand Response 3	42,806	35,337
Non-utility generation	1,132,615	1,090,982
Nuclear	1,492,901	1,636,129
Hydro	260,051	212,236
Renewable generation		
OPA contracts	4,784,048	3,463,341
Global adjustment balancing amount	(7,727,348)	(6,455,807)
	$ -	**$ -**

Notes to the financial statements (in thousands of dollars)

As at December 31, 2013, with comparative figures for 2012

9) INTERNALLY RESTRICTED CONSERVATION FUNDS:

The OPA established the Conservation Fund to support electricity conservation projects. The Technology Development Fund was established to aid the development of new technology to improve electricity supply or conservation. To date, 12 funds have been set up as listed in the table below. These funds were set up before April 2010. After that, in accordance with the April 2010 directive, all expenditures for new conservation and technology projects are recovered through the global adjustment mechanism.

	Restricted Fund	Expensed 2013	Expensed Prior Years	Balance 2013	Balance 2012
2005 - 2008 Conservation Fund	$8,600	$ -	$8,009	$591	$591
2009 Conservation Fund	3,000	-	2,546	454	454
2010 Conservation Fund	5,000	10	176	4,814	4,824
2005 - 2008 Technology Development Fund	3,500	-	2,916	584	584
2009 Technology Development Fund	1,500	-	1,415	85	85
2010 Technology Development Fund	4,500	395	1,099	3,006	3,401
	$26,100	**$405**	**$16,161**	**$9,534**	**$9,939**

Notes to the financial statements (in thousands of dollars)

As at December 31, 2013, with comparative figures for 2012

10) GENERAL OPERATING COSTS:

	2013	2012
General program costs	$4,956	$3,744
Premises	3,742	3,631
Information technology	1,537	3,253
Office and administration	686	644
Interest expense	22	470
	$10,943	**$11,742**

11) PENSION PLAN:

The OPA makes contributions to the Public Service Pension Plan, a multi-employer plan, on behalf of staff. The plan is a contributory defined pension plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

Contribution rates by employers are made at a rate of approximately eight percent of earnings. As at December 31, 2013, the OPA paid or accrued contributions totaling $2,001 (December 31, 2012 - $2,096) during the year.

12) CHANGE IN NON-CASH OPERATING ITEMS:

	2013	2012
Decrease/(increase) in accounts receivable	$108,780	$(130,861)
Decrease/(increase) in prepaid expenses	205	(264)
Increase/(decrease) in accounts payable and accrued liabilities	(112,808)	152,844
Decrease in contract deposits	(5,757)	(23,132)
	$(9,580)	**$(1,413)**

Notes to the financial statements (in thousands of dollars)

As at December 31, 2013, with comparative figures for 2012

13) RELATED PARTY TRANSACTIONS:

The Province of Ontario is a related party as it is the controlling entity of the OPA. The OEB, Hydro One, the IESO, OPG, the Ontario Financing Authority (OFA) and the Ministry of Energy are related parties of the OPA, through the common control of the Province of Ontario. Transactions between these parties and the OPA were as follows:

Under the *Ontario Energy Board Act, 1998,* the OPA incurs registration and licence fees. Consistent with other registrants, in 2013 the OPA was allocated a portion of the operating costs of the OEB. The total of the OPA's transactions with the OEB were $1,025 in 2013 (2012 - $1,041).

The OPA procures conservation and demand management from Hydro One. The procurement costs include payments for electricity conservation, program operating costs and management fees. In 2013, the OPA procured $30,214 in conservation and demand management (2012 - $34,653), from Hydro One and its wholly owned subsidiaries. At December 31, 2013, the OPA had a net payable to Hydro One of $2,198 (December 31, 2012 - $nil).

The OPA receives its fee revenue from the IESO. The fee revenue is approved by the OEB and collected each month by the IESO from ratepayers through a usage rate applied to Ontario domestic electricity consumption. Fee revenue for 2013 was $75,934 (2012 - $76,298). In addition, the OPA and the IESO have agreements set up for the settlement of amounts paid and received for the global adjustment account, RPP on behalf of various market participants (see note 8). At December 31, 2013, the OPA had a net receivable of $393,795 (December 31, 2012 - $264,304). The OPA also incurred $123 in 2013 (2012 - $388) for professional services.

The OPA has available a revolving operating facility in the amount of $975,000, provided by the OFA to fund its general operating expenses and to support the RPP variance account. The line of credit was renewed in 2013 for a three-year term from January 1, 2014 to December 31, 2016 with an interest rate of 1.17 percent. On December 31, 2013, the OPA had a nil (December 31, 2012 - $60,000) outstanding balance to the OFA. In 2013, the OPA incurred nil (2012 - $470) in interest expenses for the loan. This is net of interest expense that was allocated to the market.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Notes to the financial statements (in thousands of dollars)
As at December 31, 2013, with comparative figures for 2012

14) CONTINGENCIES AND GUARANTEES:

Contingencies:

In the normal course of its operations, the OPA becomes involved in various legally binding agreements. Some of these agreements contain potential liabilities that may become actual liabilities when one or more future events occur or fail to occur. To the extent that a future event becomes likely to occur or fails to occur, and a reasonable estimate of the loss can be made, an estimated liability will be accrued and the expense will be recorded on the OPA's financial statements. As at December 31, 2013, in the opinion of management, no such liabilities existed.

Contract conditions related to the construction of a new clean energy facility stipulate that the OPA is contingently liable to repay upgrade costs, up to a maximum of $1,000, as incurred by the energy supplier. While none of these costs has been incurred to date, the OPA is liable to cover such costs over a 20-year period ending in 2025. As at December 31, 2013, management was not aware of any information to suggest that these upgrade costs will be incurred by the supplier.

Guarantees:

The OPA enters into contracts with suppliers of electricity as part of its normal business operations. In some cases, these contracts require the OPA to support obligations with these entities. In 2012, the OPA entered into a letter of credit amounting to $1,349 in support of a contracted obligation. As at December 31, 2013, no amounts had been drawn on the balance.

15) FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES:

The carrying amounts for cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their fair values because of the short-term maturity of these instruments.

The carrying values of the operating loan approximate their fair values, as the terms and conditions for similar types of loan arrangements are comparable to current market conditions for similar items.

The fair values of other financial assets and other financial liabilities are not provided because this would not give additional useful information, as they would be offset and/or would not be practical to determine.

Notes to the financial statements (in thousands of dollars)

As at December 31, 2013, with comparative figures for 2012

16) FINANCIAL RISK MANAGEMENT:

The OPA is exposed to financial risks in the normal course of its business operations, including market risks resulting from credit risk, liquidity risk and interest rate risk. The nature of the financial risks and the OPA's strategy for managing these risks has not changed significantly from the prior year.

(a) Credit risk:

Credit risk refers to the risk that one party to a financial instrument may cause a financial loss for the other party by failing to meet its obligations under the terms of the financial instrument. The OPA is exposed directly to credit risk related to accounts receivable and bank deposits held at the chartered bank. Direct exposure to credit risk is limited to the carrying amount presented for these assets on the statement of financial position. Accounts receivable as of December 31, 2013 included no material items past due.

(b) Liquidity risk:

Liquidity risk refers to the risk that the OPA will encounter financial difficulty in meeting obligations associated with its financial liabilities. The OPA manages liquidity risk by forecasting cash flows to identify financing requirements. Cash flows from operations and maintaining appropriate credit facilities reduce liquidity risk.

(c) Interest rate risk:

The OPA's operating loan has a variable interest rate based on the Province of Ontario's cost of funds for borrowing, with a similar term as determined by the OFA plus a margin. As a result, the OPA is exposed to interest rate risk due to fluctuations in the Province of Ontario's cost of funds for borrowing with a similar term rate.

17) COMPARATIVE FIGURES:

Certain 2012 figures have been reclassified to conform with the financial statement presentation adopted in 2013.

Corporate Information

BOARD OF DIRECTORS

James D. Hinds, Chair
Retired from TD Securities Inc., where he was a Managing Director; Newcrest Capital Inc. and CIBC Wood Gundy Inc.

Michael Costello, Director and Chair, Audit Committee
Retired from BC Hydro and BC Transmission Corporation (President and CEO); Director, InTransit BC, Health Benefit Trust and Conifex Timber

Richard P. Fitzgerald, Director
(Term of office expired October 16, 2013)
President of Mark Anthony Brands, Toronto

Susanna Han
(Appointed November 20, 2013)
Chief Financial Officer of Urbancorp

Adèle M. Hurley, Director
President, Hurley & Associates Inc. and Director, Program on Water Issues, Munk School of Global Affairs, University of Toronto

Ronald L. Jamieson, Director and Chair, Human Resources Committee
Retired from BMO Financial Group, where he was Senior Vice-President, Aboriginal Banking; Director, Nuclear Waste Management Organization and Denendeh Investments Inc.; Chairman, Canadian Council for Aboriginal Business, Appointed to the Order of Ontario, January 2014

Bruce Lourie, Director
President of Ivey Foundation and a Director of the Consultative Group on Biological Diversity (San Francisco)

Lyn McLeod, Director and Vice Chair
Former Chair of the Ontario Health Quality Council and former Ontario representative on the Health Council of Canada. Founding Chancellor of the University of Ontario Institute of Technology and past Chair of the Board of Confederation College in Thunder Bay, Appointed to the Order of Ontario, January 2014

Deborah Whale
(Appointed November 20, 2013)
Vice-President, Clovermead Farms, Vice-Chair of Ontario Farm Products Marketing Commission

Colin Andersen, Director
Chief Executive Officer, Ontario Power Authority

CORPORATE OFFICERS

James D. Hinds
Chair

Colin Andersen
Chief Executive Officer

JoAnne Butler
Vice-President, Electricity Resources

Kristin Jenkins
Vice-President, Corporate Communications

Michael Lyle
General Counsel and Vice-President, Legal, Aboriginal and Regulatory Affairs

Kimberly Marshall
Vice-President, Business Strategies and Solutions

Andrew Pride
Vice-President, Conservation

Amir Shalaby
Vice-President, Power System Planning

Susan Kennedy
Corporate Secretary

For more information on the Board of Directors, including the Board Charter and Code of Conduct, Governance and Structure By-Law, and Board committees, please visit the OPA website, www.powerauthority.on.ca and select About Us; Management, Mandate and Organization; Board of Directors.

STAKEHOLDER ADVISORY COMMITTEE

Brian Bentz
Stakeholder Advisory Committee Chair, CEO PowerStream

Steve Baker
President, Union Gas Limited

John Beaucage
Member, OPA Aboriginal Energy Working Group,
Principal, Counsel Public Affairs

Bryce Conrad
President and CEO, Hydro Ottawa

Laura Cooke
Vice-President, Corporate Relations, Hydro One Networks Inc.

Jared Donald
President, Conergy Canada

Julie Girvan
Independent, Consultant/Consumer Advocate

Valerie Helbronner
Partner, Torys LLP

Tim Gray
Executive Director, Environmental Defence

Kristin Jenkins
Vice-President, Corporate Communications, OPA

Geoff Lupton
Director, Energy, Fleet and Traffic, City of Hamilton

Brenda Marshall
Vice-President, Marketing, TransAlta

Rob Mace
President and CEO, Thunder Bay Hydro Electricity Distribution Inc.

Ian Rowlands
Member, OPA Advisory Council on Conservation,
Professor, Environment and Resource Studies, University of Waterloo

James Scongack
Vice-President, Corporate Affairs, Bruce Power

David Timm
Vice-President, Sussex Strategy Group

Adam White
President, Association of Major Power Consumers in Ontario

ONTARIO POWER AUTHORITY

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ONTARIO POWER AUTHORITY

ADDITIONAL

DIRECTIVES AND LETTERS TO THE OPA FROM THE MINISTER OF ENERGY

The OPA is bound by directives issued under the *Electricity Act, 1998* by the Minister of Energy which articulate government policy.

