

Minister of Energy

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AUG 18 2005

Mr. Howard I. Wetston, QC
Chair, Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, Suite 2600
Toronto, Ontario
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Mr. Jan Carr
Chief Executive Officer
Ontario Power Authority
606-175 Bloor Street West
North Tower
Toronto, Ontario
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Dear Mr. Wetston and Mr. Carr:

I am requesting that the Ontario Energy Board and the Ontario Power Authority cooperate in developing the terms and conditions for a standard offer program for small generators embedded in the distribution system that use clean or renewable resources.

While very successful, the Ministry of Energy's procurement processes for renewable energy sources, RES I, RES II and RES III, present a number of barriers that smaller generation proponents are unable to overcome:

- financial security requirements;
- complexity of the contracting process;
- the high cost of proposal development relative to larger project proponents; and,
- overall administrative burden of the competitive RFP process.

The Ministry of Energy commissioned the Ontario Sustainable Energy Association to report on how to overcome the barriers to participating in Ontario's electricity supply sector for small renewable generators. This report was recently made public and provides useful background information to consider in developing a Standard Offer Program. I also am aware that the Ontario Power Authority's recent stakeholder

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consultation process for generation procurement identified similar barriers for proponents of smaller projects.

Therefore, I request that the Ontario Energy Board and the Ontario Power Authority work together to address the barriers to small generators through a standard offer program. This program should reflect the costs and benefits of renewable energy as well as the government's stated objectives with respect to renewable energy. The Ontario Energy Board, in accordance with its authority over connection policies and delivery obligations of distributors, will focus on the necessary changes to codes and connection requirements, and on ensuring non-discriminatory access to the electricity system. The Ontario Power Authority, in accordance with its authority to procure electricity supply and capacity, will investigate the appropriate price and eligibility requirements for projects to qualify for the standard offer program.

Further, it is my expectation that the agencies in carrying out this work will build on the consultations undertaken by the Ontario Sustainable Energy Association and consult with relevant industry participants, including Ontario's farming community to gather the appropriate perspectives needed to successfully implement a standard offer program.

Please begin this work immediately and report to me by the end of 2005 on your findings, recommendations and proposed implementation plan.

Sincerely,

A handwritten signature in black ink, appearing to read "Dwight Duncan". The signature is fluid and cursive, with a prominent initial "D".

Dwight Duncan
Minister