

Ministry of Energy

Office of the Minister

77 Grenville Street, 10th Floor
Toronto ON M7A 2C1
Tel.: 416-327-6758

Ministère de l'Énergie

Bureau du ministre

77, rue Grenville, 10^e étage
Toronto ON M7A 2C1
Tél. : 416-327-6758



MC-994-2023-778

Mr. David Lebeter
President and Chief Executive Officer
Hydro One Networks Inc.
483 Bay St Tower, 8th Floor
Toronto ON M5G 1P5

Re: Supporting Critical Transmission Infrastructure in Northeast and Eastern Ontario

Dear David,

As you know, electricity demand in northeast and eastern Ontario is projected to grow rapidly over the next decade due to community growth, electrification initiatives and economic development, including advanced manufacturing, Algoma Steel's conversion to electric arc furnaces, and mining for critical minerals. As we have outlined in our *Powering Ontario's Growth* plan (July 2023), expanding the transmission system is critical to maintaining Ontario's clean energy advantage.

I am writing to inform you that under the authority of section 96.1(1) of the *Ontario Energy Board Act*, 1998, the Lieutenant Governor in Council has made an order declaring the construction, expansion or reinforcement of three transmission lines in northeast and eastern Ontario as priorities. Furthermore, under the authority of section 28.6.1 of the *Ontario Energy Board Act*, 1998, I have, with the approval of the Lieutenant Governor in Council, directed the Ontario Energy Board (OEB) to amend the conditions of Hydro One Networks Inc.'s (Hydro One) licence to require it to develop and seek all necessary approvals for these three priority projects. These Orders-in-Council and the accompanying Directive, which are now effective, and are attached to this letter. These actions, taken together, should focus and streamline approval processes at the OEB and provide regulatory clarity to Hydro One to initiate development work and advance Indigenous participation in these projects.

It is my expectation that Hydro One move forward expeditiously to develop and seek approvals for these projects, to advance rights-based consultation and finalize equity partnerships or other economic participation arrangements with potentially impacted Indigenous communities, respecting their unique protocols and interests.

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The Crown has a constitutional duty to consult and, where appropriate, accommodate Indigenous communities when the Crown contemplates conduct that might adversely impact established or credibly asserted Aboriginal or treaty rights. The Crown is responsible for fulfilling the substantive aspects of consultation and retaining oversight over the consultation process regarding these transmission lines. It is the Ministry of Energy's intention to delegate the procedural aspects of consultation relating to the transmission lines in question to Hydro One. Detailed information on the Ministry's expectations of Hydro One in this regard will be provided when the Crown formally delegates the procedural aspects of consultation to Hydro One.

Many Indigenous communities have provided their initial input on these three transmission lines through early consultation and engagement with the Ministry of Energy on its proposal to prioritize and designate Hydro One as the transmitter for the lines. It will be important to demonstrate that community feedback is heard and considered thoughtfully as these projects proceed with development, as part of Ontario's overarching commitment toward reconciliation. Routing for the lines will be of particular interest to Indigenous communities when considering any potential impacts to their Aboriginal and/or treaty rights. Indigenous communities have also highlighted their need for sufficient, flexible, and ongoing capacity funding to support their participation in the consultation processes for these projects. Ensuring that any identified impacts to rights are mitigated and accommodated, as appropriate, and that Indigenous communities are supported with adequate resources will be critical to supporting the timely and successful development of these critical transmission lines.

Ontario is committed to building and supporting partnerships with Indigenous communities through the development of these critical transmission projects, which present a significant opportunity to advance economic reconciliation. I am pleased that Hydro One has a similar commitment to partnerships through its First Nation Equity Partnership Model for large, new transmission projects, and I expect Hydro One to also work with any impacted Métis communities to understand their unique interests and to support opportunities for their economic participation.

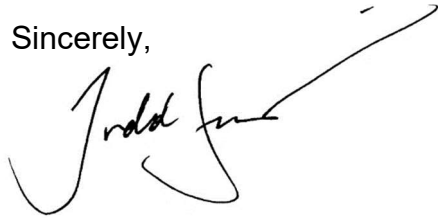
It is also important that Hydro One works closely with municipalities and other impacted stakeholders, including landowners, as it moves forward to develop these projects. Their input should be thoughtfully considered as Hydro One determines the appropriate routing for these projects and other ways the projects can minimize impact to residents, local ecosystems, and businesses.

Lastly, while the designation of Hydro One as the transmitter for these projects and declaration of certain projects as priorities supports our government's objectives for the timely development of transmission infrastructure, it is critical that these projects are delivered cost-effectively for ratepayers. To this end, I ask that Hydro One provide comprehensive and transparent reporting to the OEB in accordance with the OEB's requirements, including with respect to the budget, timing, and project risks as set out under the attached Directive to the OEB.

Furthermore, where it should be in the best interest to do so, Hydro One should consider implementing competitive procurements, when feasible.

I trust that this letter provides clarity regarding my expectations as Hydro One contributes to the expansion of Ontario's transmission system. The Ministry of Energy will work closely with Hydro One, potentially impacted Indigenous communities and stakeholders to help ensure these expectations are met as these critical projects move forward.

Sincerely,

A handwritten signature in black ink, appearing to read "Todd Smith". The signature is fluid and cursive, with a long, sweeping horizontal stroke extending to the right.

Todd Smith
Minister

c:

Jason Fitzsimmons, Deputy Minister, Ministry of Energy
Susanna Zagar, Chief Executive Officer, Ontario Energy Board
Lesley Gallinger, President and Chief Executive Officer, Independent Electricity System Operator