May 1, 2014
Amending December 16, 2013 Direction Regarding Supply Agreement with Ontario Power Generation for the Conversion of Thunder Bay Generating Station – On December 16, 2013, the Minister directed the OPA to negotiate and enter into a Contract with OPG for the procurement of electricity from advanced biomass from one converted unit at the Thunder Bay Generating Station (TBSG). Amending the December 16 direction, the OPA is now directed to allow for the recovery of annual operating costs in the Contract, which shall be deemed to be $30 million per year on average over the Contract term (for a total of $150 million) with no adjustment for inflation.

April 30, 2014
Korean Consortium Phase 3 Projects – With respect to the Amended and Restated Green Energy Investment Agreement (ARGEIA), which provides for the development, construction and operation of wind and solar projects in Ontario in three phases, the Minister has issued a direction to the OPA with respect to the specific details of the PPA(s) for Phase 3.

In recognition of the City of Windsor's support for the solar project, including the designation of prime agricultural areas in its official plan, according to provincial policy, the OPA is directed to deem the Korean Consortium to have met any land use eligibility rules in the FIT Program that would otherwise restrict or prevent the Korean Consortium from siting a ground-mounted solar project in the City of Windsor.

April 24, 2014
Industrial Electricity Incentive – On November 1, 2012, the OPA received a directive to establish the Industrial Electricity Incentive ("IEI") program to improve load management and the management of electricity demand in Ontario by encouraging increased industrial production through electricity-based price adjustments for eligible electricity consumption. In accordance with that direction the OPA developed and launched Stream 1 and Stream 2. The Minister now directs the OPA to cancel Stream 1 and terminate any Stream 1 applications that have not resulted in an executed IEI Stream 1 Contract; and, to terminate any outstanding Stream 2 applications that have not been offered an IEI Stream 2 Contract. The OPA is directed not to open any further application windows for Stream 2. Instead, the Minister directs the OPA to design and implement a new Stream 3 for the IEI program. The new Stream 3 would expand eligibility to certain other energy-intensive sectors, as specified in the direction, and would offer a contract term that is sufficiently long to attract applicants. The OPA is directed to consult with stakeholders in the development of Stream 3, and will work with the Ministry of Energy to develop the Stream 3 contract(s) and program rules. The OPA is directed to post draft program documents for Stream 3 by July 1, 2014, and to offer Stream 3 contracts to successful applicants by no later than December 31, 2014.

April 24, 2014
Hydroelectric Projects – The OPA is directed by the Minister to transfer 25 MW of unallocated capacity from the Hydroelectric Standard Offer Program (HESOP) – Municipal Stream procurement to the 2014 hydroelectric procurement target for the Large Renewable Procurement ("LRP") for a target of 75 MW; and, to transfer any unallocated capacity from the upcoming HESOP – Expansion Stream procurement to the 2015 hydroelectric procurement target for the LRP process.

The directive states that any hydroelectric capacity under the 2014 or 2015 LRP procurement targets that is not procured and any capacity resulting from termination of HESOP Municipal and Expansion Stream contracts up to and including December 31, 2015 shall be transferred to the 2016 LRP hydroelectric procurement target.

In relation to the HESOP – Expansion Stream procurement that the OPA was directed to procure under the June 26, 2013 directive, the OPA is directed to enter into new contracts for existing NUG facility capacity that is currently under contract with the OEFC, in addition to the incremental expansion capacity being added to the NUG facility.

March 31, 2014

2015-2020 Conservation First Framework – In Achieving Balance: Ontario's Long-Term Energy Plan ("LTEP 2013"), the Government established a provincial conservation and demand management ("CDM") target of 30 TWh in 2032. To assist the Government in achieving this target, LTEP 2013 also committed to establishing a new six-year Conservation First Framework beginning in January 2015. To remain on track to achieve Ontario's 2013 LTEP CDM target, it is forecasted that 7 TWh needs to be achieved between 2015 and 2020 through Distributor CDM programs enabled by the Conservation First Framework. In addition, transmission connected customers will continue to have access to OPA CDM programs. The OPA is directed to coordinate, support and fund the delivery of CDM programs through Distributors to achieve a total of 7 TWh of reductions in electricity consumption between January 1, 2015 and December 31, 2020.

March 31, 2014

Continuance of the OPA's Demand Response Program under IESO management – In Achieving Balance: Ontario's Long-Term Energy Plan ("LTEP 2013"), Ontario signalled that responsibility for existing demand response ("DR") initiatives and introduction of new DR initiatives will be transferred from the OPA to the Independent Electricity System Operator ("IESO"). The OPA has received a directive from the Minister which seeks to facilitate an orderly transition of DR to the IESO administered market.

March 31, 2014

Moving Forward with the Large Renewable Procurement ("LRP") Process – In response to the OPA's report, Development of a New Large Renewable Procurement (LRP) Process: Final Recommendations Report, dated February 28, 2014, the Minister directs the OPA to develop a draft Request for Qualifications ("RFQ") and draft Request for Proposals ("RFP") for its LRP Process. The OPA is to complete its work on the draft RFQ and post it for review and comment by stakeholders no later than April 4, 2014. The RFQ is to be launched by June 9, 2014. The OPA is also directed to continue to develop draft RFP rated criteria in consultation with the Ministry of Energy. Future ministerial direction will define particular features of the final RFP.

March 31, 2014

Combined Heat and Power ("CHP") – Agricultural Industry and District Heating Projects – The OPA is directed to develop a new standard offer procurement program to procure 150 MW of CHP, to be known as the "Combined Heat and Power Standard Offer Program 2.0" or "CHPSOP 2.0". CHPSOP 2.0 will maintain the general structure of the previous CHPSOP, with a number of adjustments. These adjustments include, among other things, designing the program for projects that would provide thermal energy to operations in the Target Sectors; differentiating between the Target Sectors using the following categories: (i) Agricultural Industry Projects (which includes greenhouses, other growing operations and food processing facilities), and (ii) District Energy Projects; and specifying sector-specific procurement targets. The OPA is to launch CHPSOP 2.0's first application window with a target date of November 3, 2014 for a total capacity of 100 MW. CHPSOP 2.0's second window is to be launched in 2015, to procure the balance of the 150 MW.

March 31, 2014

Procuring Energy Storage – As provided for in Achieving Balance: Ontario's Long-Term Energy Plan, the Government has determined that the procurement of 50 MW of energy storage by the end of 2014 should be pursued. Through a letter dated February 20, 2014 the Minister expressed a preference that this 50 MW be procured through IESO-led procurement efforts (Phase 1) for as much as 35 MW, and the balance through OPA-led procurement efforts (Phase 2). The OPA is now directed to undertake an energy storage procurement process for Phase 2. This procurement process is to be designed in a manner that complements the IESO-led process, and ensures that the OPA is in a position to enter into contracts with successful proponents by the end of September 2014. The procurement process is also to include a contract structure designed to optimize ratepayer and system benefits

LETTERS

These letters constitute official instruction from the Minister of Energy but are not considered directives.

May 6, 2013
Large Energy Projects – Planning and Siting – The Minister wrote jointly to the OPA and the IESO in order to request that the organizations work together to develop recommendations for a new iterated regional energy planning process that would focus on improving how large energy infrastructure projects are sited in Ontario. The Minister expects is that the OPA and the IESO will provide a joint report to him with recommendations by August 1, 2013.

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Ministry of Energy

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Ministère de l'Énergie

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Ontario

MAR 3 1 2014

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

Dear Mr. Andersen:

Re: Procuring Energy Storage

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

Background

As provided for in *Achieving Balance: Ontario's Long-Term Energy Plan,* released on December 2, 2013, the Government has determined that the procurement of 50 MW of energy storage by the end of 2014 should be pursued. On December 16, 2013, I directed the OPA to work with the Independent Electricity System Operator (IESO) and to jointly report back to me with a proposed design and outline of an energy storage procurement framework by January 31, 2014. The report, entitled *Energy Storage Procurement Framework* and dated January 31, 2014 (the "Report"), has been received.

After considering the recommendations made in the Report, I wrote back to the IESO and the OPA to express my agreement with the jointly proposed plan, and to note a preference to see the IESO-led procurement effort be as much as 35 MW with the balance being pursued through an OPA-led procurement to begin as soon as possible.

Details of the Initiative

The IESO-led procurement (Phase 1) for energy storage will focus primarily on the procurement of energy storage as part of a suite of ancillary services that the IESO will competitively procure, and that will be designed to promote system reliability. The OPA-led procurement (Phase 2) is to be coordinated with the IESO-led Phase 1, and expected to begin as soon as practicable to enable the OPA to be in a position to enter into contracts with successful proponents of energy storage projects by the end of September 2014.

Such procurement would be designed to address how energy storage can best meet the future needs of the system, allow for the deferral of transmission investments, and enhance the value of renewable generation, as well as give consideration to the potential for opportunities in remote applications.

It is my expectation that throughout this procurement process, the OPA will continue to work collaboratively with the IESO and provide regular updates to the Ministry of Energy in order to maximize shared learning, information and analysis relating to how best to integrate energy storage into the Ontario electricity system and to continue exploring diverse commercial mechanisms for integrating energy storage into the Ontario electricity market.

Direction

Therefore, pursuant to my authority under section 25.32 of the Act, I hereby direct the OPA as follows:

1. To undertake an energy storage procurement process that would achieve the remainder of the target storage capacity of 50 MW to be procured, including any un-procured capacity in the IESO-led Phase 1 procurement.

2. To design the procurement process in a manner that complements the IESO-led process and ensures that the OPA is in a position to enter into contracts with successful proponents of energy storage projects by the end of September 2014.

3. To design and execute a procurement process that can accommodate a wide variety of projects.

4. To develop the procurement process in keeping with the OPA's general procurement practices, that is, fair, transparent and competitive.

....3/

5. To maximize the value of successful projects to Ontario by creating a contract structure designed to optimize ratepayer and system benefits. The OPA shall design commercial arrangements that account for innovation and that provide an appropriate balance between risk and value to ratepayers, proponents and system benefit while being responsive to market signals.

This direction takes effect on the date it is issued.

Sincerely,

Bob Chiarelli
Minister

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

Ministry of Energy

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Ontario

MAR 3 1 2014

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

Dear Mr. Andersen:

Re: Combined Heat and Power (CHP) – Agricultural Industry and District Heating Projects

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

Background

On December 16, 2013, I requested that the OPA consult and report back to me on the most appropriate and efficient means by which the OPA could design a targeted procurement program for CHP projects that are capable of maximizing efficiency and/or regional capacity needs in respect of greenhouse operations, agri-food and district energy projects (the "Target Sectors"), and which would provide regional benefits to the electricity system.

The OPA has completed its consultations and has recently delivered its report, *Moving Forward with Combined Heat and Power: Report Prepared for the Minister of Energy* (Dated February 28, 2014).

Direction

Therefore, pursuant to my authority under section 25.32 of the Act, I hereby direct the OPA as follows:

1. The OPA shall develop a new standard offer procurement program, to be known as the "Combined Heat and Power Standard Offer Program 2.0" or "CHPSOP 2.0" to procure 150 MW of Combined Heat and Power (CHP). CHPSOP 2.0 shall maintain the general structure of the previous CHPSOP, referred to in this direction as "CHPSOP 1.0", with the adjustments set out below.

