



Mathew Peltier
Ministry of Energy, Energy Supply Policy Division
7th floor, 77 Grenville Street
Toronto, ON
M7A 2C1
Canada

December 17, 2023

RE: O. Reg. 429/04 Amendments Related to the Treatment of Corporate Power Purchase Agreements

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Dear Mr. Peltier,

Red Jar Energy Partners is pleased to submit feedback for the consideration of the Ministry of Energy as it considers amendments to O. Reg. 429/04 to enable Corporate Power Purchase Agreements (CPPAs) in Ontario.

Red Jar Energy Partners is an investment firm focused on developing businesses and opportunities in and around the Power and Renewable Energy sectors. Red Jar Energy Partners is comprised of a team of professionals that brings together a deep understanding of the power and energy market landscape, regulatory frameworks and financing structures. We develop key energy projects that help deliver a more sustainable and resilient grid.

The introduction of CPPA's in Ontario comes at a pivotal time for the province. We are witnessing unparalleled change in the energy sector, driven by decarbonization policy, retirement of major energy assets, and increasing demand for electricity driven by economic growth and electrification. To meet these electricity needs, the province must consider multiple pathways – from procurements to regulated assets or market signals, *and* CPPA's. CPPA's are proven tools used in other jurisdictions to meet electricity system needs and corporate environmental responsibility targets.

Like other jurisdictions, Ontario wholesale energy prices (i.e., Hourly Ontario Energy Price (HOEP) may be higher in the future. CPPA's can be an important mechanism for customers to hedge for potentially higher energy prices, while at the same time securing clean energy arrangements for their operations to meet corporate Environmental, Social, and Governance (ESG) mandates. While Ontario's market structure currently enables bilateral energy agreements between loads and suppliers, with the existing regulatory framework for Global Adjustment (GA), customers that secure their own supply would unfortunately still be responsible for large GA payments. These large GA payments, which are not reflective of customer impacts on the system or market signals, makes the bilateral arrangement uneconomic.

Red Jar Energy Partners sees the benefits this proposed regulatory change has when targeting customers that are currently eligible for the Industrial Conservation Initiative (ICI). Under the new proposed framework, we understand that it would allow ICI customers to maintain the existing approach to GA,



respond to system peaks, and reduce their peak demand factor leveraging energy injected by an eligible renewable energy facility under a CPPA, as if it were supplied behind-the-meter. We are supportive of this change and believe the amendment would be effective in meeting your policy objectives. Specifically, these changes will enable an effective framework to allow corporation-to-corporation investment that will help support Ontario's urgent electricity system needs, create further options for loads to manage their electricity costs, and importantly, spur further economic development within Ontario.

While the initial regulatory posting signals a positive opportunity for CPPA's, there are certain elements of an effective CPPA structure that Red Jar Energy Partners would like to highlight.

Red Jar Energy Partners recommends that eligibility be broad enough to maintain flexibility for customer choice – both for loads and supply-side resources. The regulation should enable the inclusion of all renewable energy fuel types, energy storage facilities, including hybrids (i.e., renewables plus storage), and virtual hybrids (i.e., renewables plus stand-alone storage facilities not on-site, and expansions) and uprates of existing generators. This will allow the market to determine the resource solution and facilitate approaches that work best for customer energy needs, corporate targets, economic and electricity system drivers.

Aligned with maximizing customer choice above, **Red Jar Energy Partners wants to re-enforce the importance of including stand-alone storage facilities as an eligible resource to participate in CPPA's.** We believe enabling stand-alone or virtual storage will encourage significant benefits that would not be realized by only enabling energy supply facilities.

Virtual and stand-alone storage facilities will provide benefits to loads and the electricity system itself, especially in regions of the province experiencing system constraints or growing electricity demand. While these storage facilities may be used partially at peak periods to align with ICI signals and offset demand at the top peaks of the year, the facilities will also be available to participate in the market, whether it be energy (Day-Ahead or Real-Time), Operating Reserve or ancillary services (voltage support and regulation). In the future the operation of these facilities will be aligned with changes introduced through the Market Renewal Program, including exposure to locational pricing. These market drivers should naturally focus investment of these stand-alone and virtual storage facilities to locations that have a system need, or energy deliverability.

In addition, when storage is physically located behind the meter on customer sites, it is very expensive to install the necessary parallel switching to enable continuous equipment operation. By enabling storage via CPPA's, the province will receive the same peak reduction benefits at lower overall cost.

However, we also appreciate the intentions to expand this initiative with appropriate policy guardrails, including managing the potential for cost shifts between Class A and other customer classes – as well as maintaining electricity system efficiencies. Red Jar believes these objectives could be satisfied with a **requirement for participating virtual, stand-alone storage facilities to be located within the same electrical zone as their CPPA loads**, with the expectation of providing grid services to meet system needs, as articulated above.

By enabling stand-alone or virtual storage, it will also allow loads without adequate on-site space (or other site constraints) to invest in clean energy resources that will support their participation in ICI,



avoiding on-site diesel or natural gas, and re-purpose Ontario's abundant clean electricity produced overnight to meet peak periods during the day.

Red Jar Energy Partners is generally supportive of the regulatory amendment and would be pleased to participate in next steps in the stakeholder engagement process, or to meet with provincial officials directly. As emphasized in our above feedback, we are seeking to maintain customer choice and flexibility for loads to contract with eligible generators or storage facilities. Given the significant needs that Ontario is facing in the coming years, we believe that this program, so long as it maintains stand-alone or virtual storage options, could work alongside existing IESO procurement initiatives and programs to enable corporate entities to further support the energy transition and economic investment in Ontario.

Red Jar would like to emphasize that the potential for new economic investment is not theoretical.

Under the right CPPA regulatory structure Red Jar Energy Partners is prepared to invest in new energy facilities today without direct investment from the province. We have existing site locations with fully approved System Impact Assessments, that we believe are primed and ready for CPPA funded facilities. We also know that this regulatory change can attract large investment to Ontario. As a result of this proposed regulatory amendment, initial discussions with an international company has led to direct interest in the Niagara region for a new battery equipment manufacturer. We believe that this regional clean energy hub, based solely around a CPPA, is a perfect example of what Ontario is seeking through the proposed regulatory amendment.

Please do not hesitate to reach out for further discussions on our feedback outlined above.

Sincerely,

A handwritten signature in black ink, appearing to read "Ron Dizy", with a stylized flourish at the end.

Ron Dizy

President & CEO

Red Jar Energy Partners