

December 15, 2023

The Honourable Todd Smith
Ministry of Energy
10th Floor
77 Grenville Ave.
Toronto, ON M7A 2C1

Re: ERO #019-7853 - Ontario Regulation 429/04 Amendments Related to the Treatment of Corporate Power Purchase Agreements

Dear Minister Smith,

Thank you for the opportunity to provide feedback to the Environmental Registry of Ontario's (ERO) proposed amendments related to the treatment of corporate power purchase agreements (PPA).

As Ontario's largest clean energy generator with one of the world's most diverse and clean electricity portfolios, OPG is an innovative leader in the development of emerging technologies of advanced nuclear, hydrogen, and energy storage. Our vision is to always improve, add new voices, and find newer, better ways of generating clean power that move us closer to realizing our vision for an electrified Ontario. OPG creates clean, reliable, safe, and low-cost power as the core of our business and the future of our economy.

While OPG understands the need to accelerate the growth of new clean electricity generation in the province by allowing for corporate PPAs, the following recommendations to the proposed regulatory changes would support the build out of new clean electricity, minimize the risks to electricity consumers, and ensure municipal support for new projects.

Impact to Other Customers

The proposal does not contemplate the potential impact to other electricity consumers in Ontario. There is a real risk that enabling corporate PPAs without the appropriate framework will lead to increases in Global Adjustment (GA) charges that the remaining Class A and Class B customers would need to bear should the proposal receive approval. For example, if existing lower cost generation which has been paid for by Ontario ratepayers is transferred to corporate PPAs, costs will increase for the remaining customers as they take a greater share of the GA costs.

Recommendation: Include a separate mechanism to offset cost increases to ineligible customers.

Resource Eligibility

To determine the potential impact to the system and ratepayers, it is important to determine which types of clean technologies will be eligible under the amendment. The proposal may include "wind, solar, small hydroelectric (i.e., less than 10 megawatts), biofuel and battery storage". However, it is not clear whether this includes only new incremental generation or if existing generation with expiring contracts will be eligible. Allowing existing generation to participate could result in higher GA costs for Class A and B customers by shifting lower cost

expiring contracts to PPAs. Additionally, allowing existing generation to participate does not support the growth of new clean generation in the province.

Recommendation: Only new incremental generation should be eligible or existing generation that was not awarded a contract through an IESO procurement.

The proposal would benefit from flexibility and optionality through a “hybrid” corporate PPA structure to keep up with the pace and volume of the required supply build out for Ontario. This would allow for new generation to be reimbursed partly through corporate PPAs and partly through other mechanisms, such as the IESO capacity market or IESO contracts.

Recommendation: Eligible renewable generation be permitted to enter into a corporate PPA and a separate revenue mechanism for the remaining capacity (IESO contract or rate regulation).

Small nuclear provides new, non-emitting, reliable electricity at scale that could offer significant benefit for proponents in offsetting their facility’s demand in the top five peak hours under the Industrial Conservation Initiative (ICI) due to its high capacity factor.

Recommendation: Extend eligible technology to all non-emitting generation, this would include small modular reactors (SMRs) and micro modular reactors (MMRs).

Community Engagement & Municipal Support

Community engagement and municipal support play pivotal roles in the energy transition, fostering a collaborative approach that is essential for building a sustainable future. Engaging local communities ensures that the diverse needs and perspectives of residents and indigenous communities are considered, allowing for input and empowerment. The current Independent Electricity System Operator (IESO) resource procurements require proponents to obtain a Municipal Council Support Resolution if the proposed project is to be located on land under municipal jurisdiction, and Indigenous Community Support Resolution if the proposed project is to be located “on-reserve”.

Recommendation: Require Municipal Council Support Resolutions and Indigenous Community Support Resolution for PPAs with new renewable generation facilities.

OPG looks forward to positive progress to advance this opportunity, as a key lever in the energy transition. We will be reaching out to set-up a meeting to discuss the above recommendations at a time that best suits your office.

Sincerely,



Kim Lauritsen
Senior Vice President, Enterprise Strategy & Energy Markets