2. The CHPSOP 2.0 program shall be designed for projects located in Ontario that are less than or equal to 20 MW in capacity and that would provide thermal energy to operations in the Target Sectors.

3. CHPSOP 2.0 will differentiate between the Target Sectors using the following two categories:

   (i) Agricultural Industry Projects (which includes greenhouses, other growing operations and food processing facilities); and

   (ii) District Energy Projects.

4. In developing the program rules and contracts the OPA shall make the following adjustments in respect of CHPSOP 2.0 relative to CHPSOP 1.0:

   (i) limit eligibility to natural gas-fired CHP projects, subject to the following:

      a) Permit projects that are connected directly (transmission-connected) or indirectly (distribution-connected) to the IESO-controlled grid.

      b) Allow expansion projects for new capacity at OPA contracted facilities with CHP I or CHPSOP contracts, subject to appropriate pricing and metering.

      c) Exclude eligibility for projects with Behind-the-Meter (BTM) connection configurations.

      d) In conducting the connection screening process for CHPSOP 2.0, give consideration to projects that are conditional on the completion of upgrades to the distribution or transmission system that are firmly planned, (e.g. in the process of seeking approval, such as the Ontario Energy Board (OEB) Leave-to-Construct,) including where such upgrades are being undertaken to facilitate the development of clusters of generation.

   (ii) prioritize applications based on applicants' bid-down relative to a standard price to be determined by the OPA.

   (iii) launch CHPSOP 2.0's first application window with a target date of November 3, 2014 for a total capacity of 100 MW. Launch CHPSOP 2.0's second window in 2015, to procure the balance of the 150 MW.

   (iv) specify sector-specific targets for each of the Agricultural Industry Projects and District Energy Projects as follows:

....3/

a) Subject to paragraph 4(iv)(c) relating to unused CHP capacity, of the 100 MW of CHP to be procured during the first launch window in 2014, the targets shall be 75 MW to be procured from Agricultural Industry Projects and 25 MW to be procured from District Energy Projects.

b) Subject to paragraph 4(iv)(c) relating to unused CHP capacity, of the 50 MW of CHP to be procured during the second application window in 2015, the targets shall be 25 MW from Agricultural Industry Projects and 25 MW from District Energy Projects.

c) Unused CHP procurement capacity remaining from the 2014 application window shall be incorporated into the amount of CHP to be procured by the OPA during the 2015 application window, with the mix to be determined at the time at which the 2015 application window is to be launched.

(v) report back to the Ministry of Energy with the results of the 2014 window to inform decisions beyond 2015.

5. The OPA shall undertake consultation with stakeholders when developing the CHPSOP 2.0 draft program rules and contracts.

6. This direction supplements and amends previous directions to the extent that a previous direction is inconsistent with the provisions of this direction. All other terms of any previous direction remain in full force and effect.

This direction takes effect on the date it is issued.

Sincerely,

Bob Chiarelli
Minister of Energy

c. James D. Hinds, Chair, Ontario Power Authority
Serge Imbrogno, Deputy Minister, Ministry of Energy
Halyna Perun, Director, Legal Services Branch, Ministries of Energy and Infrastructure

Ministry of Energy

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Ontario

MAR 3 1 2014

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

Dear Mr. Andersen:

RE: Moving Forward with the Large Renewable Procurement (LRP) Process

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

Background

On June 12, 2013 and December 16, 2013, I directed the OPA to develop a new competitive process for the procurement of renewable energy projects generally larger than 500 kW that will take into account local needs and considerations before contracts are offered and to provide me with recommendations on the design of the new process by March 1, 2014.

I would like to take this opportunity to thank the OPA for its report, *Development of a New Large Renewable Procurement (LRP) Process: Final Recommendations Report* (the "LRP Report"), dated February 28, 2014, which includes recommendations for the Request for Qualifications (RFQ) stage and the Request for Proposals (RFP) stage of the competitive procurement process. I concur with the recommendations outlined in the LRP Report subject to the additional direction set out below.

Direction

Therefore, pursuant to my authority under section 25.32 of the Act, I hereby direct the OPA to undertake the following:

....2/

1. Development of the Draft RFQ

1.1 The OPA shall develop the RFQ in a manner that focuses on qualifying applicants for the RFP. Qualifications of applicants and their respective project teams should be robust in order to minimize the risk that projects fail to reach commercial operation. Qualifications should include appropriate financial capacity, appropriate energy development experience or other appropriate experience developing large complex infrastructure projects, experience with municipal engagement, experience with regulatory approvals, and experience undertaking the procedural aspects of consultation with Aboriginal communities that are required to support the Crown's duty to consult obligations. These qualifications will apply to all applicants.

1.2 The OPA shall complete its work on the draft RFQ and post it for review and comment by stakeholders no later than April 4, 2014. The OPA shall launch the RFQ by June 9, 2014.

1.3 The OPA shall make available information regarding connection availability on a transparent and more regular basis. The OPA shall engage with the Independent Electricity System Operator (IESO), electricity transmitters and electricity distributors to help ensure that timely and accurate information on connection availability is provided to applicants and other interested parties at both the RFQ and RFP stages.

2. Development of the Draft RFP

2.1 The OPA shall continue to develop draft RFP rated criteria in consultation with the Ministry of Energy. Future ministerial direction will define particular features of the final RFP.

2.2 The OPA shall also continue to undertake robust engagement and outreach with municipalities, Aboriginal communities, and other stakeholders as it develops the criteria; particularly with respect to community engagement requirements, potential approaches for evaluating local support of proposed projects (including connection lines) and potential mechanisms for encouraging municipal and Aboriginal participation.

2.3 In accordance with the recommendations, the OPA shall consider the following as it develops the draft RFP:

a) Rigorous community engagement requirements, recognizing that as qualified applicants approach the RFP stage they will be in a position to make detailed information available regarding proposed projects and thereby undertake more meaningful community engagement.

b) Approaches to encourage participation that recognize the unique circumstances of Aboriginal communities.

c) No limits on project size.

d) No project density restrictions. As noted in the OPA's recommendations, community engagement criteria for the RFP should capture issues important to a community, such as project density.

e) Appropriate parameters related to connection points and lines, and allowable grid-upgrades that the OPA shall continue to assess in consultation with the Ministry of Energy. Connection point parameters for the RFP shall be determined by future ministerial direction.

f) Dispatch provisions, developed in consultation with the Ministry, that provide for generator accountability in circumstances where generation is dispatched down or off. The OPA shall provide greater clarity to project developers and qualified applicants before the finalization of the RFP. Dispatch provisions for the RFP shall be determined by future ministerial direction.

g) The OPA, in keeping with the Government's commitment to protect prime agricultural areas for long-term use for agriculture, as stated in the Provincial Policy Statement (PPS) issued under the *Planning Act,* shall not enter into contracts with proponents of ground-mounted solar projects in Prime Agricultural Areas (as defined in the PPS) or on organic soils, subject to potential exemptions to be determined by future ministerial direction.

h) For the purposes of the LRP, proposed projects must be located in Ontario. However, there should be continued study by the OPA and the IESO of the impact of intertie capacities to support demand and reliability requirements from a power system planning perspective.

2.4 With regard to the integration of innovative technologies and energy storage into the LRP process, I would ask that the OPA conduct the necessary analysis and assessment of the parallel 2014 OPA/IESO storage procurement processes, undertake required discussions with industry, and report back to the Ministry by the end of 2014 to present options for mechanisms to integrate innovative technologies and energy storage into the next LRP procurement cycle. In the interim, I would ask that the OPA use rated criteria to reward applicants that support the integration of storage technologies in the 2014 LRP cycle to enable any early innovation even as the OPA reports back by the end of 2014 for future procurement cycles.

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2.5 This direction supplements and amends previous directions to the extent that a previous direction is inconsistent with the provisions of this direction. All other terms of any previous direction remain in full force and effect.

This direction takes effect on the date it is issued.

Sincerely,

Bob Chiarelli
Minister

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

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Ontario

MAR 3 1 2014

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

Dear Mr. Andersen:

Re: Continuance of the OPA's Demand Response Program under IESO management

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

In *Achieving Balance: Ontario's Long-Term Energy Plan* (LTEP 2013), released on December 2, 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 OPA to the Independent Electricity System Operator (IESO).

The IESO has proposed a plan to transition the OPA's existing DR3 procurement program contracts to an IESO DR transitional market. Under this plan, the IESO 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.

Direction

Therefore, pursuant to my authority under section 25.32 of the Act, I hereby direct the OPA as follows in order to facilitate an orderly transition of DR to the IESO administered market:

1. Any DR capacity (MW) that remains un-contracted under the direction dated June 15, 2005, titled "*Immediate Launch of Procurement Processes to address needs in Downtown Toronto, Western Greater Toronto Area, and to develop additional Demand Management, Demand Response and High Efficiency Combined Heat and Power Supply*", as amended by the direction issued on February 9, 2006 shall not be contracted by the OPA and the associated OPA procurement authority is cancelled.

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2. The OPA shall not execute any new or renewed DR2 contracts.

3. Where the OPA 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.

4. The OPA shall not execute any renewed DR3 contract after March 31, 2015.

5. The OPA shall consider allowing DR3 contract holders, with contracts maturing on/or after March 31, 2015, to terminate their contracts, without applying an early termination payment, for the purposes of transitioning the DR load to the IESO administered market and transitional market rules.

6. The OPA's procurement authority for DR after the maturity or termination of a DR2 or DR3 contract shall decrease by the capacity of the maturing or terminated contract.

7. This direction supplements and amends previous directions to the extent that a previous direction is inconsistent with the provisions of this direction. All other terms of any previous direction remain in full force and effect.

This direction takes effect on the date it is issued.

Sincerely,

Bob Chiarelli
Minister

c: James D. Hinds, Chair, Ontario Power Authority
Bruce Campbell, President and Chief Executive Officer, Independent Electricity System Operator
Tim O'Neill, Chair, Independent Electricity System Operator
Serge Imbrogno, Deputy Minister, Ministry of Energy
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Ontario

MAR 3 1 2014

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

Dear Mr. Andersen:

Re: 2015-2020 Conservation First Framework

I write in my capacity as the Minister of Energy in order to exercise the statutory power of ministerial direction I have in respect of the Ontario Power Authority (OPA) under the *Electricity Act, 1988,* as amended (the "Act").

Background

In *Achieving Balance: Ontario's Long-Term Energy Plan* (LTEP 2013), released on December 2, 2013 the Government established a provincial conservation and demand management (CDM) target of 30 terawatt hours (TWh) in 2032. To assist the Government in achieving this target, LTEP 2013 also committed to establishing a new six-year Conservation First Framework beginning in January 2015, replacing the one that is currently winding down. The new Conservation First Framework will enable the achievement of all cost-effective conservation and foster innovation through information sharing and the adoption of new technologies and approaches, including innovative performance management structures to drive greater energy savings.

To remain on track to achieve the LTEP 2013 CDM target, it is forecasted that 7 TWh needs to be achieved between 2015 and the end of 2020 through Distributor CDM programs enabled by the Conservation First Framework. In addition, transmission connected customers will continue to have access to OPA CDM programs.

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To this end, I have issued a directive to the Ontario Energy Board (the "Board") (the "CDM Directive"), instructing it to amend the license of each licensed electricity distributor (Distributor) to add a condition that specifies the Distributor shall, between January 1, 2015 and December 31, 2020, make CDM programs available to customers in its licensed service area and shall, as far as is appropriate and reasonable having regard to the composition of the Distributor's customer base, do so in relation to each customer segment in its service area (CDM Requirement). Such Distributor CDM programs are required to achieve reductions in electricity consumption.

