

Ministry of Energy

Ministère de l'Énergie

Office of the Minister

Bureau du ministre

4th Floor, Hearst Block
900 Bay Street
Toronto ON M7A 2E1
Tel.: 416-327-6758
Fax: 416-327-6754

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



MAR 08 2011

MC-2010-5008

RECEIVED

MAR 08 2011

**OFFICE OF THE
CHAIR**

The Honourable Jake Epp
Chair
Ontario Power Generation
1900-700 University Avenue
Toronto ON M5G 1X6

Dear Mr. Epp

I am writing in regards to the government's recently released Long-Term Energy Plan (LTEP) as it relates to Ontario Power Generation.

Atikokan Generating Station Biomass Conversion

On August 26th, 2010, I directed the Ontario Power Authority to negotiate an "Atikokan Biomass Energy Supply Agreement" (ABESA) with OPG for the output from the Atikokan Generating Station once it has been converted from coal to biomass. I stated that the conclusion of the ABESA was contingent on a direction to OPG overriding paragraph A5 of the Memorandum of Agreement between the Crown and OPG dated August 17, 2005. This paragraph precludes OPG from pursuing any non-hydroelectric renewable generation projects.

The LTEP restated the government's desire to have the Atikokan Generating Station operating on biomass by the end of 2013. I would like this letter to serve as sufficient direction to OPG to enter into the agreements necessary to achieve this goal.

Thunder Bay Generating Station Natural Gas Conversion

As stated in the LTEP, the government would like both units at the Thunder Bay Generating Station converted from coal to natural gas by the end of 2014. Due to the lead times involved in natural gas conversion, I would request that OPG continue with definition phase work on the construction of the required natural gas infrastructure in advance of any directive on a revenue agreement for the output from the plant. This would include proceeding with the public environmental assessment on the pipeline.

I expect that OPG will work with the IESO to manage outages at the northwest thermal stations to ensure that system reliability is maintained while adhering to the schedules specified in this letter.

.../cont'd

Nanticoke Generating Station Unit Closure

The LTEP also stated that Ontario will shut down two additional units at Nanticoke Generating Station before the end of 2011 as part of the government's continuing coal phase out strategy. I would like OPG to develop and implement a plan to place these units on stand-by in fall 2011 and have them shut down entirely by the end of 2011. Again, I expect that OPG will work closely with the IESO to manage the timing of these closures.

Nanticoke and Lambton Natural Gas Pipelines

Although the government has not yet made any decisions on the future of either the Lambton or Nanticoke Generating Stations after coal phase out, I would like OPG to continue with planning work on natural gas conversion in the event that converted station(s) are required for system reliability. This will include public consultations regarding pipeline routing and environmental reviews.

Refurbishment at the Darlington Nuclear Generating Station

The government is committed to continuing to use nuclear power to supply about 50 per cent of Ontario's energy supply. Achieving this goal will require the refurbishment of all existing units at OPG's Darlington Nuclear Generating Station. This refurbishment is key to the government's plan for modernizing the existing nuclear fleet. To this end, I encourage OPG to efficiently manage the refurbishment process in a transparent and cost-effective manner.

New Nuclear Construction

The LTEP restated the government's intention to construct about 2,000 MW of new nuclear power at the Darlington site. Due to the lead times involved in nuclear procurement and construction it is essential for OPG to continue with the environmental assessment and site licensing process currently underway to ensure that we are ready to construct the new units following selection of a preferred vendor.

I look forward to working closely with OPG as we phase out coal generation in Ontario, re-power some existing generating assets with clean fuels, and expand our supply of safe and reliable nuclear power. Thank you for your attention to these matters.

Sincerely,



Brad Duguid
Minister