

## CanREA Submission on Corporate PPA Regulatory Amendments

June 21, 2024

### Re: Ontario Regulation 429/04 Amendments Related to the Treatment of Corporate Power Purchase Agreements (ERO number: 019-8666)

The Canadian Renewable Energy Association (CanREA) would like to thank the Ministry of Energy and Electrification for the opportunity to review the draft proposed amendments and submit a second round of comments regarding *Ontario Regulation 429/04 Amendments Related to the Treatment of Corporate Power Purchase Agreements*.

CanREA is the voice for wind energy, solar energy and energy storage solutions that will power Canada's energy future. We work to create the conditions for a modern energy system through stakeholder advocacy and public engagement. Our more than 300 diverse members are uniquely positioned to deliver clean, low-cost, reliable, flexible and scalable solutions to meet the needs of Ontario's industry and Ontario's electricity grid.

CanREA and its members would like to thank the Ministry for proposing to enable corporate power purchase agreements (CPPAs) in Ontario. However, as currently drafted, we are concerned that the proposal is overly restrictive, not likely an attractive vehicle for new investors and existing load customers, and will **likely result in minimal, if any, CPPA uptake**. For example, not allowing hybrid energy storage-renewable generation facilities, limiting eligible loads and generators to IESO-market participants, requiring a copy of the PPA to be provided to the IESO, and potential requirements for municipal support resolutions and land use restrictions will all act as disincentives for corporate buyers and new generation facilities to participate.

The proposal's stated aim is to "support the growth of new clean generation in the province" and "facilitate access to non-emitting electricity supplies for large customers and, as a result, provide businesses with more choice in how they pursue their environmental and sustainability goals. Greater customer access to clean electricity will create more competition in the renewable market that would help reduce overall generation costs and lower emissions." As currently drafted, CanREA believes that this stated aim will not be achieved. We believe that changes are needed to set the proposal up for success.

CanREA and its members want this proposal to succeed. Current and future Ontario industrial load customers want a viable proposal that meaningfully enables CPPAs in Ontario. There is great value to the Ontario electricity sector and Ontario industry by providing a useful framework which incentivizes suppliers and load customers to enter into CPPAs. It broadens the base of customers for suppliers in Ontario beyond the single-buyer IESO. It provides an opportunity for Ontario load customers to affordably purchase 100% clean supply and contribute to their ESG goals. It supports Ontario's power system with expected growth rates exceeding 2% annually by injecting private investment into the grid outside of IESO procurements.

To set this proposal up for success, CanREA would like to submit the following recommendations for consideration:



- 1. Eligibility:** Standalone battery storage and hybrid battery storage-renewable generation facilities need be included as eligible technologies under the proposal – these will be critical to enable CPPA uptake in Ontario. Existing renewable generation facilities coming off contract should also be eligible. For hybrids, both of the following should be eligible under the proposal: facilities with renewable generation and battery storage 1) co-located on the generation site and 2) connected at different parts of the grid. Eligible loads and generators should not be limited to IESO market participants only, and should be expanded beyond Class A load customers to maximize the opportunity that CPPAs provide to Ontario consumers and businesses.
- 2. Flexibility:** The proposal should allow as much flexibility between buyers and suppliers as possible. Market efficiencies between buyers and suppliers will optimize costs, economies of scale and potentially unlock innovative solutions that may not be contemplated under prescriptive regulation. For example, a load should be able to contract with multiple suppliers located in Ontario. A supplier should be able to contract with multiple loads located in Ontario. The amendments should include facilities that are partially contracted – for example, a supplier should be able to sell part of the capability of the facility into IESO-administered markets and other parts and products to loads via CPPAs. Do not impose limits on project size or total participation. This would arbitrarily inhibit good projects from getting built and create uncertainty in the market. All of the above scenarios are best managed by the parties to the agreement.
- 3. Municipal support:** This should not be a requirement under the proposal. We believe that in the case of a CPPA, issues such as community support and engagement and the potential risks associated with them are best managed by the parties to the agreement.
- 4. Prime Agricultural Areas potential restrictions:** This should not be a requirement under the proposal. In the case of a CPPA, projects must already abide by all current provincial land-use policies, permitting and related regulations. Any potential associated risks are best managed by the parties to the agreement. No additional land-use restrictions should be imposed.
- 5. Potential to require a copy of the PPA agreement be provided to the IESO:** This should not be included in the proposal. CPPA agreements should be treated as private and confidential between buyers and suppliers.
- 6. Financial settlement:** The proposal should provide load customers who have entered into CPPAs the option to choose how they would like to have their ICI Peak Demand Factor calculated. That is, load customers would have the option to have their ICI Peak Demand Factor calculated based on (a) the top five peak hours (as detailed in the current proposal); or (b) the volumetric difference between total customer energy consumption and total renewable facility energy production over the one-year base period. Under option (b), load customers that secure their own clean energy supply over the base period and reduce their dependence on Ontario's existing supply would only pay Global Adjustment for their annual consumption in excess of the renewable energy production they have secured via their CPPA(s). We believe this option would support load customers' clean energy and ESG objectives, provide additional Ontario generation resources that are not added to the Global Adjustment pool for cost recovery, provide additional energy to support Ontario's future clean electricity needs, and supplement the peak reduction benefits of the current proposal.

- 7. Investor confidence and certainty:** For the proposal to be utilized, buyers, renewable energy developers and prospective financiers need confidence and certainty that the proposed amendments and current ICI program will endure over the long term. To the extent that the government can signal future certainty for elements supporting the CPPAs in the proposed amendments and related communications, it would help garner a positive investor climate for both loads and suppliers alike.
- 8. Regular program review:** We recommend allowing the market to identify which projects could affordably move forward, with a pre-determined program review to ensure the program is effective at enabling the level of participation and economic growth and investment Ontario is hoping to incentivize. To alleviate potential barriers to participation due to program risk for buyers and sellers, the Ministry may consider conducting a review of the regulation one year after it takes effect, based on program goals and uptake. To be clear, the review should not make any amendments to the framework that would impact buyers and suppliers who have already entered into CPPAs.

CanREA urges the Ministry to revise its proposed amendments to O. Reg. 429/04 to truly enable CPPAs in Ontario and provide a complete and clear picture so potential buyers and sellers can properly assess the risks and opportunities associated with entering into CPPAs. We ask the Ministry to publicly post such revised proposed regulatory amendments and implement a third round of stakeholder review and feedback.

We would welcome discussion with the Ministry on the proposed restrictions to better understand the reasoning behind them and to work together to develop alternatives that would truly enable CPPAs and new clean energy supply while addressing the Ministry's concerns. Please contact Eric Muller at [emuller@renewablesassociation.ca](mailto:emuller@renewablesassociation.ca) to provide your up-to-date availability.