Each Distributor will be required to meet its CDM Requirement by:

i. making a core set of province-wide CDM programs, funded by the OPA, available to customers in its licensed service area (Province-Wide Distributor CDM Programs);
ii. making local and/or regional CDM programs, funded by the OPA, available to customers in its licensed service area (Local Distributor CDM Programs); or
iii. a combination of (i) and (ii).

Direction

Therefore, pursuant to my authority under section 25.32 of the Act, I hereby direct the OPA to coordinate, support and fund the delivery of CDM programs through Distributors to achieve a total of 7 TWh of reductions in electricity consumption between January 1, 2015 and December 31, 2020 in accordance with the following guiding principles and requirements.

GUIDING PRINCIPLES

The OPA shall implement this direction according to the following principles:

1. Distributors are the face of electricity conservation to their customers in all sectors.

2. Distributors will be provided with long term, stable funding to provide the certainty they need to implement CDM programs.

3. Customers will be given more CDM program choice along with streamlined oversight and administration.

4. Distributors will have accountability for meeting their assigned CDM targets and will be provided the authority and means for meeting them cost-effectively.

5. Innovation and the adoption of new technologies will be encouraged.

....3/

6. While there will be CDM programs available for all residential, commercial and industrial sectors, the value of CDM investments may be higher in some sectors than others.

7. There will be renewed efforts to deepen consumer awareness of CDM and how it relates more broadly to the electricity system.

8. CDM programs for low-income residential customers will be improved.

9. The role of Distributors in the delivery of CDM programs to on-reserve First Nation customers will be enhanced.

10. Distributor CDM programs will result in the full achievement of 7 TWh of electricity savings.

11. Approvals and administrative requirements will be streamlined to provide Distributors flexibility to design, deliver and administer CDM programs to their customers.

12. OPA will provide support to Distributors in the design and delivery of CDM Programs.

REQUIREMENTS

1. GOVERNANCE

1.1 The OPA shall manage its relationship with Distributors through new streamlined contracts on a non-competitive basis. The OPA will work with Distributors to put such contracts in place by January 1, 2015.

1.2 The OPA shall provide support to Distributors to assist them in submitting their CDM Plans, as outlined in section 3, to the OPA no later than May 1, 2015 for approval. The OPA shall continue to make 2011-2014 OPA contracted Province-Wide CDM Programs available to customers through their Distributor until the Distributor's CDM Plan is approved by the OPA.

1.3 The OPA shall provide Distributors with flexibility to design, deliver and administer Province-Wide Distributor CDM Programs and Local Distributor CDM Programs.

....4/

1.4 The OPA shall establish a budget to achieve 7 TWh of electricity savings over the six-year period, based on current system planning projections. The budget and 7 TWh target will be reviewed as part of the mid-term review, as described in section 6, and revised as needed based on achievable cost-effective conservation and system planning projections at the time.

1.5 The OPA shall establish a budget allocation for each Distributor in consideration of the Distributor CDM Target and CDM Plan as outlined in sections 2.2 and 3.

1.6 The OPA shall, in consultation with Distributors, develop a cost recovery and performance incentive mechanism for Distributors for making Province-Wide Distributor CDM Programs and/or Local Distributor CDM Programs available to customers in their service areas. For each Province-Wide Distributor CDM Program and Local Distributor CDM Program within the Distributors' CDM Plan, Distributors shall be provided a choice of the following cost recovery mechanisms:

i. **Full Cost Recovery:** The Distributor shall be paid the full amount of prudently incurred costs for the administration and implementation of its Province-Wide Distributor CDM Program and/or Local Distributor CDM Program, subject to the Distributor achieving a specified minimum level of its Distributor CDM Target. The OPA shall report back by July 1, 2014 with recommendations on administrative or financial consequences of Distributor underperformance, should it occur. A tiered performance incentive mechanism shall be made available to Distributors with incentives beginning to accrue once a Distributor achieves 100% of the portion of its Distributor CDM Target allocated to the full cost recovery mechanism, in amounts determined by the OPA in consultation with Distributors.; or

ii. **Pay for Performance:** The Distributor shall be paid for the administration and implementation of its Province-Wide Distributor CDM Program and/or Local Distributor CDM Program, corresponding to the portion of the Distributor CDM Target allocated to the pay for performance mechanism, based on a pre-specified value for each verified kilowatt hour of electricity savings achieved, in amounts determined by the OPA in consultation with Distributors.

1.7 The OPA shall, subject to necessary regulatory amendments, recover payments made under the Province-Wide Distributor CDM Programs and Local Distributor CDM Programs from the Global Adjustment Mechanism up to the budget established under section 1.4.

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1.8 The OPA shall ensure that its contracts with Distributors include clauses allowing for corrections and changes in each Distributor CDM Target, as outlined in section 2.2, and in Distributor budgets which may be required in accordance with a mid-term review as outlined in section 6.

2. DISTRIBUTOR CDM TARGETS

2.1 The OPA, in consultation with Distributors, shall develop an allocation methodology to allocate the full 7 TWh among Distributors. The allocation methodology may take into consideration Distributor CDM potential at a local and/or regional level as identified in the OPA's 2014 energy efficiency achievable potential study, and other factors, as appropriate.

2.2 The OPA shall allocate to each Distributor a numeric CDM target ("Distributor CDM Target") to achieve reductions in electricity consumption for all customer segments in the Distributor's licensed service area.

2.3 The OPA shall encourage Distributors to aggregate Distributor CDM Targets with neighbouring Distributors to develop 21 regional CDM targets for the period January 1, 2015 to December 31, 2020. The OPA shall encourage Distributors to work cooperatively to develop regional CDM Plans to meet the regional CDM targets.

2.4 The OPA shall evaluate Distributor achievement of electricity savings on an annual incremental basis based on the OPA's Evaluation, Measurement and Verification (EM&V) protocols.

3. CDM PLANS AND PROGRAMS

3.1 The OPA shall support Distributors in designing a core set of Province-Wide Distributor CDM Programs for the following segments of distribution system connected customers to make available for delivery in Distributors' licensed service areas:

i. Residential
ii. Low-income
iii. Small business
iv. Commercial (including multi-family buildings)
v. Agricultural
vi. Institutional
vii. Industrial

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3.2 Province-Wide Distributor CDM Programs shall:

i. Be designed by Distributors, with support from the OPA, through working groups. The membership of the working groups shall consist of OPA and Distributor representatives.
ii. Balance the value of flexibility for some program customization to meet local and/or regional needs with the value of offering consistent CDM measures to customer segments across all Distributor service areas.

3.3 The OPA shall support Distributors, as required, in designing Local Distributor CDM Programs, including programs for specific industry concentrations or customer segments in a particular licensed service area and/or region that require unique approaches to achieve electricity savings, such as on-reserve First Nation customers.

3.4 The OPA shall require each Distributor to submit a CDM Plan to the OPA for approval.

3.5 The OPA shall establish a streamlined review and approval process for Distributor CDM Plans and proposals for Province-Wide Distributor CDM Programs and Local Distributor CDM Programs. To facilitate this process, the OPA, in consultation with Distributors, shall establish guidelines that include rules relating to the streamlined review and approval of CDM Plans and proposals for Province-Wide Distributor CDM Programs and Local Distributor CDM Programs. In establishing such guidelines, the OPA shall have regard to the following objectives in addition to such other factors as the OPA considers appropriate:

i. Distributor CDM Plans must provide a description of how the Distributor will achieve its Distributor CDM Target, including but not limited to, a description of the Distributor's year-by-year plan, including milestones for achieving its Distributor CDM Target, a description of Province-Wide Distributor CDM Programs and any Local Distributor CDM Programs, and projected budgets and electricity savings by sector.

ii. The OPA shall establish a service standard of no more than 60 days for review and approval of Distributor CDM Plans and program. Any request by the OPA for additional information during its review will cause the remaining period for approval to be paused and shall resume at such time as the request is satisfied.

iii. The OPA shall seek to approve unique Local Distributor CDM Programs that avoid marketplace confusion and ensure the prudent use of funds by avoiding duplication of Province-Wide Distributor CDM Programs. The OPA, in consultation with Distributors, shall establish rules on what constitutes duplication.

iv. The OPA shall encourage Distributors to incent CDM measures with relatively longer lifespans and energy savings persistence and shall consider the system value of the measures, including reductions at peak times.

v. The OPA shall ensure there is a positive benefit-cost analysis of each CDM Plan and each Province-Wide CDM Program and Local Distributor CDM Program utilizing the OPA's Total Resource Cost Test and the Program Administrator Cost Test found in the OPA's Cost-Effectiveness Guide, dated October 15, 2010 (OPA Cost-Effectiveness Tests), which may be updated by the OPA from time to time. The OPA will establish hurdle rates to consider the cost of delivering Province-Wide Distributor CDM Programs and Local Distributor CDM Programs against the avoided cost of procuring supply.

vi. The OPA shall, despite section 3.5 (v), allow Distributors to apply to the OPA for approval of Province-Wide Distributor CDM Programs and Local Distributor CDM Programs where cost effectiveness is not demonstrated if the program is:

a) targeted to on-reserve First Nation customers
b) designed for educational purposes
c) a low-income CDM program

vii A Distributor may, despite section 3.5(v), submit a CDM Plan where cost effectiveness is not demonstrated if the Distributor can reasonably demonstrate that it is unable to develop a plan that is cost effective due its size, location, the nature of its customer base or other unusual circumstances. In order to obtain the approval of such a CDM Plan, the Distributor must also demonstrate that:

(a) it has made reasonable efforts to determine if a CDM Plan could be delivered cost effectively in its service area by another Distributor; and

(b) The CDM Plan will be delivered in as cost effective a manner as is reasonably possible.

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viii. The OPA shall take into consideration the cost and the number of First Nation, educational and low-income CDM programs that a Distributor already has undertaken or plans to undertake when approving these CDM programs. Although there is no requirement that First Nation, educational, or low-income programs be cost effective, Distributors shall be required to provide adequate evidence that the CDM programs will likely result in electricity savings and will be delivered in as cost effective a manner as is reasonably possible.

ix. The OPA shall allow Distributors to propose changes and modifications to its CDM Plan on an annual basis, or more frequently.

x. The OPA shall encourage Distributors to maximize administrative and delivery efficiencies by utilizing appropriate program delivery models. Specifically, the OPA and/or Distributors shall provide enhanced co-ordination efforts with regard to:

a) Opportunities to target consumers with multiple locations across several licensed service areas (e.g., national accounts) and CDM measures delivered or promoted through provincial or national channels (e.g., retailer in-store rebates or coupons); and

b) CDM activities, including, but not limited to, the marketing, procurement and delivery of CDM measures and/or services where these will afford significant administrative cost and/or delivery efficiencies (e.g., call centre, rebate fulfillment and appliance de-commissioning).

xi. The OPA shall require Distributors, where appropriate, to coordinate and integrate Province-Wide Distributor CDM Programs and Local Distributor CDM Programs with natural gas distributor ("Gas Distributors") conservation programs to achieve efficiencies and convenient integrated programs for electricity and natural gas customers.

xii. The OPA shall require Distributors, where appropriate, to coordinate and integrate low-income Province-Wide Distributor CDM Programs and Local Distributor CDM Programs with Gas Distributor low-income conservation programs.

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4. MARKETING

4.1 The OPA shall be responsible for province-wide marketing and mass media buying for Province-Wide Distributor CDM Programs under the saveONenergy brand.

4.2 The OPA shall work with Distributors to ensure Province-Wide Distributor CDM Programs and Local Distributor CDM Programs are consistently marketed under the saveONenergy brand, and for local marketing and advertising efforts, co-branded with Distributor logos. The OPA may also work with Distributors to provide them with the advantages of scale (for example, in the purchase of media and the development, production and distribution of marketing material).

4.3 The OPA shall make the saveONenergy brand available to the Gas Distributors for marketing of natural gas conservation programs on terms that the OPA may negotiate with the Gas Distributors.

5. REPORTING

5.1 The OPA shall continue to produce and publish an annual report on overall progress toward achieving the provincial CDM target of 30 TWh, including contributions to the target achieved through Province-Wide Distributor CDM Programs, Local Distributor CDM Programs, demand response programs, programs for transmission connected customers and product codes and standards. The annual report shall cover the period from January 1 to December 31 of the previous year.

6. MID-TERM REVIEW

6.1 The OPA, in consultation with the Ministry of Energy and Distributors, shall no later than June 1, 2018 have completed a formal mid-term review of:

i. the 7 TWh target and the overall budget for achieving that target
ii. allocation of budgets and Distributor CDM Targets
iii. lessons learned on cost recovery and performance incentive mechanisms, and;
iv. CDM contribution to regional planning

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6.2 The OPA shall conduct an achievable potential study for electricity efficiency in Ontario every three-years, with the first study completed by June 1 2016, to inform electricity efficiency planning and programs. The achievable potential study should, as far as is appropriate and reasonable having regard to the respective characteristics of the electricity and natural gas sectors, be coordinated with the natural gas efficiency achievable potential study referred to in the CDM Directive to the Board.

7. DEFINITION OF CDM

7.1 The OPA shall consider CDM to be inclusive of activities aimed at reducing electricity consumption and reducing the draw from the electricity grid, such as geothermal heating and cooling, solar heating and small scale (i.e., <10MW) behind the meter customer generation. However, CDM should be considered to exclude those activities and programs related to a Distributor's investment in new infrastructure or replacement of existing infrastructure, any measures a Distributor uses to maximize the efficiency of its new or existing infrastructure, activities promoted through a different program or initiative undertaken by the Government of Ontario or the OPA, such as the OPA Feed-in Tariff (FIT) Program and micro-FIT Program and activities related to the price of electricity or general economic activity.

8. SUPPORT AND FUNDING FOR RESEARCH AND INNOVATION

8.1 The OPA Conservation Fund provides financial support to new and innovative electricity conservation initiatives designed to enable Ontario's residents, businesses and institutions to cost-effectively reduce their demand for electricity

8.2 The OPA shall continue to provide, through its Conservation Fund, support and funding for new and innovative electricity conservation initiatives, including small scale distribution storage technologies, as a means to assist Distributors and others in their conservation efforts.

9. PEAKSAVERPLUS PROGRAM

9.1 LTEP 2013 committed that Ontario will aim to use demand response to meet 10% of peak demand by 2025, equivalent to approximately 2,400 megawatts under current forecast conditions. To encourage further development of demand response in Ontario, the Independent Electricity System Operator ("IESO") will evolve existing demand response programs in Ontario and introduce new initiatives.

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9.2 A transition plan is currently being developed to evolve existing programs, potentially including the peaksaverPLUS program, to an IESO administered market. Until such time as the transition plan has been finalized, including plans for the peaksaverPLUS program, the OPA shall continue to make the program available to Distributors to deliver to customers in their licensed service areas.

This direction takes effect on the date it is issued.

Sincerely,

Bob Chiarelli
Minister

cc. James D. Hinds, Chair, Ontario Power Authority
Rosemarie T. Leclair, Chair and Chief Executive Officer, Ontario Energy Board
Bruce Campbell, President and Chief Executive Officer, Independent Electricity System Operator
Tim O'Neill, Chair, Independent Electricity System Operator
Serge Imbrogno, Deputy Minister, Ministry of Energy
Halyna Perun, Director, Legal Services Branch, Ministries of Energy and Infrastructure

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Ontario

APR 2 4 2014

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

Dear Mr. Andersen:

Re: Hydroelectric Projects

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

Ontario recognizes that hydroelectric power continues to make a significant contribution to Ontario's diverse electricity supply mix. In *Achieving Balance: Ontario's Long-Term Energy Plan*, the target for installed hydroelectric capacity has been increased to 9,300 MW by 2025.

Direction

Therefore, pursuant to my authority under section 25.32 of the Act, I hereby direct the OPA as follows:

1. Hydroelectric Standard Offer Program (HESOP) – Municipal Stream

1.1. The OPA shall transfer 25 MW of unallocated capacity from the HESOP Municipal Stream procurement (which had a total procurement target of up to 60 MW comprised of 10 MW as specified in the January 21, 2013 Direction and 50 MW as specified in the June 26, 2013 Direction) to the 2014 hydroelectric procurement target for the Large Renewable Procurement. For greater clarity, the hydroelectric target for the 2014 Large Renewable Procurement will be 75 MW.

2. Hydroelectric Standard Offer Program (HESOP) – Expansion Stream

2.1. The June 26, 2013 Direction directed the OPA to launch a standard offer program to procure hydroelectric capacity at existing facilities with potential for incremental expansion. Eligible participants were to include only Non-Utility Generation (NUG) facilities currently under contract with Ontario Electricity Financial Corporation (OEFC) and certain Hydroelectric Contract Initiative (HCI) contracted facilities currently under contract with the OPA.

2.2. As it is preferable that the existing facilities and their incremental expansion be managed by one party under one contract, the OPA shall enter into new contracts for the existing capacity and the incremental expansion capacity, subject to the termination of the existing contracts.

2.3. Where the remaining term of an existing contract is shorter than the term of a new contract, the OPA shall contract for the existing capacity for the entire term of the new contract. For the existing capacity under the new contract, the existing contract price shall apply up until the time that the term of the existing contract would have expired; thereafter, pricing for the existing capacity should be based on the HCI program.

2.4. For clarity, existing capacity under a NUG or HCI contract is not a part of the 40MW procurement for incremental expansion set out in the June 26, 2013 Direction.

2.5. The OPA shall transfer any unallocated capacity from the upcoming HESOP Expansion Stream procurement (which has a total procurement target of up to 40 MW of expansion capacity as specified in the June 26, 2013 Direction) to the 2015 hydroelectric procurement target for the LRP process.

2.6. Any hydroelectric capacity under the 2014 or 2015 LRP procurement targets that is not procured and any capacity resulting from termination of HESOP Municipal and Expansion Stream contracts up to and including December 31, 2015 shall be transferred to the 2016 LRP hydroelectric procurement target.

3. Aboriginal Partnership Project

3.1. Ontario Power Generation Inc. (OPG) and its First Nation partner, the Coral Rapids Power LP, a wholly owned company of Taykwa Tagamou Nation, has entered into a reciprocal and partnership agreement for a proposed New Post Creek hydroelectric generating station. Further to the June 26, 2013 Direction, I wish to clarify that the OPA shall enter into negotiations for an energy supply agreement for the New Post Creek hydroelectric generating station. As applicable, the energy supply agreement shall reflect the risk structure of the Hydroelectric Energy Supply Agreements, as negotiated between the OPA and OPG, for hydroelectric power projects such as the Upper Mattagami project.

4. General

4.1. This direction supplements and amends previous directions to the extent that a previous direction is inconsistent with the provisions of this direction. All other terms of any previous direction remain in full force and effect.

This direction takes effect on the date it is issued.

Sincerely,

Bob Chiarelli
Minister

c. James D. Hinds, Chair, Ontario Power Authority
Serge Imbrogno, Deputy Minister, Ministry of Energy
Halyna Perun, Director, Legal Services Branch, Ministries of Energy and Infrastructure

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Ontario

APR 24 2014

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

Dear Mr. Andersen:

Re: Industrial Electricity Incentive

I write in my capacity as the Minister of Energy in order to exercise the statutory power of ministerial direction I have in respect of the Ontario Power Authority (OPA) under the *Electricity Act, 1998,* as amended (Act).

Background

On November 1, 2012, the OPA was directed to establish the Industrial Electricity Incentive (IEI) program to improve load management and the management of electricity demand in Ontario by encouraging increased industrial production through electricity-based price adjustments for eligible electricity consumption (November 2012 Direction).

Anticipated benefits to the electricity system from the IEI program include reduced surplus energy volumes, potential economic efficiencies from encouraging increased off-peak consumption, and reduced transmission congestion. Further benefits expected to accrue to the Province include related economic and employment impacts.

The Government committed to examining opportunities to expand the IEI program in *Achieving Balance: Ontario's Long-Term Energy Plan*, based on updated supply/demand forecasts. As market conditions evolve, future forecasts reflecting the mid to long-term supply/demand forecasts may vary from current forecasts. Contracting for incremental consumption mitigates the expected level of surplus baseload generation during the current and forecast period.

There is currently about 1 TWh of new annual industrial load expected to come online through the initial Stream 2 application window. There remains about 4 TWh of unallocated annual electricity consumption from Stream 1 and Stream 2. Further benefits would accrue to the province by transferring, to a new IEI Stream 3, this unallocated electricity consumption and any annual "Contract Volume" (as defined in the Stream 2 Program Rules) under existing executed Stream 2 contracts where the Projects are transferred over to Stream 3. This new Stream 3 would expand eligibility to certain other energy-intensive sectors, as specified in this direction, and would offer a contract term that is sufficiently long to attract applicants.

Direction

Therefore, pursuant to my authority under section 25.32 of the Act, I hereby direct the OPA as follows:

1. Stream 1 and Stream 2

1.1 Pursuant to the applicable program rules, the OPA shall move expeditiously to:

- Cancel Stream 1 and terminate any outstanding Stream 1 applications that have not resulted in an executed IEI Stream 1 Contract (as defined in the IEI Stream 1 Program Rules).
- Terminate any outstanding Stream 2 applications that have not been offered an IEI Stream 2 Contract (as defined in the IEI Stream 2 Program Rules).

1.2 Despite the November 2012 Direction, the OPA shall not open any further application windows for Stream 2. Instead, the OPA shall establish a new Stream 3 as further described below.

2. Development and Implementation of a New Stream 3

2.1 The OPA shall design and implement a new Stream 3 for the IEI program. Notwithstanding the November 2012 Direction:

- Any unallocated electricity consumption from Stream 1 and Stream 2, together with any annual "Contract Volume" (as defined in the current Stream 2 Program Rules) under existing executed Stream 2 contracts where the Industrial Facilities (as defined in the November 2012 Direction) cease to participate in Stream 2 and begins to participate in Stream 3, shall be considered available for Stream 3.
- The total amount of electricity contracted under Streams 1, 2, and 3 of the IEI program shall not exceed an annual cap of 5 TWh.

2.2 The OPA shall post draft program documents for Stream 3 by July 1, 2014. The OPA shall offer Stream 3 contracts to successful applicants by no later than December 31, 2014.

3. Description

3.1 Stream 3 is intended for new and existing consumers in Ontario that will enter into a contract with the OPA to build a new Eligible Facility or expand their existing Eligible Facility. "Eligible Facility" means a facility that is located in the Province of Ontario, and that is carrying on or will carry on an activity that is classified within the following North American Industry Classification System (NAICS) Canada 2012 sectors (NAICS Sectors):

- 1114 (greenhouse, nursery and floriculture production), or
- 21 (mining, quarrying, and oil and gas extraction), or
- 31 to 33 (manufacturing), or
- 49312 (refrigerated warehousing), or
- 518 (data processing, hosting and related services).

3.2 The objectives of the IEI Program are to:

- Facilitate load management and the management of electricity demand in Ontario by increasing load in the NAICS Sectors, in a manner consistent with the policies of the Government of Ontario, and
- Minimize the cost impact on existing consumers.

4. Eligibility

4.1 The OPA shall apply, at a minimum, the Stream 3 eligibility criteria set out below:

1) The application must be in respect of an Eligible Facility.

2) The Eligible Facility must be, or within three years of the effective date of the Stream 3 contract become, directly connected to the Independent Electricity System Operator (IESO) controlled grid or a distribution system.

3) Except for participants in Stream 2 who wish to participate and are otherwise eligible to participate in Stream 3 (Stream 2-to-3 Participants), the Eligible Facility's Stream 3 incremental eligible electricity consumption (Stream 3 Load) must not have existed prior to June 1, 2013.

   For greater clarity, Stream 3 payments shall not be made in respect of any Stream 3 Load consumed before the effective date of the Stream 3 contract to which that Stream 3 Load relates.

4) Except for Stream 2-to-3 Participants obtaining a Stream 3 contract in respect of their Stream 2 Load, the Eligible Facility's Stream 3 Load must, at a minimum during the first contract year, consist of consumption that is the greater of 5,000 MWh or a 15% net increase over the Eligible Facility's baseline consumption as determined by the OPA.

5) The Eligible Facility must begin consuming its Stream 3 Load no later than three (3) years from the effective date of the IEI Stream 3 Contract.

5. Stream 2 Contract Holders Participating in Stream 3

5.1 Notwithstanding the November 2012 Direction, the OPA shall allow Stream 2-to-3 Participants in good standing under their Stream 2 contract the option to obtain a Stream 3 contract in respect of their IEI Eligible Load under Stream 2 (Stream 2 Load), provided that after the commencement of the Stream 3 contract such Stream 2 Load shall only qualify as Stream 3 Load (and shall not qualify as Stream 2 Load). As a condition of obtaining a Stream 3 contract in respect of their Stream 2 Load, the OPA shall require such Stream 2-to-3 Participants to maintain their Minimum Employment Requirement (as defined in their Stream 2 contract) on a going forward basis throughout the same period that they would have been required to do so under that Stream 2 contract.

5.2 For greater clarity, the OPA shall allow Stream 2-to-3 Participants the option to apply for a Stream 3 contract in respect of Stream 3 Load that is separate from their Stream 2 Load and did not exist prior to June 1, 2013 (New Stream 3 Load).

6. Governance and Reporting

6.1 The OPA shall develop a competitive process or processes for the procurement of Stream 3 Load and shall prioritize applications through a point system. For greater clarity, the Stream 3 point system may differ from that of Stream 1 and Stream 2.

6.2 The OPA shall make publicly available, within 60 days of execution, all contracts entered into with successful IEI Stream 3 applicants. As with Stream 1 and Stream 2 of the IEI program, the OPA shall include an update on the results of Stream 3 of the IEI program in its annual report.

6.3 In evaluating the Stream 3 applications, the OPA shall prioritize Stream 3 applicants that bid earlier dates to begin consuming their Stream 3 Load.

6.4 The OPA shall consult with stakeholders in the development of Stream 3. The OPA, working with the Ministry of Energy, will develop the Stream 3 contract(s) and program rules.

7. Contracts

7.1 The OPA shall offer an IEI Stream 3 contract to successful IEI Stream 3 applicants, which shall have a term that ends on the earlier of: (i) 10 years from the commencement of the Stream 3 contract, or (ii) December 31, 2024. In the case of a Stream 2-to-3 Participant, the period in (i) above shall be measured from: (A) the date the Eligible Facility begins consuming its Stream 3 Load, for applicants that apply for a Stream 3 contract in respect of a New Stream 3 Load, or (B) the date that Eligible Facility begins consuming its Stream 2 Load.

7.2 The IEI Stream 3 contract shall include the option for Stream 3 participants to voluntarily terminate their contract after five years.

7.3 Subject to reasonable adjustments as contemplated in the IEI Stream 3 contract, successful Stream 3 participants shall be rebated charges for Global Adjustment, the variable component of incurred transmission charges, the IESO Administration Fee, the OPA Administration Fee, the Renewable Generation Connection Rate Protection charge, the Rural and Remote Rate Protection Charge, and an offsetting payment in an amount equal to the Debt Retirement Charge in connection with the Stream 3 Load. Notwithstanding the foregoing, if the OPA develops a streamlined process and contract for Eligible Facilities that: i) have no embedded generation, and ii) are or will be Class B consumers (as defined in Ontario Regulation 429/04) (Streamlined Stream 3 Process), then successful Stream 3 participants under such Streamlined Stream 3 Process shall be rebated all of the above charges other than the variable component of incurred transmission charges.

7.4 Stream 3 participants remain responsible for the payment of all related electricity charges, and shall be responsible for any necessary transmission, distribution or metering upgrades.

7.5 The OPA shall apply the "Fixed Cost Contribution" (as defined in the IEI Stream 2 Program Rules) as a competitive bid parameter for Stream 3, to create an opportunity for further benefits to the electricity system.

8. Eligibility for other Programs

8.1 All Stream 3 participants including Stream 2-to-3 Participants will be permitted to apply for rebates, incentives or other benefits under the Industrial Accelerator Program (IAP) in respect of the Stream 3 Load.

8.2 All Stream 3 participants including Stream 2-to-3 Participants will not be permitted to receive rebates, incentives or other benefits relating to the Stream 3 Load under the Northern Industrial Electricity Rate (NIER) program.

8.3 Participation in other electricity incentive programs during the term of any IEI Stream 3 contract by Stream 3 participants will be at the discretion of the OPA.

9. Energy Management Plans

9.1 The OPA shall require all IEI Stream 3 participants to submit an energy management plan (EMP). Stream 3 applicants must include data on baseline electricity consumption in their EMP, but may also be required to provide baseline data to the OPA before the time they submit their EMP.

10. Audit

10.1 It is my expectation that the OPA will establish appropriate policies and procedures with respect to the administration of Stream 3, including ensuring that Stream 3 participants are subject to audit.

11. General

11.1 The November 2012 Direction shall not apply to Stream 3.

11.2 For greater clarity, references in this direction to Stream 3 participants shall include Stream 2-to-3 Participants in respect of their Stream 3 Load, unless the context otherwise requires.

11.3 This direction supplements and amends previous directions to the extent that a previous direction is inconsistent with the provisions of this direction. All other terms of any previous direction remain in full force and effect.

This direction takes effect on the date it is issued.

Sincerely,

Bob Chiarelli
Minister of Energy

cc. James D. Hinds, Chair, Ontario Power Authority
Serge Imbrogno, Deputy Minister, Ministry of Energy
Halyna Perun, Director, Legal Services Branch, Ministries of Energy and Infrastructure

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Ontario

APR 30 2014

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

Dear Mr. Andersen:

Re: Korean Consortium Phase 3 Projects

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

Background

On January 21, 2010, the Government of Ontario entered into a Green Energy Investment Agreement (GEIA) with Samsung C&T Corporation and the Korea Electric Power Corporation (collectively, the "Korean Consortium"). The GEIA provided for the development, construction and operation of wind and solar generation projects in Ontario in five phases.

In a direction dated April 1, 2010, the then Minister of Energy and Infrastructure directed the OPA to negotiate one or more power purchase agreements (PPAs) as appropriate with respect to each Phase with the Korean Consortium or the appropriate Project Companies.

The GEIA was amended on July 29, 2011. Further negotiations resulted in the Amended and Restated Green Energy Investment Agreement, which was executed on June 20, 2013 (ARGEIA). Under the ARGEIA, the development, construction and operation of wind and solar generation projects was limited to three phases.

Direction

Therefore, pursuant to my authority under section 25.32 of the Act, I hereby direct the OPA as follows:

1. PPA Negotiation and Execution

1.1. If a Project Company submits to the OPA:

i. Connection details with respect to mutually agreed Point(s) of Connection;
ii. Evidence of necessary Access Rights as specified in the FIT Rules for a Phase (or part thereof) satisfactory to the OPA;
iii. An application package which has been determined by the OPA to be complete in accordance with the OPA's standard application package requirements for the FIT Program; and
iv. A draft form of PPA which is in accordance with the requirements set out in Article 9.1 of the ARGEIA;

The OPA shall enter into a PPA with the Project Company for the procurement of the Electricity supply and capacity contemplated by such Phase (or part thereof).

1.2. The OPA shall deliver, within sixty (60) days of such conditions precedent given in section 1.1 being fulfilled, an executed PPA substantially in the form of the most recent version of the FIT Contract and FIT Rules in use by the OPA at such time that the OPA executes and delivers the PPA, with only such amendments as are required to give effect to the Economic Development Adder, to ensure compliance with the municipal council support resolution requirements set out in Section 9.2 of the ARGEIA and which contains only such additional changes as are required to address the Korean Consortium's commitments under the ARGEIA.

1.3. If, however, the OPA has not signed and delivered such PPA within such sixty (60) day period and the Korean Consortium has fulfilled the conditions precedent set out above to the satisfaction of the OPA, then for each day that the OPA delays in signing and delivering such PPA after such sixty (60) day period, the Milestone Date for Commercial Operation under that PPA (that is, the Targeted Commercial Operation Date of Phase 3, being December 31, 2016) shall be extended by one day.

1.4. For greater certainty, subject to any new versions or material changes to the FIT Program being introduced before the Project Company has fulfilled such conditions precedent and/or before the OPA has executed and delivered a signed PPA as contemplated above, it is intended that, for Phase 3, version 2.1.1 of the FIT Contract and FIT Rules will apply for the purpose of the Project Company's application and for the purpose of the form of PPA.

1.5. Each such PPA will provide that the price payable by the OPA for the Electricity supply and capacity subject to such agreement will be the aggregate of,

a) For wind, the price as specified in the then current Price Schedule; provided that for Phase 3 wind, the price will be the greater of: (i) 10.5 cents per kWh; and (ii) the price as specified in the then current Price Schedule; and
b) For solar, the price as specified in the then current Price Schedule; provided that for Phase 3 solar, the price will be the greater of: (i) 29.5 cents per kWh; and (ii) the price as specified in the then current Price Schedule.

(the "base prices") plus the Economic Development Adder, as applicable, and any other adder to which the Project Company would be entitled had it made application for a FIT Contract pursuant to the FIT Rules.

1.6. The OPA shall require, as an additional condition to obtaining Notice to Proceed under such PPA, that the Korean Consortium or the Project Company, for Phase 3, obtain municipal council support resolutions from each municipal council in which a generating facility which is the subject of a PPA has lands situated in, as required by the FIT Rules.

2. Solar Project in the City of Windsor

2.1. In recognition of the City of Windsor's support for the solar project and acknowledging that the City of Windsor has designated prime agricultural areas in their official plan, according to provincial policy, the OPA shall deem the Korean Consortium to have met any land use eligibility rules in the FIT Program that would otherwise restrict or prevent the Korean Consortium from siting a ground-mounted solar project in the City of Windsor.

3. General

3.1. This direction supplements and amends previous directions to the extent that a previous direction is inconsistent with the provisions of this direction. All other terms of any previous direction remain in full force and effect.

3.2. Capitalized terms not defined in this direction have the meaning given to them in the ARGEIA.

This direction takes effect on the date it is issued.

Sincerely,

Bob Chiarelli
Minister

c. James D. Hinds, Chair, Ontario Power Authority
Serge Imbrogno, Deputy Minister, Ministry of Energy

Halyna Perun, Director, Legal Services Branch, Ministries of Energy and Infrastructure

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Ontario

MAY 0 1 2014

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

Dear Mr. Andersen:

Re: Amending December 16, 2013 Direction Regarding Supply Agreement with Ontario Power Generation for the Conversion of Thunder Bay Generating Station

I write in my capacity as the Minister of Energy in order to exercise the statutory power of ministerial direction I have in respect of the Ontario Power Authority (OPA) under the *Electricity Act, 1998,* as amended (Act).

Background

As part of its effort to reduce greenhouse gases and air pollution, the Province of Ontario has phased out coal-fired electricity generation at Ontario Power Generation (OPG) generating stations and is increasing renewable energy generation. On December 16, 2013, I directed the OPA to negotiate and enter into a contract (Contract) with OPG for the procurement of electricity from advanced biomass from one converted unit at the Thunder Bay Generating Station (TBGS), subject to the parameters provided in that direction (December Direction).

In the December Direction, I directed the OPA to allow, under the Contract, for the recovery of OPG's actual annual operating costs of the converted unit for the term of the Contract (Annual Operating Costs), such recovery not to exceed $40 million per year (in 2013 dollars, subject to indexing on a commercially reasonable basis).

I now wish to give further direction to the OPA with respect to the recoverable Annual Operating Costs.

Direction

Therefore, pursuant to my authority under Section 25.32 of the Act, I hereby direct the OPA as follows:

Despite the December Direction, the Contract shall allow for the recovery of Annual Operating Costs which shall be deemed to be $30 million per year on average over the Contract term (for a total of $150 million) with no adjustment for inflation.

.../cont'd

This will allow for a reasonable recovery of OPG costs of the Advanced Biomass Unit for the term of the Contract.

This direction supplements and amends previous directions to the extent that a previous direction is inconsistent with the provisions of this direction. All other terms of any previous direction remain in full force and effect.

This amendment takes effect on the date it is issued.

Sincerely,

Bob Chiarelli
Minister of Energy

cc. James D. Hinds, Chair, Ontario Power Authority
Serge Imbrogno, Deputy Minister, Ministry of Energy
Halyna Perun, Director, Legal Services Branch, Ministries of Energy and Infrastructure

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2014 REGISTRATION FEES AND OPERATING EXPENSE: DISCUSSION OF VARIANCES ON AN ORGANIZATIONAL LEVEL

The OPA's 2014 operating budget is developed taking into consideration continued progress of 2013 activities, in combination with a prioritized list of new initiatives planned for 2014. The combined funding and resource requirements resulted in a $60.3 million operating budget for 2014. The evidence provided in this exhibit includes a discussion of OPA registration fees, a detailed explanation of the variances between the 2014 budget and the 2011 Board-approved budget, as well as the variances between the 2014 budget and 2013 actual spending in operating expenses at an organization level. An explanation of variances by goal is provided in Exhibit D-2-2.

1.0 REGISTRATION FEES

The 2014 revenue requirement is forecast to be $60.3 million, or $19.5 million lower than the total 2011 revenue requirement of $79.9 million. In 2014, the OPA proposes to not include the registration fees and other income in the usage fee calculation due to the uncertainty associated with registration income experienced in the past few years, as evidenced by the reimbursement of Feed-in Tariff ("FIT") registration fees in 2012 and 2013. Registration fees will not be recognized until the associated procurement processes have been completed. The OPA is seeking approval from the Board to record any balances associated with registration fees throughout 2014 in its proposed Registration Fees Deferral Account, as discussed at Exhibit D-3-1, and to clear any balances in a manner consistent with the methodology described in Exhibit D-3-2 for the Forecast Variance Deferral Account.

By EB-2011-0339, Interim Fees Order dated December 22, 2011, the OPA received Board approval to continue to charge registration fees as follows:

- registration fees of up to $10,000 per proposal for electricity supply and capacity procurements; and

- non-refundable application fees for the Feed-in-Tariff program of $0.50/kW of proposed Contract Capacity, having a minimum of $500 and to a maximum of $5,000.

The OPA has the responsibility to undertake a number of electricity procurements in 2014, for which the OPA will be charging registration fees of up to $10,000. These include:

- Hydro Electric Standard Offer Program – Municipal Stream
- Hydro Electric Standard Offer Program – Expansion Stream
- Energy Storage
- Industrial Electricity Incentive
- Unconstructed Rooftop Solar Pilot
- Combined Heat and Power Standard Offer Program 2.0

In addition to those procurements for which registration fees of up to $10,000 per proposal would be charged, the OPA is currently developing its Large Renewable Procurement ("LRP") program, as described at Exhibit B-3-1, page 6. For this procurement the OPA proposes to charge an LRP Request for Qualifications ("RFQ") submission fee.[1] The proposed LRP RFQ submission fee does not fall within the approved registration fees structure and, as a result, the OPA is seeking approval of the fee as outlined below. Additionally, as the RFQ is expected to be finalized by July 2014, the OPA is seeking interim approval of the proposed LRP RFQ submission fee until such a time as the Board issues a final decision.

The proposed RFQ submission fee is the sum of:

1. The greater of: (a) $2,000 for the first (or only, if only one renewable fuel is proposed) proposed renewable fuel submitted; or (b) $1.00 per kW of estimated contract capacity for all large renewable project(s) to a maximum amount of $30,000; plus
2. $2,000 for each additional renewable fuel proposed; plus
3. GST[2] on the total of (a) and (b) above.

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[1] Fees that the OPA charges at various stages in procurement processes are sometimes referred to as "application" fees or "submission" fees. These are to mean the same as the registration fees for procurements.

[2] For clarification GST is used in this case as the technically correct term according to the Excise Tax Act (R.S.C., 1985, c. E-15) - PART IX GOODS AND SERVICES TAX, and means the same as HST for Ontario.

The LRP RFQ submission fee would be a mandatory charge to all applicants, and each applicant would be permitted to make only one submission that would include and encompass all of their proposed projects for the LRP. The use of registration fees is common in other jurisdictions running competitive processes for the procurement of electricity generation, and serves as a tool to focus OPA resources on applicants who are committed to the procurement process.

As part of the development for the proposed LRP RFQ submission fee the OPA established an engagement process which was open to all interested parties. The engagement process took place between January 15 and April 21, 2014 and included:

- regional sessions in Chatham-Kent, Orillia, Sudbury and Napanee;
- First Nation sessions in Chatham-Kent, Sudbury, and Toronto;
- a presentation to the OPA Stakeholder Advisory Committee;
- in person meetings with stakeholders, industry associations, project developers, First Nation and Métis Communities, Co-op groups, and AMO; and
- intergovernmental meetings, and public webinars.

This engagement process resulted in a number of stakeholders requesting that the LRP RFQ submission fee be increased from the $10,000 maximum in the current Board-approved fees, in order to discourage applications from non-committed parties. The OPA considered this stakeholder feedback, and determined that an increased fee as proposed above was reasonable and appropriate for the LRP RFQ process.

The OPA charges registration fees to assist in covering a portion of the costs associated with processing and reviewing submissions. These costs are expected to be higher for the LRP than when reviewing a standard offer application (e.g. the FIT program), as the non-standard nature of the submissions adds complexity and may require the assistance of external consultants for a portion of the review. Therefore, the OPA believes that a higher registration fee is also appropriate for this reason.

The OPA does not expect the higher LRP RFQ submission fee to act as a barrier to smaller LRP projects, as under the proposed fee the cost to a project of 10 MW or less will not exceed the maximum $10,000 applicants would be required to pay under the OPA's currently approved registration fees. The proposed LRP RFQ submission fee structure will therefore continue to enable applications from smaller project portfolios, while still setting more suitable requirements for larger-scale applications.

2.0 OPERATING EXPENSES

The OPA's 2014 operating budget is $3,767 thousand lower than the 2011 budget. The 2014 operating budget is $176 thousand higher than the 2013 actual spending.

Presented below is a variance analysis by expense category that highlights the OPA`s activities that have contributed to the decrease in the operating budget.

Variances by Expense Category

Table 1 compares the 2014 budget to the 2011 budget and to the 2013 actual spending by major expense category:

Table 1
Operating Expense by Major Category
2014 vs. 2011 and 2014 vs. 2013
($'000)

	2011 Budget Board-approved	2014 Budget	2011 - 2014 Variance	2013 Actual	2013 - 2014 Variance
Compensation & Benefits	30,964	30,967	3	33,545	(2,578)
Professional & Consulting Fees	16,369	16,959	590	12,453	4,506
Conservation/Technology Funds	3,866	311	(3,555)	405	(94)
Operating & Administration Expenses	12,908	12,103	(805)	13,761	(1,658)
Total Operating Costs	**64,107**	**60,340**	**(3,767)**	**60,164**	**176**

Compensation and Benefits

Table 2 shows the details of the OPA's Compensation and Benefits expenses.

Table 2
Compensation and Benefits
2014 vs. 2011 and 2014 vs. 2013
($'000)

	2011 Budget Board-approved	2014 Budget	2011 - 2014 Variance	2013 Actual	2013 - 2014 Variance
Salaries	26,081	25,693	(388)	28,400	(2,291)
Pension and Benefits	4,463	4,724	261	4,803	(79)
Board of Directors Remuneration	420	550	130	342	(208)
Total	**30,964**	**30,967**	**3**	**33,545**	**(2,578)**

2014 Budget vs. 2011 Board-Approved Budget

The 2014 Compensation and Benefits budget, as shown in Table 2, is essentially flat compared to the 2011 budget.

2014 Budget vs. 2013 Actual

The 2014 Compensation and Benefits budget, as shown in Table 2, is $2,578 thousand lower as compared to the 2013 actual spending. This reflects the OPA`s continued commitment to comply with the government's goal to restrain staffing levels while the OPA is cost effectively operating with an expanded mandate and an increased volume and complexity of work.

- OPA headcount in 2014 will be reduced from 2013 levels, declining from a total of 267 to 260 Full Time Equivalents ("FTEs"). This reduction will be achieved through a combination of headcount decreases, and administrative and process efficiencies. Nevertheless, reducing headcount while implementing program priorities and an expanding mandate and volume and complexity of work is challenging, and may result in impacts to the OPA's service and delivery levels.

- The OPA has been successfully delivering work on 15 government directives issued since November 2012 while continuing to manage its resources in a prudent manner.

Staffing

As shown in Table 3, the OPA's 2014 employee staff level of 260 regular and temporary employees is an increase of 7 FTEs from the 2011 Board-approved budgeted staff level of 253. This is a reduction of 7 FTEs compared to the OPA's 2013 actual staffing level. A detailed description of the OPA's workforce hiring practices, and variances in headcount between the OPA's 2011 Board-approved budget and 2013 actuals is presented in Exhibit C-2-1.

Table 3

	Regular FTE	2011 Budget Board-approved	2014 Budget	2014 vs 2011	2013 Actual	2014 vs 2013
GOAL 1	CONSERVATION	68	59	(9)	56	3
GOAL 2	POWER SYSTEM PLANNING	39	35	(4)	34	1
GOAL 3	ELECTRICITY RESOURCES	47	61	14	53	8
GOAL 4	CEO, BUSINESS STRATEGIES & SOLUTIONS, LEGAL ABORIGINAL & REGULATORY AFFAIRS	61	60	(1)	58	2
GOAL 5	COMMUNICATIONS	21	21	0	19	2
	Total OPA - Regular	235	236	1	219	17

	Temporary FTE	2011 Budget Board-approved	2014 Budget	2014 vs 2011	2013 Actual	2014 vs 2013
GOAL 1	CONSERVATION	1	-	(1)	2	(2)
GOAL 2	POWER SYSTEM PLANNING	3	1	(2)	1	0
GOAL 3	ELECTRICITY RESOURCES	8	20	12	36	(16)
GOAL 4	CEO, BUSINESS STRATEGIES & SOLUTIONS, LEGAL ABORIGINAL & REGULATORY AFFAIRS	4	3	(1)	9	(6)
GOAL 5	COMMUNICATIONS	2	-	(2)	0	(0)
	Total OPA - Temp	18	24	6	48	(24)

	Total OPA - All FTE	253	260	7	267	(7)

Note: all staff levels represent average annual Full Time Equivalents, totals may not add due to rounding

Professional and Consulting Expenses

Table 4 shows the details of Professional and Consulting Expenses by type.

Table 4
Professional and Consulting Expenses
2014 vs. 2011 and 2014 vs. 2013
($'000)

	2011 Budget Board-approved	2014 Budget	2011 - 2014 Variance	2013 Actual	2013 - 2014 Variance
Audit	405	567	162	398	169
Legal	4,451	4,732	281	5,163	(431)
Stakeholder	2,612	607	(2,005)	131	366
Other	8,901	11,053	2,152	6,761	4,402
Total	**16,369**	**16,959**	**590**	**12,453**	**4,506**

2014 Budget vs. 2011 Board-Approved Budget

The Professional and Consulting budget is $590 thousand higher in 2014 than the 2011 budget.

- Audit expenses are $162 thousand higher in 2014 primarily due to the addition of a third-party audit management function to support the internal audit management program.

- Legal expenses are $281 thousand higher primarily due to increased legal support for Electricity Resources matters such as increased volume of contract negotiations, and an increasing volume of requests under the Freedom of Information and Protection of Privacy Act.

- Stakeholder engagement expenses are $2,005 thousand lower. This variance primarily relates to the amounts that were included in the 2011 budget for IPSP II. These savings are partially offset by the establishment of the Stakeholder Advisory Committee in late 2013.

- Other Professional and Consulting expenses are $2,152 thousand higher in 2014 mainly due to increased technical consulting expenses in the Electricity Resources and Business Strategies and Solutions budgets. The increase in the Electricity Resources division is due to an increase in activities related to contract negotiations, program design, program launch, program review and technical advisory services in the following projects, among others:

    - Bruce Power Nuclear Generating Station
    - Large Renewable Procurement Program
    - Community Energy Partnerships Program
    - Hydroelectric Standard Offer Program

  The increase in the Business Strategies and Solutions division is primarily due to the maintenance of business applications that support Conservation and Electricity Resources programs such as FIT and microFIT, Contract Life-cycle Management system, Customer Relationship Management system for industrial and business sectors, and the Conservation Data Management system, as well as database and infrastructure support required for these applications. This increase is also due to the reclassification of 2014 budgeted spending amounts on employee engagement and professional development from Operating & Administration to Professional & Consulting which more accurately reflects the nature of these costs.

2014 Budget vs. 2013 Actual

The Professional & Consulting budget is $4,506 thousand higher in 2014 than the 2013 actual spending. This is primarily due to the variance in the Other Professional and Consulting expenses related to:

- Increase in the Electricity Resources activities related to contract negotiations, program design, program launch, program review and technical advisory services.

- Increase in Power System Planning expenses related to an increase in planning initiatives such as: integrated regional resource planning, the planning/siting continuum to enhance community and public engagement, and increased electricity awareness and reporting on LTEP progress and transmission planning.

- Increase in Conservation expenses to support the development of the next generation of conservation programs.

- Increase in support function (Communications; Business Strategies & Solutions; and Legal, Aboriginal, and Regulatory Affairs) expenses due to an increase in services required to support Conservation and Electricity Resources programs, and corporate communication in regional planning and social media activities.

Conservation Funds

The 2014 Conservation Funds budget represents the sum of estimated payments for grants awarded in 2010 and prior, as illustrated in Table 5.

Table 5
Conservation Funds
2014 vs. 2011 and 2014 vs. 2013
($'000)

	2011 Budget Board-approved	2014 Budget	2011 - 2014 Variance	2013 Actual	2013 - 2014 Variance
Conservation Funds	3,866	311	(3,555)	405	(94)

The decrease in Conservation Funds is due to a change in recovery of these expenses. While the OPA will continue to provide financial support to LDCs and other entities in support of innovative conservation and demand management programs and pre-commercial energy efficiency technologies, pursuant to the April 23, 2010 directive, new grants under the Conservation Fund are being recovered through the OPA's program spending.

Operating and Administration Expenses

Operating and Administration expenses represent all other costs related to operations support. The 2014 budget is $12,103 thousand, as shown in Table 6:

Table 6
Operating and Administration Expense Category
2014 vs. 2011 and 2014 vs. 2013
($'000)

	2011 Budget Board-approved	2014 Budget	2011 - 2014 Variance	2013 Actual	2013 - 2014 Variance
Operating and Administration Expense	12,908	12,103	(805)	13,761	(1,658)

2014 Budget vs. 2011 Board-Approved Budget

The decrease of $805 thousand in the 2014 budget from the 2011 budget in Operating & Administration expenses is due to the following:

- Amounts included in 2011 for IPSP II related activities, not included in 2014.
- Reclassification of 2014 budgeted spending amounts on employee engagement and professional development from Operating & Administration, to Professional & Consulting which more accurately reflects the nature of these costs.
- Reduced corporate partnerships related to corporate marketing.
- Reduced travel expenses related to conservation business development and First Nations and Métis engagement activities.

These decreases are offset by an increase in amortization expenses as a result of prior years' increased capital investment in information technology software and hardware for the Conservation data management system and the FIT and microFIT program systems; increased regional planning meeting and event expenses; and increased business application hosting services.

2014 Budget vs. 2013 Actual

The Operating and Administration expense budget is $1,658 thousand lower in 2014 as compared to 2013 actual spending primarily due to reduced corporate partnerships and reduced amortization expenses due to some assets reaching the end of useful life.

Interest

The OPA receives and incurs interest revenue and expense through the course of carrying out its operations. In 2014, the OPA is projecting net zero impact in interest.

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DEFERRAL AND VARIANCE ACCOUNTS

The *Electricity Act, 1998* (“Act”) and O. Reg. 431/04, amended by O. Reg. 475/05, place specific financial obligations on the OPA for non-controllable items that must be dealt with through the revenue requirement submission, which are as follows:

Government Procurement Costs – reimbursing the government for services provided or costs related to procurement activities; and

Retailer Settlements – making or receiving payments to or from retailers for contracts with low-volume and designated customers; and receiving payments related to retailer discounts.

The evidence in this exhibit will provide a detailed discussion on each of these non-controllable transactions regarding the deferral accounts and balances recorded to date. Also discussed is the OPA’s proposed disposition of the balances of these accounts, and a request for the establishment of a new deferral account to track balances associated with registration fees collected throughout fiscal year 2014.

Government Procurement Costs

Pursuant to the Ontario Energy Board’s (“Board”) Order in EB-2009-0346, the Board approved the OPA’s continuation of its Government Procurement Costs Deferral Account (“GPCDA”) to record government transfer costs associated with section 25.18 of the Act. There have been no invoices issued by the Ministry to the OPA from 2011 to 2013; therefore, the OPA is not proposing to recover any balance from this account in 2014. While the OPA does not currently anticipate that invoices will be issued by the Ministry in 2014, the OPA requests the establishment of a 2014 GPCDA in order to be able to record any unanticipated amounts that may arise during the course of the year.

Retailer Settlements

The Act has two types of retailer payments that relate to the OPA, specifically:

- Retailer Contract Settlements – the payments/receipts related to the settlement of certain retailer contracts that were in effect on November 11, 2002; and
- Retailer Discount Settlements – the payments of discounts, rebates and allowances that relate to a period commencing after December 31, 2004.

Retailer Contract Settlements

Sections 25.34 (1) and (2) of the Act required the OPA to make payments to retailers with respect to certain contracts with low-volume and designated consumers.

These legislative provisions ensured that retailers would be held whole by the OPA for contracts with low-volume and designated consumers, entered into before prices were frozen by legislation in 2002. To ensure that the retailers receive the same amounts that they would have received under those contracts, the OPA and the retailer settle any differences between the Hourly Ontario Electricity Prices (HOEP) and the contract price. The settlement of these retail contracts is carried out on a monthly basis.

The Board has approved Retail Contract Settlement Deferral Accounts ("RCSDA") for 2005, 2006, 2007, 2008, 2009, 2010 and 2011 through its decisions in EB-2005-0489, EB-2006-233, EB-2007-0791, EB-2008-0321, EB-2009-0347 and EB-2010-0279. In EB-2008-0321, the Board approved the OPA's proposal to begin amortizing the outstanding cumulative balance in these accounts over three years, starting in 2009.

The OPA completed its amortization of the RCSDA during 2011 in accordance with the ruling in EB-2009-0347. As a result, the December 31, 2013 balance is nil.

Retailer Discount Settlements

On August 18, 2005, O. Reg. 431/04 was amended by O. Reg. 475/05 to provide for the payment from retailers to the OPA of any discounts or allowances required to be paid to regulated consumers under certain circumstances. These amounts are contained in the Retail Discount Settlement Deferral Account ("RDSDA"), as approved by the Board in EB-2005-0489, EB-2006-233, EB-2007-0791, EB-2008-0321, EB-2009-0347 and EB-2010-0279. These balances were also approved for recovery in EB-2008-0321. The OPA completed its amortization of the RDSDA during 2011 in accordance with the ruling in EB-2009-0347. As a result, the December 31, 2013 balance is nil.

As the OPA completed its recovery of the retailer settlement and retailer discount balances in 2011, the amount requested for disposition in 2014 is nil. The ending balances for the retailer settlement and retailer discount balances reflect this recovery and are shown in Table 1. The OPA does not expect any amounts to flow into either of these accounts on a go-forward basis, and therefore is not requesting a 2014 RCSDA or 2014 RDSDA.

Table 1
Retailer Contract Settlement Deferral Accounts 'RCSDA'
($ 000)

	Principle & Interest	Principle	Interest	Principle & Interest	Principle & Interest
	Balance	Retailer Settlement (IESO Invoice)	Allocation	Amortization	Balance
	30-Sep-08	Oct/08 - Dec/11	Oct/08 - Dec/11	Oct/08 - Dec/11	31-Dec-13
2005 Retailer Contract Settlement	(38,943)	0	472	38,471	0
2006 Retailer Contract Settlement	51,450	0	(406)	(51,044)	0
2007 Retailer Contract Settlement	35,436	0	7	(35,443)	0
2008 Retailer Contract Settlement	(1,082)	807	(3)	278	0
2009 Retailer Contract Settlement	0	374	12	(386)	0
2010 Retailer Contract Settlement	0	358	3	(361)	0
2011 Retailer Contract Settlement	0	(1,515)	(11)	1,526	0
	46,861	**24**	**74**	**(46,959)**	**0**
Retailer Discount Settlement	(4,811)	0	(22)	4,833	0
Total Retailer Settlement	**42,050**	**24**	**52**	**(42,126)**	**0**

2014 Registration Fees Deferral Account

In 2014, the OPA proposes to not include registration fees and other income in the usage fee calculation due to the uncertainty associated with registration income experienced in the past few years, as evidenced by the reimbursement of Feed-in Tariff (“FIT”) registration fees in 2012 and 2013. In order to record balances associated with registration fees paid to the OPA throughout 2014, the OPA requests the establishment of a 2014 Registration Fees Deferral Account (“RFDA”). If granted, the OPA will recognize registration fees and record any balances in the RFDA once the associated procurement processes have been completed. The OPA proposes to clear any balances in the RFDA in a manner consistent with the methodology described in Exhibit D-3-2 for the Forecast Variance Deferral Account.